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Washington State FSA Updates

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Next State Committee Meeting: Nov. 5-6, 2014

Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) Program

Updating Acres and Yields

The timelines for certain actions and decisions for the new ARC/PLC program have been announced. The base acre reallocation and yield update period is **September 29, 2014 tthrough February 27, 2015**. Owners may now take advantage of the one-time opportunity to reallocate the farm's base acres and/or update counter-cyclical (CC) yields. Owners may choose to retain base acres in effect on September 30, 2013 **or** to reallocate bases in the same proportion to the 4-year average of acres that were planted to covered commodities on the farm during the crop years 2009 thru 2012. Yield updates may be done on a crop by crop basis. Yields will be based on 90 percent of the farm's 2008 through 2012 average per acre yield. One owner signs the Base Acre Reallocation and Yield Update form, certifying that all owners agree to the decision. This person must be a current owner of the farm at the time the form is signed. After February 27 this will become an irrevocable decision through 2018 and possibly beyond, so it is critical that all owners agree on the decision before one signs.

Selecting Program Participation

The ARC/PLC election period will be **November 17, 2014 through March 31, 2015**. After the owners have made base and yield decisions, all producers with a share of production on the farm will make the program election for the 2014 through 2018 crop years. The producers may choose PLC or ARC County (ARC-CO) on a covered commodity-by-commodity basis, or they may choose ARC Individual (ARC-IC) for all covered commodities on the farm. Failure of the producers on the farm to agree to an election will result in a default election to PLC and the elimination of any 2014 payments.

Program Options

1. The PLC program is not dependent on plantings of covered commodities. Benefits are earned only for price reductions, not for losses of production. Payments are issued when the effective price of a covered commodity is less than the reference price for that commodity. The PLC payment is equal to 85% of the base acres times the difference between the reference price and the effective price times the PLC payment yield for the covered commodity. The effective price equals the higher of the market year national average price or the national average loan rate. Reference prices are statutory and are effective for the 2014 Farm Bill. The reference price for wheat is $5.50, barley is $4.95, and corn is $3.70. Additional reference prices may be found at: http://www.fsa.usda.gov/Internet/FSA_File/2014_plc.pdf

2. ARC-CO is a shallow revenue loss program based on actual county crop revenue of a covered commodity and is not dependent on plantings of the covered commodity on the farm. Payments are issued when the actual county crop revenue is less than the ARC-CO guarantee. The guarantee equals 86% of an Olympic average of the prior 5-year national market average price times an Olympic average of the prior 5-year county yield. The payment is equal to 85% of the base acres of the covered commodity times the difference between the county guarantee and the actual county crop revenue for the covered commodity. Payments may not exceed 10% of the ARC guarantee price times the ARC county guarantee yield.

3. ARC-IC is a shallow revenue loss program based on the individual producer's ARC-IC farm and is dependent on plantings of the covered commodity on the farm. Payments are issued when the actual ARC-IC revenue, summed across all covered commodities on the producer's interest in all ARC-IC farms in the state, is less than the ARC-IC guarantee. The farm's ARC-IC guarantee equals 86% of the farm's individual benchmark guarantee, calculated as the 5-year Olympic average of a producer's annual benchmark revenue for each covered commodity. The revenue calculations use the participant's individual farm yields and national average market prices. These revenues are averaged across all crops on the farm, based on plantings, to obtain the revenue guarantee. Actual revenue is computed similarly. The ARC-IC payment equals 65% of the sum of the base acres of all covered commodities on the farm, times the difference between the individual guarantee revenue and the actual individual crop revenue across all covered commodities planted on the farm. Payments may not exceed 10% of the individual benchmark revenue.

Additional Details

Persons granted power of attorney may sign ARC-PLC documents, including base reallocation and yield updates, program elections, and enrollment contracts. FSA-211, Power of Attorney, that were on file prior to the 2014 Farm Bill will be valid if the boxes for "All current and all future programs" and "All actions" are checked.

Provisions for planting flexibility allow for planting of fruits, vegetables (FAV) and wild rice (WR) without violations. However, acre for acre payment reductions will apply to FAV or WR planted on payment acres.

Help with Program Understanding

FSA and WSU Extension will be conducting informational meetings. FSA will publicize the dates and locations as they have been finalized. They will be posted on the Washington FSA home page at http://www.fsa.usda.gov/wa

More information on the ARC-PLC programs, including base reallocation and yield update tools, may be found at: http://www.fsa.usda.gov/FSA/webapp?area=home&subject=arpl&topic=landing. Producer webtools for estimating ARC and PLC benefits are also available at this site. These tools were developed by the University of Illinois and Texas A&M in conjunction with FSA.

Farm Bill Offers More Financing Flexibility

The 2014 Farm Bill offers increased opportunities for producers including farm loan program modifications that create flexibility for new and existing farmers. A fact sheet outlining modifications to the U.S. Department of Agriculture's (USDA) Farm Service Agency (FSA) Farm Loan Programs is available here.

The Farm Bill expands lending opportunities for thousands of farmers and ranchers to begin and continue operations, including greater flexibility in determining eligibility, raising loan limits, and emphasizing beginning and socially disadvantaged producers.

Changes that will take effect immediately include:

- Elimination of the 15-year term limit for guaranteed operating loans.
- Modification of the definition of beginning farmer, using the average farm size for the county as a qualifier instead of the median farm size.
- Modification of the Joint Financing Direct Farm Ownership interest rate to 2 percent less than regular Direct Farm Ownership rate, with a floor of 2.5 percent. Previously, the rate was established at 5 percent.
- Increase of the maximum loan amount for Direct Farm Ownership Down Payment Loan Program from $225,000 to $300,000.
- Elimination of rural residency requirement for Youth Loans, allowing urban youth to benefit.
- Debt forgiveness on Youth Loans, which will not prevent borrowers from obtaining additional loans from the federal government.
- Increase of the guaranteed percentage on Conservation Loans from 75 to 80 percent and 90 percent for socially disadvantaged borrowers and beginning farmers.
- Microloans will not count toward direct operating loan term limits for veterans and beginning farmers.

Additional modifications must be implemented through the rulemaking processes. Visit the FSA Farm Bill website for detailed information and updates to farm loan programs.

Commodity Loans and LDPs Open Marketing Options

With the harvest winding down, FSA wants to remind farmers and ranchers about the availability of commodity loans and loan deficiency payments (LDP). Commodity loans are a marketing tool allowing an influx of cash for operating expenses using the crop as collateral. This allows you to delay sale of the crop until more favorable conditions emerge, rather than selling the crop soon after harvest, when prices are traditionally at their lowest. The LDPs are a direct payment made in lieu of a commodity loan and are available when the Commodity Credit Corporation determined value (the lesser of the 30 day or 5 day average terminal market price for the crop adjusted for differentials and market adjustments) falls below the county loan rate. To be eligible for an LDP, you must have form CCC-633EZ on file at your local county office before you lose beneficial interest in your crop.

Eligible crops for loan or LDP are barley, corn, honey, oats, grain sorghum, oilseeds (canola, crambe, flaxseed, mustard, rapeseed, safflower seed, sesame seed, soybeans, sunflower seeds), pulse crops (chickpeas, dry peas, lentils), wheat, wool, mohair and unshorn pelts located in an approved farm or warehouse storage.

National and county loan rates can be found here. Daily LDP rates can be found here.

Crop Insurance Subsidy Ties to Conservation Compliance

Producers with Federal Crop Insurance must comply with conservation compliance (highly erodible land and wetland conservation) to be eligible for the federal subsidies for your insurance. Beginning with the 2016 crop insurance year, you must file, or already have on file, a conservation compliance certification (AD-1026) with FSA by June 1, 2015. AD-1026s filed in a prior year remain in effect, provided none of the information has changed. If you have participated in FSA or NRCS programs under the last farm bill and have no changes to your AD-1026 on file, you will meet the crop insurance requirements for conservation compliance.

You do not need to submit proof you meet conservation compliance to your insurance company or agent. FSA will provide electronic confirmation to the Risk Management Agency (RMA) that a producer meets these requirements, and RMA will in turn notify insurance companies.

Acreage Reporting Reminder

Producers of fall seeded crops are reminded to report your planted acreages as soon as possible after planting but before December 15, 2014.

Fruit growers should also be preparing to deliver your acreage data to county office before the Jan 15, 2015.

Acreage reports are necessary for participation in many federal farm programs. Late-filed fees may be assessed for missed deadlines.

Important Dates and Deadlines

- November 3, 2014 County committee election ballots are mailed to voters.
- November 17, 2014 ARC/PLC program selection begins.
- November 20, 2014 deadline to apply for 2015 crop year Non-insured Crop Disaster Assistance (NAP) coverage of asparagus, berries, grapes, honey, hops, tree fruits and nuts.
- November 28, 2014 deadline to apply for calendar year 2014 and/or 2015 of the MPP-Dairy program.