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Agricultural Act of 2014

Farm Bill Update

From the State Executive Director

Earlier this year, the long-awaited Agricultural Act of 2014 - also known as the Farm Bill - was passed by Congress and signed by the President. Within 90 days of passage, Farm Service Agency implemented provisions to assist those who suffered livestock or forage losses. Many of the changes to the Conservation Reserve Program have been put in place, and the Agricultural Risk Coverage and Price Loss Coverage (ARC/PLC) programs are now being implemented. The Direct and Counter-Cyclical Program (DCP) has been replaced by ARC/PLC. By replacing DCP, producers are no longer eligible to receive annual fixed direct payments. Payments will only be made under ARC/PLC if the crop or farm has suffered price and/or revenue losses in the applicable crop year.

In August, FSA mailed information related to the ARC/PLC program to owners and operators that have farms with crop base acres. Those letters contained crop base and yield information along with the farm's planting history for the years of 2009 – 2012. The ARC/PLC program provides an opportunity to make a base acre reallocation, yield update, program election and enrollment, each of which are explained in this newsletter. You will be making these important program decisions in the next couple of months and they will be effective for the entire five years of this Farm Bill. Please take time to read this newsletter and attend one of our upcoming informational meetings. You may also contact your county office with any questions you may have.

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Agriculture Risk Coverage and Price Loss Coverage Overview

The Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs authorized by the Agricultural Act of 2014 (the 2014 farm bill) combine provisions from previous programs delivered by FSA (the Direct and Counter-cyclical (DCP)Program , the Average Crop Revenue Election (ACRE) program, and the Supplemental Revenue Assistance (SURE) Program) with revenue insurance delivered by the Risk Management Agency. Similar to DCP, ARC/PLC payments are decoupled. That is, payments are determined using a farm's base acres; actual plantings are not used to calculate payments, with certain exceptions.

The 2014 Farm Bill authorizes three program election options: PLC, ARC-County (ARC-CO) and ARC-Individual (ARC-IC). PLC payments are issued when the effective price of a covered commodity is less than the respective reference price for that commodity established in the statute for 2014-2018 crops. ARC-CO payments are issued when the actual county crop revenue of a covered commodity is less than the ARC-CO guarantee for the covered commodity. ARC-IC payments are issued when actual ARC-IC revenue, summed across all covered commodities on the farm, is less than the associated ARC-IC guarantee. ARC and PLC are available for the following covered commodities: wheat, oats, barley, corn, grain sorghum, rice, soybeans, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe, sesame seed, dry peas, lentils, small chickpeas, large chickpeas and peanuts.

Producers must make a one-time decision to retain or reallocate crop bases, to retain or update program payment yields and select the type of coverage (price protection, county revenue protection, and/or individual revenue protection) for the 2014-18 crop years. The process to complete the base and yield update decision, election of program and enrollment into the ARC/PLC program is outlined below and is a multi-step process that will begin this fall, with enrollment occurring in 2015, and the first payments being issued October 2015.

Step 1: Base Acre Reallocation and Yield Update (Fall of 2014)

Owners of farms have a one-time opportunity to: (1) retain the farm's 2013 base acres; or (2) reallocate base acres. The choice to reallocate base acres on the farm is to change the mix of crop bases to reflect plantings in the 2009 – 2012 crop years. The total base acres on the farm cannot be increased from the 2013 farm's total crop base acres. Farm owners will also be provided a one-time opportunity to (1) update the program payment yields based on 90 percent of the farm's 2008-2012 average yield per planted acre, excluding any year when no acreage was planted to the covered commodity; or (2) retain the farm's 2013 counter-cyclical (CC) yields.

On July 30, 2014, FSA mailed letters to landowners and operators of farms with base acres that will provide a farm summary of covered commodities planted or considered planted (P&CP) during the 2009-2012 crop years. The letter also contains the farm's 2013 crop bases along with the each crops CC yield. Owners will have the opportunity to update crop bases through reallocation using the 2009 – 2012 planting history or update the CC yields providing crop insurance records (or other verifiable documentation) are available to support those updates. These records will be used by landowners if they elect to reallocate their base acres or update the farm's yields.

Late filed acreage reports for crop years 2009-2012 will be accepted providing certain criteria are met.

Producers with a current FSA-211, Power of Attorney, on file with FSA will be able to use that document for FSA signature authority purposes for programs authorized by the 2014 Farm Bill providing "all current and all future programs" was selected on the form.

Base Acre Reallocation

Owners will be given the opportunity to reallocate the farm's base acres based on a proration of each covered commodity planted or considered planted acres to the total acres of all covered commodities planted or considered planted during 2009 through 2012. If a farm elects to reallocate base acres, the TOTAL number of base acres cannot increase.

Example: If a farm has 500 base acres of wheat, but had switched to planting 50 percent of the acres to corn and 50 percent of the acres to soybeans during 2009-12, then the farm has the option to maintain the 500 base acres of wheat or reallocate the base acres to 250 acres of corn and 250 acres of soybeans.

Yield Update

Owners will also be provided a one-time opportunity to update the program payment yields for each covered commodity using 90 percent of the farm's 2008-2012 average yield per planted acre, excluding any year in which the covered commodity was not planted. Farms with yields in any of the 2008-12 years that are less than 75 percent of the county average yield can substitute that low yield(s) with a yield equal to 75 percent of the county average yield. Program payment yields are used to determine payments only for PLC. However, owners have the option of updating yields regardless of program participation – PLC, ARC-CO or ARC-IC.

The decision to update yields can be made on a covered commodity-by-covered commodity basis. If the landowner chooses not to update the farm yields and/or does not make the necessary updates before the deadline, the farm's 2013 counter-cyclical (CC) yields will be carried forward as the payment yields for 2014-18. The 2014 farm bill yield, whether retained or updated, will be referred to as the PLC yield.

If an owner chooses to update the yield on the farm, FSA will accept a certified yield for each year the crop was planted on the farm during the 2008 – 2012 crop years. Data that can be used to support the certified yield is data the producer submitted to RMA during that time period. RMA data can include either yields used to calculate losses or the yields used to calculate the crop's APH yield. The RMA APH yield by itself cannot be used. Other yield evidence to support the certified yield that is considered acceptable includes but is not limited to: appraisals, sold production, stored production that is measured, fed production if measured or weighed prior to feeding.

Step 2: ARC/PLC Election (Fall/Winter 2014/2015):

All of the producers and owners with a share of production on a farm must make a one-time, unanimous election of: (1) PLC/ARC-CO on a covered-commodity-by-covered-commodity basis; or (2) ARC-IC for all covered commodities on the farm. If the producers and owners with a share of production on the farm elect PLC/ARC-CO, the producers and owners must also make a one-time election to select which covered commodities on the farm are enrolled in PLC and those that are enrolled in ARC-CO. Alternatively, if ARC–IC is selected, then every covered commodity planted on the farm must participate in ARC-IC. The election between PLC/ARC-CO and ARC-IC is in effect for the 2014-2018 crop years.

If producers and owners with a share of production on a farm fail to make a valid election during the prescribed election period, the farm will be ineligible for any 2014 payments and the farm will be deemed to have elected PLC starting in the 2015 crop year. Election is not enrollment. Producers must still enroll their farm to receive annual program benefits.

Step 3: ARC/PLC Enrollment (Early 2015):

Producers will sign contracts to participate in ARC/PLC for 2014 and 2015 program years in early 2015. Enrollment for each FSA farm must be completed annually.

Step 4: ARC/PLC Payments (October 2015 for the 2014 crops):

Payments for ARC and PLC are issued after the end of the respective crop year, but not before October 1. Payments for 2014 ARC and PLC, if any, will be issued beginning October 2015.

If the sum of the base acres on a farm is 10 acres or less, a producer on that farm may not receive ARC or PLC payments, unless the producer is a socially disadvantaged farmer or rancher or is a limited resource farmer or rancher.

Producers who participate in ARC and PLC programs are subject to an acre-for-acre payment reduction when fruits and nuts, vegetables (FAVs) or wild rice (WR) are planted on the payment acres of a farm. Payment reductions do not apply to mung beans, dry peas, lentils or chickpeas. Planting FAVs on acres that are not considered payment acres will not result in a payment reduction. Farms that are eligible to participate in ARC/PLC but are not enrolled for a particular year may plant unlimited FAVs for that year but will not receive ARC/PLC payments for that year. Eligibility for succeeding years is not affected.

Starting in the 2014 crop year, a planting history of fruits and vegetables is no longer required to plant those crops on a farm's payment acres. However, planting and harvesting fruits, vegetables and wild rice on ARC/PLC acreage is subject to the acre-for-acre payment reduction when those crops are planted on either more than 15 percent of the base acres of a farm enrolled in ARC using the county coverage or PLC, or more than 35 percent of the base acres of a farm enrolled in ARC using the individual coverage.

Price Loss Coverage Provisions

PLC payments are issued when the effective price of a covered commodity is less than the respective reference price for that commodity established in the statute for 2014-2018 crops. The effective price equals the higher of the market year average price or the national average loan rate. The PLC payment is equal to 85 percent of the base acres of the covered commodity times the difference between the reference price and the effective price times the PLC payment yield for the covered commodity. There is no requirement to plant the crop with base acres to receive the PLC payment.

PLC Payment Example: Farm has 100 base acres of corn with a payment yield of 150 bushels per acre. The payment rate is $0.05 per bushel (the difference between the $3.70 reference price and a hypothetical $3.65 farm price). The farm's payment would be 85 percent of 100 base acres times 150 bushel program yield times $0.05, or $637.50.

Producers enrolling in PLC, and who also participate in the federal crop insurance program, may, beginning with the 2015 crop, make the annual choice as to whether to purchase additional crop insurance coverage called the Supplemental Coverage Option (SCO), if available. (USDA's Risk Management Agency administers the federal crop insurance program.) SCO provides the producer the option of covering a portion of his or her crop insurance deductible and is based on expected county yields or revenue. The cost of SCO is subsidized and indemnities are determined by the yield or revenue loss for the county or area. Crop acreage for which the producer has elected to receive ARC are not eligible to purchase SCO.

Producers who enroll their 2015 crop of winter wheat in SCO may elect to withdraw from SCO prior to their acreage reporting date without any penalty. This allows producers additional

2014-2018 Reference Prices, National Loan Rates and Maximum PLC Payment Rates for Covered Commodities

Crop	Reference Prices	National Loan Rates	Maximum PLC Rate
Barley **1/**	$4.95 / bu.	$1.95 / bu.	$3.00 / bu.
Chickpeas, Large (Garbanzo Bean, Kabuli)	$21.54 / cwt.	$11.28 / cwt.	$10.26 / cwt.
Chickpeas, Small (Garbanzo Bean, Desi)	$19.004 / cwt.	$7.43 / cwt.	$11.61 / cwt.
Corn	$3.70 / bu.	$1.95 / bu.	$1.75 / bu.
Dry Peas	$11.00 / cwt.	$5.40 / cwt.	$5.60 / cwt.
Grain Sorghum	$3.95 / bu.	$1.95 / bu.	$2.00 / bu.
Lentils	$19.97 / cwt.	$11.28 / cwt.	$8.69 / cwt.
Oats	$2.40 / bu.	$1.39 / bu.	$1.001 / bu.
Canola	$20.15 / cwt.	$10.09 / cwt.	$10.06 / cwt.
Crambe	$20.15 / cwt.	$10.09 / cwt.	$10.06 / cwt.
Flaxseed	$11.28 / bu.	$5.65 / bu.	$5.63 / bu.
Mustard	$20.15 / cwt.	$10.09 / cwt.	$10.06 / cwt.
Rapeseed	$20.15 / cwt.	$10.09 / cwt.	$10.06 / cwt.
Safflower	$20.15 / cwt.	$10.09 / cwt.	$10.06 / cwt.
Sesame Seed	$20.15 / cwt.	$10.09 / cwt.	$10.06 / cwt.
Sunflower	$20.15 / cwt.	$10.09 / cwt.	$10.06 / cwt.
Soybeans	$8.40 / bu.	$5.00 / bu.	$3.40 / bu.
Wheat	$5.50 / bu.	$2.94 / bu.	$2.56 / bu.

1/ Barley price is based on the price of "all barley". Previously, the price was based on the "feed barley" price.

time to make an informed ARC/PLC participation decision. If they choose ARC, they will not be charged a crop insurance premium so long as they withdraw from SCO prior to their acreage reporting date.

County Agricultural Risk Coverage (ARC–CO) Provisions

ARC – CO payments are issued when the actual county crop revenue of a covered commodity is less than the ARC-CO guarantee for the covered commodity. The ARC-CO guarantee equals 86 percent of the previous five-year market year average price, excluding the years with the highest and lowest price (the ARC benchmark price), times the five-year average county yield, excluding the years with the highest and lowest yield (the ARC county benchmark yield). The payment is equal to 85 percent 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. There is no requirement to plant the crop with base acres to receive the ARC-CO payment.

ARC-CO Payment Example: Farm has 100 base acres of corn. A hypothetical county ARC guarantee for corn is $700 per acre and the actual county crop revenue is $690; the difference of $10 is the payment rate. The farm's payment would be 85 percent of 100 base acres times $10, or $850.

Individual Agriculture Risk Coverage (ARC–IC) Provisions

ARC-IC payments are issued when actual ARC-IC revenue, summed across all covered commodities on the farm, is less than the associated ARC-IC guarantee. The farm for ARC-IC purposes is the sum of the producer's interest in all ARC-IC farms in the state. The farm's ARC individual guarantee equals 86 percent of the farm's benchmark, defined as the five-year average of a producer's annual benchmark revenue for each commodity, excluding the high and low annual revenues. The resulting 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 percent 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 percent of the ARC-IC benchmark revenue. At least one or more covered commodities must be planted on the farm to receive an ARC-IC payment.

ARC-IC Payment Example: Farm has 100 base acres of corn. A hypothetical farm ARC guarantee for corn is $700 per acre and the actual farm crop revenue is $690; the difference of $10 is the payment rate. The farm's payment would be 65 percent of 100 base acres times $10, or $650.

Projected ARC/PLC payment rates based on 2014 price projections may be found on the National ARC/PLC website.