The Agricultural Act of 2014

February 2014

2014 Farm Bill

RCIS®

2014 Farm Bill

- Covers crop years 2014-2018
- Eliminates DCP and ACRE
- Creates a new revenue program
- Creates a new price support program
- Completely re-worked the dairy program
- Creates a new insurance option

    (supplemental coverage option)

2014 Farm Bill

Three New Programs Established

- Agricultural Risk Coverage (ARC) – delivered by FSA
- Price Loss Coverage (PLC) – delivered by FSA
- Supplemental Coverage Option (SCO) – delivered by crop insurance agent

2014 Farm Bill

- Payments That Are Eliminated
- Direct payments
- Counter-cyclical payments
  - replaced by Price Loss Coverage program
- ACRE payments
  - replaced by Agricultural Risk Coverage program

2014 Farm Bill – FSA

A. Agricultural Risk Coverage (ARC)

a) county option

or

b) farm option

or

B. Price Loss Coverage (PLC)

2014 Farm Bill – FSA

- You must sign-up for either ARC or PLC this year (sign-up may be mid winter 2014- 15)
- Failure to enroll in 2014 will result in No payments for 2014 (no default option for 2014)
- Failure to enroll in 2014 will result in a default to PLC for 2015-2018
- Decision on the program must be unanimous for the FSA Farm

2014 Farm Bill – FSA

- One-time chance to reallocate current base to the average planted and prevented planted acres in 2009-2012
  - can not exceed current base
- One-time chance to update base yields to 90% of the average Per planted acre for the crop for the 2008-2012 yields for PLC only

2014 Farm Bill – ARC

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If You Choose ARC – County Option

- You make this election crop-by-crop
- May choose ARC for some crops and PLC for other crops
- Payment acres are 85% of base acres

2014 Farm Bill - ARC

County Option

- Benchmark revenue times 86% equals guaranteed revenue
    - benchmark revenue is the product of the Olympic average of the most recent 5 years' national average market price and the most recent 5 years' county yield
- Payment rate is guaranteed revenue minus actual county revenue up to a maximum of 10% of benchmark revenue
- Payment rate times 85% of base acres

2014 Farm Bill – ARC

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- Corn - 5 Yr. National Ave. Price = $5.15
- $5.15 X 5 Yr. County Yld. (170) = $875.50
- $875.50 X 10% = $88 max ARC payment
- Soybean – 5 Yr. Nat. Ave. Price = $11.22
- $11.22 X 5 Yr. County Yld. (50) = $561.00
- $561.00 X 10% = $56 max ARC payment
- Plus Crop Insurance

2014 Farm Bill – ARC

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Farm Option

- All crops on that farm unit are combined
- Payment is based on whole farm revenue shortfall
- Payment is made on 65% of planted acres
- May not choose PLC for any crops
- Payment is made on 65% of base acres

2014 Farm Bill

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Payment Acres for Both ARC (county option) and PLC Will Be a Percent of Base Acres Not Planted Acres

- PLC 85% of base acres
- ARC (county) 85% of base acres
- ARC (farm) 65% of base acres*

*Payment rate for ARC (farm) is calculated from planted acres

2014 Farm Bill – ARC

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ARC – Farm Level

- Enrollment is by whole farm, not crop-by crop
- Based on the average of all covered commodities on the farm
- Similar to SURE
- Based on crops actually planted

2014 Farm Bill – PLC

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How Does Price Loss Coverage (PLC) work?

- Reference price minus national average market price equals payment rate
- Payment rate times payment yield times 85% times base acres

2014 Farm Bill – PLC

- Price Loss Coverage (PLC) Reference Prices

	Per Bushel		Per CWT.
Wheat	$5.50	Minor Oilseeds	$20.15
Corn	$3.70	Dry Peas	$11.00
Barley	$4.95	Lentils	$19.97
Grain Sorghum	$3.95	Small Chickpeas	$19.04
Soybeans	$8.40	Large Chickpeas	$21.54

PLC payment is made on the farm's base acres

2014 Farm Bill – PLC

RCIS

Payment Calculation for PLC

- Reference price minus national average market price = payment rate per bushel or hundredweight

Example: Corn base = 100 ac, payment yield = 150 bu, reference price = \$3.70, NAMP = \$3.40

\$3.70 - \$3.40 = \$0.30

\$0.30 x 150 bu x 100 ac x 85% = \$3825 or \$38.25 per acre

2014 Farm Bill – Crop Ins

RCIS®

Supplemental Coverage Option (SCO)

- Only for crops enrolled in the PLC
- Not available until 2015
- Purchased from crop insurance agency
- County level insurance
- Government pays 65% of the premium
- Must also have at least a CAT policy

2014 Farm Bill – Crop Ins

RCIS®

- Conservation compliance is linked to crop insurance
- Higher subsidies for enterprise units are made permanent
- Farmers who break native sod will have their premium subsidy reduced by 50% for 4 years. This applies only to MN, ND, SD, IA, MT and NE

2014 Farm Bill – Crop Ins

RCIS®

- Retains 60% yield adjustment and adds the ability to drop a yield from the database if the yield is less than 50% of the county average for that year
- Separate enterprise units for irrigated and non-irrigated
- Separate coverage levels for irrigated and non-irrigated

2014 Farm Bill – FSA

- ARC and PLC payments utilize national marketing year prices
- Payments likely won’t be made until Oct. the year after harvest
- Therefore, there won’t be any ARC or PLC payments in 2014 calendar year

2014 Farm Bill – FSA

- $125,000 each for a producer and a spouse ($250,000 total)
- The AGI cap for payment eligibility is $900,000

2014 Farm Bill Summary

RCIS

- ARC – actual crop revenue is less than the ARC guarantee, plus crop insurance coverage

- PLC – effective price for crop for the crop year is less than reference price, plus SCO, plus crop insurance coverage