

AGRICULTURAL ACT of 2014

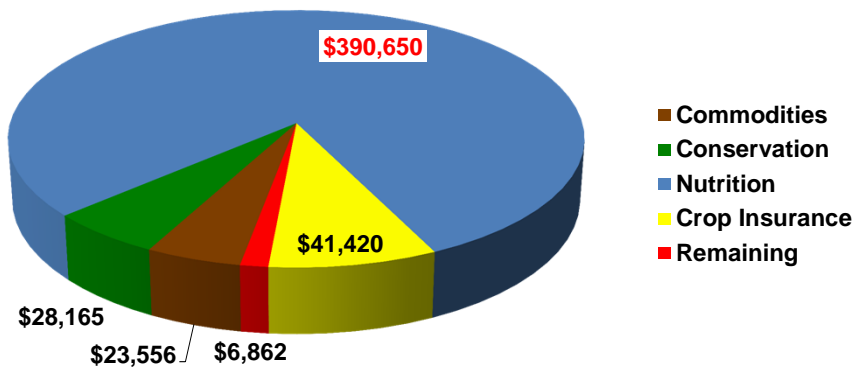


"It's like a Swiss Army knife."

- President Obama 2/7/14

Wes Harris

2014 – 2018
\$490,653



Repealed or Discontinued

- Direct Payments (DCP)
- Counter-Cyclical Payments (DCP)
- Average Crop Revenue Election (ACRE)
- Supplemental Revenue Assistance Payments (SURE – crop disaster)



ELECTION REQUIRED

- For the 2014 - 2018 crop years, all of the producers on a farm shall make a 1-time, *unanimous irrevocable election* to obtain:
- **Price loss coverage (PLC)** on a covered commodity-by-covered-commodity basis
 - or*
 - **Agriculture risk coverage (ARC)** based on:
 - County coverage applicable on a covered commodity-by-covered-commodity basis
 - or*
 - Individual coverage applicable to **all** of the covered commodities on the farm



Definitions

- Generic Base Acres:
 - Number of **cotton base acres** recognized by the 2008 Farm Bill
- Base Acres:
 - Number of covered commodity base acres on file by 2008 Farm Bill (subject to reallocation)
 - **any generic base acres planted to a covered commodity**
- Covered Commodities:
 - wheat, oats, barley (haying and grazing), corn, grain sorghum, rice, soybeans, other oil seeds, and **peanuts**



Reference Prices

➤ Peanuts	\$535.00 /ton
➤ Corn	\$3.70 /bu
➤ Soybeans	\$8.40 /bu
➤ Wheat	\$5.50 /bu
➤ Grain sorghum	\$3.95 /bu
➤ Barley	\$4.95 /bu
➤ Oats	\$2.40 /bu
➤ Rice	\$14.00 /cwt
➤ Other oilseeds	\$20.15 /cwt



Reallocation of Base Acres

- Retain base acres or reallocate base acres *other than any generic base acres*
- One time option and all owners agree
- Farm base in proportion to the ratio of the 4-year average of the acreage planted to each covered commodity for the 2009 through 2012 crop years (and prevented plantings) **to the 4-year average of total acreage planted** (and prevented planting)



Reallocation Example

Year	Peanuts	Corn	Soybeans	Planted Acreage
2009	30	10		40
2010	40			40
2011	40		10	50
2012	50			50
Average	40	2.5	2.5	45



Reallocation Example

- 2008 Base (100 acres):
 - Cotton (generic) 60 acres
 - Peanuts 30 acres
 - Soybeans 5 acres
 - Corn 5 acres
 - Total covered acres **40 acres**
- New Base:
 - Peanuts => $40/45 * 40$ = 35.6 acres
 - Corn => $2.5/45 * 40$ = 2.2 acres
 - Soybeans => $2.5/45 * 40$ = 2.2 acres
 - Total = **40.0 acres**



New Base Total must equal old Base Total Covered Acres

Updating Payment Yields

- One time, 2014, commodity by commodity for **Price Loss Coverage (PLC)** – or CCP yields
- Calculation:
 - **90%** of average yield per planted acre for covered commodity from 2008 - 2012 crop years, ***excluding any year with no acreage***



Payment Yield Update (PLC Program Election)

Year	Peanuts	Corn	Soybeans
2008		185	33
2009	3450	178	
2010		190	28
2011		165	
2012	3900	196	35
90% AVG	3308	165	29

Payment Acres

- For **PLC** and **ARC** (county) - payment acres for each covered commodity on a farm shall be equal to **85 percent of the base acres** for the covered commodity on the farm.
- For individual ARC: payment acres = **65%**



GENERIC BASE ACRES

- Price loss coverage (PLC) payments and agriculture risk coverage (ARC) payments can be made to **generic base acres that are planted to a covered commodity**
 - If a single crop is planted and the acreage planted **exceeds the generic base** acres, attribution is to the total number of generic base acres
 - If multiple crops are planted and the acres **exceeds the generic base**, the generic base acres reflect the **ratio** of the acreage planted to a crop; **to** the total acreage planted
 - If planted acres **does not exceed** the generic base acres, the number of acres planted is attributed to that crop



GENERIC BASE ACRES

- When generic base acres are planted to a covered commodity or acreage planted to a covered commodity is attributed to generic base acres, the generic base acres are **in addition to other base acres** on the farm
- FSA will apply your planted acres of covered commodities **directly to the available generic base acres when you certify** irrespective of any covered commodity base on the farm



Price Loss Coverage – PLC (H)

- When the **effective price** for the covered commodity is less than the **reference price** for the crop year.
- The **effective price** for a covered commodity for a crop year shall be the higher of:
 - National avg market price (12-month marketing year)
 - or**
 - the national avg loan rate (marketing assistance loan)
- Payment Rate =(reference price – effective price)
- Payment = PR * Payment Acres* Payment Yield
 - **October 1 payment date of the following crop year**



AGRICULTURE RISK COVERAGE PAYMENTS (ARC) (S)

- If producers on a farm elect to obtain agriculture risk coverage, payments for 2014 - 2018 crop years if:
 - the **actual crop revenue** determined under for the crop year; **is less than** the **ARC guarantee** for the crop year
- **Actual Crop Revenue**
 - ❖ County coverage: the amount of the actual crop revenue for a county is equal to the product obtained by multiplying:
 - the actual average county yield per planted acre **and**
 - the higher of:
 - the national average market price (12-mo marketing year)
 - or**
 - the national average loan rate (marketing assistance loan)



ARC GUARANTEE

- The agriculture risk coverage guarantee for a crop year for a covered commodity is equal to **86% of the benchmark revenue**
- Benchmark Revenue For County Coverage
 - The benchmark revenue is the product of:
 - ✓ the **olympic average county yield** for the last 5 crop years **and** the **olympic national average market price** for the last 5 crop years
 - ◇ USDA to calculate separate actual crop revenue and ARC guarantee for **irrigated** and **nonirrigated**



ARC Individual Coverage

- The amount of the actual crop revenue (ACR) for each crop, the product of:
 - the total production **and**
 - the higher of: the national average market price
or
the national average loan rate
- The sum of the revenues for all crops on the farm divided by the the total planted acres of all covered commodities = ACR



Benchmark Revenue For Individual Coverage

- For each covered commodity for each of the most recent 5 crop years, the product obtained by multiplying:
 - the yield per planted acre for the covered commodity on such farms, **and**
 - the national average market price for the marketing year
- The olympic average is determined for the revenues
- For 2014 - 2018 crop years, the sum of the revenues for all crops, but **adjusted** to reflect the ratio between the total number of acres planted to a crop and the total acres of all crops planted on farm



Benchmark Revenue For Individual Coverage

- If the yield per planted acre or the historical county yield per planted acre for any of the 5 most recent crop years is less than 70% the T yield, the amounts used for any of those years shall be 70% of the T yield
- If the national average market price marketing year for any of the 5 most recent crop years is lower than the reference price; the reference price will be used



ARC Payment

- The payment rate for **county coverage**, or individual coverage, is equal to the lesser of:
 - the amount the agriculture risk coverage guarantee **exceeds** the actual crop revenue **or 10 percent of the benchmark revenue**
- If agriculture risk coverage payments are triggered, payment is determined by multiplying:
 - the payment rate determined **and**
 - the payment acres
(**85%** {or 65%} of base + generic planted)



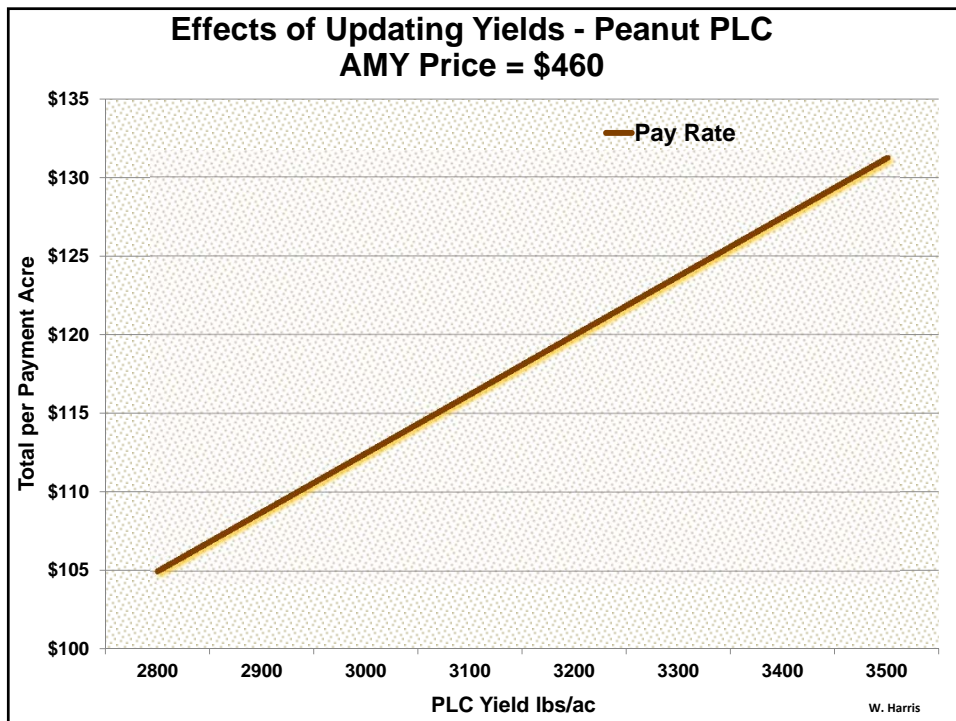
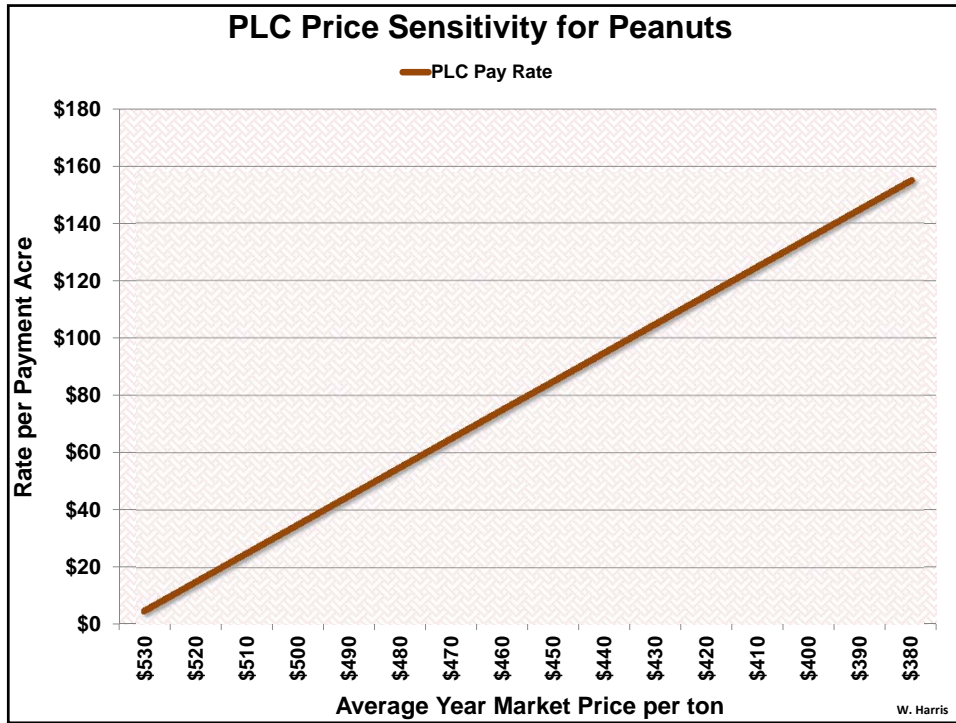
October 1st of following crop year

ARC vs PLC

Commodity	Reference Price	2014 Projected
Peanuts	\$535.00 /ton	\$450/ton*
Corn	\$3.70 /bu	\$4.50/bu
Soybeans	\$8.40 /bu	\$12.70/bu
Wheat	\$5.50 /bu	\$6.80/bu



*Speculation at best



ARC Possible 2014*

Commodity	Avg Price \$/bu	Avg Yield bu/ac	86% Benchmark	Proj Price	Proj Revenue	ARC Pay Rate
Corn	\$5.27	151.6	\$687	\$4.50	\$682	\$5.00
Soybean	\$12.10	32.0	\$333	\$12.70	\$406	0
Wheat	\$6.58	48.7	\$275	\$6.80	\$331	0
Peanuts	\$540 /ton	1.75 t/ac	\$809	\$460	\$805	\$4.00

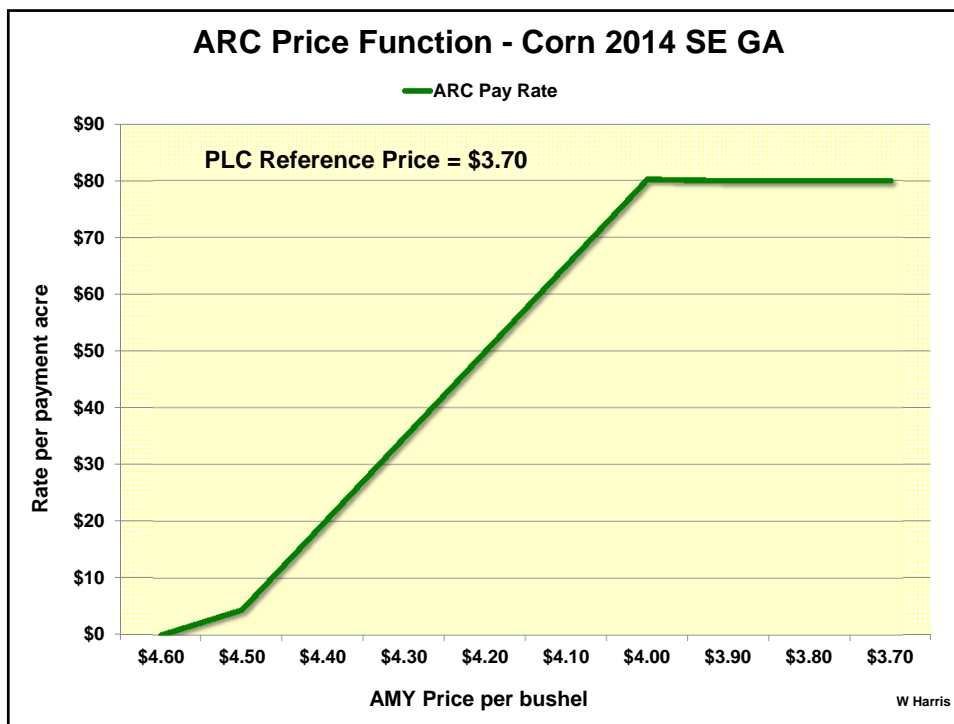


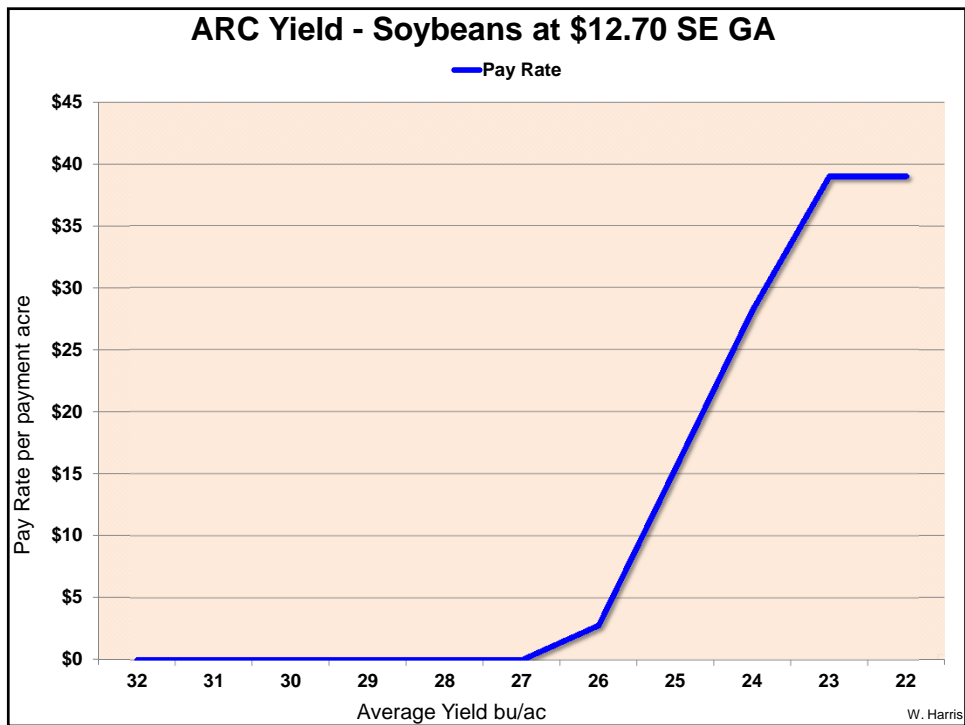
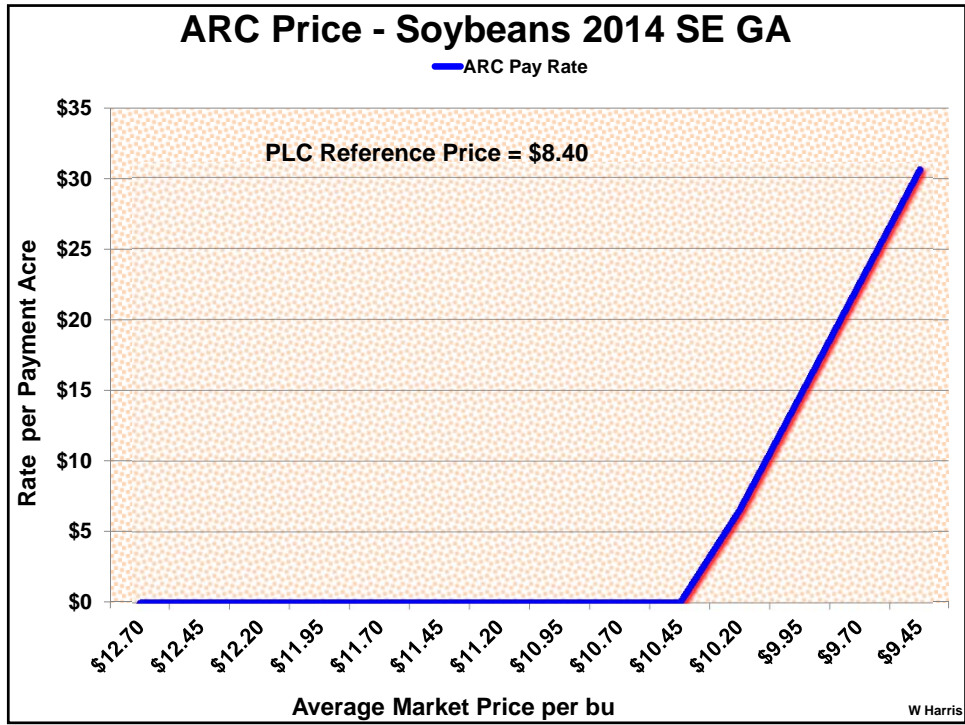
*All prices and yields are **estimates only**

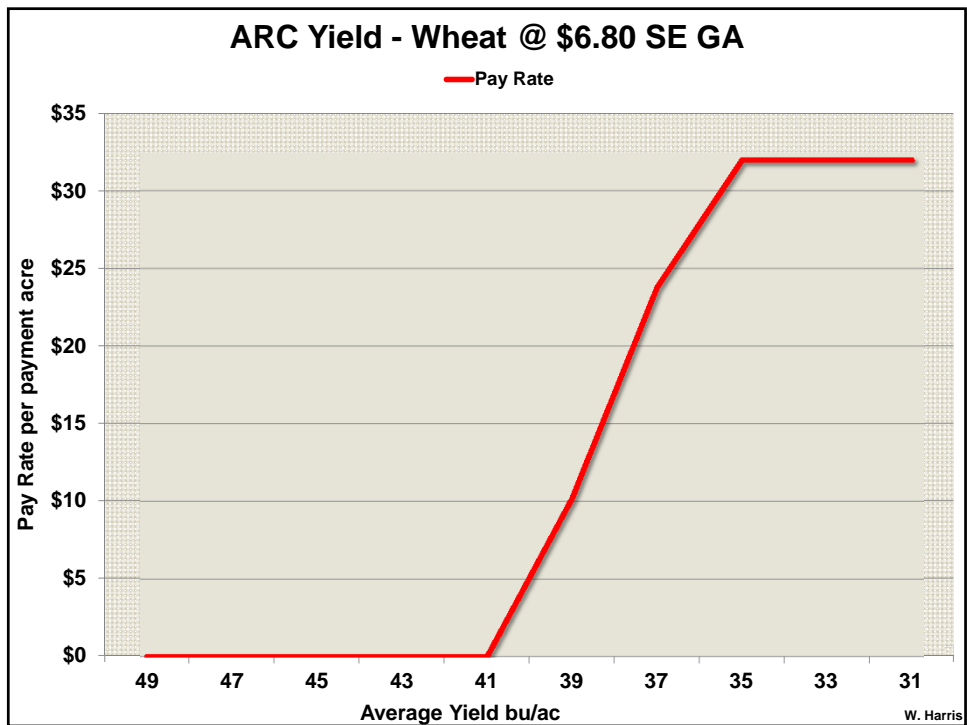
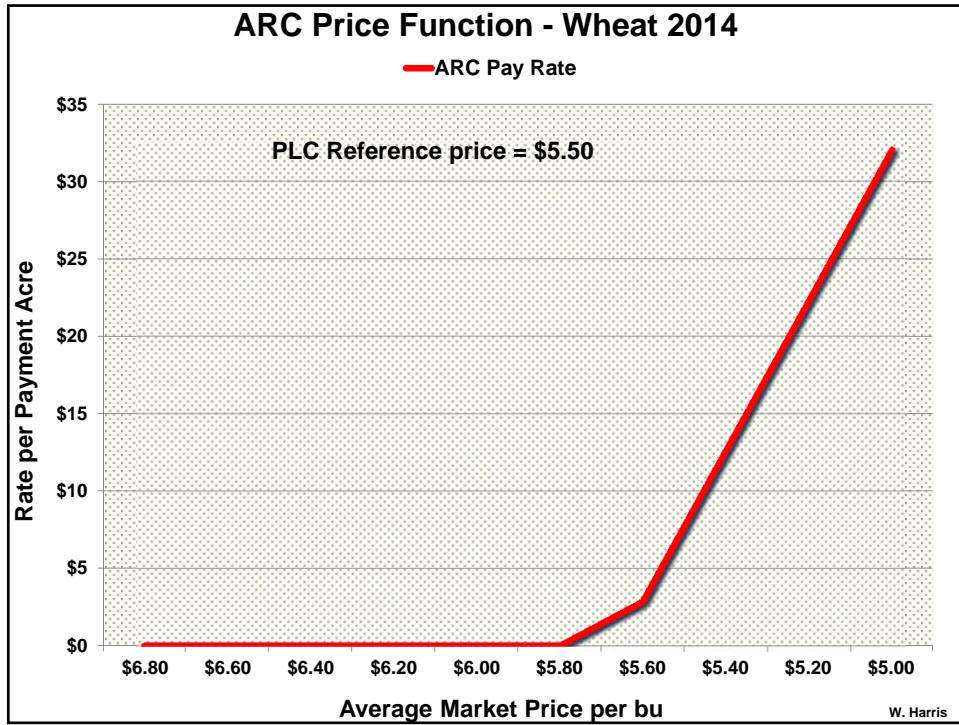
Provisional Caveats

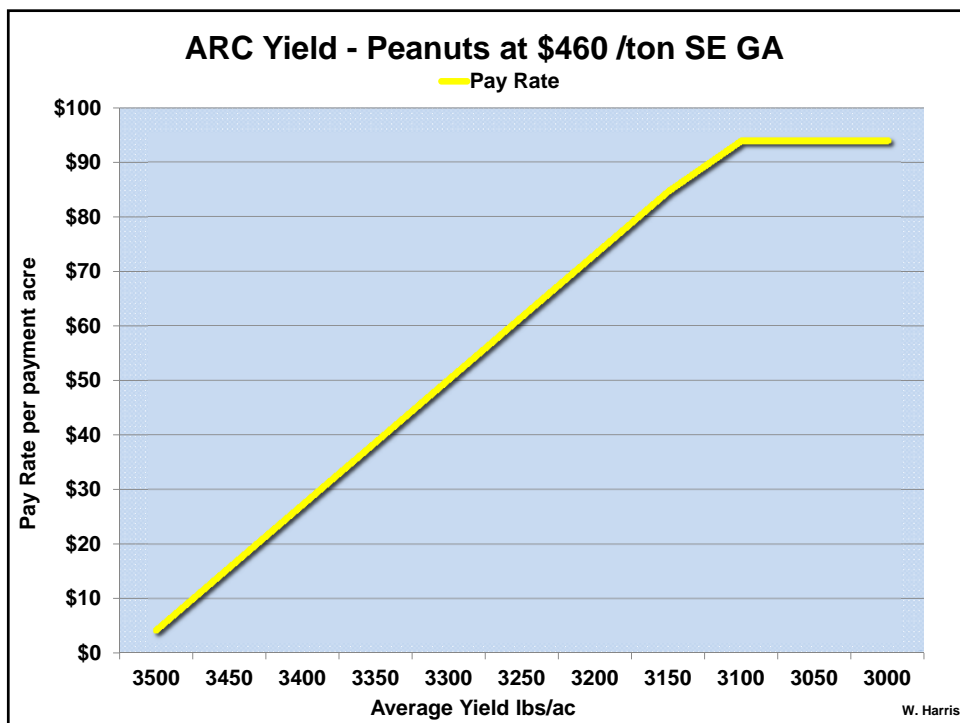
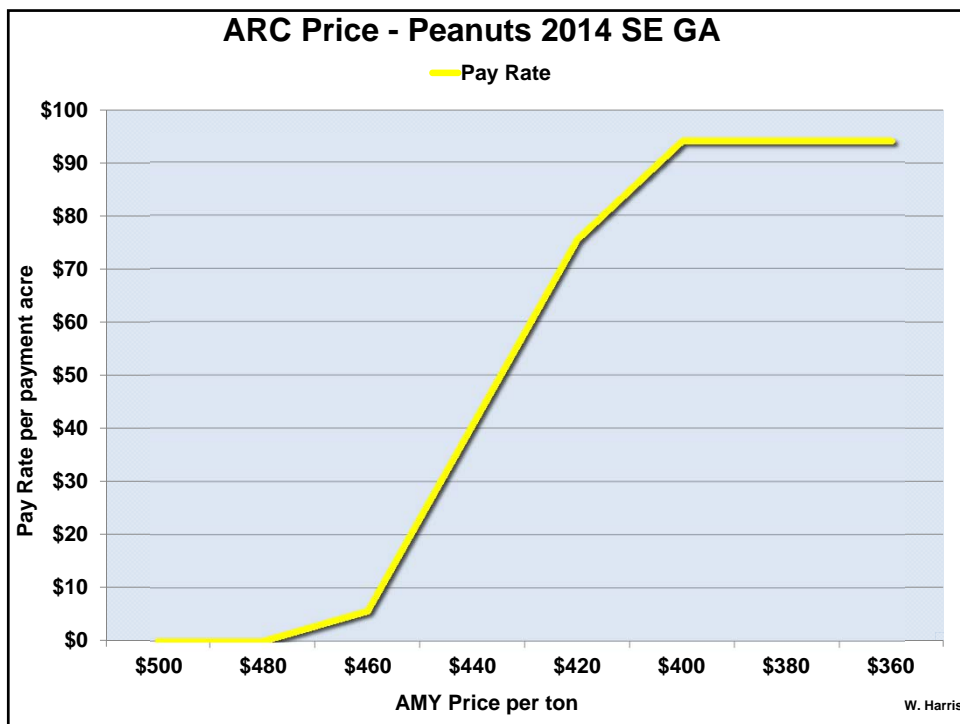
- The following series of ARC charts are based on yields provided by NASS for the East Central District of Georgia. Prices for the yield function are derived from the current WASDE projected price. ***These charts are for illustrative example purposes only.***











Transition Assistance - Cotton

- For **2014**, transition assistance to producers with cotton base acres as of 2013 crop year
- For **2015**, transition assistance provided to producers for farms with cotton base acres as of 2013 and farm in a county not yet covered by the Stacked Income Protection Plan (STAX) for the 2015 crop year
 - Pay after October 1 of the calendar year which upland cotton is harvested
 - **Separate \$40,000 payment limit**



Transition Assistance Rate (TAR)

- Obtained by multiplying:
 - June 12, 2013, midpoint estimate for the market year avg price of cotton for market year beginning August 1, 2013, minus the December 10, 2013, midpoint estimate, **and**
 - The national program yield of 597 pounds per acre
- The amount of transition assistance is obtained by multiplying:
 - 2014: **60%**, 2015: **36.5%** => of the cotton base **and**
 - The TAR for the appropriate year **and**
 - The payment yield (Direct Payment) divided by the national program yield (597 lbs/ac)



Example Transition Payment

- 2014 => 100 acre base with DP yield 685 lbs/ac
 - June 12, 2013 midpoint price: \$0.83
 - Dec 12, 2013 midpoint price: \$0.74
- Transition assistance rate (TAR) =
 - (June – Dec) X national avg yield
 - $(\$0.83 - \$0.74) \times 597 = \$53.73$ per acre
- Transition payment:
 - TAR X (DP yield/Nat yield) X Base acres X 60%
 - $\$53.73 \times (685/597) \times 100 \times 0.60 = \$3,699$
- Under old DCP, the direct payment would be:
 - $\$0.0667 \times 685 \times 100 \times 0.85 = \$3,884$



Marketing Loans

- Same as old loan program – non-recourse with LDPs & MLGs
- Cotton \$0.45 to \$0.52 (Average of AWP for previous 2 years)
- PEANUTS
 - Designated marketing association or marketing cooperative
 - On the approval to provide storage the individual or entity agrees to provide the storage on a nondiscriminatory basis
 - USDA will pay handling and associated costs (no storage costs) incurred when the peanuts are placed under loan
 - USDA will require the repayment of handling and associated costs paid for all peanuts that are redeemed; and pay storage, handling, and other associated costs for all peanuts pledged as collateral that are forfeited



Disaster Programs

Supplemental Agricultural Disaster Assistance (SADA)

- Livestock Indemnity Payments
 - 75 percent of the market value of the applicable livestock on the day before demise
- Livestock Forage Disaster Program
 - Each month equal to 60 % of monthly feed cost
 - D2 for 8 weeks = 1 month
 - D3 at any time = 3 months
 - D3 for 4 weeks or D4 at anytime = 4 months
 - D4 for 4 weeks = 5 months
- ELAP and TAP
- Payment limits: \$125,000 annual



Payment Limitations

- The total amount payments received, directly or indirectly, by a person or legal entity (except a joint venture or general partnership) for any crop year for PLC, ARC, and as marketing loan gains or loan deficiency payments may not exceed **\$125,000**
- Total of payments received, directly or indirectly, by a person or legal entity (except a joint venture or general partnership) for any year for PLC, ARC, and as marketing loan gains or loan deficiency payments for **peanuts** may not exceed **\$125,000**



Actively Engaged

- Within 180 days the Secretary shall promulgate, with an opportunity for notice and comment, regulations—
 - to define the term “significant contribution of active personal management” to establish limits for varying types of farming operations on the number of individuals who may be considered to be actively engaged in farming with respect to the farming operation
- When a significant contribution of active personal management is the basis used to meet the requirement of being actively engaged in farming the Secretary shall consider:
 - The size, nature, and management requirements of each type of farming operation
 - The changing nature of active personal management due to advancements of farming operations
 - the degree to which the regulations promulgated will adversely impact the long-term viability of the farming operation
- USDA **will not apply** the regulations promulgated to individuals or entities comprised **solely of family members**



AGI Payment Limitation

- A person or legal entity shall not be eligible to receive **any benefit** during a crop, fiscal, or program year, if the average adjusted gross income of the person or legal entity exceeds **\$900,000**
- The term ‘average adjusted gross income’, means the average of the adjusted gross income of the person or legal entity over the 3 past years before the immediately preceding complete taxable year



2015 New Crop Insurance

- Expanded crop insurance
 - Supplemental Coverage Option – SCO (PLC)
 - 65% premium subsidy – County Coverage
 - Stacked Income Protection Plan – STAX cotton only
 - **80% premium subsidy – County Coverage**
 - CRC for peanuts
 - Enterprise option for irrigated and nonirrigated
 - Margin insurance ???



Supplemental Coverage Option (SCO)

- Supplemental coverage on top of individual indemnity product **with coverage based on an area yield and loss basis** to cover part of the deductible under the individual yield and loss policy
- Except as provided, the level of coverage:
 - Will be dollar denominated **and**
 - May be purchased at any level not to exceed **85%** of the individual yield or **95%** of the area yield
- RMA will provide information on catastrophic risk and SCO coverage within allowable limits



SCO

- Offer producers to purchase coverage in combination with a policy or plan of insurance that allows indemnities to be paid equal to a part of the deductible under the policy or plan of insurance:
 - At a county-wide level; **or**
 - On the basis of such larger geographical area to provide sufficient data for purposes of providing the coverage
- Coverage offered will be triggered **only if the losses in the area exceed 14 percent of normal levels**
- The coverage offered will not exceed the difference of;
 - **86 percent; and**
 - The coverage level for the underlying policy or plan of insurance
- Crops under agriculture risk coverage (ARC) and acres enrolled in the stacked income protection (STAX) plan are not eligible



STACKED INCOME PROTECTION PLAN – STAX (UPLAND COTTON)

- In 2015 producers of upland cotton will have an additional policy consistent with the Group Risk Income Protection Plan offered in 2011
- STAX will:
 - Provide coverage for revenue loss of not less than 10 percent and not more than 30% of expected county revenue, by increments of 5%
 - Deductible is the minimum percent of revenue loss at which indemnities are triggered, not less than 10% of the expected county revenue



STAX cont.

- Be offered in all counties with upland cotton production at a county-wide level **or** on the basis of a larger geographical area
- Be purchased in addition to other coverage in effect **or as a stand-alone policy**, except that if a producer has an individual or area coverage for the same acreage, the maximum coverage under STAX will not exceed the deductible for the individual or area coverage
- Coverage is based on:
 - The expected price under existing GRIP for the applicable county (or area) and crop year; **and**
 - An expected county yield that is the higher of:
 - The expected county yield as determined **or**
 - The olympic average of the yield data for the county/area for the most recent 5 years, from RMA/NASS



STAX

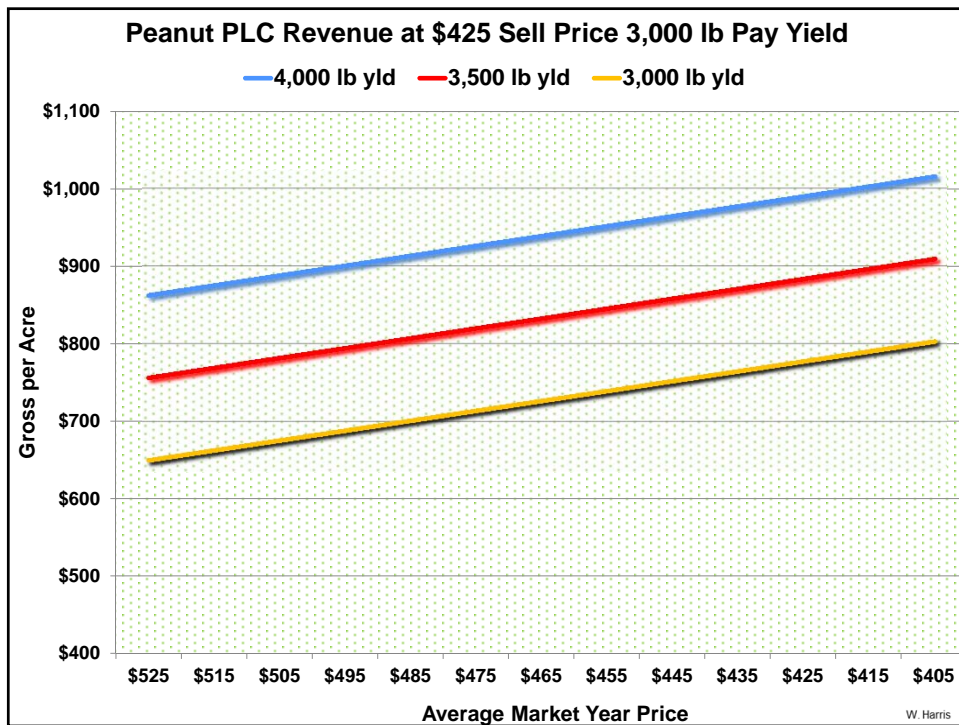
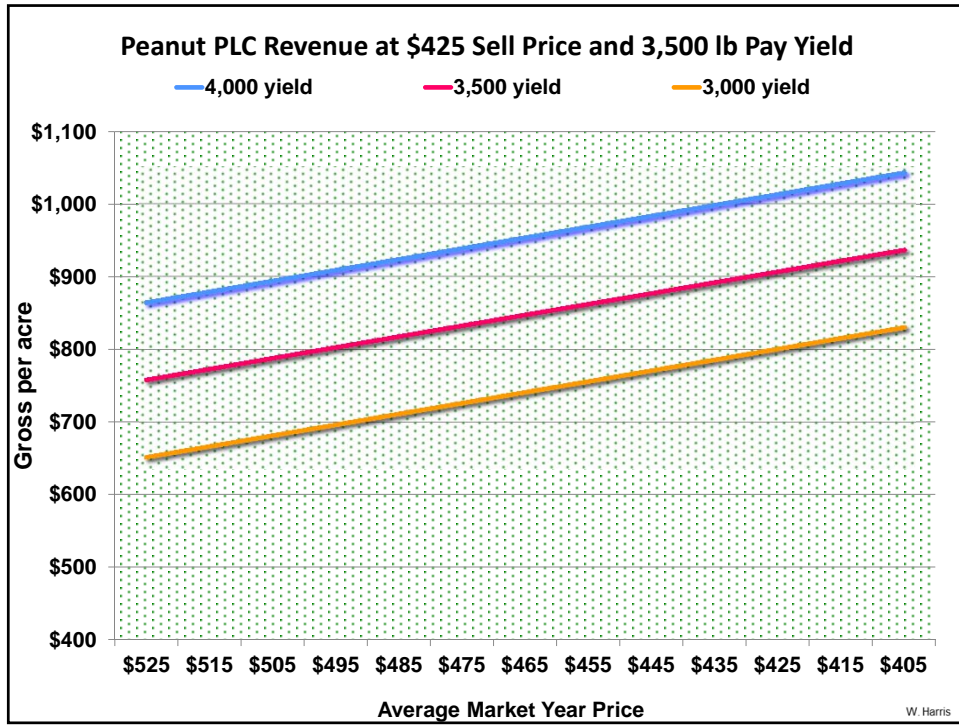
- Use a multiplier factor to establish maximum protection per acre of not less than the higher of the level established on a program wide basis or **120 percent**
- Pay an indemnity based on the amount that the expected county revenue **exceeds** the actual county revenue, as applied to the individual coverage of the producer
- Indemnities under the STAX **will not include or overlap amount of the deductible selected in primary coverage**
- Counties with data will establish coverage levels for **irrigated and non-irrigated practices**



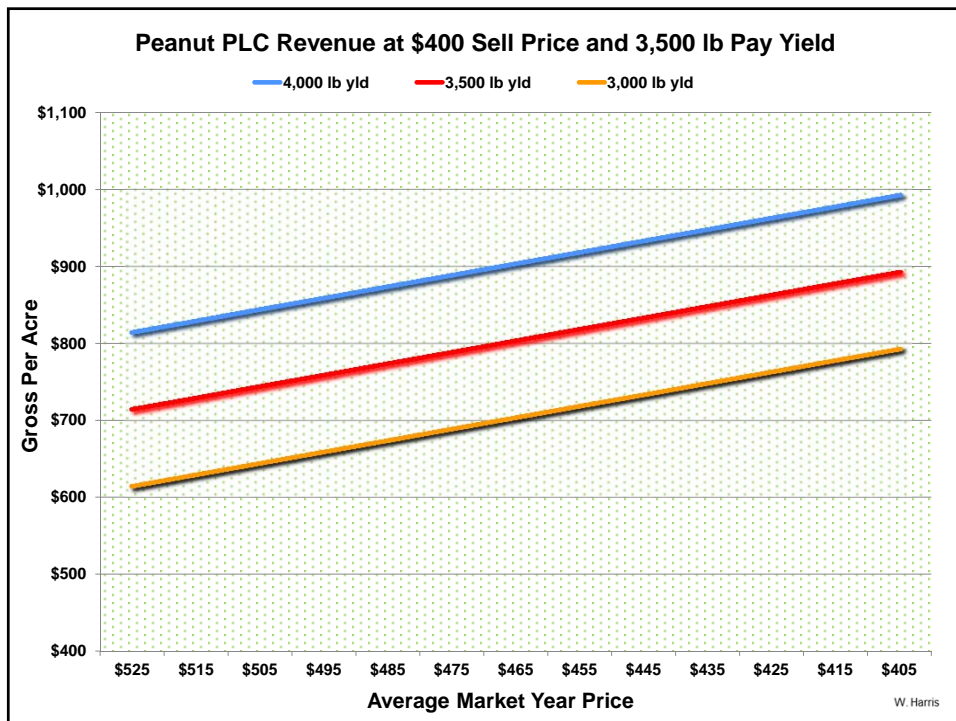
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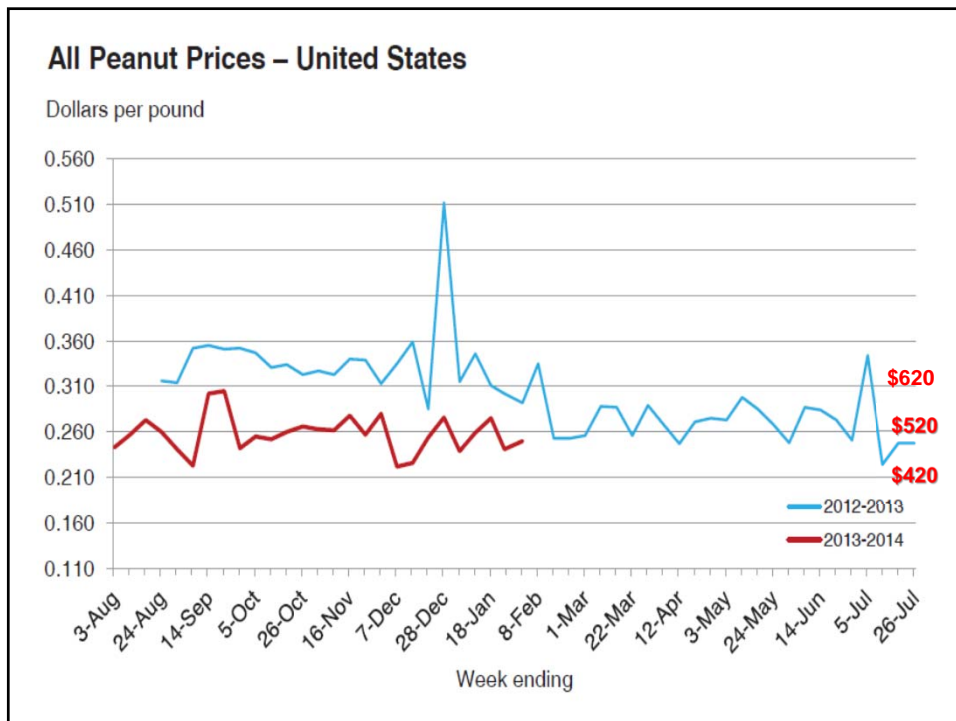
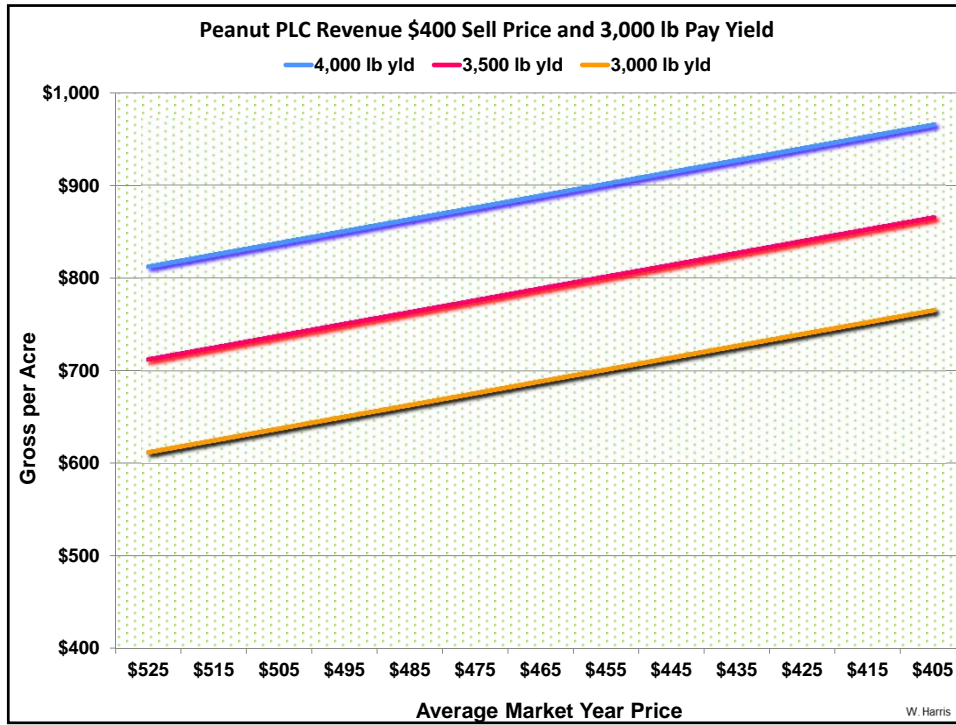
- Risk Program Election: **PLC** or **ARC**
 - Price Loss Coverage (PLC) by farm & crop
 - Yield Update, and SCO Coverage
 - **Peanuts**
 - Agriculture Risk Coverage (ARC) by farm & crop
 - No SCO, and NO yield update
 - Individual ARC – all crops on the farm are enrolled (*no*)
 - **Conditionally: Corn, Soybeans, Wheat**
 - Base Reallocation for any farm
 - Generic Base planting decisions
 - Cotton Transition Payment 2014
 - 2015 Crop Insurance Changes
 - **Sign up timing – early to late fall**

Market Year Avg Price	Farmer Sales Price \$425							Farmer Sales Price \$425						
	Payment Yield: 3,500							Payment Yield: 3,000						
	4000 lb yield		3500 lb yield		3000 lb yield		4000 lb yield		3500 lb yield		3000 lb yield			
	Per ton	Per Acre	Per ton	Per Acre	Per ton	Per Acre	Per ton	Per Acre	Per ton	Per Acre	Per ton	Per Acre		
\$525	\$432	\$865	\$434	\$759	\$435	\$652	\$431	\$863	\$432	\$757	\$434	\$650		
\$515	\$440	\$880	\$442	\$774	\$445	\$667	\$438	\$876	\$440	\$769	\$442	\$663		
\$505	\$447	\$895	\$451	\$788	\$455	\$682	\$444	\$888	\$447	\$782	\$451	\$676		
\$495	\$455	\$910	\$459	\$803	\$465	\$697	\$451	\$901	\$454	\$795	\$459	\$689		
\$485	\$462	\$924	\$468	\$818	\$475	\$712	\$457	\$914	\$461	\$808	\$468	\$701		
\$475	\$470	\$939	\$476	\$833	\$485	\$727	\$463	\$927	\$469	\$820	\$476	\$714		
\$465	\$477	\$954	\$485	\$848	\$494	\$742	\$470	\$939	\$476	\$833	\$485	\$727		
\$455	\$485	\$969	\$493	\$863	\$504	\$757	\$476	\$952	\$483	\$846	\$493	\$740		
\$445	\$492	\$984	\$502	\$878	\$514	\$771	\$482	\$965	\$491	\$859	\$502	\$752		
\$435	\$499	\$999	\$510	\$893	\$524	\$786	\$489	\$978	\$498	\$871	\$510	\$765		
\$425	\$507	\$1,014	\$519	\$907	\$534	\$801	\$495	\$990	\$505	\$884	\$519	\$778		
\$415	\$514	\$1,029	\$527	\$922	\$544	\$816	\$502	\$1,003	\$512	\$897	\$527	\$791		
\$405	\$522	\$1,043	\$536	\$937	\$554	\$831	\$508	\$1,016	\$520	\$910	\$536	\$803		



Market Year Avg Price	Farmer Sales Price \$400						Farmer Sales Price \$400					
	Payment Yield: 3,500						Payment Yield: 3,000					
	4000 lb yield		3500 lb yield		3000 lb yield		4000 lb yield		3500 lb yield		3000 lb yield	
	Per ton	Per Acre	Per ton	Per Acre	Per ton	Per Acre	Per ton	Per Acre	Per ton	Per Acre	Per ton	Per Acre
\$525	\$407	\$815	\$409	\$715	\$410	\$615	\$406	\$813	\$407	\$713	\$409	\$613
\$515	\$415	\$830	\$417	\$730	\$420	\$630	\$413	\$826	\$415	\$726	\$417	\$626
\$505	\$422	\$845	\$426	\$745	\$430	\$645	\$419	\$838	\$422	\$738	\$426	\$638
\$495	\$430	\$860	\$434	\$760	\$440	\$660	\$426	\$851	\$429	\$751	\$434	\$651
\$485	\$437	\$874	\$443	\$774	\$450	\$674	\$432	\$864	\$436	\$764	\$443	\$664
\$475	\$445	\$889	\$451	\$789	\$460	\$689	\$438	\$877	\$444	\$777	\$451	\$677
\$465	\$452	\$904	\$460	\$804	\$469	\$704	\$445	\$889	\$451	\$789	\$460	\$689
\$455	\$460	\$919	\$468	\$819	\$479	\$719	\$451	\$902	\$458	\$802	\$468	\$702
\$445	\$467	\$934	\$477	\$834	\$489	\$734	\$457	\$915	\$466	\$815	\$477	\$715
\$435	\$474	\$949	\$485	\$849	\$499	\$749	\$464	\$928	\$473	\$828	\$485	\$728
\$425	\$482	\$964	\$494	\$864	\$509	\$764	\$470	\$940	\$480	\$840	\$494	\$740
\$415	\$489	\$979	\$502	\$879	\$519	\$779	\$477	\$953	\$487	\$853	\$502	\$753
\$405	\$497	\$993	\$511	\$893	\$529	\$793	\$483	\$966	\$495	\$866	\$511	\$766





Representative Farm

- 250 Cultivated Acres with base:
 - 150 acres cotton/generic (700 lb CCP yield)
 - 50 acres peanut (2,900 lb CCP yield)
 - 30 acres corn
 - 20 acres soybeans
- Covered planting history:

Year	Peanut	Corn	Beans
2009	72	30	
2010	84		
2011	69	30	
2012	82		20

Year	Peanut yield	2014	Acres
2008	3250	Peanut	100
2009	3175	Corn	50
2010	3600	Cotton	100
2011	3310		
2012	4100		



Rep Farm 2014 Scenario

- Elect:
 - PLC: peanuts
 - ARC: all other crops (covered commodities)
- Cotton transition payment:
 - $TAR \times (CCP \text{ yield}/\text{Nat yield}) \times \text{Base acres} \times 60\%$
 - $\$53.73 \times (700/597) \times 150 \times 0.60 = \$5,670$
 - Paid after October 1, 2014
- Reallocate base
- Update peanut yield (PLC)



Base Reallocation

Year	Peanuts	Corn	Beans	Other	Total Planted Acres	Covered Commodity	Base Acres	Covered Commodity	New Base
2009	72	30			102	Peanuts	50	Peanuts	79.3
2010	84				84	Corn	30	Corn	15.5
2011	69	30			99	Soybeans	20	Soybeans	5.2
2012	82		20		102	Other		Other	0.0
Average	77	15	5	0	97	Covered Acres	100	Total New Base	100.0



[REALTEMPLATE.xlsx](#)

Payment Yield Update (PLC Program Election)

Year	Peanut Yield
2008	3250
2009	3175
2010	3600
2011	3310
2012	4100
90% AVG	3138



Hypothetical 2014 Rep Farm Payments

- Planted acres:

2014	Acres
Peanut	100
Corn	50
Cotton	100

- 150 acres of generic base

- Peanuts: 100 generic base + 79.3 Pnut Base = 179.3 ac
 - Corn: 50 generic base + 15.5 Corn Base = 65.5 ac
 - If MYA price for peanuts = \$460 /ton
 - $(\$535 - \$460) * (179.3 \text{ ac}) * (3168/2000) * (0.85) = \$18,106$

- If MYA price for corn = \$4.00 w/ average yield

- $(\$80 \text{ pay rate}) * (65.5 \text{ ac}) * (0.85) = \4454
 - Average yield = 151.6 bu/ac combined irrigated & dryland; will probably be separate



Hypothetical Program Support to Rep Farm

• Cotton Transition Payment	\$ 5,670
• PLC Peanut Payment	\$18,106
• ARC Corn Payment	<u>\$ 4,454</u>
Total	\$28,230

- No ARC trigger expected for beans & wheat

