2014 FARM BILL
"The Agricultural Act of 2014"

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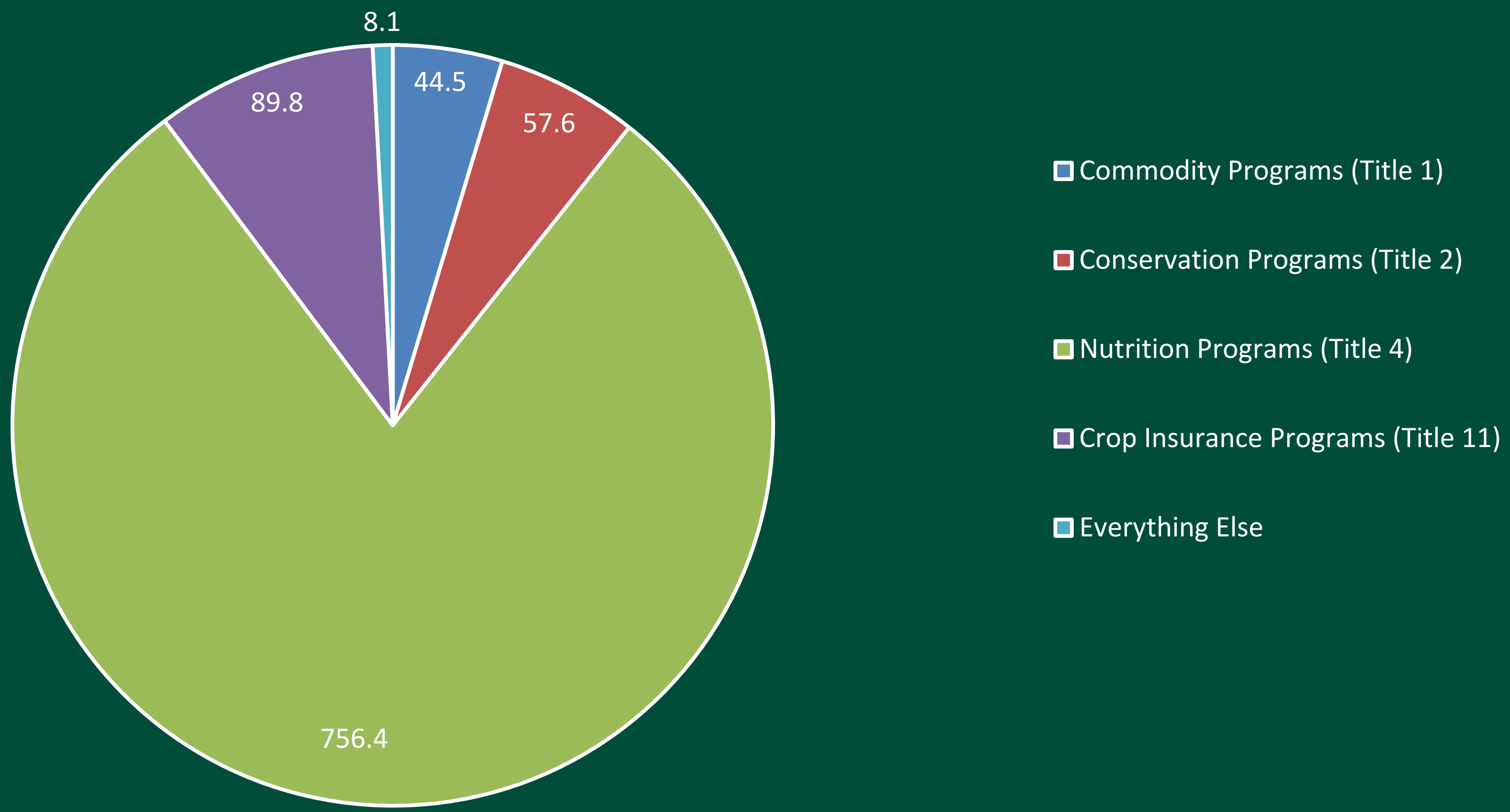
Estimated Outlays for 2014 Farm Bill (Billion $), 2014 to 2023



Source: CBO estimates, January 28, 2014

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The Big Picture

- 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)

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Three New Programs Established

- Agricultural Risk Coverage (ARC)
- Price Loss Coverage (PLC)
- Supplemental Coverage Option (SCO)

Payments That Are Eliminated

- Direct payments
- Counter-cyclical payments
  - ➢replaced by Price Loss Coverage program
- ACRE payments
  - ➢replaced by Agricultural Risk Coverage program

What Are The Enrollment Options?

A. Agricultural Risk Coverage (ARC)

a) county option

or

b) farm option

or

B. Price Loss Coverage (PLC)

- One time option to enroll in ARC or PLC
- You must sign-up for either ARC or PLC this year (sign-up will be late summer)
- 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

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- 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 2008-2012 yields

If You Choose ARC – County Option

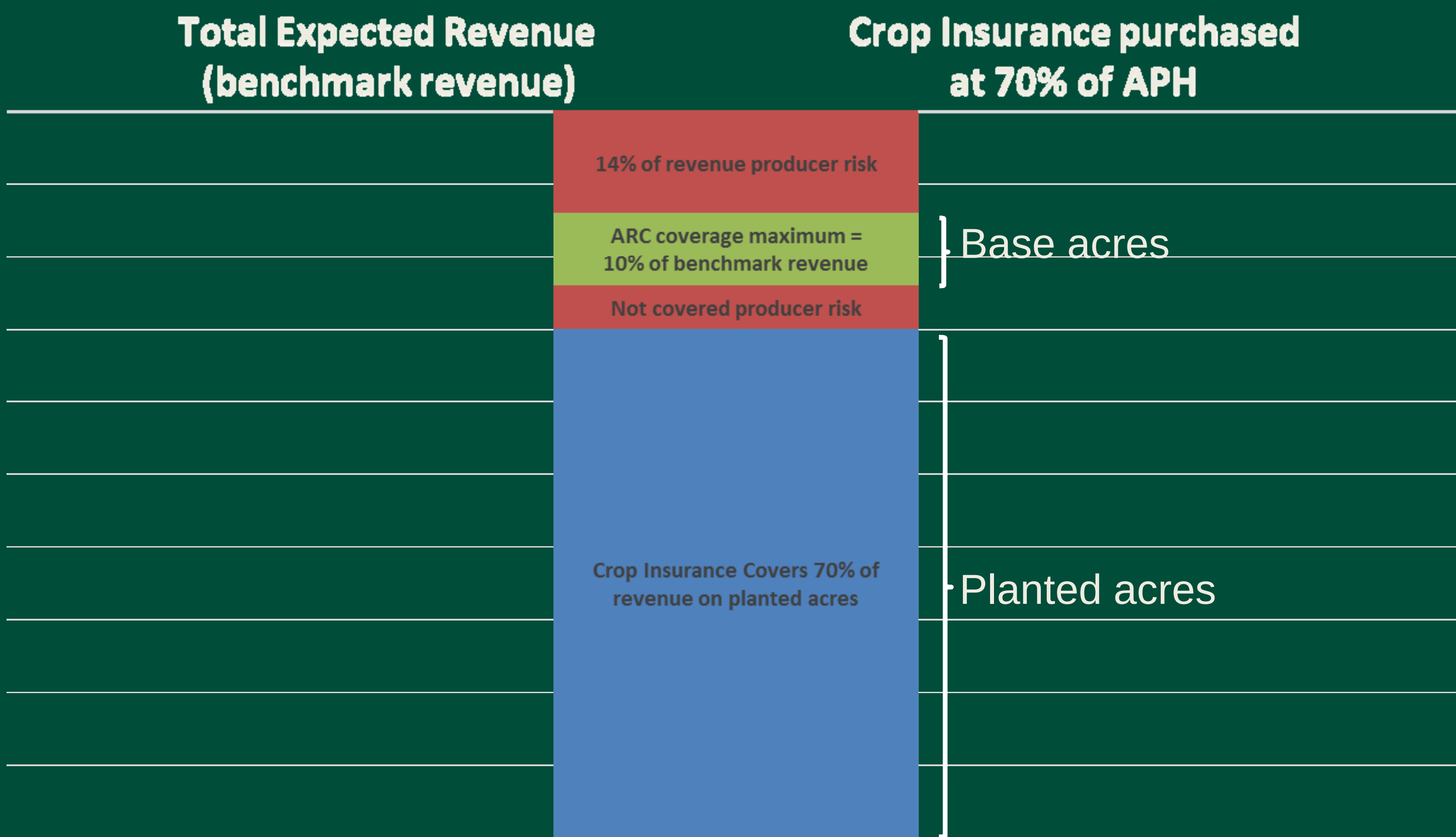
- You make this election crop-by-crop
- May choose ARC for some crops and PLC for other crops
- Payment acres are 85% of base acres

How Does Agricultural Risk Coverage (ARC) Work?

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

ARC County Option



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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
- Payment rate determined on crops actually planted
- Total payment uses 65% of base acres

If You Choose ARC – Farm Option

- Multiple farms electing farm option are combined
- Payment is based on whole farm revenue shortfall
- Payment rate is calculated per planted acre
- Payment is made on 65% of base acres
- May not elect PLC for any crops

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Payment Acres for Both ARC 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

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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

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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
Oats	$2.40		

PLC payment is made on the farm’s base acres

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Payment Calculation for PLC

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

Example: wheat, base = 100 ac, payment yield = 40 bu, reference price = $5.50, NAMP = $5.40

$5.50 - $5.40 = $0.10

$0.10 x 40 bu x 100 ac x 85% = $340 or $3.40 per acre

Supplemental Coverage Option

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

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Marketing Loans Are Retained With No Change

	per bushel		per cwt.
Wheat	$2.94	Minor Oilseeds	$10.09
Corn	$1.95	Dry Peas	$5.40
Barley	$1.95	Lentils	$11.28
Oats	$1.39	Small Chickpeas	$7.43
Soybeans	$5.00	Large Chickpeas	$11.28

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Fruits and Vegetables Planting Restrictions

- With ARC – County and PLC
  - fruits and vegetables can be planted on up to 15% of a farm's program base acres without forfeiting payments
- With ARC – Farm
  - fruits and vegetables can be planted on up to 35% of a farm's program base acres without forfeiting payments

Crop Insurance Provisions

- 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

Supplemental Agricultural Disaster Assistance

- Livestock Indemnity Program
- Livestock Forage Program
- Emergency Assistance for livestock, honeybees, and farm raised fish
- Tree Assistance Program

Retroactive to 2012

Made permanent

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Payment Timeline

- 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

Payment Limits and Income Cap

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

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Dairy Program

Repealed

- Dairy Product Price Support Program
- Milk Income Loss Contract Program
  - available until Sept. 1, 2014
- Dairy Export Incentive Program
- Federal Milk Marketing Review Commission

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Dairy Program

New

- Margin Protection Program
- Dairy Product Donation Program

Continued

- Dairy Forward Pricing
- Dairy Indemnity Program
- Dairy Promotion and Research Program

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Dairy – Margin Protection Program

- Voluntary participation
- Available by Sept. 1, 2014
- Provides indemnity payments when the margin over feed cost is below margin coverage level
- Producer annually selects coverage percentage (25% - 90%) and margin threshold ($4-$8)
- Two-tiered premium rates – below and above 4 million pound per year

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Dairy Product Donation Program

- Will be trigger when dairy margins are under $4 for two consecutive months
- USDA authorized to purchase products until margins rebound above $4 but for no more than three months
- Products distributed to food banks and other non-profit organizations
- USDA can not store products

http://www.ag.ndsu.edu/farmmanagement

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