2014 FARM BILL
“The Agricultural Act of 2014”

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

- Commodity Programs (Title 1): 89.8
- Conservation Programs (Title 2): 44.5
- Nutrition Programs (Title 4): 57.6
- Crop Insurance Programs (Title 11): 8.1
- Everything Else: 756.4

Source: CBO estimates, January 28, 2014
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)
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
• 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

<table>
<thead>
<tr>
<th>Total Expected Revenue (benchmark revenue)</th>
<th>Crop Insurance purchased at 70% of APH</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>14% of revenue producer risk</td>
</tr>
<tr>
<td></td>
<td>ARC coverage maximum = 10% of benchmark revenue</td>
</tr>
<tr>
<td></td>
<td>Not covered producer risk</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>[Base acres]</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Crop Insurance Covers 70% of revenue on planted acres</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>[Planted acres]</td>
</tr>
</tbody>
</table>

*Source: NDSU Extension Service*
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
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
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
## Price Loss Coverage (PLC) Reference Prices

PLC payment is made on the farm’s base acres

<table>
<thead>
<tr>
<th>Crop</th>
<th>Per Bushel</th>
<th>Per Cwt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>$5.50</td>
<td>Minor Oilseeds $20.15</td>
</tr>
<tr>
<td>Corn</td>
<td>$3.70</td>
<td>Dry Peas $11.00</td>
</tr>
<tr>
<td>Barley</td>
<td>$4.95</td>
<td>Lentils $19.97</td>
</tr>
<tr>
<td>Grain Sorghum</td>
<td>$3.95</td>
<td>Small Chickpeas $19.04</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$8.40</td>
<td>Large Chickpeas $21.54</td>
</tr>
<tr>
<td>Oats</td>
<td>$2.40</td>
<td></td>
</tr>
</tbody>
</table>
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 \times 40 \text{ bu} \times 100 \text{ ac} \times 85\% = $340 \text{ or } $3.40 \text{ per acre}
Supplemental Coverage Option

- Only available for crops enrolled in PLC
- Not available until 2015
- Purchased from crop insurance agency
- County level insurance policy
- Government pays 65% of premium
- Must also have at least a minimum of CAT coverage
Marketing Loans Are Retained With No Change

<table>
<thead>
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<th></th>
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<th></th>
<th>per cwt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>$2.94</td>
<td>Minor Oilseeds</td>
<td>$10.09</td>
</tr>
<tr>
<td>Corn</td>
<td>$1.95</td>
<td>Dry Peas</td>
<td>$5.40</td>
</tr>
<tr>
<td>Barley</td>
<td>$1.95</td>
<td>Lentils</td>
<td>$11.28</td>
</tr>
<tr>
<td>Oats</td>
<td>$1.39</td>
<td>Small Chickpeas</td>
<td>$7.43</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$5.00</td>
<td>Large Chickpeas</td>
<td>$11.28</td>
</tr>
</tbody>
</table>
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
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
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
Dairy Program

New
• Margin Protection Program
• Dairy Product Donation Program

Continued
• Dairy Forward Pricing
• Dairy Indemnity Program
• Dairy Promotion and Research Program
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
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