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Illinois Chapter ASFMRA

Farm Bill Update

Farm Bill Path

- House passed conference report – The Agricultural Act of 2014 – by a vote of 251 – 166 with 162 Republicans and 89 Ds voting for passage.
- Senate expected to pass the week of February 3rd
- White House Spokesman has indicated President Obama will sign the bill into law
- After two and one half years we have a farm bill!

Farm Bill Spending

\$ in billions	FY 2014 – 2023 Total	Percent of Total
Total	\$956.4	
Nutrition	\$756.4	79%
Crop Insurance	\$89.8	9%
Conservation	\$57.6	6%
Commodity Programs	\$44.5	5%
All Other	\$8.1	0%

Savings By Major Title

	10 Year Savings
Commodity Title	-\$14.3 billion
Conservation	-\$4.0 billion
Nutrition	-\$8.0 billion
Research	\$1.1 billion
Energy	\$879 million
Specialty Crops	\$694 million
Crop Insurance	\$5.7 billion
Total	-\$16.6 billion

CBO Scoring of Farm Bill, additional \$6.4 billion in savings over 10 years from Sequestration

Commodity Title Highlights

- Eliminates direct, counter-cyclical and ACRE programs and replaces with farmer choice of PLC (Price Loss Coverage) or ARC (Agricultural Risk Coverage) within ARC farmer can choose area or individual ARC
- Choice between PLC or ARC one-time irrevocable
- Choice made commodity-by commodity on a farm but if choose ARC individual all commodities on the farm must be ARC individual

Commodity Title Highlights

- Continues Loan Rate Program with some modifications to cotton to make WTO compliant
- Continues Sugar Program
- Reforms Dairy Program
- AGI Test set at \$900,000 3 year average
- Payment limit for PLC/ARC/Loan rate at \$125,000 per individual

Commodity Title Highlights

- Continues Conservation Compliance
- No change to “actively engaged” but Department required to review in next 180 days
- One time base acre update/ reallocation to covered commodities planted 2009 - 2012
- PLC/ARC not applicable to cotton
- 2 year transition payment to cotton growers while STAX is implemented

Price Loss Coverage

- Similar to current Counter-cyclical Program
- 85% base acres (30% prevented planted acres)
- Commodity-by-Commodity choice, not available for cotton
- One time yield update in 2014 (90% of 2008 – 2012 average can plug 75% of T-yield if less than 75% of T)

Price Loss Coverage

- PLC Payment = (Reference Price – 12 Month National Ave Marketing Price) * Yield * 85% of Base Acres
- Subject to AGI and Payment Limits
- If Base acres less than 10 acres no payment

Reference Price Comparison

Reference Price	Unit	2008 Farm Bill	2014 Farm Bill	Percent Change
Wheat	\$/bu	4.17	5.50	31.9%
Rice	\$/cwt	10.50	14.00	33.3%
Corn	\$/bu	2.63	3.70	40.7%
Oats	\$/bu	1.79	2.40	34.1%
Barley	\$/bu	2.63	4.95	88.2%
Sorghum	\$/bu	2.63	3.95	50.2%
Cotton	\$/lb	.7125	n/a	n/a
Peanuts	\$/ton	495	535	8.1%
Soybeans	\$/bu	6.00	8.40	40.0%
Other Oilseeds	\$/cwt	12.68	20.15	58.9%
Dry Peas	\$/cwt	8.32	11.00	32.2%
Lentils	\$/cwt	12.81	19.97	55.9%
Small Chickpeas	\$/cwt	10.36	19.04	83.8%
Large Chickpeas	\$/cwt	12.81	21.54	68.1%

The barley reference price for the 2008 Farm Bill used the USDA Feed Barley Price. The 2014 Farm bill uses the USDA all-barley price.

Agricultural Revenue Coverage

- One time irrevocable election to participate either at individual or county coverage by “producer”
 - Owner, operator, landlord, tenant, or sharecropper that shares in the risk of producing a crop and is entitled to share in the crop available for marketing from the farm

ARC Area Coverage

- Farm/ commodity specific choice
- Benchmark Revenue = Olympic Ave 5 most recent years area yield * Olympic Ave 5 most recent years National Marketing Price – can plug reference price if higher in any given year when calculating price
- Actual Revenue = Area yield * National 12 Month Average Market Price
- ARC Area Payment = 86% of Benchmark Revenue – Actual Revenue * 85% of Base not to exceed 10% of Benchmark Revenue and payment limit

ARC Individual Coverage

- All commodities on a farm
- Separate for non-irrigated v. irrigated
- Benchmark Revenue = Olympic Ave 5 most recent years individual yield * Olympic Ave 5 most recent National Marketing Price – can plug reference price if higher in any given year when calculating price, and can plug yield with 70% T-yield

ARC Individual Coverage

- Actual Revenue = actual yield * National 12 Month Average Market Price
- ARC Individual Payment = 86% of Benchmark Revenue – Actual Revenue * 65% of Base not to exceed 10% of Benchmark Revenue and payment limit

Key Commodity Program Feature Summary

	PLC	ARC Area	ARC Individual
Level of Choice	Commodity	Commodity	All Commodities on Farm
Base Acres	85%	85%	65%
Base Update	Yes	Yes	Yes
Yield Update	Yes	N/A	N/A
Guarantee	Price	Revenue	Revenue
Guarantee Price	Reference Price	5 Year Olympic Nat Ave	
Actual Price	12 Month National Average Marketing Price		
Yields in Guarantee	N/A	5 Year Olympic Area Average	5 Year Olympic Individual Average
Actual Yield	Historical	Actual County	Actual Individual
Yield Plug	75% of T	70% of T	70% of T

Commodity Title Scoring

	2014 Farm Bill
Repeal Direct Payments	-\$40.8 billion
Repeal Counter-cyclical Payments	-\$1.5 billion
Repeal ACRE	-\$4.7 billion
PLC	\$13.1 billion
ARC	\$14.1 billion
Transition Payment for Cotton	\$558 million
Dairy	\$912 million
Disaster Assistance	\$3.7 billion
Total	-\$14.3 billion

10 Year Savings, CBO Scoring

Crop Insurance Title

- Supplemental Coverage Option (SCO)
- Stacked Income Protection (STAX)
- Reattaches Conservation Compliance Certification to Crop Insurance purchase but forward looking only
- No AGI test
- 6 State Sodsaver Provision – ND, SD, MN, IA, MT and NE

Crop Insurance Title

- APH – allow drop yields if actual county yield is 50% below 10 year county average yield, contiguous counties qualify
- Separate coverage allowed at all unit levels
- Rerate CAT

Crop Insurance Scoring

	2014 Farm Bill
SCO	\$1.716 billion
Drop Yields in APH	\$357 million
STAX	\$3.288 billion
Interaction Effect	-\$464 million
Coverage Level by Practice	\$701 million
Rerate CAT	-\$426 million
Total	\$5.722 billion

10 Year Savings, CBO Scoring

Supplemental Coverage Option -- SCO

- Area (county) coverage wrapped around individual coverage to cover deductible, must have individual policy
- Pays based on relationship between county yield/ revenue guarantee and actual county yield/ revenue
- Underlying individual coverage impacts payment
- County must have 14% loss
- If enrolled in ARC or STAX not eligible
- 65% premium subsidy

Stacked Income Protection Program -- STAX

- Cotton only
- Additional area coverage either as stand-alone or on top of individual coverage
- Up to 30% coverage or amount of deductible of individual policy, whichever is less
- 80% subsidy

Conservation Title

- Reduce CRP to 24 million acres by 2018, currently at 32 million cap with roughly 27 million acres enrolled
- Merge Wildlife Habitat into Environmental Quality Incentives Program
- Limit CSP to 10 million acres annual enrollment
- Create one easement program with two legs – Agricultural Land Easement and Wetland Reserve
- Create new Regional Partnership Program

Conservation Program Scoring

	2014 Farm Bill
CRP	-\$3.3 billion
CSP	-\$2.3 billion
EQIP	497 million
Easements	\$1.231 billion
RCPP	-\$28 million
Repeal WHIP	-\$596 million
Total	-\$3.967 billion

10 Year Savings, CBO Scoring

Thank You