



Agriculture Act of 2014

What You Need to Know

Commodity Title

Disclaimer:

This material is based on our understanding of congressional intent.

Some of the details may be interpreted differently by USDA as they work toward implementation.



Commodity Title

1) Programs Eliminated

- Direct Payments (DP)
- Counter-cyclical Program (CCP)
- Average Crop Revenue Election Program (ACRE)
- Supplemental Revenue Assistance Payments for crops (SURE)



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2) Programs Extended

- Loan Program at current loan rates
 - LDP & Marketing Loan Gains same
- SURE for livestock, trees, bees, fish
 - Retroactive for 2012 and 2013
 - Signup begins April 15
 - Includes Livestock Indemnity Payments(LIP); Livestock Forage Disaster Program(LFP); Emergency losses to livestock, bees, fish(ELAP)



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3) Programs Created

- Price Loss Coverage (PLC)
 - Price loss safety net
- Agriculture Risk Coverage (ARC)
 - Revenue loss safety net



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Commodity Title

At 2014 sign-up, one-time election by farm #:

- 1) Ag Risk Coverage (ARC), or
- 2) Price Loss Coverage (PLC)

* If unanimous decision is not made,
payments are forfeited for 2014 crop year
and PLC is only option for 2015-18



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If choose ARC, one-time election of:

- 1) Individual level
 - All crops on farm included and aggregated for all farms in Individual ARC
- 2) County level
 - Elect County ARC or PLC by crop



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Example of program election by farm #

Crop	Farm #1	Farm #2	Farm #3	Farm #4
Wheat	PLC	Individual ARC	County ARC	Individual ARC
Barley	County ARC	Individual ARC	PLC	Individual ARC
Peas	PLC	Individual ARC	PLC	Individual ARC
Canola	County ARC	Individual ARC	PLC	Individual ARC



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Payment Acres (Base)

- ARC and PLC payments will be made on historical base acres
- Base reallocation - one time choice applies to either PLC or ARC election
 - 1) Retain existing base acres
 - 2) Reallocate existing base acres
 - In proportion to 2009-2012 average planted and prevented plant acres
 - Total base cannot exceed farm base in effect on 9/30/13



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PLC – Price Loss Coverage

- Same as old CCP but with new reference price
- Payment if effective price less than reference price
- Effective price is higher of loan rate or 12-month national average marketing price (NAMP)
 - 12-month NAMP is weighted ave price received by farmers for crop's marketing year
 - Marketing year varies by crop; wheat is Jun-May; pulse crops are Jul-Jun; corn/soy is Sep-Aug
- Option to purchase SCO
- PLC Formula:
$$\text{Payment} = (\text{reference price} - \text{effective price}) \times \text{program yield} \times 85\% \text{ of base acres}$$



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2008 Target Prices vs. 2014 Reference Prices

Crop	CCP 2008 Target Price	PLC 2014 Reference Price	Percent Increase
All Wheat / bu	\$4.17	\$5.50	32%
All Barley / bu	\$2.63	\$4.95	88%
Corn / bu	\$2.63	\$3.70	41%
Sorghum / bu	\$2.63	\$3.95	50%
Soybeans / bu	\$6.00	\$8.40	40%
Oats / bu	\$1.79	\$2.40	34%
Dry peas / cwt	\$8.32	\$11.00	32%
Lentils / cwt	\$12.81	\$19.97	56%
Sm chickpeas / cwt	\$10.36	\$19.04	84%
Lge chickpeas / cwt	\$12.81	\$21.54	68%
Other oilseeds / cwt	\$12.68	\$20.15	59%
Rice / cwt	\$10.50	\$14.00	33%
Peanuts / ton	\$495	\$535	8%

Yield Update

- For PLC purposes, there is a one time option to update program yield to
 - 90% of 2008-2012 simple average yield per planted acre
 - Plug is 75% of 2008-2012 average county yield
 - Exclude zero acre years
- USDA may allow all producers the opportunity to update program yields

Price Loss Coverage Calculation

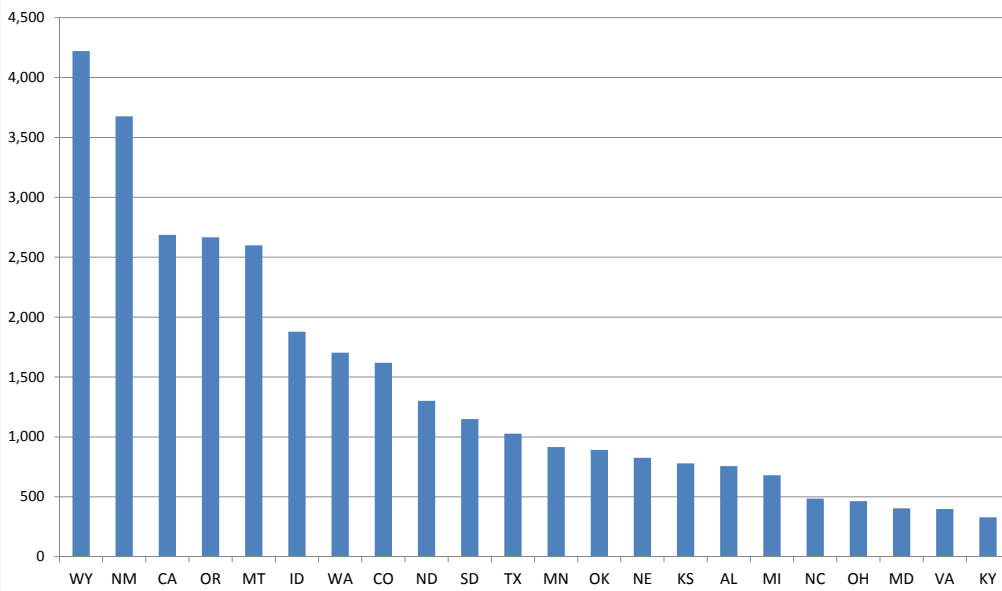
NOTE: This calculator is to be used for demonstration purposes only. *Input your projections for the values in red.*
 Determination of actual program payments will be made by the USDA Farm Service Agency.

	Reference Price	2014 NAMP (projected)	Loan Price	Effective Price	Payment Yield (projected)	PLC Payment/Acre	Payment (BASE) Acres by crop	Total PLC Payment
Wheat/bu	\$5.50	\$6.00	\$2.94	\$6.00	47	\$0.00	2000	\$0.00
Barley (All)/bu	\$4.95	\$5.50	\$1.95	\$5.50	40	\$0.00	200	\$0.00
Corn/bu	\$3.70	\$4.50	\$1.95	\$4.50	70	\$0.00	0	\$0.00
Soy/bu	\$8.40	\$12.00	\$5.00	\$12.00	30	\$0.00	0	\$0.00
Oats/bu	\$2.40	\$3.50	\$1.39	\$3.50	40	\$0.00	0	\$0.00
Dry Peas/cwt	\$11.00	\$18.00	\$5.40	\$18.00	15	\$0.00	0	\$0.00
Lentils/cwt	\$19.97	\$21.00	\$11.28	\$21.00	11	\$0.00	0	\$0.00
Oilseeds/cwt1	\$20.15	varies	\$10.09		varies		0	

1Sunflower, rapeseed, canola, safflower, flax, mustard, crambe, sesame, and others designated by Secretary. Mktg yr Sunflower begins Sep 1; Canola, flax Jun 1
 Reference prices for small chickpeas = \$19.04 / cwt; large chickpeas = \$21.54 / cwt;

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NAWG States - Average County Size in Square Miles



ARC - Individual

- 1) Benchmark revenue is Olympic Average of sum of most recent 5-year revenues per acre for all crops on farm
 - Price is NAMP with PLC reference price floor
 - Yield is actual yield for each year (70% t-yield plug)
 - Acres are planted acres per crop for each year
- 2) Guarantee is 86% of benchmark revenue (triggers at 14% whole farm revenue loss)
- 3) Actual revenue is sum of crop year revenues for all crops on farm
- 4) Maximum payment is 10% of benchmark revenue
- 5) Pays on **65%** of base acres
- 6) Payments made after end of marketing year



ARC - Individual

Generally, the formula is:

Individual ARC payment = 65% X base acres X the difference between ARC guarantee and actual crop revenue, not to exceed 10% of the ARC benchmark revenue.



INDIVIDUAL (WHOLE-FARM) ARC CALCULATION

NOTE: This calculator is to be used for demonstration purposes only. *Input your farm information for the values in red.*
 Determination of actual program payments will be made by the USDA Farm Service Agency.

2014 ARC Benchmark					
	2013*	2012	2011	2010	2009
Wheat Yield	45	35	42	40	50
Wheat Price	\$6.90	\$7.77	\$7.24	\$5.70	\$5.50
Wheat Planted Acres	1500	2000	1500	2000	1500
Wheat Revenue	\$465,750	\$543,900	\$456,120	\$456,000	\$412,500
Barley Yield	70	65	59	68	60
All Barley Price	\$6.05	\$6.43	\$5.35	\$4.95	\$4.95
Barley Planted Acres	500	200	500	200	500
Barley Revenue	\$211,750	\$83,590	\$157,825	\$67,320	\$148,500
*2013 price as of Dec 13					
Total Revenue	\$677,500	\$627,490	\$613,945	\$523,320	\$561,000
Total Planted Acres	2000	2200	2000	2200	2000
Avg. Revenue/Acre	\$339	\$285	\$307	\$238	\$281
Benchmark = 5-yr Oly Avg Rev/Acre	\$291				
Guarantee = 86% of Benchmark	\$250				
2014 ARC Actual (projected)					
Wheat Yield	35				
Wheat Price	\$6.00				
Wheat Planted Acres	2000				
Wheat Revenue	\$420,000				
Barley Yield	70				
All Barley Price	\$5.50				
Barley Planted Acres	200				
Barley Revenue	\$77,000				
Total Actual Revenue	\$497,000				
Total Planted Acres	2200				
Avg Revenue/Acre	\$226				
Revenue Shortfall (Guarantee-Actual)	\$24				
Max Payment = 10% of Benchmark	\$29				
ARC Payment = 65% of lesser of Rev Shortfall or Max Pymt	\$16				
Total Farm BASE Acres	1800				
Total Individual ARC Payment	\$28,388				
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ARC - County

- 1) Benchmark revenue is Olympic Average of most recent 5-year price times Olympic Average of most recent 5-year county yield by program crop
 - Price is NAMP with PLC reference price floor
 - Yield is NASS county yield for each year (70% t-yield plug)
- 2) Guarantee is 86% of benchmark revenue (triggers at 14% county revenue loss)
- 3) Max payment is 10% of benchmark revenue
- 4) Actual revenue is crop year county revenue
- 5) Pays on **85%** of base acres
- 6) Payments made after end of marketing year

ARC - County

Generally, the formula is:

County ARC payment = 85% X base acres X difference between ARC guarantee and actual crop revenue, not to exceed 10% of the ARC benchmark revenue.

FSA County yields for old ACRE program:

- <http://www.fsa.usda.gov/FSA/webapp?area=home&subject=dccp&topic=landing>
- May differ from yields used for ARC



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2014 ARC Benchmark							
	2013*	2012	2011	2010	2009	Benchmark Co. Revenue	Guarantee = 86% of Benchmark
Wheat Co. Yield	35	30	38	30	40	34	
Wheat Price	\$6.90	\$7.77	\$7.24	\$5.70	\$5.50	\$6.61	NAMP with \$5.50 floor
Wheat Revenue	\$242	\$233	\$275	\$171	\$220	\$227	\$195.27
Barley Co. Yield	50	60	55	62	65	59	
All Barley Price	\$6.05	\$6.43	\$5.35	\$4.95	\$4.95	\$5.45	NAMP with \$4.95 floor
Barley Revenue	\$303	\$386	\$294	\$307	\$322	\$322	\$276.53
*2013 price as of Dec 13							
2014 ARC Actual (Projected)							
	Actual Co. Revenue	Revenue Shortfall	Max Pymt = 10% of Benchmark	ARC Payment = 85% of lesser of Rev Shortfall or Max Pymt	Farm BASE Acres by crop	Total Co. ARC Payment	
Wheat Co. Yield	32						
Wheat Price	\$6.00						
Wheat Revenue	\$192	\$3.27	\$22.71	\$2.78	1,400	\$3,891	
Barley Co. Yield	50						
All Barley Price	\$5.00						
Barley Revenue	\$250	\$26.53	\$32.16	\$22.55	400	\$9,021	
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Payment Limits

Payment limits for ARC, PLC, LDP, and MLG

- \$125,000 each for a producer and a spouse (\$250,000 total)
- USDA required to define through rulemaking “actively engaged in farming” by 2015
- Single AGI cap of \$900,000



Crop Insurance – New Program

Supplemental Coverage Option (SCO)

- 1) Annual option to purchase shallow-loss county coverage on top of individual insurance plan
 - Coverage available between 86% and individual's underlying coverage level
- 2) Not available to farms in ARC
- 3) Guarantee based on crop insurance price
- 4) 65% premium subsidy
- 5) Available for 2015 crop year for major crops
- 6) No payment limits, covers all planted acres, pays in year of loss
- 7) **Producer-paid premium unknown**



Crop Insurance – Other Changes

Conservation compliance tied to crop insurance

- Highly erodible (HEL) and wetland compliance required for federal crop eligibility
- Any penalties for violations will be on future premium subsidies; does not apply to violations prior to date of enactment
- Producer has 5 years to comply if no previous conservation plan; 2 years to comply if had plan in place but found to be in violation
- If currently in compliance for FSA programs, will be in compliance for crop insurance



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Crop Insurance – Other Changes

- Option to exclude from APH the yield for any year during the previous 10 consecutive crop years that county or contiguous county has greater than 50% yield loss
 - Congressional intent is that this should include any yield that predates enactment
- Option to purchase enterprise units is made permanent (previously a pilot)
 - Separate enterprise units allowed for irrigated and non-irrigated



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Crop Insurance – Other Changes

- Adds sod-saver language
 - If break native sod, federal crop subsidy on broken acreage reduced by 50 percentage points for 4 years
 - Guarantee will use 65% of t-yield
 - Only applies in MT, ND, SD, MN, IA, and NE
- Authorizes development of margin insurance
- Authorizes development of personal t-yield



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Crop Insurance – Beginning Farmers

- Defined as farming less than 5 years
 - Excludes years under age 18, in post-secondary studies, or serving in U.S. military
- Allows for APH transfer if previously involved in farm or ranch
- Receives 10 percentage point premium subsidy increase
- Increase t-yield plug to 80%
- Exempt from CAT administrative fee



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Program Signup

- SCO to be ready for 2015 winter wheat signup
 - Winter wheat growers can opt out of SCO before their acreage reporting date if they change their mind after USDA releases commodity program rules
 - RMA may not have SCO ready for minor crops until 2016
- FSA will begin with optional base reallocation and yield updates, then program elections
- Commodity program signup expected late fall
 - NOTE: FSA programs apply to 2014 crop; SCO begins with 2015 crop



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Questions?

If your question was not addressed during the live session, please email it to:

Lola Raska, MGGA
Executive Vice President
lraska@mgga.org

Brooke Shupe, NAWG
Director of Government Affairs
bshupe@wheatworld.org



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