

2014 Farm Bill Commodity Programs Overview



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Policy changes for commodity producers

- Elimination of direct, countercyclical or ACRE program payments
- One time decision (for life of farm bill):
 - Price loss coverage (PLC) - payments when prices fall below a reference price
 - Agriculture risk coverage (ARC) - payments when revenue falls below a benchmark revenue
- A new crop insurance option (SCO) for PLC participants
- A new crop insurance option (STAX) for cotton producers
 - No ARC or PLC program for cotton
 - Cotton producers can get ARC/PLC for other crops grown on the farm



Covered Commodities

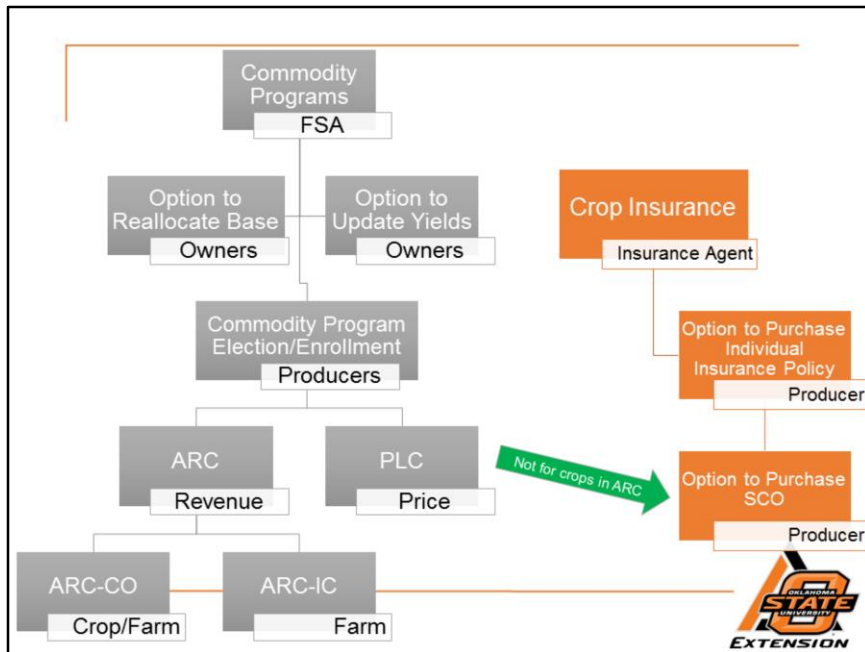
Crops for which base acres exist

21 Covered Commodities		
Barley	Canola	Corn
Crambe	Flaxseed	Garbanzo, Large
Garbanzo, Small	Grain Sorghum	Lentils
Mustard Seed	Oats	Peanuts
Peas, Dry	Rapeseed	Rice, Long Grain
Rice, Medium Grain	Safflowers	Sesame Seed
Soybeans	Sunflower Seed	Wheat

- For 2014 and subsequent crop years, **cotton** is not a covered commodity
- Cotton base become GENERIC base acres



A listing of the 21 covered commodities eligible for the ARCPLC program



Deadlines

- Owners choose to update yields and/or reallocate bases (one-time decision)
 - September 29, 2014 - February 27, 2015
- Producers decide to elect ARC or PLC (one-time decision)
 - November 17, 2014 – March 31, 2015
- Producers enroll on an annual basis in ARC or PLC (must enroll in the elected program – cannot change from year to year)
 - Mid-April 2015 – Summer 2015
- Producers choose to purchase an individual crop insurance policy and SCO (if the crop is not enrolled in ARC)
 - Annually in Spring or Fall (depending on the crop)



Yield Update

- Retain current CC yields or update yields
 - Current farm "CC" yield was included on July letter from Farm Service Agency
 - 2008-2012 yield history for planted crops
 - Simple average of certified yields for 2008-2012 crop years
 - If any year is < 75% of 2008-12 county average, substitute 75% of the county average
 - Exclude zero planted years
- Yield update option is available per crop/farm for owners regardless of the PLC/ARC election



Yield Update: Oklahoma Wheat Examples

CC Yield: 30

County Substitute Yield: 21

Example 1	2008	2009	2010	2011	2012	Avg	90% of Avg
Yield	37	18	36	15	33		
County Substitute Yield	21	21	21	21	21		
Yield Used	37	21	36	21	33	29.6	26.6

Example 2	2008	2009	2010	2011	2012	Avg	90% of Avg
Yield	37	No plant	36	No plant	33		
County Substitute Yield	21	21	21	21	21		
Yield Used	37		36		33	35.3	31.8



Base Reallocation

- Cannot change total, but can reallocate existing
- Based on 2009-2012 planted + prevented planted
- Proration of 2009-2012 average planted acres of covered commodities compared to total planted acres of all covered commodities on the farm

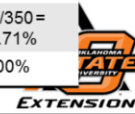


Base Reallocation

Crop	Current Base	2009-2012 Avg Planted	Reallocation %	Reallocated Base
Corn	100	50	14.29%	64.31
Grain Sorghum	50	0	0	0
Wheat	300	300	85.71%	385.69
Total	450	350	100%	450

Planted History →

Crop	2009	2010	2011	2012	2009-12 Avg	Reallocation %
Corn	100	0	100	0	$200/4 = 50$	$50/350 = 14.29\%$
Sorghum	0	0	0	0	0	0
Wheat	300	300	300	300	$1200/4 = 300$	$300/350 = 85.71\%$
Total	400	300	400	300	350	100%



What to choose? ARC vs PLC

- Depends on preferences for risk management
 - Protection against catastrophic price declines – PLC and/or SCO
 - Protection against shallow revenue losses – ARC
 - What is your risk exposure
 - What do you need the most protection from



Required Compliance with Adjusted Gross Income (AGI)

- \$900,000 historical average AGI limitation
Note: 2014 AGI is determined using tax years 2012,
2011 and 2010 AGI.



Payment Limits

- The ARC and PLC programs are subject to a \$125,000 payment limitation. This limitation will include all payments received **directly** or **indirectly** for all covered commodities except peanuts.
- A separate payment limitation of \$125,000 is provided for payments received **directly** or **indirectly** for peanuts only.

Note: This \$125,000 Payment Limitation includes any payments received through Marketing Loan Gains and Loan Deficiency Payments



References

- **Price Loss Coverage/ Agriculture Risk Coverage**
■ (http://www.fsa.usda.gov/programs-and-services/arcplc_program/index)

- **Oklahoma State University Farm Bill Web Page**
■ (<http://agecon.okstate.edu/agpolicy/farmbill.asp>)

- **Kansas State University Farm Bill Web Page**
■ (<https://www.agmanager.info/ag-policy/farm-bill>)

