



The Agricultural Act of 2014
Farm Service Agency Programs

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By
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2014 Farm Bill

- 2014 Farm Bill repealed “Direct Payments”
- Strengthened the Farm Program Safety Net
 - Established opportunity to elect protection from price losses only, or both price and yield losses
 - Increased “Reference Prices”
 - Moved Revenue Protection to County or Individual level
 - Opportunity to Update Crop Acreage Bases and/or Payment Yields
 - New Crop Insurance Options

2014 Farm Bill

- 2014 Farm Bill gives producers the option to select the most optimal program for managing risk in their individual farming operation
- Replaces DCP and ACRE with 2 New Programs:
 - 1) Price Loss Coverage (PLC)
 - Price protection only
 - Can be paired with the “Supplemental Coverage Option” offered under crop insurance
 - 2) Agriculture Risk Coverage (ARC)
 - Revenue Protection (Price & Yield)
 - County Level (ARC-CO)
 - Individual Level (ARC-IC)
 - “Shallow Loss” programs designed to cover losses at 76%-86% of expected revenue

2014 Farm Bill – ARC/PLC

- Both PLC and ARC (-CO & -IC) use the marketing year average (MYA) price to calculate payments
- Marketing Year Average (MYA) is a national average price received over a crop's 12-month marketing year
- Uses NASS price data determined by monthly surveys of approximately 2000 buyers nationwide
- Surveys in 31 states where 90% of sales occur
- 12-month average is weighted by sales
 - (Sept. 1-Aug. 31) – corn, grain sorghum, soybeans
 - (June 1-May 31) – wheat, oats, barley

2014 Farm Bill-ARC/PLC

If payments for PLC, ARC-CO or ARC-IC are earned, they will be issued the following October

Example: Payments for 2014 crops would be issued in October 2015 to eligible participants

2014 Farm Bill – ARC/PLC

2014 Farm Bill provides a *one-time* option to:

- Reallocate Base Acres
and/or
- Update Payment Yields

Important Decisions!

- * First opportunity to update base since 1995?.....2002?
Payment yields since1985?.....2002?

2014 Farm Bill-ARC/PLC

A 3 Step Process:

1) Base Reallocation and Yield Update

(September 29, 2014 – February 27, 2015)

2) Program Election

(November 17, 2014 – March 31, 2015)

3) 2014/2015 Annual Enrollment

Note: eligible participants must enroll *each year 2014-2018*

2014 Farm Bill – ARC/PLC

- ***What about base reduced due to CRP enrollment?***
 - ***2014 Farm Bill allows base to be restored when CRP expires, is voluntarily terminated or early released***
 - ***Will have an opportunity to make a program election when base is restored if election for that crop has not already been made***
 - ***(Exception – ARC-IC Farms)***

2014 Farm Bill – ARC/PLC

- Producer Letters sent to owners and operators in early August
- Provided 2008-2012 “Planted & Considered Planted” Acreage History of Covered Commodities Planted on all farms (Note: includes popcorn and dual purpose sorghum acres)
- Includes approved prevented planted, double-cropped and subsequent acreage
- Provided Current Base Acres and “CC” Yields

2014 Farm Bill – ARC/PLC

Producer Letters (continued)

- Review for accuracy
- Notify FSA if any acreage incorrect or not previously reported
- Some data may not be listed due to change in the structure of tract(s) sometime during the history period – FSA staff is researching all previously reported data

Base Reallocation Decision

The 2014 Farm Bill authorizes a current owner of a farm the one time opportunity to either:

- Retain all the farm's 2013 base acres, as of September 30, 2013
- Reallocate base acres based on the four year average P&CP (including prevented planted acres) for the 2009 through 2012 crop years.

Note: An increase in TOTAL base acres on a farm is not allowed. Base restored due to CRP expiration in FY 2014 is eligible to be considered during this process.

Base Reallocation Decision

- Reallocation of bases will result in the farm's total base acres being recalculated in the same proportion to the 4 year average of acres that were P&CP, or subsequently planted, to covered commodity bases during the 2009 – 2012 crop years.
- Base acres may be adjusted for CRP - exit or enrollment.

Base Reallocation Decision

Covered Commodities for ARC/PLC Program		
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

Note: Cotton is removed from covered commodity status.

Base Acre Reallocation Decision

- If no decision is made during the reallocation period the farm will retain the base acres on the farm as of September 30, 2013.
- The option to retain or reallocate base acres is an “all or nothing” proposition (no partial reallocation).
- Must be reallocated based on the P&CP, or subsequently planted, crop acreage

Base Acre Reallocation

If a subsequent covered commodity crop was planted after an initial covered commodity crop, the producer can select either the initial crop or the subsequent crop to be included in the reallocation calculation.

- For example: Corn was initially planted but failed, and then a subsequent crop of soybeans was planted. The producer can select some or all of the soybeans, instead of corn, for the base reallocation decision.

Base Acre Reallocation

EXAMPLE #1

Farm #2566

Cropland: 160.0 acres

Corn Base: 70.0 acres

Soybean Base: 70.0 acres

Oats Base: 20.0 acres

CROP HISTORY				
CROP	2009	2010	2011	2012
Corn	80.0	69.5	80.0	69.5
Soybeans	69.5	80.0	69.5	80.0

Base Acre Reallocation – Example 1

Farm Number: 2566

Farm Effective Cropland: 160.00



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Crop	2013 Base Acres	2009	2010	2011	2012	Average Planting	Reallocation Percentage	2014 Reallocated Base Acres
Barley						0.00	0%	0.00
Canola						0.00	0%	0.00
Corn	70.00	80.00	69.50	80.00	69.50	74.75	50%	80.00
Crambe						0.00	0%	0.00
Dry Peas						0.00	0%	0.00
Flaxseed						0.00	0%	0.00
Grain Sorghum						0.00	0%	0.00
Large Chickpeas						0.00	0%	0.00
Lentils						0.00	0%	0.00
Mustard Seed						0.00	0%	0.00
Oats	20.00					0.00	0%	0.00
Peanuts						0.00	0%	0.00
Rapeseed						0.00	0%	0.00
Rice (Long Grain)						0.00	0%	0.00
Rice (Medium/Short Grain)						0.00	0%	0.00
Safflower						0.00	0%	0.00
Sesame Seed						0.00	0%	0.00
Small Chickpeas						0.00	0%	0.00
Soybeans	70.00	69.50	80.00	69.50	80.00	74.75	50%	80.00
Sunflower Seed (All)						0.00	0%	0.00
Wheat						0.00	0%	0.00
Upland Cotton (Generic)						0.00	0%	0.00
Totals	160.00	149.50	149.50	149.50	149.50	149.50	100%	160.00

Base Acre Reallocation

Example #2

Farm #2566

Cropland: 149.5 acres

Corn Base: 74.7 acres

Soybean Base: 74.8 acres

CROP HISTORY				
CROP	2009	2010	2011	2012
Corn	0	0	0	10.0
Soybeans	0	0	0	0
Alfalfa	149.5	149.5	149.5	139.5

Base Acre Reallocation – Example #2

Farm Number: 2566

Farm Effective DCP Cropland: 149.50



PRINT

<i>Crop</i>	<i>2013 Base Acres</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>Average Planting</i>	<i>Reallocation Percentage</i>	<i>2014 Reallocated</i>
<i>Barley</i>						0.00	0%	0.00
<i>Canola</i>						0.00	0%	0.00
<i>Corn</i>	74.70				10.00	2.50	100%	149.50
<i>Crambe</i>						0.00	0%	0.00
<i>Dry Peas</i>						0.00	0%	0.00
<i>Flaxseed</i>						0.00	0%	0.00
<i>Grain Sorghum</i>						0.00	0%	0.00
<i>Large Chickpeas</i>						0.00	0%	0.00
<i>Lentils</i>						0.00	0%	0.00
<i>Mustard Seed</i>						0.00	0%	0.00
<i>Oats</i>						0.00	0%	0.00
<i>Peanuts</i>						0.00	0%	0.00
<i>Rapeseed</i>						0.00	0%	0.00
<i>Rice (Long Grain)</i>						0.00	0%	0.00
<i>Rice (Medium/Short Grain)</i>						0.00	0%	0.00
<i>Safflower</i>						0.00	0%	0.00
<i>Sesame Seed</i>						0.00	0%	0.00
<i>Small Chickpeas</i>						0.00	0%	0.00
<i>Soybeans</i>	74.80					0.00	0%	0.00
<i>Sunflower Seed (All)</i>						0.00	0%	0.00
<i>Wheat</i>						0.00	0%	0.00
<i>Upland Cotton (Generic)</i>							0%	0.00
Totals	149.50	0.00	0.00	0.00	10.00	2.50	100%	149.50

Base Acre Reallocation

- Reallocated base acres will be distributed to the tract level based upon the percentage of effective DCP cropland on each tract, or distributed according to a designation by a current landowner

Payment Yield Update

On a “**Crop by Crop**” basis an owner of a farm has the following options:

1. ***Retain*** the farm’s/crop’s Counter-Cyclical (**CC**) ***yield*** from the 2008 Farm Bill (***NOT Direct yield***)
2. ***Update*** the farm’s/crop’s yield based on **90%** of the farms 2008-2012 “***average yield***” per “**planted**” acre, excluding years of zero plantings/prevent plant.

NOTE: 75% of County Average Yield will be substituted for low year yield and/or no production/yield available for planted acres

Payment Yield Update

Example #1

5 Year average of Planted acreage

$$(151+165+155+180+122=773/5=155)$$

Farm #1		Corn CC Yield: 122/bu						
Crop	2008	2009	2010	2011	2012	Total	Avg. Yield	PLC Yield (90%)
Corn	151	165	155	180	119	773	155	139/bu
Avg. CO Yield (75%)	122	122	122	122	122			

Payment Yield Update

Example #2 - 3 Year Average of Planted acres

$$(155+180+122=457/3=152)$$

Farm #1		Corn CC Yield: 112/bu						
Crop Corn	2008	2009	2010	2011	2012	Total	Avg. Yield	PLC Yield (90%)
	Zero Plant	Zero Plant	155	180	119	457	152	137/bu
Avg. CO Yield (75%)	122	122	122	122	122			

Payment Yield Update

Example #3

4 Year Average of Planted acres

$$(122+155+180+122=579/4=145)$$

Farm #1		Corn CC Yield: 122/bu						
Crop Corn	2008	2009	2010	2011	2012	Total	Avg. Yield	PLC Yield (90%)
	Zero Plant	Planted No Evidence	155	180	119	579	145	130/bu
Avg. CO Yield (75%)	122	122	122	122	122			

Payment Yield Update

- Owners or operators may certify the average yield (not total production) for each year 2008-2012 when the crop was planted
- Must represent the total harvested and appraised production (IR & NI) divided by the planted acreage of the crop on the farm for each year
- The 2014 Farm Bill does not allow for establishment of separate irrigated and non-irrigated PLC payment yields for covered commodities

Payment Yield Update

- Use of RMA *production* data (not APH yields) to certify yields is encouraged
- Other types of acceptable records include commercial sales records, farm storage records, livestock feeding records, FSA records (NAP, ACRE, Loans)
- FSA will not copy or store yield or production records
- Owners are responsible for maintaining records used to certify yields – and submitting if later requested by FSA – anytime 2014 through 2018

Payment Yield Update

- The farm level PLC yield will be assigned to each tract that makes up the FSA farm number.
- Yield adjustments between tracts may be completed upon agreement of all owners on the farm, but *after the yield update period*
- Yield adjustments at the tract level cannot increase the overall yield at the farm level

Bryan's SLIDE

Forms/Plug Yields For Dodge County

- This is an example of how to complete the YIELD UPDATE FORM
- Dodge County Plug Yields-Yield Substitutes
 - Corn- 123 Bushels
 - Soybeans- 36 Bushels

SAMPLE

This form is available electronically.

CCC-859 (09-23-14)	U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation	1. Program Years: 2014 through 2018 2A. County FSA Office Name and Address (including Zip Code) Dodge County Farm Service Agency 2450 Business Park Drive Fremont NE 68025-8051 2B. County FSA Office Telephone Number (including Area Code) 402-721-8455
PRICE LOSS COVERAGE (PLC) YIELD WORKSHEET		2C. County FSA Office FAX Number (including Area Code) 402-721-8463 3. State Code: 31 4. County Code: 053 5. Farm Number: <u>11</u>

THE YIELD WORKSHEET is used to obtain yield information that may be used by a current owner who may choose to update the covered commodity yield as permitted under Section 1113 of Public Law 113-79 and 7 CFR Part 1412. The yields provided in this worksheet for the years the covered commodity was planted, 2008 through 2012, will be averaged using the simple average method excluding years of zero planting. Once the simple average yield of the covered commodity is calculated, any current owner on the farm may choose to update the farm's covered commodity CC yield on form CCC-858 during the yield update period.

Report the actual yields planted on the farm for each covered commodity planted for the years 2008 – 2012. The higher of either the actual yield or 75% of the County Average (substitute yield) will be used for each year. If the owner chooses to update the yield, then the farm yield will be 90% of the simple average (excluding the year(s) the commodity was not planted) yield reported on this form.

TOTAL FARM YIELD WORKSHEET

Complete this section ONLY for covered commodities that the owner may wish to report. If a covered commodity was not planted for a particular year, then leave that year blank. Enter the source of the data used to support the yield in Item 6C. Rec Type: 1 for "RMA data", 2 for "production sold/commercial storage", 3 for "on-farm storage", 4 for "livestock feed records", 5 for "FSA loan record", 6 for "FSA NAP record", or 7 for "other". Please enter the other record type in the remarks section on the form. This is ONLY a worksheet. It is NOT the yield update. This form may be used by any current owner of the farm if the current owner decides to update a yield using CCC-858 during the yield update period.

6A. Commodity	2008		2009		2010		2011		2012	
	6B. Yield	6C. Rec Type	6B. Yield	6C. Rec Type	6B. Yield	6C. Rec Type	6B. Yield	6C. Rec Type	6B. Yield	6C. Rec Type
Corn	160	1	150	1	170	1	165	1	120	1
Beans	53	1	55	1	60	1	58	1	40	1

7. Remarks
Irr/Dry = one Yield (Blended)

8A. Contact Person's Name A	8B. Contact Person's Telephone Number B	8C. Contact Person's Email Address C
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Program Election

- Program Election follows the base reallocation and yield update decision.
- Farm by farm election decision is made between three program choices.
- Valid election must be made on or before March 31, 2015.
 - If valid election is not made for a farm, the farm is defaulted into Price Loss Coverage Program and ineligible for 2014 payments.

Program Election

- Who makes the program election?
 - “Current Producers” on the farm
- Current Producers: Parties with an **interest** in cropland on the farm on the day the election decision is made.
 - Landowners who cash lease all cropland are not considered a current producer for program election.

Program Choices

- Price Loss Coverage (PLC)
- Agriculture Risk Coverage (ARC)
 - County Level ARC, termed ARC-CO
 - Individual Level ARC, termed ARC-IC
- Possibility exists for producer to elect into one or more programs, depending on the decisions made.

Price Loss Coverage (PLC)

- Price Loss Coverage is a price protection program.
 - Very similar to the Counter-Cyclical Program of previous Farm Bills
 - Payment based on base acres, no requirement to plant the crop.
- PLC payment rate for a specific crop is the statutory reference price for the crop minus the effective price.
- PLC Payment:
 - $.85 \times \text{crop base acres} \times \text{PLC yield} \times \text{payment rate}$

Reference Prices

Crop	Reference Prices	2014 National Loan Rates	Projected 2014/2015 Crop Year Price
Barley <u>1/</u>	\$4.95 per bu.	\$1.95 per bu	\$5.15 per bu
Corn	\$3.70 per bu.	\$1.95 per bu	\$3.50 per bu
Grain Sorghum	\$3.95 per bu.	\$1.95 per bu	\$3.45 per bu
Oats	\$2.40 per bu.	\$1.39 per bu	\$3.25 per bu
Soybeans	\$8.40 per bu.	\$5.00 per bu	\$10.00 per bu
Wheat	\$5.50 per bu.	\$2.94 per bu	\$5.90 per bu

1/ Barley price is based on the price of “all barley”. Previously the price was based on the “feed barley” price.

PLC Payments

- **Effective Price = The HIGHER of the following:**
 - **National Average Market Price (MYA) for the applicable marketing year as determined by the Secretary**
 - **National Average Loan Rate in effect for the applicable marketing year**

PLC Payment Example

- Reference Price for Corn is \$3.70
- 2014 Projected MYA for Corn is \$3.50
- Farm has 80 acres of corn base and PLC yield for corn of 120 bu./ac.
- PLC Payment:
 $.85 \times 80 \text{ acres} \times 120 \text{ bu.} \times .20/\text{bu.} = \1632

Agriculture Risk Coverage (ARC) Background

- ARC-County Level (ARC-CO) or Price Loss Coverage (PLC) may be “**Elected**” on a covered commodity by covered commodity basis on the farm
- ARC-Individual Level (ARC-IC) is “**Elected**” for ALL covered commodities at the farm level

Agriculture Risk Coverage - CO

- ARC-CO provides crop-by-crop revenue protection, based on a comparison of current year county level crop revenue to a 5 year historic county level revenue for that crop.
- Payments are earned when there is a qualifying revenue shortfall (county level) AND a farm has base acres for the crop with the revenue shortage
- There is no requirement to plant the crop on which payment is received.

Agriculture Risk Coverage - IC

- ARC - Individual Level Coverage, provides “whole farm” revenue protection based on a comparison of actual crop revenue (all crops) compared to a 5 year historical revenue for the farm based on all crops.
- The “whole farm” is all ARC-IC elected farms in the state in which a producer has an interest.
- Revenue losses are based on the planted covered commodities in a specific year
- Payments are based on the per acre “overall” revenue loss, and the number of total base acres on the farm.

ARC Background

ARC-CO Election	ARC-IC Election
Producer may elect ARC-CO or PLC per Crop Base Acres on the farm	Producer may elect ARC-IC for ALL Crop Base Acres on the farm, not each specific crop base
Payments are issued on 85 percent of base acres. No requirement to plant a covered commodity	Revenue losses are calculated using the “plantings” of covered commodities on the farm. Payments are then issued on 65 percent of TOTAL base acres on the farm. No payment earned if no covered commodities are planted on the farm in a specific year

ARC Background

ARC-CO Election	ARC-IC Election
When the Actual Crop Revenue	When the Actual Crop Revenue
<p style="text-align: center;">Actual Average County Yield Times <i>Higher of:</i> Marketing Year Average Price Or National Loan Rate</p>	<p style="text-align: center;">Sum of (Production of Each Covered Commodity) Times <i>Higher of:</i> Marketing Year Average Price Or National Loan Rate</p>
...is Less than the ARC-CO County Guarantee	... is Less than the ARC-IC Producer Guarantee
<p style="text-align: center;">86% Times</p> <p style="text-align: center;"><u>Benchmark County Revenue</u> 5 year Olympic Average of the <u>higher</u> of Marketing year average price or the Reference Price Times 5 year Olympic Average of the <u>higher</u> of Historical County Yield or 70% of the County Transitional Yield</p>	<p style="text-align: center;">86% Times</p> <p style="text-align: center;"><u>Producer Weighted ARC-IC Benchmark Revenue</u> 5 Year Olympic Average of annual benchmark revenues for each covered commodity for each ARC-IC enrolled farm, excluding the high and low annual revenues. Each Commodity's annual revenue is averaged across all farms, weighted by plantings</p>

ARC Background

ARC-CO Election	ARC-IC Election
Payment is equal to:	Payment is equal to:
85% of the sum of: Base acres of the covered commodity on the farm and generic base acres planted to the covered commodity	65% of the sum of: Total Base acres of all covered commodities on the farm; and generic base acres on the farm planted to covered commodities.
Times	Times
The Crop Revenue Shortfall calculated above, <i>not to exceed 10% of the Benchmark County Revenue</i>	The Farm Revenue Shortfall calculated above, <i>not to exceed 10% of the Producer's "weighted" Benchmark Revenue</i>

ARC Background

Production Reporting Requirements:

- ARC-IC requires the participant to submit annual reports of production to determine benchmark revenue and actual revenue
- No production reporting requirement for ARC-CO, since county level yield data is used to calculate historic and actual revenue

ARC Irrigated/Non-Irrigated

- **Irrigated/Non-Irrigated Practice Eligibility, Separate Revenue Calculations**
 - **2014 Farm Bill provides the Secretary the ability to establish separate revenue calculations for irrigated and non-irrigated practices of a crop for ARC purposes.**
 - **FSA regulations provide separate revenue calculations will be completed for crops under ARC-CO and ARC-IC for farms and crops administered in counties where at least 25% of the acres of the specific crop were irrigated and 25% of the specific crop acres were non-irrigated during the years 2009-2012.**
 - **Counties meeting the qualifying criteria are locked in for the 2014 farm bill period (2014 – 2018)**

ARC Irrigated/Non-Irrigated

- **Irrigated/Non-Irrigated Practice Eligibility, Separate Revenue Calculation**
 - For ARC, in eligible counties, a farm's base acres of a covered commodity will be prorated based on the farm's irrigated/non-irrigated acres of that covered commodity from 2009-2012 for purposes of applying payment in the case of either an irrigated revenue and/or non-irrigated revenue shortfall.
 - these “percentages” are locked in on the farm for the 2014 farm bill period (2014 – 2018)

ARC-CO Example

Dodge County, NE, Farm #123

Joe Farmer, Operator has 100% interest in all crops

Note: This is a blended yield example

Crop	Base Acres	PLC Yield	Planted Acres	Program Election
Corn	100.00	142	100.00	ARC-CO
TOTAL	100.00		100.00	

ARC-CO Example

- STEP 1: ARC-CO Benchmark Revenue**

	Corn				
	2009	2010	2011	2012	2013
Yield	184	163	183	147	155
70% of T-Yield	119	119	119	119	119
MYA Price	\$3.55	\$5.18	\$6.22	\$6.89	\$4.50
Reference Price	\$3.70	\$3.70	\$3.70	\$3.70	\$3.70

Crop	YIELDS, Excluding the High and Low Yield			Average
Corn	163	183	155	167
Crop	PRICE, Excluding the High and Low Price			Average
Corn	\$5.18	\$6.22	\$4.50	\$5.30
Crop	Average Benchmark Yield	Average Benchmark Price	ARC-CO Benchmark Revenue	
Corn	167	\$5.30	\$885.10	

ARC-CO Example

- **STEP 2: ARC-CO Guarantee**

Crop	ARC-CO Benchmark Revenue		ARC-CO Guarantee
Corn	\$885.10	X 86%	\$761.19

ARC-CO Example

- **STEP 3: ARC-CO Actual Crop Revenue**

Crop	County Actual Yield	2014 Marketing Year Average	National Average Loan Rate	Actual Crop Revenue
Corn	181	\$4.00	\$1.95	\$724

ARC-CO Example

- **STEP 4 & 5: Calculate Revenue Loss & if it Exceeds the 10% Cap Payment rate:**

Crop	ARC-CO Guarantee	ARC-CO Actual Revenue	Shortfall, If Any	10% Cap (Benchmark Revenue)	ARC-CO Payment Rate
Corn	\$761.19	\$724	\$37.19	\$88.51	\$37.19

ARC-CO Example

- **STEP 6: Calculate Producer Payment:**

(Note: If this producer had no corn base, payment would not have been earned, even if corn were planted in the current year).

Crop	Base Acres	Pay %	Payment Rate	Producer Share	ARC-CO Payment
Corn	100.00	85%	\$37.19	100%	\$3161

ARC-CO Example

Impact of NI/IR Qualification:

In this same example, let's assume the county meets the qualifying IR/NI criteria for corn and the previous yield numbers reflected only non-irrigated corn for the county.

Let's also assume the planting history on the farm (2009-2012) indicates a history of 75% irrigated corn acres and 25% non-irrigated corn acres. Applying this we would get the following:

Crop	Prorated Base Acres*	Pay %	Payment Rate	Producer Share	ARC-CO Payment
Corn	25.00	85%	\$37.19	100%	\$790

*Prorated Base (from farm's planting history) is 25% of farms total corn base of 100 acres.

**The farm may or may not trigger a payment on the other 75 corn base acres depending on if there is a shortfall in revenue for irrigated corn in the county.

ARC-IC Calculations

ARC-IC Payment Calculation Example - (Two Crops – One Farm):

FSN 2566

Corn Base: 100 acres

Wheat Base: 50 acres

Total Base Acres: 150 Acres.

Operator – 100% Share

Planted Acres:

Corn: 110 acres

Soybeans: 50 acres

ARC-IC Calculations

ARC-IC Payment Calculation Example - (Two Crop – One Farm):

Covered Commodities On ACR-IC Farm	PLANTED ACRES	Planted / Total Planted	Producer Weighted % Planted Acres across all Farms
Corn	110	(110 / 160)	68.75%
Soybeans	50	(50 / 160)	31.25%
Total	160		

ARC-IC Calculations

ARC-IC Example – (Two Crop – One Farm):

Corn	2009	2010	2011	2012	2013	5-Year Olympic Average Revenue	Producer Weighted %Planted Acres across all Farms	Weighted 5-year Olympic Average
Yield	125	100	165	110	95			
70% of T	85	85	85	85	85			
MYA	\$3.55	\$5.18	\$6.22	\$6.89	\$4.50			
Reference Price	\$3.70	\$3.70	\$3.70	\$3.70	\$3.70			
Revenue	\$462.50	\$518.00	\$1026.30	\$757.90	\$427.50	\$579.47	68.75%	\$398.39

ARC-IC Calculations

ARC-IC Example – (Two Crop – One Farm):

Soybeans	2009	2010	2011	2012	2013	5-Year Olympic Average Revenue	Producer Weighted %Planted Acres across all Farms	Weighted 5-year Olympic Average
Yield	38	41	29	48	33			
70% of T	27	27	27	27	27			
MYA	\$9.59	\$11.30	\$12.50	\$14.40	\$12.95			
Reference Price	\$8.40	\$8.40	\$8.40	\$8.40	\$8.40			
Revenue	\$364.42	\$463.30	\$362.50	\$691.20	\$427.35	\$418.36	31.25%	\$130.74

ARC-IC Calculations

ARC-IC Example - (Two Crop – One Farm):

Producer Weighted ARC-IC Benchmark (BM) Revenue:

Corn BM Revenue: $(\$579.47 \times 68.75\%) = \398.39

Soybean BM Revenue: $(\$418.36 \times 31.25\%) = \underline{\$130.74}$

Total Farm Benchmark Revenue $\$529.13/\text{ac.}$

Producer Weighted Guarantee:

ARC-IC Farm Guarantee: $\$529.13 \times 86\% = \$455/\text{acre}$

ARC-IC Calculations

ARC-IC Example - (Two Crops – One Farm)

Current Year Revenue:

CROP	2014 Total Production	2014 MYA Price	National Loan Rate	ARC-IC Total Revenue
Corn (110bu/ac)	12,100 bu	\$4.50	\$1.95	\$54,450
Soybeans (25bu/ac)	1250 bu	\$12.50	\$5.00	\$15,625
Total Revenue				\$70,075
ARC-IC Actual Revenue \$70,075 / 160 Total Planted Acres				\$437.97/ac.

ARC-IC Calculations

ARC-IC Example - (Two Crop - One Farm):

ARC-IC Payment Calculation:

ARC-IC Guarantee:	\$455.05 (\$529.13 X 86%)
ARC-IC Actual Revenue:	<u>\$437.97</u>
	\$17.08/acre of base.

***Total* Base Acres 150 X 65% X \$17.08 = \$1665.30**

Note: Payment rate CAP of no more than **10%** of the ARC-IC Benchmark Revenue (\$529.13) **or \$52.91** in this example.

Producer Payment Share: $1665.30 \times 100\% = \$1665.30$

2014 Farm Bill – ARC/PLC

Planting Flexibility

- Any crop can be planted on:
 - Land not enrolled in ARC or PLC for the current year
 - *Non-payment* acres on a farm enrolled in ARC or PLC for the current year
 - *Payment* acres on a farm enrolled in ARC or PLC for the current year, EXCEPT:
 - Fruits & Vegetables (FAV's – other than mung beans and pulse crops)
 - Wild rice.

2014 Farm Bill – ARC/PLC

- There are no longer FAV “violations” (no farm or producer history requirements)
- If FAV or Wild Rice is planted on the farm’s payment acres, an acre-for-acre payment reduction will be applied.

Note: Payment Acres – 85% Base (ARC-CO, PLC)
65% Base (ARC-IC)

- Annual FAV’s may be destroyed before harvest if inspected by FSA and farm-visit fee is paid

2014 Farm Bill – ARC/PLC

Protection of Land

Producers must protect ALL land on the farm enrolled in ARC/PLC from noxious weeds and erosion.

NOTE: Previously this provision applied only to “base acres”. This change in the rule is included in the 2014 Farm Bill.

2014 Farm Bill – Program Eligibility

- Participants must be “actively engaged in farming” to be eligible to receive ARC and PLC payments, loan deficiency payments (LDP) and marketing loan gains (MLG).
 - To be “Actively engaged” requires significant contributions of:
 - Land, capital, and/or equipment; and
 - Active personal labor and/or active personal management.
- Average adjusted gross income (AGI) limitation of \$900,000 applies to most all programs.
 - Average AGI must be less than \$900,000 for the three-year tax period for the applicable program year specified on form CCC-941.
 - For 2014 eligibility, average is from tax years 2010, 2011, and 2012.
 - Individuals can qualify based on “separated” income from their spouse if a CPA specifies what the individual’s separate income would have been in the qualifying tax years.

2014 Farm Bill Payment Limitations

Program Payment Type	Annual Limitation, Unless Otherwise Noted, 2014 Through 2018
Commodity and Price Support Programs	
ARC, PLC, LDP, and MLG payments for other than peanuts	\$125,000
ARC, PLC, LDP, and MLG payments for peanuts	\$125,000
Transition assistance for producers of upland cotton	\$40,000
Conservation Programs	
AMA	\$50,000
CRP annual rental payment and incentive payment	\$50,000
CSP	\$200,000
ECP (per disaster event)	\$200,000
EFRP (per disaster event)	\$500,000
EQIP	\$450,000
Disaster Assistance Programs	
ELAP, LFP, LIP	\$125,000
NAP	\$125,000
TAP	\$125,000
Other Programs	
TAAF	\$10,000

- **Payments are limited both directly based on the payment entity or individual receiving benefits, as well as indirectly by payments being attributed to the “warm body” members of legal entities.

2014 Farm Bill

Conservation Compliance

- To be eligible for programs, producers must:
 - (1) Actively apply a conservation plan/system to highly erodible lands.
 - (2) Not convert and/or plant wetland areas.
 - The above technical determinations are made by NRCS.
 - The 2014 Farm Bill mandates that these requirements must now also be met for a producer to be eligible for crop insurance premium subsidies (about 65% of total premium).
 - Note: In order to ensure eligibility, producers need to file the required AD-1026 form **prior** to conducting land activities, including but not limited to, breaking any new land for production, installing/maintaining tile, digging/maintaining ditches, doing dirt work involving a creek/stream, and clearing trees.

Conservation/NAP Updates

- Conservation Reserve Program:
- Reduced CRP from 32 to 24 million authorized acres.
- Continuous CRP signup has resumed.
- CRP Transition Incentive Program resumed.
- Allow early out of CRP contracts without repayment if enrolled for at least 5 years on certain practices.
- Non-insured Assistance Program (NAP) buy up coverage authorized.

Livestock Disaster Assistance Programs

- Livestock Forage Program (LFP)
- Livestock Indemnity Program (LIP)
- Emergency Loss Assistance Program (ELAP)

Marketing Assistance Loans

- Short term (9 months) loans continue to be available to provide cash flow without having to sell the commodities at typically harvest-time lows.
- Stored commodity serves as collateral for the loan with Commodity Credit Corporation

FSA - Farm Loan Programs

- **Direct Loans:**
 - Farm Operating (OL), Farm Ownership (FO) and Emergency (EM)
 - Microloans (loan limit increasing to \$50,000 effective Nov. 7, 2014)
 - FO Joint Financing (\$300,000 limit, 2.5% interest rate, 40 year max. term)
 - FO Down Payment (\$300,000 limit, 1.5% interest rate, 20 year term)
- **Guaranteed Loans:**
 - Farm Operating (G-OL), Farm Ownership (G-FO) and Conservation (G-CL)
 - FY2015 Guaranteed Loan Limit is \$1,392,000
- **Land Contract Guarantee Program (LC):**
 - Prompt Payment Guarantee or Standard Guarantee available
- **Farm Storage Facility Loans (FSFL)**
 - grain storage, handling and drying equipment; hay storage sheds
 - cold storage and certain handling equipment for fruit and vegetable producers
 - FSFL loan limit is \$500,000 per loan

Questions

