

Maryland Crop Insurance Workshop

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Agricultural Act of 2014 (2014 Farm Bill)

- *Specific procedures for program implementation require Secretarial guidance. Information provided below presents only general statutory provisions. Regulations will provide policy implementation details.*
- Safety Net Provisions:
 - Agriculture Risk Coverage (ARC) - Revenue Based
 - Price Loss Coverage (PLC) - Price Based
 - Continues Marketing Assistance Loans (MAL)
 - Cotton Transition Assistance Program (CTAP)

Agricultural Act of 2014 (2014 Farm Bill)

- Signed into law February 7, 2014
- Covers 2014-2018 crop years
 - Disaster Assistance Programs are retroactive to October 2011
- Replaces 2008 Farm Act
 - Extended to 2013 under the American Taxpayer Relief Act of 2012
- Repeals
 - Direct Payments (DPs)
 - Counter-cyclical Payments (CCPs)
 - ACRE

Agriculture Risk Coverage (ARC) & Price Loss Coverage (PLC)

- Choose ARC or PLC for 2014-2018 crop years
- 1-time election: Late fall of 2014
 - County PLC/ARC or Individual ARC on a farm-by-farm basis
 - County election allows commodity-by-commodity election for PLC or ARC coverage
 - Individual ARC is all-commodity revenue on all farms electing individual ARC within a state
- No election: No payments for 2014 crop year & 2015-2018 default to PLC for all crops

Base Updating

- Total base as of September 30, 2013, determines 2014 total base
- Option to retain or reallocate base
 - Election applies to all covered commodities, i.e., corn, soybeans, wheat, rice, grain sorghum
 - Total reallocated bases on the farm cannot exceed total bases of as of September 30, 2013
- Upland cotton base becomes generic base and cannot be reallocated
- Reallocation of remaining base uses 2009-2012 planting/prevented planting history

Yield Updating

- PLC payments use counter-cyclical payment yields for payment calculation
- Election to update counter-cyclical payment yields
 - 90% of 2008-2012 average yield per planted acre
 - Excludes any year commodity not planted

Base and Yield Updating

- All owners and operators were sent current base and counter-cyclical yield information in late July
- Information will also include planting history for covered commodities for 2009-2012 based on FSA acreage reports
- Opportunity for producers to validate acreage with county offices
- Target date for publishing ARC/PLC regulation is early September
- Education tools from University of Illinois and FAPRI/Texas A&M will be available for producers to use in making program decisions on FSA website
- Training sessions will be conducted for producers on educational tool usage

Price Loss Coverage (PLC)

- Payments: Effective Price < Reference Price
 - Effective Price = Maximum of: loan rate or 12-mo national average market price

Reference Prices:

Soybeans	\$8.40/Bu
Corn	\$3.70/Bu
Grain Sorghum	\$3.95/Bu
Peanuts	\$535/ton
Wheat	\$5.50/Bu

Price Loss Coverage (PLC)

- Payment Acres = 85% of farm's base acres
 - Retain historical base; or
 - Reallocated base: average of 2009-2012 planted acreage & prevented planted
 - Payment acres are decoupled from planted acres
- Payment Yield =
 - Existing CCP program yield; or
 - Update to 90% of 2008-2012 average yield/planted acre
- Payments = Payment Acres x Program Yield x Payment Rate (Reference Price – Effective Price)

Agriculture Risk Coverage (ARC)

- ARC: Revenue guarantee of 86% of Olympic Average of last 5 years
- Available on county or farm basis
- ARC Payments when Actual Revenue < Revenue Guarantee
- Payments made on 85% of base acres with county election and 65% with individual election
- County ARC: Payment Acres decoupled from planted acres
- Individual ARC/ Generic Base: Payments tied to planted acres

Generic Base Acres

- Cotton base acres in base 2013 become generic base acres in 2014 and cannot be reallocated
- PLC and ARC payments are made only with respect to generic base acres that are planted to a covered commodity for the crop year
- Farms with generic base acres only that do not plant a covered commodity are not eligible for payment

Supplemental Coverage Option (SCO)

- If PLC is selected, then can purchase SCO (RMA) starting in 2015 crop year
 - SCO not available for ARC
- “Shallow Loss Coverage”
- Covers up to 86% of revenue
- 65% premium subsidy

Marketing Assistance Loans

- Available for all covered commodities and cotton
- Loans may be repaid at the lesser of the marketing assistance loan plus interest or the adjusted world price (AWP) for cotton
- Marketing loan gain (MLG) is the amount by which the average loan rate exceeds the AWP
- Loan deficiency payments (LDP) may be taken in lieu of placing cotton under loan
- Producers have option to forfeit crop to CCC at maturity

ARC/PLC Summary

- 2014 Farm Bill replaces DPs, CCPs, and ACRE with PLC & ARC
- \$900,000 Adjusted Gross Income applies
- Choose PLC or ARC for length of Farm Bill
- PLC: Price Based
- ARC: Revenue Based
- Marketing Assistance Loan Program Continues
- \$125,000 pay limit for all covered commodities for ARC/PLC and marketing loan gains and loan deficiency payments for all crops (peanuts has separate limit)

Cotton Transition Assistance Program

- For crop year 2014, the application period to enroll began August 11, 2014 and runs through October 7, 2014.

Payments

- Issued after October 1
- Limited to \$40,000 per person or entity (Direct Attribution)
- \$900,000 Average Adjusted Gross Income applies
- No requirement to plant Upland Cotton
- Based upon a producer's share

Conservation Compliance and the Agricultural Act of 2014 (2014 Farm Bill)

- Re-links federally subsidized Crop Insurance with Conservation Compliance.
- Producers who participate in FSA or NRCS programs are already subject to conservation compliance, so they are not impacted by 2014 Farm Bill linking the crop insurance premium subsidy to conservation compliance.
- Producers not in compliance can still buy crop insurance but will no longer be eligible for premium subsidies paid through RMA.

Certification of Compliance

Producers will be ineligible for crop insurance premium subsidy for the next reinsurance year (July 1, 2015) if they do not have an AD-1026 on file certifying their HELC/WC compliance by June 1, 2015.

Wetland Conservation Compliance

For Wetland Conservation Compliance, a producer is certifying they will **NOT**:

1. Convert a wetland by draining, dredging, filling, leveling, removing woody vegetation, or any other activity that results in impairing or reducing the flow and circulation of water in a way that would allow the planting of an agricultural commodity.
2. **NOT** to use proceeds from any FSA farm loan, insured or guaranteed, or any USDA cost-share program, in such a way that might result in negative impacts to a wetland, except for those projects evaluated and approved by NRCS.

Highly Erodible Land Conservation Compliance

For Highly Erodible Land Compliance a producer agrees that they will not plant or produce an agricultural commodity on highly erodible land unless it is farmed in accordance with a conservation plan approved by NRCS.

Reporting Activities on Form AD-1026

- Producers must notify FSA and update Form AD-1026 if conducting activities that may affect their certification.
- FSA will subsequently notify NRCS and NRCS will provide highly erodible land or wetland technical determinations or a conservation plan if needed.

Form AD-1026

- AD-1026 was modified to incorporate the new provisions relating to crop insurance. A checkbox was added for producers to indicate they are “new to compliance”.
- AD-1026 is a continuous certification and only needs to be updated or revised when the producer plans to take an action that will affect how the questions are answered.
- Producers new to compliance will need to have HEL determinations for their land if producing ag commodities. Wetland determinations may be needed if the producer indicates that modifying drainage systems is planned or if new drainage systems are planned to be installed.

Conservation Compliance

Unless an exemption applies, a person will be ineligible for premium subsidy beginning the reinsurance year after the reinsurance year the person is determined in violation and all administrative appeals are exhausted.

Additional Time for Producers New to Conservation Compliance

For eligibility for premium subsidy only:

- Producers who have never been subject to conservation compliance before have:
 - 2 reinsurance years to initiate a mitigation plan following a final Converted Wetland determination.
 - 5 reinsurance years to develop and implement a conservation plan for HEL.

Other Timelines

For eligibility for premium subsidy only:

- Persons have 1 reinsurance year to mitigate a violation following a final Converted Wetland determination.
- Producers who have been subject to compliance in the past, stopped participating in programs subject to compliance, and currently are in violation, have 2 reinsurance years to comply with a conservation plan to maintain eligibility.

Key Dates

- Fall 2014 – update compliance regulation (7CFR12) to be published
- June 1, 2015 – deadline for crop insurance producers to file Form AD-1026

Information and Assistance

- Visit your local USDA Service Center
- Additional information can be found online
 - FSA: www.fsa.usda.gov
 - NRCS: www.nrcs.usda.gov
 - RMA: www.rma.usda.gov

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Questions?