

2014 FARM BILL TRAINING

MARYLAND
AUGUST 2014



TOPICS

- Average Gross Income
- ARC/PLC
- Disaster Program Summary
 - Livestock Indemnity Program
 - Livestock Forage Disaster Program
 - Emergency Livestock and Forage Program
 - Tree Assistance Program
- Farm Storage Facility Loans
- NAP
- Programs Continued

AVERAGE GROSS INCOME

AVERAGE GROSS INCOME 2014 FARM BILL

Under the 2014 Farm Bill, the average AGI:

-Is \$900,000

-Applies to persons or legal entities

-Based on the 3 taxable years preceding the most immediately preceding complete taxable year for which program payments are requested *

*** Exclude any years for which the person or legal entity did not have taxable income.**

AVERAGE GROSS INCOME 2014 FARM BILL

The \$900,000 average AGI limitation applies to:

-October 1, 2011, and subsequent years

-ELAP

-LFP

-LIP

-TAP

-2014 and subsequent years

-NAP

AVERAGE GROSS INCOME 2014 FARM BILL

The \$900,000 average AGI limitation applies to:

-2014 through 2018:

-AMA

-ARC

-PLC

-LDP

-MLG

-TAAF

AVERAGE GROSS INCOME 2014 FARM BILL

The \$900,000 average AGI limitation applies to:

-2015 and subsequent years

-CRP

-EQIP

-CSP

-ECP

-EFRP

-No less than 10 other conservation programs
as listed under Title II of the 2014 Farm Bill

AVERAGE GROSS INCOME 2014 FARM BILL

Required AGI Compliance Certification and Written Consent
to Disclosure-

Accomplished by one of the following:

-CCC-941- Completed for the applicable year,
signed, and dated by the participant

-Acceptable Statement- CPA or attorney only
and in conformity to FSA standards

AVERAGE GROSS INCOME 2014 FARM BILL

Once Compliance Documentation is received

-IRS will verify AGI certifications by comparison of responses with producers actual tax data for the appropriate years

-IRS data transfers will occur on a weekly basis

-Transfers will include forms received and processed for the period of Tuesday through Saturday of the previous week

-Reports of rejections and mismatches

AGRICULTURAL RISK COVERAGE AND PRICE LOSS COVERAGE



Because it is always a good idea to cover your...

ARC/PLC INTRODUCTION

The biggest change for producers from the Farm Bill will be the new ARC/PLC Program:

PLC= Price Loss Coverage

PLC provides price loss coverage for selected covered commodities on a farm.

ARC/PLC INTRODUCTION

ARC=Agricultural Risk Coverage

There are two types of ARC:

-County Coverage (CO)

***provides revenue loss coverage at the county level for selected covered commodities on a farm**

-Individual Coverage (IC)

***provides revenue loss coverage at the farm level for all acreage devoted to a covered commodity across all of a producers ARC-IC farms**

ARC/PLC INTRODUCTION

Because this program will have the biggest affect on Maryland Grain producers, it will be our focus of the morning

We will have other workshops around the state where we will discuss other programs and changes:

August 12th in Hebron

August 13th in Centreville

August 15th in Leonardtown

August 18th in Cocksylvie

August 19th in Frederick

August 21st in Garrett County TBD



ARC/PLC ELIGIBLE CROPS

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	Safflower	Sesame Seed
Soybeans	Sunflower Seed	Wheat

ARC/PLC BASE ACRES

ARC/PLC allows for owners to make a 1-time decision to reallocate base acres and yields on a farm

Base Acres

In effect on September 30, 2013, will be in effect for 2014 ARC/PLC Programs

MAY be reallocated – NOT increased using average P&CP of all covered commodities on the farm 2009 – 2012 crop years

**NOTE: TOTAL BASE ACRES not to exceed
TOTAL BASE ACRES in effect on Sept. 30, 2013**

May be restored for CRP that expires, voluntarily terminated, or early released

ARC/PLC BASE REALLOCATION

Base Reallocation

Owners have 1-time opportunity to reallocate, but not increase base acres by either:

Maintain farm's 2013 base acres through 2018

Reallocate base acres not to exceed total base acres in effect Sept 30, 2013

- **Reallocation of bases will result in the farm's base acres being recalculated in the same proportion to the 4 year average of acres that were P&CP to covered commodity bases during the 2009 – 2012 crop years**

ARC/PLC BASE REALLOCATION

Planted and Considered Planted (P&CP) history includes Initial, Initial Failed & Initial Prevent Plant.

- **Reallocation of bases allows for a “Subsequent” crop provision.**

“*initial covered commodity crop*” is followed by a “*subsequent covered commodity*”, crops do not meet the double cropping definition, the owner of the farm may select *EITHER* crop to be used for base reallocation calculations.

ARC/PLC BASE REALLOCATION

EXAMPLE of Subsequent Crop Eligibility

2010: Farm #100, Tract #1000

60 acres of Corn – Initial Prevent Plant

60 acres of Soybeans – Subsequent ('J', 'JP', or 'JF')

Producer must select which crop to include in the Reallocation of base decision, 60 acres of corn or 60 acres of soybeans in this example

ARC/PLC BASE REALLOCATION

EXAMPLE of a base acre reallocation.

The producer has acreage devoted to covered commodities in the 2009 through 2012 base period. Wheat was planted in 2009 and changed to a corn and soybean rotation in the years 2010 through 2012.

ARC/PLC BASE REALLOCATION

Farm Number: 1000

Farm Effective DCP Cropland: 300.00



Crop	2013 Base Acres	2009	2010	2011	2012	Average Planting	Reallocation Percentage	2014 Reallocated
Barley	100.00					0.00	0%	0.00
Canola						0.00	0%	0.00
Corn			300.00		300.00	150.00	50%	150.00
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						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					300.00	75.00	25%	75.00
Sunflower Seed (All)						0.00	0%	0.00
Wheat	200.00	300.00				75.00	25%	75.00
Upland Cotton (Generic)						0.00	0%	0.00
Totals	300.00	300.00	300.00	300.00	300.00	300.00	100%	300.00

ARC/PLC BASE REALLOCATION

The owner's base reallocation options are either of the following:

Retain 100.00 base acres of barley and 200.00 base acres of wheat

Reallocate base acres to 150.00 base acres of corn, 75.00 base acres of soybeans, and 75 base acres of wheat.

Note: The sum of the reallocated bases must equal 300.00 acres.

ARC/PLC BASE REALLOCATION

Now it's your turn. Lets look at a very simple example.
Producer "X" has two options

Crop	2013 Base Acres	2009	2010	2011	2012	Average Planting	Reallocation	2014 Reallocation
							Percent	
Corn	100	300		300				
Wheat	100							
Soybeans	100		300		200			
Grain Sorghum					100			

ARC/PLC BASE REALLOCATION

First we figure out the Average Planting

Crop	2013 Base Acres	2009	2010	2011	2012	Average Planting	Reallocation	2014 Reallocation
							Percent	
Corn	100	300		300				
Wheat	100							
Soybeans	100		300		200			
Grain Sorghum					100			

ARC/PLC BASE REALLOCATION

Next we need to calculate out the Reallocation Percent

Crop	2013 Base Acres	2009	2010	2011	2012	Average Planting	Reallocation	2014 Reallocation
							Percent	
Corn	100	300		300		150		
Wheat	100					0		
Soybeans	100		300		200	125		
Grain Sorghum					100	25		

ARC/PLC BASE REALLOCATION

Now we take the Percentage and multiply it by the base acres to give us our 2014 Reallocation

Crop	2013 Base Acres	2009	2010	2011	2012	Average Planting	Reallocation	2014 Reallocation
							Percent	
Corn	100	300		300		150	50%	
Wheat	100					0	0%	
Soybeans	100		300		200	125	42%	
Grain Sorghum					100	25	8%	

ARC/PLC BASE REALLOCATION

So what are the options?

Crop	2013 Base Acres	2009	2010	2011	2012	Average Planting	Reallocation	2014 Reallocation
							Percent	
Corn	100	300		300		150	50%	150
Wheat	100					0	0%	0
Soybeans	100		300		200	125	42%	126
Grain Sorghum					100	25	8%	24

ARC/PLC BASE REALLOCATION

Crop	2013 Base Acres	2009	2010	2011	2012	Average Planting	Reallocation	2014 Reallocation
							Percent	
Corn	100	300		300		150	50%	150
Wheat	100					0	0%	0
Soybeans	100		300		200	125	42%	126
Grain Sorghum					100	25	8%	24

BASE ALLOCATION LETTERS

Letters

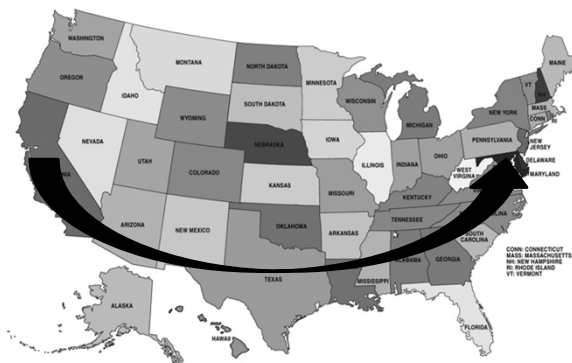
We are currently in the process of getting letters out to all producers and land owners with regard to base acres

The smallest letters were mailed first so land owners have been receiving them, followed by larger mailings etc...



BASE ALLOCATION LETTERS

Nationally the mailing house is in California so that locations furthest from California have been getting them first



BASE ALLOCATION LETTERS

When you receive your letter, make sure the information within it is accurate. You will have 60 days to contact your COF to make any corrections.

If you had a tract division, combination, new tract, or farm transfer between 2009-2014, you will be missing P&CP history

***COF's have instructions on how to research missing data**

If the letter is accurate, no action needs to be taken at this time.

YIELD UPDATES

PLC Payment Yields

**Retain the covered commodity's Counter-cyclical (CC) yield OR
Farm owner has the opportunity to update PLC program yield for
each covered commodity**

- Based on 90% of farm's 2008-2012 average yield per planted acre, excluding years of zero or PP
- If yield in any year is less than 75% of county yield; low yield will be replaced with 75% of the county yield

YIELD UPDATES

Payment Yield Update Option Example 1

5-year Average with Planted acreage

	CORN CC Yield : 142 bu/ac							
Crop Corn	2008	2009	2010	2011	2012	Total	Average Yield	PLC Yield (90%)
	151	165	155	180	449	773	155	139
Average CO Yield (75%)	422	422	422	422	122			

YIELD UPDATES

Payment Yield Update Option Example 1

3-year Average with Planted acreage

CORN CC Yield : 142 bu/ac								
Crop Corn	2008	2009	2010	2011	2012	Total	Average Yield	PLC Yield (90%)
	Zero Plant	Zero Plant	155	180	449	480	160	144
Average CO Yield (75%)	122	122	122	122	122			

YIELD UPDATES

Payment Yield Update Option Example 1

4-year Average with Planted acreage

CORN CC Yield : 142 bu/ac								
Crop Corn	2008	2009	2010	2011	2012	Total	Average Yield	PLC Yield (90%)
	Zero Plant	Planted No evidence	175	185	176	658	165	148
Average CO Yield (75%)	122	122	122	122	122			

PAYMENT ACRES

The 2014 Farm Bill provides for the following percentages to compute payment acres:

Year	Percentage of Base Acres Used to Calculate PLC or ARC-CO Payments*	Percentage of Base Acres Used to Calculate ARC-IC Payments**
2014-2018	85 Percent	65 Percent

*PLC or ARC-CO payment does NOT require planting of the covered commodity with bases

**ARC-IC payment amount is based on the covered commodities actually planted and considered planted, Therefore requires covered commodities to be planted.

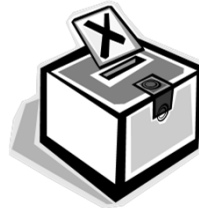
PROGRAM ELECTION

Program Election

FB provides ALL producers on a farm the 1-time opportunity to elect the PLC, ARC-CO or the ARC-IC

Program election for all crop years through 2018

Failure to make or agree to a program election in 2014, results in a default designation to PLC in 2015-2018 and eliminate any 2014 payment.



PROGRAM ELECTION

Election is farm-by-farm

If ARC-CO or PLC is selected on a Farm:

- Each **Covered Commodity** will select PLC or ARC-CO
- RMA's SCO is an option for crops with PLC selected

If ARC-IC is selected on a Farm:

- All covered commodities planted on the farm are ARCIC crops.
- PLC is NOT an option for the farm
- ARC-CO is NOT an option for the farm
- RMA's SCO - is NOT an option for the crop in the

PRICE LOSS COVERAGE

PLC program payments are issued when the effective price of a covered commodity is less than the reference price for that commodity.

Payments are not dependent on the planting of a covered commodity or planting of the applicable base acre crop on the farm

PRICE LOSS COVERAGE

2014 through 2018 PLC payments will be:

Issued for a covered commodity when the effective price for the covered commodity is less than the reference price for the covered commodity for the crop year

Paid on 85 percent of the farm's base acres of the covered commodity

Made after October 1 or as soon as practical after the end of the marketing year for the covered commodity

PRICE LOSS COVERAGE

Effective price means the higher of the market year average (MYA) price during the 12-month marketing year for the covered commodity or the national average loan rate for the covered commodity.

PRICE LOSS COVERAGE

COVERED COMMODITY REFERENCE PRICE AND NATIONAL LOAN RATE TABLE

Crop	Reference Prices	National Loan Rates	Max PLC Rate
Corn	\$3.70/bu	\$1.95/bu	\$1.75/bu
Grain Sorghum	\$3.95/bu	\$1.95/bu	\$2.00/bu
Oats	\$2.40/bu	\$1.39/bu	\$1.001/bu
Soybeans	\$8.40/bu	\$5.00/bu	\$3.40/bu
Wheat	\$5.50/bu	\$2.94/bu	\$2.56/bu

PRICE LOSS COVERAGE EXAMPLE

FARM: 900

Corn Base : 100 acs PLC Yield: 142 bu.

REF Price: Corn \$3.70/bu. Ln Rate: Corn \$1.95/bu.

MYA price: \$3.50/bu. PLC pymt. Rate: \$.20/bu.

Corn base:

100 acres X 85% X \$.20/bu X 142/bu = \$2,414.00

PRICE LOSS COVERAGE EXAMPLE

Farm #345

Corn Base of 200 acres

Loan Rate of \$1.95

Reference Price of \$3.70

MYA Price \$3.35

PLC Rate _____ (Reference-MYA)

Yield of 142

Base Acres x 85% x Payment Rate x Yield=_____

PRICE LOSS COVERAGE EXAMPLE

$200 \times 85\% \times .35 \times 142 = \$8,449$



PRICE LOSS COVERAGE EXAMPLE

Now let's look at a whole farm example:

John Doe has 100% interest in this farm and all the crops on the farm are enrolled in PLC.

Farm Example:

Crop	Base Acres	Planted Acres	PLC Yield
Wheat	100.00	0.00	30 bu.
Corn	100.00	110.00	80 bu.
Soybeans	100.00	25.00	30 bu.
Alfalfa	0.00	165.00	N/A
Total	300.00	300.00	

PRICE LOSS COVERAGE EXAMPLE

PRICE LOSS COVERAGE (PLC)

Payment Rate Calculation

Crop	Reference Price	Effective Price		PLC Payment Rate
		MYA Price 1/	Loan Rate	
Wheat	\$5.50	\$5.00	\$2.94	\$0.50
Corn	\$3.70	\$4.00	\$1.95	\$0.00
Soybeans	\$8.40	\$8.00	\$5.00	\$0.40

*Obviously the MYA is a made up figure for the point of illustrating the payment

PRICE LOSS COVERAGE EXAMPLE

Payment Calculation

Crop	Base Acres	Payment Percentage	Payment Rate	PLC Yield	PLC Payment
Wheat	100.00	85	\$0.50	30 bu.	\$1,275 <u>1/</u>
Com	100.00	85	\$0.00	80 bu.	\$0
Soybeans	100.00	85	\$0.40	30 bu.	\$1,020

Please note wheat earned a payment even though zero acres of wheat were planted

ARC-COUNTY

Agricultural Risk Coverage – County (ARC-CO)

Payments are issued when the actual county crop revenue of a covered commodity is less than the ARC-CO guarantee for the covered commodity and are based on county data, not individual farm data.

Payments are not dependent on the planting of a covered commodity crop or planting of the applicable base acre crop on the farm

ARC-COUNTY

Agricultural Risk Coverage – County (ARC-CO)

ARC-CO guarantee is determined by multiplying 86 percent by the ARC-CO benchmark revenue.

Payment is equal to 85 percent of the base acres of the covered commodity times the difference between the ARC-CO guarantee and the actual county crop revenue for the covered commodity.

Payments may not exceed 10 percent of the ARC-CO benchmark county revenue.

ARC-COUNTY

Looking once again at John Doe's Scenario

Crop	Base Acres	Planted Acres
Wheat	100.00	0.00
Corn	100.00	110.00
Soybeans	100.00	25.00
Grain Sorghum	0.00	165.00
Total	300.00	300.00

ARC-COUNTY

	2009	2010	2011	2012	2013
Wheat					
Yield <u>1/</u>	44	51	65	31	46
70 Percent of T-yield <u>2/</u>	32	32	32	32	32
MYA Price <u>3/</u>	\$6.78	\$4.87	\$5.70	\$7.24	\$7.77
Reference Price <u>4/</u>	\$5.50	\$5.50	\$5.50	\$5.50	\$5.50
Corn					
Yield <u>1/</u>	125	100	165	110	95
70 Percent of T-yield <u>2/</u>	84	84	84	84	84
MYA Price <u>3/</u>	\$3.55	\$5.18	\$6.22	\$6.89	\$4.50
Reference Price <u>4/</u>	\$3.70	\$3.70	\$3.70	\$3.70	\$3.70
Soybeans					
Yield <u>1/</u>	38	41	29	48	33
70 Percent of T-yield <u>2/</u>	29	29	29	29	29
MYA Price <u>3/</u>	\$9.59	\$11.30	\$12.50	\$14.40	\$12.95
Reference Price <u>4/</u>	\$8.40	\$8.40	\$8.40	\$8.40	\$8.40
Grain Sorghum					
Yield <u>1/</u>	90	40	75	80	99
70 Percent of T-yield <u>2/</u>	60	60	60	60	60
MYA Price <u>3/</u>	\$3.22	\$5.02	\$5.99	\$6.33	\$4.25
Reference Price <u>4/</u>	\$3.95	\$3.95	\$3.95	\$3.95	\$3.95

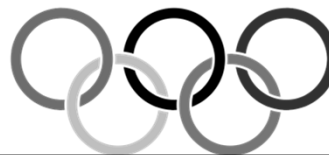
- 1/ The actual yield for the county for the year specified.
- 2/ 70 percent of the RMA-established T-yield for the county.
- 3/ Hypothetical MYA price.
- 4/ Reference price is statutory and listed in subparagraph 2 K of this notice.

ARC-COUNTY

The average historical benchmark yield is computed by calculating the Olympic average of the yield data in CO DATA slide

Crop	Selected Yields <u>1/</u>			Average
Wheat	44	51	46	47.00
Corn	125	100	110	111.67
Soybeans	38	41	33	37.33
Grain Sorghum	90	75	80	81.67

Olympic Average is the average of 5 years throwing out the highest and lowest number and averaging the remaining 3



ARC-COUNTY

The average historical benchmark price is computed by calculating the Olympic average of the price data in the CO DATA slide

Crop	Selected Prices 1/			Average
Wheat	\$6.78	\$5.70	\$7.24	\$6.57
Corn	\$5.18	\$6.22	\$4.50	\$5.30
Soybeans	\$11.30	\$12.50	\$12.95	\$12.25
Grain Sorghum	\$5.02	\$5.99	\$4.25	\$5.09

ARC-CO GUARANTEE

Crop	Average Benchmark Yield	Average Benchmark Price	ARC-CO Benchmark Revenue 1/	10 Percent of ARC-CO Benchmark Revenue	ARC-CO Guarantee
Wheat	47.00	\$6.57	\$308.79	\$30.88	\$265.56
Corn	111.67	\$5.30	\$591.85	\$59.19	\$508.99
Soybeans	37.33	\$12.25	\$457.29	\$45.73	\$393.27
Grain Sorghum	81.67	\$5.09	\$415.70	\$41.57	\$357.50

ARC-CO ACTUAL REVENUE CALCULATION

Table provides an example of how the ARC-CO actual revenue is calculated

Crop	County Actual Per Acre Yield	2014 MYA Price <u>1/</u>	National Average Loan Rate	Actual Revenue <u>2/</u>
Wheat	29	\$6.80	\$2.94	\$197.20
Corn	140	\$5.25	\$1.95	\$735.00
Soybeans	27	\$8.50	\$5.00	\$229.50
Grain Sorghum	63	\$4.98	\$1.95	\$313.74

1/ Hypothetical MYA price.

2/ County yield times higher of 2014 price or national average loan rate.

ARC-CO PAYMENT RATE CALCULATION

Table provides an example of how the ACR-CO payment rate is calculated

Crop	ARC-CO Guarantee	ARC-CO Actual Revenue	Shortfall, If Any <u>1/</u>	10 Percent of Benchmark Revenue	ARC-CO Payment Rate <u>2/</u>
Wheat	\$265.56	\$197.20	\$68.36	\$30.88	\$30.88
Corn	\$508.99	\$735.00	\$0.00	\$59.19	\$0.00
Soybeans	\$393.27	\$229.50	\$163.77	\$45.73	\$45.73
Grain Sorghum	\$357.50	\$313.74	\$43.76	\$41.57	\$41.57

1/ ARC-CO guarantee minus ARC-CO actual revenue (must be a positive number to receive payment).

2/ Smaller of shortfall or 10 percent of ARC-CO benchmark revenue.

ARC-CO PAYMENT CALCULATION

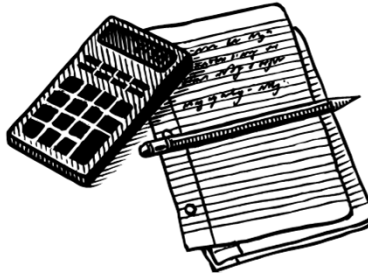
Table provides an example of how the ARC-CO payment is calculated

Crop	Base Acres	Payment Percentage	Payment Rate	ARC-CO Payment ^{1/}
Wheat	100.00	85	\$30.88	\$2,624.80
Corn	100.00	85	\$0.00	\$0.00
Soybeans	100.00	85	\$45.73	\$3,887.05
Grain Sorghum	0.00	85	\$41.57	\$0.00

^{1/} Wheat triggered a payment even though wheat was not planted. Corn did not trigger a payment. Soybeans triggered a payment even though only 25.00 acres were planted. Grain sorghum was planted and triggered a payment; however, there are zero grain sorghum base acres; therefore, an ARC-CO payment cannot be made on grain sorghum.

ARC-CO EXAMPLE

OK, now to the example in your handout



ARC-CO EXAMPLE

Guarantee is

ABH Yield x ABH Price x 86%

So,

52 x 6.57 x .86= 293.81

Revenue is

County Actual Yield x 2014 MYA Price

So,

35 x 6.80= \$238

ARC-CO EXAMPLE

Payment equals the lesser of:

- 1. Guarantee – Revenue**
- 2. 10% of the Actual Revenue**

So,

1. 293.81-238= 55.81

2. 52 x 6.57 x .10= 34.16

FINAL PAYMENT

Base Acres x 85% x Payment Rate (less of #1 or #2)

100 x .85 x 34.16= \$2,903.60

ARC-IC

The farm, for ARC-IC purposes, is the sum of the producer's interest in all of the producer's ARC-IC farms in the State.

ARC-IC program payments are issued when the actual farm crop revenue for all covered commodities is less than the ARC-IC farm guarantee for all covered commodities on the farm. Payments are dependent on the planting of covered commodities on the farm; however, the payment is limited to 65 percent of the total base acres on the farm.

ARC-IC

Agricultural Risk Coverage – Individual (ARC-IC)

The farm's ARC-IC guarantee equals 86 percent of the farm's ARC-IC benchmark revenue

ARC-IC benchmark revenue means the Olympic average of revenues across all covered commodities on the farm.

Actual farm revenue is computed similarly, with both the ARC-IC guarantee and actual farm revenue computed using P&CP acres of all covered commodities on the farm.

ARC-IC

Agricultural Risk Coverage – Individual (ARC-IC)

The ARC-IC payment equals 65 percent of the sum of the base acres of all covered commodities on the farm times the difference between the ARC-IC guarantee and the ARC-IC crop revenue across all covered commodities planted on the farm.

Payments may not exceed 10 percent of the ARC-IC benchmark revenue.

2014 ARC-IC FARM EXAMPLE

Back to John Doe's Example

Crop	Base Acres	Planted Acres	Percentage of Covered Commodity Planted ^{1/}
Com	100.00	110.00	36.67
Soybeans	100.00	25.00	8.33
Grain Sorghum	0.00	165.00	55.00
Total	200.00	300.00	100.00

^{1/} Percentage of covered commodity for each crop are the P&CP acres divided by the total acres of covered commodities P&CP on the ARC-IC farm in the current year.

For example Corn is 110 Planted Acres/Total planted acres of 300= .3667

ARC-IC BENCHMARK REVENUE CALCULATION

Example of how the ARC-IC benchmark revenue and ARC-IC guarantee are calculated.

NOTE: ARC-IC benchmark revenue is weighted based on the number of covered commodities planted.

TABLE ON NEXT SLIDE

	2009	2010	2011	2012	2013	5-Year Olympic Average Revenue ^{1/}	% Planted from Above	Weighted 5-Year Olympic Average ^{2/}
Corn								
Yield	125	100	165	110	95			
70 percent of T-yield	85	85	85	85	85			
MYA Price ^{3/}	\$2.55	\$5.18	\$6.22	\$6.89	\$4.50			
Reference Price ^{4/}	\$3.70	\$3.70	\$3.70	\$3.70	\$3.70			
Revenue ^{5/}	\$462.50	\$518.00	\$1,026.30	\$757.90	\$427.50	\$579.47	36.67%	\$212.4
Soybeans								
Yield	38	41	29	48	33			
70 percent of T-yield	27	27	27	27	27			
MYA Price ^{3/}	\$9.59	\$11.30	\$12.50	\$14.40	\$12.95			
Reference Price ^{4/}	\$8.40	\$8.40	\$8.40	\$8.40	\$8.40			
Revenue ^{5/}	\$364.42	\$463.30	\$262.50	\$691.20	\$427.35	\$418.36	8.33%	\$34.8
Grain Sorghum								
Yield	90	40	75	80	99			
70 percent of T-yield	65	65	65	65	65			
MYA Price ^{3/}	\$3.22	5.02	\$5.99	\$6.33	\$4.25			
Reference Price ^{4/}	\$3.95	3.95	\$3.95	\$3.95	\$3.95			
Revenue ^{5/}	\$355.50	326.30	\$449.25	\$506.40	\$420.75	\$408.50	55.00%	\$224.6
ARC-IC Benchmark Revenue (Total of Weighted 5-Year Olympic Average For Each Crop)								\$472.0
10 Percent of ARC-IC Benchmark Revenue (Maximum Per Acre Payment Rate)								\$47.2
ARC-IC Guarantee (Benchmark Revenue times 86 Percent)								\$405.9

- ^{1/} 5-Year Olympic average revenue is the average of the revenue for each crop dropping the high and low revenue.
- ^{2/} Weighted 5-year Olympic average is the 5-year Olympic average revenue multiplied by the percentage planted.
- ^{3/} Actual MYA price or estimate, depending on availability.
- ^{4/} Reference price is statutory and listed in subparagraph 2 K of this notice.
- ^{5/} Revenue for each crop and year are the higher of that year's yield or 70 percent of T-yield times the higher of the price or reference price.

ARC-IC ACTUAL REVENUE CALCULATION

Crop	2014 Total Production	2014 Price <u>1/</u>	National Average Loan Rate	ARC-IC Total Revenue <u>2/</u>
Corn	11,550	\$5.25	\$1.95	\$60,637.50
Soybeans	1,000	\$8.50	\$5.00	\$8,500.00
Grain Sorghum	9,900	\$4.98	\$1.95	\$49,302.00
Total Revenue				\$118,439.50
ARC-IC Actual Revenue (118,439.50/300 Planted Acres)				\$394.80

1/ Estimated MYA price.

2/ ARC-IC total revenue is total production times the higher of the 2014 MYA price or the national average loan rate.

ARC-IC PAYMENT CALCULATION

ARC-IC Calculation Component	Amount
ARC-IC benchmark revenue from subparagraph C.	\$472.02
ARC-IC guarantee from subparagraph C.	\$405.94
ARC-IC actual revenue from s subparagraph C.	\$394.80
Shortfall (ARC-IC guarantee-ARC-IC actual revenue).	\$11.14
10 Percent of ARC-IC benchmark from subparagraph C.	\$47.20
Smaller of shortfall or 10 percent of ARC-IC benchmark.	\$11.14
2014 base acres from subparagraph B.	200.00
ARC-IC payment percentage.	65
ARC-IC payment (rate x base acres x payment percentage).	\$1,448.20

**ARC-IC PAYMENT
EXAMPLE**

Ready???

**ARC-IC PAYMENT
EXAMPLE**

Percentage of covered commodities planted:

Corn: $90/250=36\%$

Soybeans: $160/250=64\%$

Benchmark Revenue

1. Corn: $.36 \times \$592= 213.12$

2. Soybeans: $.64 \times 420= 268.8$

$213.12+268.8= 481.92$

ARC-IC PAYMENT EXAMPLE

Guarantee

$$481.92 \times .86 = 414.45$$

Max Payout

$$481.92 \times .10 = 48.19$$

Actual Revenue

$$52,447.50 + 44,880 = \$97,327.50$$

Divide by planted acres

$$97,327.50 / 250 = 389.31$$

ARC-IC PAYMENT EXAMPLE

Calculation Component	Amount
Benchmark Revenue	\$481.92
Guarantee	\$414.45
Actual Revenue	\$389.31
Shortfall	\$25.14
10% of Benchmark Revenue	\$48.19
Smaller of shortfall or 10% of Revenue	\$25.14
2014 Base Acres	200
Payment Percentage	65%
ARC-IC Payment (rate x base x percentage)	\$3,268.20

PROHIBITION ON PAYMENTS

Prohibition of ARC/PLC Payments

Farms that have 10.0 base acres or less cannot receive a payment unless the producer on the farm is Socially Disadvantaged or is a Limited Resource farmer.

Acreage that has been developed or gone to “non-ag” (commercial/oil/coal/roads/etc.) must be removed from cropland status

Acreage enrolled into a federal conservation program

PLANTING FLEXIBILITY

Planting Flexibility

Planting of any commodity other than FAV's are allowed on base acres of ARC/PLC farms.

FAV Farm and Producer exceptions are no longer needed

Planting and Harvesting FAV's is subject to an “acre for acre” payment reduction when:

- More than 15% of base acres of the farm enrolled in ARC-CO or PLC are planted to FAV
- More than 35% of base acres of a farm enrolled in ARC-IC are planted to FAV

ARC AND PLC APPLICABLE RULES FOR 2014 THROUGH 2018

Table provides payment limitation amounts for ARC and PLC payments received, directly or indirectly by a person or legal entity, for crop years 2014 through 2018, and applicable rules for ARCPLC.

Applicable Rules for 2014 Through 2108							
ARCPLC Commodity 1/	Actively Engaged in Farming	Cash-Rent Tenant	Direct Attribution	Foreign Person	AGI	HELC and WC	Payment Limitation 2/
All covered commodities, except peanuts.	X	X	X	X	X	X	\$125,000
Peanuts	X	X	X	X	X	X	\$125,000

1/ Covered commodities include barley, corn, grain sorghum, oats, other oilseeds (canola, crambe, flaxseed, mustard seed, rapeseed, safflower, sesame seed, sunflower seed), peanuts, pulse crops (dry peas, lentils, large and small garbanzo), rice (long grain, medium grain), soybeans, and wheat.

2/ Included in each \$125,000 payment limitation are PLC, ARC-CO, and ARC-IC payments and market gains and LDP's received through the MAL program.

ARC/PLC UPCOMING EVENTS

Summer 2014:

- will be the education push

Fall 2014:

- Update production history
- Publish final program details
- Update yields/reallocate base acres

Late 2014/Early 2015:

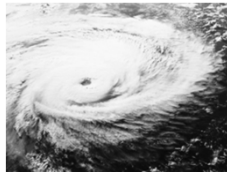
- Producer election into ARC/PLC
- Sign up begins

After October 2015:

- Payments for 2014 crop year begin



DISASTER PROGRAM



DISASTER PROGRAMS

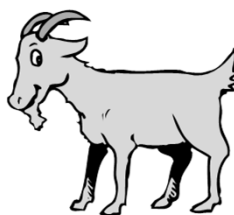
Livestock Indemnity Program (LIP)

Livestock Forage Program (LFP)

Emergency Livestock Assistance Program (ELAP)

Tree Assistance Program (TAP)

LIVESTOCK INDEMNITY PROGRAM



LIVESTOCK INDEMNITY PROGRAM

LIP Provides benefits to livestock producers for livestock deaths in excess of normal mortality caused by adverse weather

LIP also covers attacks by animals reintroduced into the wild by the Federal Government



LIVESTOCK INDEMNITY PROGRAM

LIP Payments are equal to 75% of the market value of the applicable livestock on the day before the date of death

LIP retroactively covers eligible livestock losses dating back to October 1, 2011 (the expiration of the previous Farm Bill)



LIVESTOCK INDEMNITY PROGRAM

Eligibility

- Eligible Livestock must have died as a direct result of an eligible adverse weather event
- No later than 60 calendar days from the ending date of the applicable adverse weather event
- In the calendar year for which benefits are requested
- Have been maintained for commercial use as part of a farming operation on the day they died, and
- Not be free roaming, pets, or animals used for recreation
- Contract growers are also eligible

LIVESTOCK INDEMNITY PROGRAM

Livestock Indemnity Program

- Payments
 - LIP Payments are calculated by multiplying the national payment rate for the animal by the number of eligible livestock
 - For Contract Growers, payment will be further reduced by the amount of monetary compensation received from their contractor
- Example:
 - Adverse weather event results in 5.5% death loss in a herd of cattle. Based on the normal mortality rate of 1.5%, and a market value of \$1,000* the payment would equal $(\$1,000 \times 75\%) = \750 for the 4% (5.5%-1.5%) that were lost

*\$1,000 is just made up figure not the actual market value

LIVESTOCK INDEMNITY PROGRAM

Livestock Indemnity Program

- Applying
 - Applying for LIP is a two step process
 - File a Notice of Loss
 - Within 30 Calendar days when the loss is apparent, or
 - 30 Calendar days after the end of the calendar year in which the loss occurred
 - File Application for Payment



LIVESTOCK INDEMNITY PROGRAM

Livestock Indemnity Program

- Applying Deadlines

Date of Livestock Death	Final Date to File Notice of Loss	Final Date to Submit an Application for Payment
Oct 1, 2011 to Dec 31, 2014	Jan 30, 2015	Jan 30, 2015
CY 2015 and subsequent years	30 days after death is apparent	Jan 30, of each year

LIVESTOCK INDEMNITY PROGRAM

Livestock Indemnity Program

- Document
 - Include # and kind of livestock who died
 - Supplement with photo's, video, vet records, production records, contracts, etc...
 - If verifiable records aren't available, FSA will accept reliable records
 - Will also accept third party verification



LIVESTOCK FORAGE PROGRAM

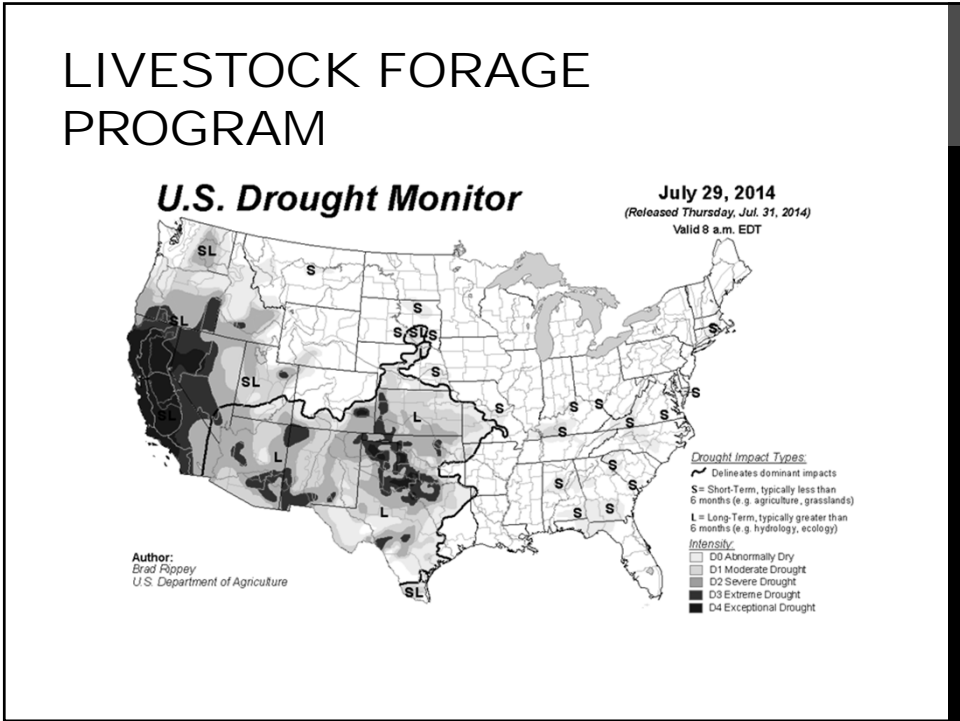


LIVESTOCK FORAGE PROGRAM

Livestock Forage Program (LFP)

- Provides compensation to livestock producers that have suffered grazing losses for covered livestock on land that is native or improved pastureland with permanent vegetative cover or is planted specifically for grazing
- Grazing losses must be from a qualifying drought condition
- Must have occurred on or after October 1, 2011

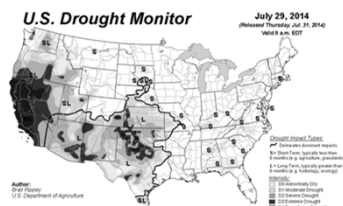
LIVESTOCK FORAGE PROGRAM



LIVESTOCK FORAGE PROGRAM

Livestock Forage Disaster Program

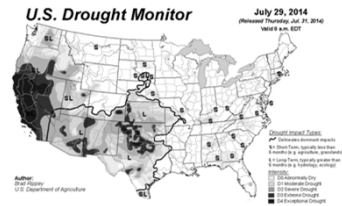
- D2 (Severe Drought) for 8 consecutive weeks
 - Equal to one monthly payment
- D3 (Extreme Drought) for any time during grazing period
 - Equal to three monthly payments



LIVESTOCK FORAGE PROGRAM

Livestock Forage Program

- D3 (Extreme Drought) for at least 4 weeks during grazing period
 - Equal to four monthly payments
- D4 (Exceptional Drought) for four weeks is eligible to receive assistance equal to 5 monthly payments



LIVESTOCK FORAGE PROGRAM

Livestock Forage Program

- Payments will be for either 1, 3, 4, or 5 months
- This will be calculated by multiplying the eligible months (based on the Drought intensity and duration) by the LFP monthly payment rate.
- LFP Monthly payment rate is calculated using the normal carrying capacity of the eligible grazing land of the eligible livestock producer

LIVESTOCK FORAGE PROGRAM

Livestock Forage Program

- For losses that occurred between October 1, 2011 through December 31, 2014, sign up will begin April 15, 2014, and end on January 30, 2015.
- For 2015 and subsequent years, producer must provide a completed application for payment and required supporting documentation to their FSA office within 30 calendar days after the end of the calendar year in which the grazing loss occurred



EMERGENCY LIVESTOCK ASSISTANCE

EMERGENCY LIVESTOCK ASSISTANCE PROGRAM

- Provides emergency relief to eligible producers of livestock, honey bees, and farm raised fish to aid in the reduction of losses due to disease, adverse weather or other conditions, not covered by LFP or LIP



EMERGENCY LIVESTOCK ASSISTANCE PROGRAM

Emergency Livestock Assistance Program

- Applying is a two step process
 - Notice of Loss
 - Application for Payment



EMERGENCY LIVESTOCK ASSISTANCE PROGRAM

• **Eligible Livestock**

- Be livestock that would normally have been grazing the pastureland where the eligible adverse weather condition occurred
- Be owned, leased, or purchased during the 60 days prior to the adverse weather event
- Produced for commercial use
- Not have been livestock that would have been in feedlots during the beginning date of the eligible adverse weather or loss condition

EMERGENCY LIVESTOCK ASSISTANCE PROGRAM

Emergency Livestock Assistance Program

- **Ineligible livestock**
 - Consumption by owner
 - Hunting
 - Used as pets
 - Pleasure
 - Roping
 - Show
 - Used for sport
 - Yaks
 - Ostriches
 - Any wild or free roaming animals

EMERGENCY LIVESTOCK ASSISTANCE PROGRAM

Sign Up Deadlines

- For losses in 2012 and 2013, sign up begins April 15, 2014 and ran through August 1, 2014
- For 2014 sign up, begins April 15, 2014 and runs until November 1, 2014
- For 2015 and subsequent years, Begins October 1 of the Fiscal Year and ends November 1 after the end of the program year in which the loss occurred

EMERGENCY LIVESTOCK ASSISTANCE PROGRAM

Emergency Livestock Assistance Program

- Eligible Grazing Types
 - Improved pasture with permanent vegetative cover
 - Native pasture with permanent vegetative cover
 - Small grain crops planted specifically for providing grazing for eligible livestock
 - Forage sorghum crops planted specifically for providing grazing for eligible livestock
 - Annual ryegrass that is specifically for providing grazing for eligible livestock

EMERGENCY LIVESTOCK ASSISTANCE PROGRAM

• Ineligible Grazing Types

- Acreage enrolled in CRP
- Acreage intended for grain
- Improved pasture, native pasture, forage sorghum crops and annual ryegrass acreage intended for forage or seed
- Seeded small grain forage crops planted with the specific purpose of harvesting forage or seed
- Grazing land that is leased under any of the following conditions
 - Basis of weight gain
 - Cost per head, per day or month



TREE ASSISTANCE PROGRAM



TREE ASSISTANCE PROGRAM

Tree Assistance Program

- The 2014 Farm Bill makes TAP a permanent disaster program and provides retroactive authority to cover eligible losses back to October 1, 2011

TREE ASSISTANCE PROGRAM

Tree Assistance Program

- Eligible Tree Types:
 - Must have been lost or damaged as a result of a natural disaster
 - Individual stand must have sustained a mortality loss or damage loss in excess of 15% after adjustment for normal mortality or damage to be determined based on:
 - Eligible disaster event, except for losses due to plant disease
 - For plant disease, the time period as determined by the FSA which the stand is infected

TREE ASSISTANCE PROGRAM

Tree Assistance Program

- Payment Calculator
 - For tree, bush, or vine replacement, replanting, and/or rehabilitation, the payment calculation is the lesser of the following:
 - 65% of the actual cost of replanting, in excess of 15% mortality (adjusted for normal mortality) and/or 50% of the actual cost of rehabilitation, in excess of 15% damage or mortality or
 - The maximum eligible amount established for the practice by FSA

TREE ASSISTANCE PROGRAM

Date of Loss	Final Date to Submit an Application and Supporting Documentation
On or after October 1, 2011 through the end of the 2014 Calendar Year	Later of January 30, 2015 or - 90 calendar days after the disaster event, or - The date the loss is apparent
Calendar year 2015 and subsequent years	Later of 90 calendar days of: -The disaster event -The date when loss is apparent

FARM STORAGE FACILITY LOANS



FARM STORAGE FACILITY LOANS

Farm Storage Facility Loans

- Major Changes
 - FAV Producers have different needs, so in order to increase their participation in FSFL's changes have been made
 - FAV Producers do not store their product for a long period of time
 - Generally do not participate in FSA programs

FARM STORAGE FACILITY LOANS

FSFL's as a result FSFL's can now be used by FAV producers for handling equipment as well as storage

Crop Insurance or NAP is required for FSFL's but the producer can request a waiver for this provision if they can show the cost of NAP is not feasible for their operation

FARM STORAGE FACILITY LOANS

Eligible Drying and Handling Equipment Allowed for ALL FAV Producers

- Boxing
- Baggers
- Case palletizers
- Cold dip tank
- Fruit/Vegetable conveyors
- Drying tunnels
- Hoppers
- Hydrolifts
- Hydcoolers
- Ice machines
- Quality graders
- Roller spray units
- Sealants
- Sizers
- Sorting bins
- Washers
- Waxers
- Weight graders

MILK INCOME LOSS CONTRACT PROGRAM



MILK INCOME LOSS CONTRACT PROGRAM

Milk Income Loss Contract Program (MILC)

- The Farm Bill extends MILC from October 1, 2013 through the earlier of:
 - The Dairy Margin Protection Program being operational, or September 1, 2014
- Producers enrolled in MILC do NOT need to reapply
- MILC Payments are issued when the Boston Class I milk price falls below \$16.94 per cwt, as adjusted by a dairy feed ration formula

MILK INCOME LOSS CONTRACT PROGRAM

Dairy Margin Protection Program will replace MILC and will be effective no later than September 1, 2014 through December 31, 2018



Getting Ready to Expire

DAIRY MARGIN PROTECTION PROGRAM

Provides dairy producers

**1 Catastrophic Coverage at no cost to the producer,
other than an annual \$100 administrative fee and**

2 Various levels of buy-up coverage



DAIRY MARGIN PROTECTION PROGRAM

Catastrophic coverage provides payments to participating producers when the national dairy production margin is less than \$4 per cwt.

The national dairy margin is the difference between the all-milk price and average feed cost.

DAIRY MARGIN PROTECTION PROGRAM

Producers may purchase buy-up coverage that provides payments when margins are between \$4 and \$8 per cwt.

To participate in buy-up coverage, a producer must pay a premium that varies with the level of protection the producer elects

DAIRY MARGIN PROTECTION PROGRAM

In addition, the Act creates the Dairy Product Donation Program

This program triggered in times of low operating margins for dairy producers, and requires USDA to purchase dairy products for donation to food banks and other feeding programs

CONTINUATION OF EXISTING PROGRAMS

Marketing Assistance Loans (MAL) and Loan Deficiency Payments (LDP's)

- Farm Bill extends MAL's and LDP's through 2018 crop year
- Provisions mostly unchanged from the 2008 Farm Bill
- Except that payments are subject to payment limitations

CONTINUATION OF EXISTING PROGRAMS

Dairy Margin Protection Program

- Offers
 - Catastrophic coverage at no cost to the producer
 - Other than a \$100 administrative fee
 - Kicks in when the national dairy margin is less than \$4/cwt
 - Various levels of buy up coverage
 - Can purchase buy up that offers coverage when margins are between \$4 and \$8.
 - Premiums will be based on level of coverage purchased

CONTINUATION OF EXISTING PROGRAMS

Conservation Reserve Program

- More or less unchanged
- Acreage cap drops to 24 million acres for FY 2017 and 2018
- Grassland Reserve Program is now part of CRP
- Transition Incentive Program continues for beginning or socially disadvantaged so that CRP land can be returned to production, Army Veterans who are also farmers are also eligible

CONTINUATION OF EXISTING PROGRAMS

Biomass Crop Assistance Program

- Provides incentive to producers to establish and harvest eligible biomass for heat, power, bio-based products, research and advanced biofuels
- Crop producers and bioenergy facilities can team together to submit proposals to USDA for selection as a BCAP project area
- BCAP is extended through 2018 and is funded at \$25 million per fiscal year

CONTINUATION OF EXISTING PROGRAMS

Noninsured Crop Disaster Assistance Program (NAP)

- NAP now has buy up protection
- Producers may elect coverage for each crop between 50% and 65% in 5% increments at 100% of the average market price
- Producers also pay a fixed premium equal to 5.25% of the liability
- The waiver for service fees has expanded from just limited resource producers to also include beginning and socially disadvantaged

CONTINUATION OF EXISTING PROGRAMS

Noninsured Crop Disaster Assistance Program (NAP)

- Premiums for buy up coverage for limited resource, socially disadvantaged, and beginning farmers are reduced by 50%
- Grazing land is not eligible for buy up coverage



THE END

Bob Wevodau
Farm Program Chief
Robert.Wevodau@md.usda.gov