2014 Farm Bill Notes

The 2014 Farm Bill does not change crop insurance programs for 2014

Key Changes in general
- Direct payments will end
- USDA cannot negotiate outright budget savings through a Standard Reinsurance Agreement (SAR) with the crop insurance industry. Last time around they negotiated a $6 billion dollar savings through the SRA. Basically this means that can't negotiate budget savings at the expense of Federal Crop Insurance.

Key Changes to Crop Insurance for 2015
- ****** 2014 item **** PLC/ARC One Time Choice –** *"A crop farm has a one-time, irrevocable opportunity to elect either Price Loss Coverage (PLC) or county Agricultural Risk Coverage (ARC) on a crop by crop basis. The producer may also elect individual farm ARC, but this election applies to the entire farm. If no choice is made, the farm defaults to PLC. All producers on a farm must make the same election or face potential loss of payments for the 2014 crop."* (Farm Journal) - I spoke with a FSA office and they indicated that this is for the 2014 crop year that it will probably be implemented retroactively later this year. This will need to be looked at in more detail to evaluate the pros and cons for the producers.
- **Sodbuster** – reduces benefits for producers who plow native sod. Insured yield is 65% of transitional yield for first 4 years of production. Subsidy is also cut by 50%. Applies to NE, IA, ND, SD, MN, MT.
- **Conservation Compliance** - The Bill requires conservation compliance with highly erodible land and wetland conservation practices to be eligible for premium subsidies. Farmers who have not had to comply for commodity program eligibility will have 5 years to get a plan in place and comply. Non compliance does not prevent a producer from buying crop insurance, they simply lose the subsidy.
- **Supplemental Coverage** - Creates the Supplemental Coverage Option (SCO) for 2015 crop year. Offered to producers who enroll in Price Loss Coverage. Provides covers losses exceeding 14% (covers losses below 86% of revenue). ARC enrollees are not eligible for SCO. Difference between ARC and SCO is that SCO does not have a payment cap.
- **Irrigation VS Dryland** – beginning in 2015 producers can choose different coverage levels for irrigation versus dryland acres.
- **Enterprise Units** – Allows farmers to combine all acreage in a single county in one unit. Also allows for separate enterprise units for Irrigation and dryland crops.
- **Disaster Losses** – Producers can exclude a recorded or estimated yield for a crop year when the entire county is 50% below the 10-year average yield.
- **Peanut** - Peanut growers will have insurance in available in 2015
- **Alfalfa** - Encourages studying a potential crop insurance program for Alfalfa. Alfalfa acres are down 25% over the last 10 years.
- **Organic** - Look to develop and improve crop insurance programs for organic producers.

2014 Crop Insurance Plan Information (USDA)

http://www.rma.usda.gov/policies/2014policy.html (detailed info)

Current Plan Descriptions

- **Actual Production History (APH)** policies insure producers against yield losses due to natural causes such as drought, excessive moisture, hail, wind, frost, insects, and disease. The producer selects the amount of average yield to insure; from 50-75 percent (in some areas to 85 percent). The producer also selects the percent of the predicted price to insure; between 55 and 100 percent of the crop price established annually by RMA. If the harvested plus any appraised production is less than the yield insured, the producer is paid an indemnity based on the difference. Indemnities are calculated by multiplying this difference by the insured percentage of the price selected when crop insurance was purchased and by the insured share.
- **Actual Revenue History (ARH)** plan of insurance has many parallels to the APH plan of insurance, with the primary difference being that instead of insuring historical yields, the plan insures historical revenues. The policy is structured as an endorsement to the Common Crop Insurance Policy Basic Provisions. It restates many of the APH yield procedures to reflect a revenue product. Each crop insured under ARH has unique crop provisions. Like current revenue coverage plans, the ARH pilot program protects growers against losses from low yields, low prices, low quality, or any combination of these events.
- **Adjusted Gross Revenue (AGR)** and **AGR-Lite** policies insure revenue of the entire farm rather than an individual crop by guaranteeing a percentage of average gross farm revenue, including a small amount of livestock revenue. The policies use information from a producer's Schedule F tax forms, and current year expected farm revenue, to calculate policy revenue guarantee.
- **Area Risk Protection Insurance (ARPI)** is an insurance plan that provides coverage based on the experience of an entire area, generally a county. ARPI replaces the Group Risk Plan (GRP) and the Group Risk Income Protection Plan (GRIP).
- **Commodity Exchange Price Provisions (CEPP)** used in conjunction with either the Common Crop Insurance Policy Basic Provisions or the Area Risk Protection Insurance Basic Provisions, along with the Crop Provisions for the following crops: barley, canola (including rapeseed), corn, cotton, grain sorghum, rice, soybeans, sunflowers, and wheat.
- **Contract Price Addendum (CPA)** available for insured crops that are grown under contract if contract pricing is allowed within the actuarial documents.
- **Dollar Plan** policies provide protection against declining value due to damage that causes a yield shortfall. The amount of insurance is based on the cost of growing a crop in a specific area. A loss occurs when the annual crop value is less than the amount of insurance. The maximum dollar amount of insurance is stated on the actuarial document. The insured may select a percent of the maximum dollar amount equal to CAT (catastrophic level of coverage), or purchase additional coverage levels.
- **Group Risk Plan (GRP)** is designed as a risk management tool to insure against widespread loss of production of the insured crop in a county. GRP policies use a couty yield index as the basis for determining a loss. When the estimated county yield for the insured crop, as determined byNational Agricultural Statistics Service (NASS), falls below the trigger yield level chosen by the producer, an indemnity is paid. Payments are not based on an individual producer's crop yields. Coverage levels are available for up to 90 percent of the expected county yield. GRP involves less paperwork and costs less than plans of insurance against individual loss, as described above. Under GRP, insured acreage for an individual producer's crop may have low yields and not receive a payment if the county does not suffer a similar level of yield loss. This insurance is primarily intended for producers whose crop yields typically follow the average county yield.

- **Group Risk Income Protection (GRIP)** is designed as a risk management tool to insure against widespread loss of revenue from the insured crop in a county. GRIP policies use a county revenue index as the basis for determining a loss by using the estimated county yield for the insured crop, as determined by National Agricultural Statistics Service (NASS), multiplied by the harvest price. If the county revenue falls below the trigger revenue level chosen by the producer, an indemnity is paid. Unlike GRP, it is not necessary to have a decline in yield to be indemnified, as long as the combination of price and yield results in a county revenue that is less than the trigger revenue. Payments are not based on individual producer's crop yields and revenues. Coverage levels are available for up to 90 percent of the expected county revenue. GRIP involves less paperwork and costs less than plans of insurance against individual loss as described above. Under GRIP, an individual producer's crop may receive reduced revenue from the insured acreage and not receive a payment under this plan if the county does not suffer a similar level of revenue loss. This insurance is primarily intended for producers whose crop yields typically follow the average county yield and wish to insure that the combination of yield and price result in a particular level of revenue.
- **Group Risk Income Protection - Harvest Revenue Option (GRIP-HRO)** is a supplemental endorsement to the GRIP Basic Provisions. The Harvest Revenue Option changes the trigger revenue to be the result of multiplying the expected county yield by the greater of the expected price or the harvest price and by the producer chosen coverage level percentage. If the county revenue for the insured crop, type, and practice falls below the GRIP-HRO trigger revenue, an indemnity is paid.
- **Livestock policies** are designed to insure against declining market prices of livestock and not any other peril. Coverage is determined using futures and options prices from the Chicago Mercantile Exchange Group. Price insurance is available for swine, cattle, lambs and milk. Producers decide the number of head (cwt of milk) to insure and the length of the coverage period. There are two types of plans available: Livestock Risk Protection, provides coverage against market price decline, if the ending price is less than the producer determined beginning price and indemnity is due; and Livestock Gross Margin, provides coverage for the difference between the commodity and feeding costs. If the producer determined expected gross margin is greater than the actual gross margin, an indemnity is due.
- **Rainfall Index (RI)** is based on weather data collected and maintained by the National Oceanic and Atmospheric Administration's Climate Prediction Center. The index reflects how much precipitation is received relative to the long-term average for a specified area and timeframe. The program divides the country into six regions due to different weather patterns, with pilots available in select counties.
- **Revenue Protection** policies insure producers against yield losses due to natural causes such as drought, excessive moisture, hail, wind, frost, insects, and disease, and revenue losses caused by a change in the harvest price from the projected price. The producer selects the amount of average yield he or she wishes to insure; from 50-75 percent (in some areas to 85 percent). The projected price and the harvest price are 100 percent of the amounts determined in accordance with the Commodity Exchange Price Provisions and are based on daily settlement prices for certain futures contracts. The amount of insurance protection is based on the greater of the projected price or the harvest price. If the harvested plus any appraised production multiplied by the harvest price is less than the amount of insurance protection, the producer is paid an indemnity based on the difference.
- **Revenue Protection With Harvest Price Exclusion** policies insure producers in the same manner as Revenue Protection polices, except the amount of insurance protection is based on the projected price only (the amount of insurance protection is not increased if the harvest price is greater than the projected price). If the harvested plus any appraised production multiplied by harvest price is less than the amount of insurance protection, the producer is paid an indemnity based on the difference.
- **Vegetation Index (VI)** is based on the U.S. Geological Survey's Earth Resources Observation and Science (EROS) normalized difference vegetation index (NDVI) data derived from satellites observing long-term changes in greenness of vegetation of the earth since 1989. The program divides the country into six regions due to different weather patterns, with pilots available in select counties.

- **Yield Protection** policies insure producers in the same manner as APH polices, except a projected price is used to determine insurance coverage. The projected price is determined in accordance with the Commodity Exchange Price Provisions and is based on daily settlement prices for certain futures contracts. The producer selects the percent of the projected price he or she wants to insure, between 55 and 100 percent.

Policy Endorsements and Options are available for some crop provisions that add supplemental coverage, exclude coverage or otherwise modify coverage. An endorsement or option generally must be applied for on or before the sales closing date.

- **Catastrophic Risk Protection Endorsement (CAT Coverage)** pays 55 percent of the price of the commodity established by RMA on crop losses in excess of 50 percent. The premium on CAT coverage is paid by the Federal Government; however, producers must pay a $300 administrative fee (as of the 2008 Farm Bill) for each crop insured in each county. Limited-resource producers may have this fee waived. CAT coverage is not available on all types of policies.
- **High-Risk Alternate Coverage Endorsement (HR-ACE)** is a privately developed product approved through the 508(h) process which allows a producer who farms both high-risk and non-high-risk land to insure the high-risk land at an additional coverage level which is lower than the coverage level on the non-high-risk land. Beginning with the 2013 crop year. The HR-ACE is available for corn, soybeans, wheat, and grain sorghum in certain counties as specified in the actuarial documents.
- See actuarial documents for other endorsements and options available to a specific commodity.

Key Insurance Dates:

- Corn
    - Sales Closing – 03/15/14
    - Final Plant Date – See Links Below
    - Acreage Reporting – 07/15/14
- Sorghum
    - Sales Closing – 03/15/14
    - Final Plant Date – See Links Below
    - Acreage Reporting – 07/15/14
- Soybeans
    - Sales Closing – 03/15/14
    - Final Plant Date – See Links Below
    - Acreage Reporting – 07/15/14
- Wheat (2015)
    - Sales Closing – 09/30/14
    - Final Plant Date – See Links Below
    - Acreage Reporting – 11/15/14

Final Planting Dates (CO,KS,MO, NE)

Final Planting Dates (IA, MN, WI)

Final Planting Dates (MT, ND, SD, WY) 2013 dates, 2014 not available yet

Final Planting Dates (IL, IN, MI, OH) 2013 dates, 2014 not available yet