



# Overview of the Agricultural Improvement Act of 2018

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President Trump signed the Agricultural Improvement Act of 2018, commonly called the 2018 farm bill, into law on December 20, 2018 after a relative fast development process compared to the previous farm bill. The 2014 farm bill took over two years to pass, from first introduction by the House Ag Committee to final signature by President Obama. The 2018 farm bill was first introduced in the House in April, 2018. After failing the first vote, it was passed on June 21, 2018. The Senate passed their version of the bill on June 28. After a vote to send the bill to a conference committee for reconciliation, and the nomination of the conference committee members from both the House and the Senate, the reconciliation process began on September 5. On November 28, the conference committee announced an agreement in principle. Committee members signed the conference report on December 10. The 2018 farm bill passed with strong bipartisan support in the Senate on December 11 (87 votes for and 13 votes against) and the House on December 12 (369 votes for and 47 votes against).

This fact sheet provides an overview of commodity, conservation, crop insurance and disaster assistance. All information is based on an initial interpretation of the bill language and is subject to change, once more detailed information is released by the program implementing agencies. For additional information on these changes and other programs, please refer to fact sheets specific to each title.

## Commodity Revenue and Price Support Programs

The 2014 farm bill introduced two new programs to the farm safety net—a price protection program, Price Loss Coverage (PLC); and a revenue protection program, Agricultural Risk Coverage (ARC). In doing so, the 2014 farm bill eliminated direct payments, count-cyclical payments and ACRE payments. The 2018 farm bill maintains PLC and ARC with some technical changes in elections, yields and reference prices.

## Eligibility and Family Definitions

The 2018 farm bill maintains the same eligibility requirements (e.g. Adjusted Gross Income (AGI) levels and conservation requirements), and many of the same payment limitations levels. However, Loan Deficiency Payments and Marketing Loan Gains will not count toward the payment limitation going forward. The rules for being actively engaged in farming were maintained as well, but the definition of family was expanded to include first cousins, nieces and nephews.

## Elections

Farmers have the opportunity to re-elect to ARC or PLC for the 2019-2023 crop years, with the exception of land that

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has been in grass since 2009 (see “Grassland with Crop Base” below). However, the 2018 farm bill eliminated the farm level coverage option under ARC, commonly called ARC-IC. Less than 1 percent of base acres nationally were enrolled in ARC-IC, so most farmers probably will not feel this loss too keenly. The ARC county level coverage option is still available.

The 2018 farm bill also offers flexibility in the election decision. Farmers will elect to ARC or PLC for the 2019-2023 crop years; however, starting in the 2021 crop year, they will have the option to switch from their initial election at their discretion. If a farmer feels PLC would be the better option in 2019 and 2020, but that ARC would be better in 2021, they may contact their Farm Service Agency office about switching starting with the 2021 crop year. If that same farmer wants to continue with PLC for the entire five-year period, they may do so.

## Grassland with Crop Base

No update to base acres was included in the 2018 farm bill. Base acres planted to grass instead of being planted or prevented planted to a covered commodity from 2009 to 2017, will not be eligible for ARC or PLC payments from 2019 to 2023. Instead, those base acres can be placed in a Grassland Incentives Program for the five-year period for a rate of \$18 per acre. The land may still be used to graze livestock. If any portion of a farm was planted in a covered commodity at any point from 2009 to 2017, the base acres may be enrolled in ARC or PLC.

## Yields

The 2014 farm bill contained a one-time yield update. The 2018 farm bill also offers a one-time yield update starting in crop year 2020 for farms enrolled in PLC. This may be particularly meaningful for counties experiencing more than 20 consecutive weeks of drought, which includes much of western Oklahoma, but the yield update is not limited to those counties that experienced drought. The updated yield is 90 percent of the average yield per planted acres from 2013-2017 multiplied by a yield update factor in the farm bill that ranges from 0.90 for corn, upland cotton and grain sorghum to 1 for large chickpeas, flaxseed, lentils, rapeseed and safflower. A year where the covered commodity was not planted on the farm is excluded from the calculation.

In addition, the 2018 farm bill maintained the “plug” yield option from the 2014 farm bill. For a farm that has a yield less than 75 percent of the county average yield from 2013-2017, farmers may “plug” their yield using 75 percent of the county yield rather than their farm yield.

For the ARC program, the plug yield increased to 80 percent of the county transitional yield.

### Reference Price

The 2014 farm bill published commodity reference prices for PLC and ARC. The 2018 farm bill maintains those reference prices, but allows prices to increase with sustained market price increases. The PLC payment calculation uses the current reference prices established with the 2014 farm bill when they are lower than the “effective” reference price, but will equal the effective reference price otherwise. The effective reference price is 85 percent of the five-year rolling average price, with the highest and lowest price taken out (Olympic average). However, the effective reference price cannot exceed 115 percent of the current reference prices. For example, the PLC reference price for wheat is \$5.50, so the effective reference price cannot exceed \$6.33.

### County and Sub-county Units for ARC payments

The Secretary of Agriculture has the flexibility to create sub-county units for ARC payments in counties with more than 4,000 square miles of area and more than 190,000 base acres. However, no more than 25 counties in the U.S. will be divided and priority will be given to counties with highly divergent weather or soil types.

### Marketing Loans

Marketing assistance loans continued under much of the same conditions as the 2008 and 2014 farm bills. The loan rates increased for certain commodities including corn, oats, peanuts, soybeans and wheat, among others.

### Dairy

The 2018 Bipartisan Budget Act made several changes to the Margin Protection Program for dairy producers, including lifting the cap on dairy insurance. The 2018 farm bill made additional changes and renamed the program the Dairy Margin Coverage (DMC) program. The DMC expands coverage through additional coverage levels on the first 5 million pounds of milk production, and catastrophic coverage levels will be more affordable. Additional details will be provided as the DMC program guidance is released. In addition, dairy producers will no longer be restricted to choosing either DMC or Livestock Gross Margin insurance.

### Supplemental Agricultural Disaster Programs

The 2018 farm bill maintains the primary disaster programs available to farmers and ranchers: the Livestock Forage Program (LFP); the Livestock Indemnity Program (LIP); the Emergency Assistance for Livestock, Honeybees, and Farm-raised Fish Program (ELAP); and the Tree Assistance Program (TAP). The 2014 farm bill limited the LFP, LIP and ELAP payments to a combined total of \$125,000. The 2018 Bipartisan Budget Act moved LIP from that payment cap and left LIP payments uncapped. The 2018 farm bill, similarly, moved ELAP from that payment cap and left ELAP payments uncapped. This leaves

the LFP payment to have a cap of \$125,000. Further, the LIP program covers unweaned livestock for the first time, so all livestock that die or are injured due to eligible disasters are covered under one program. The TAP program will cover more of the damages (up to 75 percent) to orchards for beginning and military veteran farmers.

### Conservation

The Conservation Title expands the working farmlands philosophy that has been in place for some time now. Participation in conservations programs have increased with program flexibility, working farmlands, public-private partnerships and focuses on short and long-term issues, such as drought, wildlife habitat, watershed management and water quality. The 2018 farm bill maintains the conservation programs, and mainly shifts funding between programs. The Conservation Reserve Program (CRP) expanded to a maximum 27 million acres, and the rental rate decreased from 100 percent to 90 percent to reduce competition with working land. The Environmental Quality Incentives Program (EQIP) was maintained with increased funding levels, and the Conservation Stewardship Program (CSP) was maintained with decreased funding. The Grassland Incentive Program payments are expected to be funded under the CSP program. The Agricultural Conservation Easement Program (ACEP) and the Regional Conservation Partnership Program (RCP) also continued in the 2018 farm bill. New programs include watershed and flood prevention, small watershed rehabilitation and a feral swine eradication and control pilot program.

### Crop Insurance

The 2018 farm bill maintains the crop insurance options made available under the 2014 farm bill with few changes. The Supplemental Coverage Option (SCO) will continue to be available for those that elect to PLC coverage. Farmers who grow crops that can be both grazed and used for forage have additional flexibility in the 2018 farm bill, as they can now have separate policies for each function. For example, a winter wheat producer who also grazes stocker cattle could have Pasture, Range and Forage (PRF) insurance for the grazing period, as well as yield or revenue protection for the wheat crop. Changes were also made to the Whole Farm Revenue Protection Program (WFRP) with additional discounts for beginning farmers and ranchers. The WFRP was not widely utilized in the 2014-2018 crop years.

### Final Thoughts

The 2018 farm bill looks a great deal like the 2014 farm bill, and options will look similar. However, some of the small technical changes could have big consequences. Talk to your local Extension educator, USDA county personnel or crop insurance agent and utilize only decision aids like the one developed by OSU and Kansas State to better understand what these changes could mean for your operation. Additional information on the 2018 farm bill programs will be provided as implementing agencies begin releasing guidance.

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