Department of Agricultural Economics

Agricultural Policy News

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Overview of the Agriculture Act of 2014:
Commodities, Conservation, Crop Insurance, and Disaster Assistance

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The U.S. House of Representatives passed the Agriculture Act of 2014 on January 29. A summary of commodity, conservation, crop insurance, and disaster assistance is provided below. All information is based on an initial interpretation of the bill language and is subject to change once more detailed information is released. Additional newsletters with more specific information about each new program will be released as well.

Commodity Revenue and Price Support Programs

The new farm bill ends direct payments, counter-cyclical payments, and ACRE payments for all covered commodities starting with the 2014 crop year. A new revenue protection program, called Average Risk Coverage (ARC) and a new price protection program, called Price Loss Coverage (PLC) is included for covered commodities (excluding upland cotton). The ARC program is similar to the ACRE program in the 2008 farm bill and the PLC program is similar to the counter-cyclical payment program in previous farm bills. For ARC, producers have the option to choose farm level or county level coverage. Similar to the 2008 farm bill, producers will have the option to make a one-time, irrevocable decision to enroll in ARC or PLC on a commodity-by-commodity basis for each crop on the farm. However, producers who enroll in individual-level ARC must elect individual-level ARC for all crops on the farm.

New supplemental coverage crop insurance programs will also be added in the 2015 crop year. The Supplemental Coverage Option (SCO) will be available for covered commodities enrolled in PLC (and cotton) and the Stacked Income Protection Plan (STAX) will be available only to cotton producers. Since STAX will not be implemented until at least 2015 and ARC/PLC is not available for cotton, cotton producers will receive transitional payments for the 2014 and 2015 crop years (if STAX is not implemented in the county for 2015). For 2014, producers will receive payments on 60% of the cotton base acres in effect for the 2013 crop year. For 2015, producers will receive payments on 36.5% of cotton base acres.

Marketing Loans

Marketing assistance loans are continued under the same provisions as in the 2008 farm bill, with some changes in how the cotton loan rate is determined. The minimum loan rate for cotton is set at $0.45/lb and the maximum rate is $0.52/lb.

Dairy

The bill ends the dairy product support program and ends the MILC program after June 30, 2014 (MILC is continued at a 45% payment rate until June 30). New dairy provisions are included in the bill, including the Dairy Operation Margin Program, the Dairy Market Stabilization Program, and the Margin Protection Insurance Program.

Supplemental Agriculture Disaster Assistance
The Livestock Indemnity Program (LIP) and the Livestock Forage Program (LFP) are continued for 2012 and each succeeding fiscal year, which means that eligible producers will receive LIP and LFP payments for losses that occurred in 2012 and 2013 (since the 2008 farm bill only authorized these programs through October 2011). The minimum risk management purchase requirement for disaster assistance that was included in the 2008 farm bill is omitted for these programs.

Payment Limitations
Payments per person for covered commodities are limited to $125,000 (this includes Price Loss Coverage, Agriculture Risk Coverage, Marketing Loan Gains (MLG), and Loan Deficiency Payments (LDP). In the 2008 farm bill, separate payment limits were established for CCP/ACRE and direct payments (and no limit was placed on MLGs and LDPs). A separate payment limit for peanuts is maintained. New regulations will be in place to further define a person as ‘actively engaged’ and eligible for payments.

Adjusted Gross Income Limitation
The farm and non-income limits are replaced with one AGI limitation of $900,000 for commodity and conservation programs.

Conservation
Funding for conservation programs is reduced. However, many of the same programs are continued but are now combined with other programs to increase efficiency and reduce administrative costs. For the Conservation Reserve Program (CRP) program, maximum enrollment acreage is reduced over the next 4 years and grasslands can now be enrolled (which accommodates acreage that would have previously been eligible for enrollment in the Grassland Reserve Program). However, while the acreage cap is reduced, CRP is still intended to be the primary conservation program and the bill encourages USDA to update CRP rental rates to reflect local prevailing rental rates. The acreage cap for the Farmable Wetland Program is reduced to 750,000 acres. The bill permits certain activities due to drought or other natural disasters to occur without a reduction in the CRP rental rate (would likely be applied on a case-by-case basis).

For the Conservation Stewardship Program (CSP), an enrollment cap of 10,000,000 acres is included with a rate of $18/acre through 2022. Pasture land is added to the list of eligible land and expands other agricultural areas to land suitable for livestock production. Eligible producers can also receive supplemental payments for improving resource-conserving crop rotations.

The Environmental Quality Incentives Program (EQIP) is continued with a few changes including a payment limit of $450,000 for EQIP contracts entered through 2018. A new Agricultural Conservation Easement Program (ACEP) is included to protect natural resources and the agriculture nature of the land. ACEP includes contracts under other discontinued programs, such as the Wetlands Reserve Program (WRP) and the Farmland Protection and Farm

Viability Program (FPP). A new Regional Conservation Partnership Program (RCPP) is also included. Eligible partners under RCPP include water districts, irrigation districts, rural water districts or associations, and other organizations with specific water delivery authority to agricultural producers. The Agricultural Water Enhancement Program (AWEP) and the Chesapeake Bay Watershed Program are discontinued and some of the program goals are part of the RCPP program.

Conservation compliance is now required to be eligible for crop insurance premium assistance on highly erodible lands and wetlands.

Crop Insurance

New supplemental coverage insurance programs (SCO and STAX) are included to cover a portion of the deductible of the producer's individual insurance coverage. For SCO, coverage cannot be greater than the difference between 86% and the coverage level of the individual policy (which is 65-75% for most Oklahoma producers). SCO is subsidized at 65%, so producers pay 35% of the premium. A similar program called the Stacked Income Protection Plan (STAX) is available to cotton producers and is subsidized at 80%. These programs will not be available until the 2015 crop year. Producers may purchase both STAX and SCO coverage on the same cotton crop in the same county as long as they are purchased for separate acreage.

A new margin insurance coverage program is included for the 2015 crop year. The CAT premium will be reduced. The authority for the corporation to pay a higher portion of the premiums for enterprise unit policies is made permanent. Separate enterprise units for irrigated and non-irrigated crops will be available in the 2015 crop year. Producers will have the option to exclude certain yield history from their APH database. Producers can select a different coverage level for each production practice (irrigated and non-irrigated) starting with the 2015 crop year. Data sharing with other USDA agencies is contained in several provisions.

With the exception of CAT coverage, beginning farmers and ranchers will receive premium assistance that is 10 percentage points higher than premium assistance otherwise provided. In addition, a beginning farmer or rancher previously involved in a farming or ranching operation will be assigned a yield that is the higher of the APH of the previous producer of the crop or livestock on the acreage or the yield of the producer. Beginning farmers and ranchers will also receive a higher yield plug of 80 percent of the applicable transitional yield. A revenue insurance product will be available for peanut producers.

Producers may continue to purchase NAP for crops and grasses used for grazing (at a coverage level equivalent to CAT coverage). Last year, when the Annual Forage insurance product was released, it was anticipated that producers would no longer be able to purchase NAP for grazing. This provision allows producers to continue to purchase NAP even though the Annual Forage insurance product is also available.

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