

Agricultural Act of 2014

- Repeals the DCP, ACRE and SURE Programs.
 - Eliminates Direct Payments and Countercyclical Payments.
- Replaces for all covered commodities with:
 - Price Loss Coverage (PLC) or
 - Agricultural Risk Coverage (ARC)

Price Loss Coverage

- Establishes new “countercyclical-like” program (PLC) for all covered commodities except cotton
- Target Price/Reference Price for Peanuts
 - 2002 & 2008: \$495
 - 2014: \$535

Marketing Assistance Loan

- \$355 Per Ton National Loan Rate
 - Same as 2002, 2008, 2014
- No Sequestration applied to MAL
- Storage, Handling and Associated Cost
- No change from 2008 Farm Bill

Eligibility and Limits

- AGI of person or legal entity, less than or equal to 3-year average of \$900,000
- “Actively engaged” = USDA will define “significant contribution of active personal management. Family members not subject.

Eligibility and Limits

- Payment limit per person or legal entity
\$125,000 for PLC, ARC, and MLG/LDP
- Loan forfeitures do not apply to MLG
- Spousal rule applies
- Equal and separate limit for peanuts

Crop Insurance

- Peanut Revenue Insurance: Mandates for 2015 crop
- Establishes a new “shallow loss” insurance policy Supplemental Coverage Option (SCO):
 - Available for commodities enrolled in PLC and non-STAX cotton
 - 65% subsidy
 - Available in 2015

Crop Insurance

- Permanent higher subsidy for enterprise units
- Separate enterprise units for irrigated/non-irrigated crops
- Different coverage levels for irrigated/non-irrigated crops
- Option to exclude certain yield history from APH database

Producer/Landowner Decisions

- 1. Bases Decision: Retain or Reallocate**
 - 2. Payment Yield: Retain or Update**
 - 3. PLC vs ARC on a crop-by-crop and farm-by-farm, Known as the Producer Election**
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Opportunity to Update Base

- Farm's cotton base is now called "Generic Base."
- Farm's other crop bases can be retained, or reallocated – 1-time election:
 - Retain Base Acres as of September 30, 2013,
or
 - Reallocate Base Acres excluding Generic Base Acres
- Reallocation based on the proportion of 2009-2012 average of acres planted and prevented planted of covered commodities, but cannot exceed 2013 total base excluding generic base

Base Reallocation Example

- 200 acre FSA farm: 100 acres cotton (generic) base, 50 acres peanut base, 20 acres of corn base and 10 acres of wheat base – 80 acres of crop base

- From 2009-2012, program crops averaged 65 peanut acres (50%) and 65 corn acres (50%) – totaled 130 acres > 80 base acres. Reallocated bases = 40 peanut base acres & 40 corn base acres. Landowner can decide if want to or retain.
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Generic Base

- Was the Farm's cotton base in 2013.
 - Generic Base does not change during the life of the Farm Bill.
 - Can be used on a year to year basis to temporary allocate to a covered commodity (exclude cotton) planted.
 - A covered commodity must be planted to be eligible for any generic base allocation.
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Opportunity to Update Yields

- PLC Payment Yield
- At the discretion of the landowner,
 - Retain payment yields under the 2008 Farm Bill, or
 - Update to 90% of the average yields from 2008-2012
 - Will be significantly below one's expected yield/actual yield
- On a crop by crop basis

Program Decision

- **Producer Election**
- **Crop-by-Crop**
- **Farm-by-Farm**

1. **Price Loss Coverage , or**
2. **Agriculture Risk Coverage – County coverage, or**
3. **Whole Farm Agriculture Risk Coverage – Individual coverage**

Price Loss Coverage (PLC)

PLC Rate = Reference Price - higher of Average Market Price or Loan Rate

PLC Payment = PLC Rate * Payment Yield * Base Acres * 85%

Peanut Example:

Average Market Price = \$500

Payment Yield = 3,800 (1.9 tons)

Base Acres = 4100 acres

PLC Rate = \$535 - higher of \$500 or \$355 = \$35/ton

**PLC Payment = \$35/ton * 1.9 tons * 100 ac * 85% = \$22,610
(\$56.53 per base acre)**

Payment made after October 1 of the following year.

ARC with County Coverage

$$\begin{aligned} & \text{BENCHMARK County Revenue} = \\ & \text{5-Yr Olympic Average Yield Per Planted Acre} \\ & \quad \times \\ & \text{5-Yr Olympic Average Market Price} \end{aligned}$$

$$\text{ARC Guarantee} = 86\% \times \text{Benchmark County Revenue}$$

$$\begin{aligned} & \text{ACTUAL County Revenue} = \\ & \text{Actual County Yield Per Planted Acre} \\ & \quad \times \\ & \text{Higher of Avg Market Price or Loan Rate} \end{aligned}$$

$$\text{ARC Payment}^* = \text{ARC Guarantee} - \text{Actual County Revenue}$$

*Or 10% of Benchmark Revenue, whichever is less

Payment received on 85% of Base Acres after October 1 of the following year
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Price Considerations for PLC

- \$535 Reference Price applies to 85% of Base acres.
- Payment Yield less than Expected/Actual Yield.
- National Marketing Year Average Price higher than contract/cash price for runners.
- The more acres planted, the lower the average price per ton.

Price Considerations for PLC

- Georgia State Average Yield
2008-2012 = 3,365 lbs per acre (90%)
2012-2013 = 4,505 lbs per acre
Difference = 1,140 lbs per acre
- Assume wall-to-wall peanuts planted
\$535 - \$355 = \$180 per ton
85% x \$180 = \$153 per ton
- \$153 x 1.6825 tons (3,365 lbs) = \$257.43 per base acre
- \$355 x 2.2525 tons (4,505 lbs) = \$799.64 per base acre
- Total per base acre = \$1057.07 or \$469.29 per ton

Questions

- Emanuel County – Mark Crosby
- Laurens County – Raymond Joyce
- Mitchell County – Jennifer Grogan
- Sumter County – Bill Starr
- Vidalia Onion and Vegetable Research Center –
Cliff Riner
- Tift County
- Others

Thank You

