

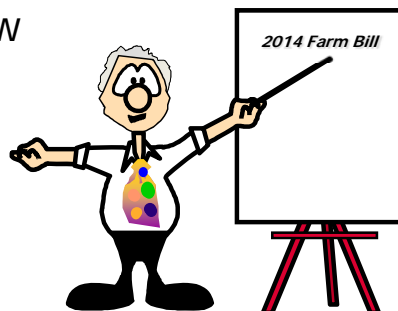
Commodity Title Overview of the Agricultural Act of 2014

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Presentation Disclaimer

- This Information is Based on Our Reading of the Bill and Discussions with Ag Committee Staff
- As in the Past, We Know There Will Likely Be Differences in Our Interpretation and the Final Regulations



Commodity Programs

- Repeals direct payments, counter-cyclical payments, and ACRE
 - CCP and ACRE programs extend through 2013 crop year
- For the 2014 crop, producers must choose between the Agriculture Risk Coverage (ARC) program and Price Loss Coverage (PLC)
 - During the farm bill debate, ARC was often referred to as a shallow loss program and PLC a deep loss program
 - Regardless of which program is chosen the first payment (if any is due) will not be made until after September 30th 2015 for the 2014 crop
- Producers will also have the opportunity to reallocate their base acres to crops planted on the farm at any time during the 2009 to 2012 crop years
- Cotton base acres are now generic base acres
- If producers choose the PLC option they have the opportunity to update their payment yields to 90% of the 2008-2012 crop year averages (USDA may let everyone update regardless of choice)

Covered Commodities

- Wheat, Oats, Barley, Corn, Grain Sorghum, Long Grain Rice, Medium Grain Rice, Pulse Crops, Soybeans, Other Oilseeds and Peanuts
 - Other Oilseeds
 - Sunflower seed, Rapeseed, Canola, Safflower, Flaxseed, Mustard Seed, Crambe, Sesame Seed, or any oilseed designated by the Secretary
 - Pulse Crops
 - Dry peas, Lentils, Small Chickpeas and Large Chickpeas

Base Reallocation

- One time base reallocation
 - Two choices
 - Reallocate (cannot add base acres to a farm)
 - Retain existing base acres
 - Reallocates bases other than cotton that were on the farm as of September 30, 2013
 - Reallocation is in proportion to the ratio of:
 - The 4 year average of planted acres to each crop from 2009 to 2012 plus prevented planting/the 4 year average of all covered commodities planted plus prevent planting
 - Under planting does not affect the amount of base. The planted acres of covered commodities only affects the proportion of base acres that you will reallocate among commodities

Base Reallocation Example

	Corn	Sorghum	Soybeans	Wheat	Total
Base	0	0	0	1,000	1,000
Plantings					
2009	500	250	250	0	1,000
2010	500	250	250	0	1,000
2011	500	250	250	0	1,000
2012	500	250	250	0	1,000
Average	500	250	250	0	1,000
Share	50%	25%	25%	0%	
Reallocated Base	500	250	250	0	1,000

Source: House Agriculture Committee Staff

Base Reallocation Example

With a Non-program Crop

	Corn	Sorghum	Soybeans	Wheat	Alfalfa	Total
Base	0	0	0	1,000	n/a	1,000
Plantings						
2009	600	100	100	0	200	1,000
2010	600	100	100	0	200	1,000
2011	600	100	100	0	200	1,000
2012	600	100	100	0	200	1,000
Average	600	100	100	0	200	1,000
Share	75%	12.5%	12.5%	0%	n/a	
Reallocated Base	750	125	125	0		1,000

Source: House Agriculture Committee Staff

Base Reallocation Example

With Cotton

	Cotton	Corn	Sorghum	Soybeans	Wheat	Total
Base <i>a/</i>	500	0	0	0	500	1,000
Plantings						
2009	200	600	100	100	0	1,000
2010	200	600	100	100	0	1,000
2011	200	600	100	100	0	1,000
2012	200	600	100	100	0	1,000
Average	200	600	100	100	0	1,000
Generic Base	500					500
Share		75%	12.5%	12.5%	0%	
Reallocated Base		375	62.5	62.5	0	500

Source: House Agriculture Committee Staff

Cotton Base Becomes Generic Base

- All Cotton base on the farm as of September 30, 2013 is renamed Generic Base
 - Upland cotton no longer receives traditional commodity program payments (other than loan protection against very low prices)
 - In an attempt to resolve longstanding WTO dispute with Brazil, the only income support upland cotton will receive is through purchased insurance
 - On an annual basis, generic base acres can be assigned to other covered commodities based on the number of acres planted of the other covered commodities
 - Example: 100 total acres on farm 50 acres of wheat base and 50 acres generic. If farmer plants 50 acres of wheat and 50 acres of sorghum they would have 75 acres of base for wheat and 25 acres of base for sorghum crops for that year. If planted all wheat then would have 100 acres of wheat base for that year. If planted all cotton then in Washington terms the generic base is idle for that year. (see following examples)

Generic Base

100 Acre Farm – Base Acres: 50 Wheat and 50 Generic

If farmer plants 50 acres of wheat and 50 acres of sorghum



Farmer has protection on 75 acres of wheat and 25 acres of GS

Generic Base

100 Acre Farm – Base Acres: 50 Wheat and 50 Generic

If farmer plants 100 acres of wheat

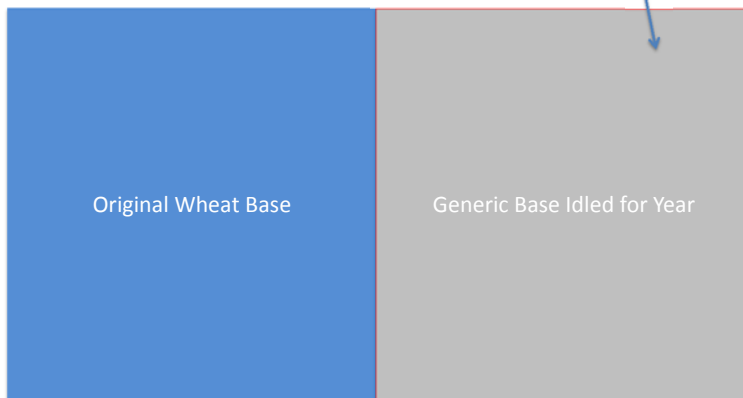


Farmer has protection on 100 acres of wheat

Generic Base

100 Acre Farm – Base Acres: 50 Wheat and 50 Generic

If farmer plants 100 acres of cotton



Farmer has protection on 50 acres of wheat

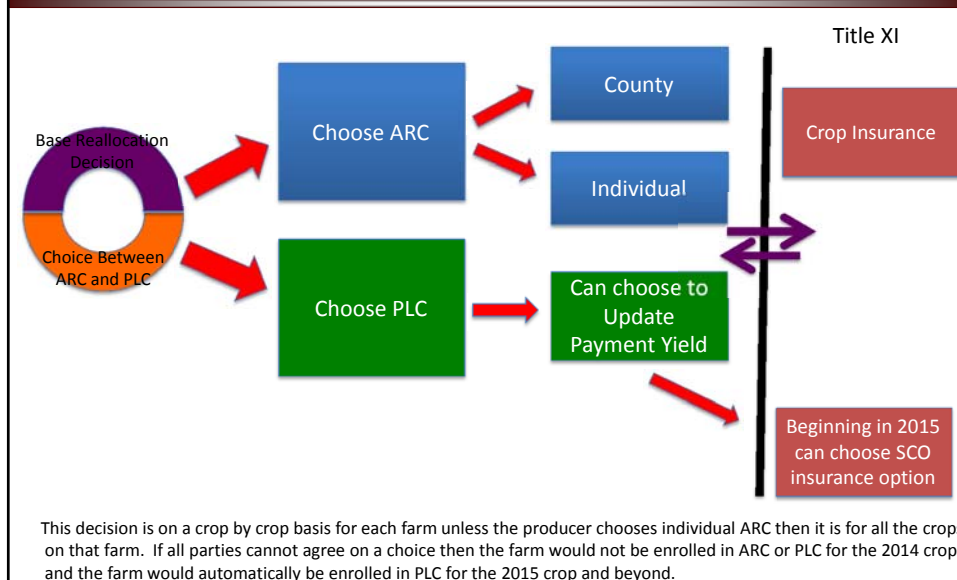
Reference Prices

- Wheat - \$5.50/bu
- Corn - \$3.70/bu
- Grain Sorghum - \$3.95/bu
- Barley - \$4.95/bu
- Oats - \$2.40/bu
- Long Grain Rice - \$14.00/cwt
- Medium Grain Rice - \$14.00/cwt
- Soybeans - \$8.40/bu
- Other Oilseeds - \$20.15/bu
- Peanuts - \$535/ton
- Dry Peas - \$11.00/cwt
- Lentils - \$19.97/cwt
- Small Chickpeas - \$19.04/cwt
- Large Chickpeas - \$21.54/cwt

Marketing Loan Rates

Wheat - \$2.94/bu	Honey - \$0.69/lb
Corn - \$1.95/bu	Graded Wool - \$1.15/lb
Grain Sorghum - \$1.95/bu	Nongraded Wool - \$0.69/lb
Barley - \$1.95/bu	Mohair - \$4.20/lb
Oats - \$1.39/bu	Upland Cotton - \$0.45 to \$0.52/lb
Long Grain Rice - \$6.50/cwt	
Medium Grain Rice - \$6.50/cwt	
Soybeans - \$5.00/bu	
Other Oilseeds - \$10.09/bu	
Peanuts - \$355/ton	
Dry Peas - \$5.40/cwt	
Lentils - \$11.28/cwt	
Small Chickpeas - \$7.43/cwt	
Large Chickpeas - \$11.28/cwt	

Flow Chart of Title I Producer Choices for Covered Commodities Other than Upland Cotton



Who Makes The Decisions?

- Base reallocation
 - *As soon as practicable after the date of enactment of this Act, the Secretary shall provide notice to the owners of a farm regarding their opportunity to make an election*
- Yield Update
 - *At the sole discretion of the owner of a farm, the owner of a farm shall have a 1-time opportunity to update, on a covered commodity-by-covered-commodity basis, the payment yield that would otherwise be used in calculating any price loss coverage payment for each covered commodity on the farm for which the election is made.*

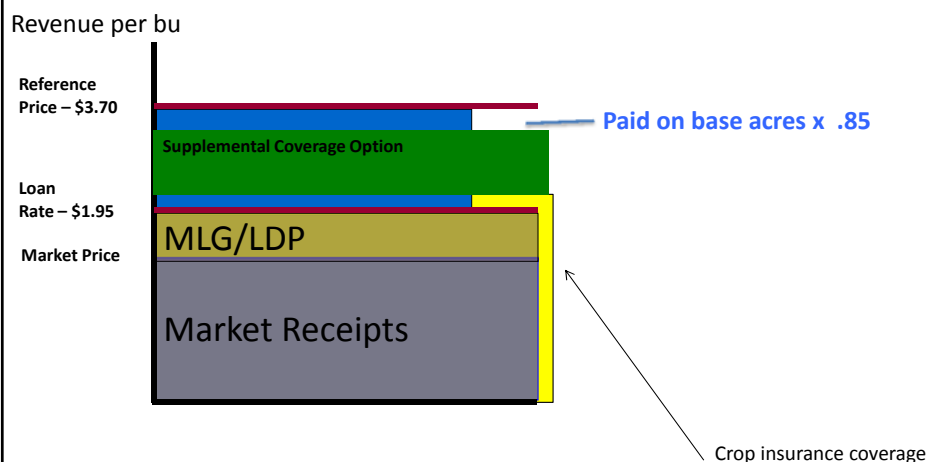
Who Makes The Decisions? (Cont)

- ARC or PLC
 - For the 2014 through 2018 crop years, **all of the producers on a farm** shall make a 1-time, irrevocable election to obtain—
 - (1) price loss coverage under section 1116 on a covered commodity-by-covered-commodity basis; or
 - (2) agriculture risk coverage under section 1117.

IN GENERAL.—The term “producer” means an owner, operator, landlord, tenant, or sharecropper that shares in the risk of producing a crop and is entitled to share in the crop available for marketing from the farm, or would have shared had the crop been produced.

This decision stays with the farm for the life of the farm bill

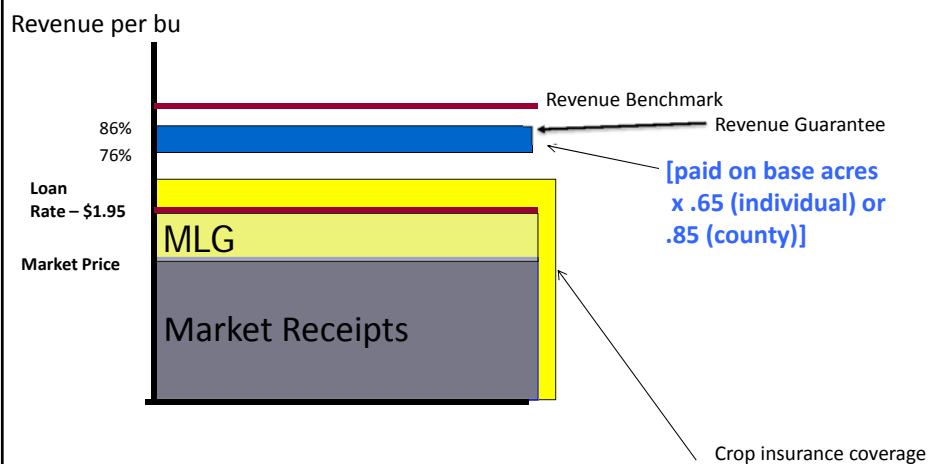
Illustration of Government Support for Corn Under PLC



Price Loss Coverage (PLC) Program

- Covers Losses in Income Due to Covered Commodity Price Declines Below Established Reference Prices
- PLC Payment Rate = Reference Price – Higher of {National Average Marketing Year Price or Marketing Loan Rate}
- PLC Payment = PLC Payment Rate * Payment Yield * Base Acres X .85

Illustration of Government Support for Corn Under ARC-County



Agriculture Risk Coverage (ARC)

- Covers Losses in Income for a Covered Commodity Relative to a Revenue Guarantee
- ARC can be Selected at the County or Individual Level
- ARC County
 - Payments are made when actual revenue for the covered commodity < ARC revenue guarantee, where:
 - Actual county revenue = actual county yield per planted acre * the higher of {National Marketing Year Price or Marketing Loan Rate}.
 - ARC revenue benchmark is equal to the U.S. Olympic average marketing year price for the most recent 5 years * the Olympic average county yield for the most recent 5 years. If any of the 5 years of prices are lower than Reference Price then replace with the Reference Price. If the actual county yield is < 70% of T-yield replace with the T-yield
 - ARC revenue guarantee = .86 * ARC revenue benchmark
 - Payment = Minimum of (ARC Revenue Guarantee – Actual Revenue) **OR** 10% of the benchmark * Base Acres * .85
 - ARC county will allow irrigated and non-irrigated to be calculated separately

Agriculture Risk Coverage (ARC) (Cont.)

- ARC Individual
 - Based on producers share of all covered commodities planted on all farms for which ARC has been selected
 - ARC guarantee is 86% of benchmark revenue
 - Benchmark revenue is average historical revenue for the most recent 5 years excluding the high and low weighted by current plantings
 - Coverage is based on producer's share of all covered commodities planted on all farms which individual coverage was selected
 - Payment = Minimum of (ARC Revenue Guarantee – Actual Revenue) **OR** 10% of the benchmark * Base Acres * .65
 - If they select ARC individual coverage on any crop on the farm then the entire farm is in ARC individual coverage

Payment Limitations

- \$125,000 per person payment limits for (ARC, PLC, LDPs and marketing loan gains) combined
- Peanuts maintain a separate limit
- No limit on marketing loan forfeitures
- \$900,000 3 year average adjusted gross income (AGI) on commodity and conservation programs
- Actively Engaged Provisions
 - Directs the USDA Secretary to conduct a rulemaking to define the term "significant contribution of active personal management" and determine if a limit on the number of individuals in an entity qualifying using "management" is necessary.
 - Potential changes will not apply to individuals or to entities that are made up solely of family members.

Thanks!!!

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