FINALLY What's in the 2014 Farm Bill.

By **Patrick Delaney**

After nearly three years, the 2014 Farm Bill became law with a flick of President Barack Obama's pen in early February. With the president's signature, the Agricultural Act of 2014, a bill that dominated the policy landscape for the American Soybean Association (ASA), and took a protracted, winding, often frustrating path to completion, set in motion one of the most comprehensive and multi-layer implementation processes the agriculture industry has ever seen. Weighing in at more than 570 pages, the law contains dozens of new and revamped programs and different options for soybean farmers within its 12 titles. Here's what farmers can expect in several of the most important areas of the new Farm Bill.

Commodities Title

The most significant title for soybean farmers is the first one, which covers commodities and contains all of the language pertaining to commodity risk management programs, collectively known as the "farm safety net." In the lead up to and early negotiations on the law, it became clear both to industry groups like ASA and to members of Congress that due to record farm profits, the existing system of Direct and Counter Cyclical Payments was no longer defensible in a budget-wary Washington. As a result, it was generally accepted that the programs would be eliminated in the new bill. This was also the case with the Average Crop Revenue Election program, or ACRE.

The Choice: PLC or ARC

In the new law, farmers instead can choose between either Agriculture Risk Coverage (ARC) program, a county or a farm-level revenue program to help buffer revenue losses greater than a threshold of average revenue; or Price Loss Coverage (PLC), a price-based program that buffers price losses below target price levels. Producers who choose PLC will also have the option to participate in a revenue crop insurance program that operates at the county level.

Regardless of which program the farmer chooses, support for his or her covered commodities will both be paid on historical base acres, regardless of what is planted in the current year, like the Direct Payment and the Counter Cyclical Payment programs in farm bills past. This decoupling was ASA's top priority in negotiations on the bill, and will help to avoid the market distortions that come from farmers planting for the program rather than for the market.

Farmers will have a one-time option to reallocate base acres to the simple average of planted and prevented plant acres during the 2009-2012 crop years.

Farmers who take the PLC option will receive payments on their established program yields, and will have a one-time option to update program payment yields to 90 percent of their average over the 2008-2012 crop years. Payment acres will be 85 percent of base acres, and will be triggered if the 12-month national average price of a covered commodity is determined to be lower than the reference price for that commodity. If a payment is triggered under PLC, it will be made using the following formula:

(base acreage x 85 percent)
X
(program payment yield)
X
(reference price –12-month national average market price)

Those farmers who choose ARC will have a similar one-time option to choose either county or farm level revenue support. Producers who choose farm level coverage must enroll all crops in the ARC program, with payment acres equal to 85 percent of base acres at the county level and 65 percent of base acres at the farm level.

At the county level, the ARC guarantee is equal to 86 percent of the five-year Olympic revenue average, which is obtained by subtracting the largest and smallest annual revenues over the past five years. The annual revenue is obtained by multiplying the average county yield by the national average price during those years. ARC payments are triggered when the actual crop revenue during a current crop year is less than the ARC guarantee, limited to between 76 and 86 percent of revenue. Actual crop revenue for a current year is determined by multiplying the county yield times the national average market price for the marketing year. If a payment is triggered under ARC, the following formula would be used:

(base acreage x 85 percent)
X
(ARC guarantee – actual crop revenue)

At the individual farm level, the ARC guarantee is equal to 86 percent of the sum of all the previous five-year Olympic average revenues of all the covered commodities grown on that particular farm. The actual crop revenue is the sum of the products of the actual yields and national average market prices for all the covered commodities grown on the farm. Generally speaking, the same formula is used at the county level except that the payment acres are reduced to 65 percent of base acres, so:

(base acreage x 65 percent)
X
(ARC guarantee – actual crop revenue)

ARC provides for a yield plug of 70 percent of a farm's crop insurance transitional yield when the yield per planted acre or historical county yield for any of the five most recent crop years is less than 70 percent of the transitional yield. For the farm level only, ARC also provides for a price plug equal to the reference price when the national average market price received by producers for a covered commodity during the 12-month marketing year for any of the five most recent crop years is lower than the reference price.

Because both the PLC and ARC programs require calculations using a 12-month national average of prices, payments for a crop year will be paid on or shortly after Oct. 1 of the following crop year. In other words, if 2014 conditions trigger support payments for covered commodities, the payments will be received beginning Oct. 1, 2015.

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Payment Limits and AGI Cap

The new law also establishes new payment limits on farmers participating in PLC or ARC. For single farmers, a limit of $125,000 per crop year was established, and for married couples, an annual payment limit of $250,000 is now in place. Additionally, producers whose annual Adjusted Gross Income, or AGI, is greater than $900,000 per year are ineligible for payments under Title I programs.

"Actively Engaged"

Finally, language in the law's first title, directs USDA to define the term "actively engaged in farming" for the purposes of who may receive payments under Title 1 programs within 180 days of enactment, or the first week of September.

Implementation

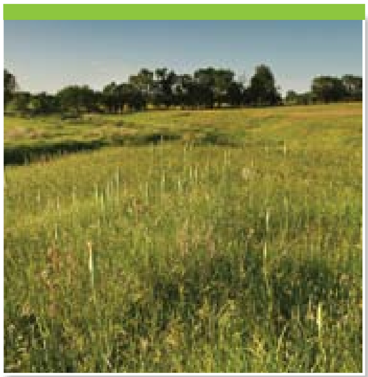
While dates for enrollment in PLC and ARC have yet to be set, USDA has announced county and regional loan rates, as well as the opening of signup for the law's Supplemental Agriculture Disaster Assistance Program.

Conservation Title

Streamlining

Through the law's second title, 23 conservation programs are consolidated and streamlined into 13, and greater emphasis is placed on conservation practices on working lands.

Cuts through the reduction of enrolled acreage were made to both the Conservation Reserve Program (CRP) and the Conservation Stewardship Program (CSP). The Wildlife Habitat Incentives Program was rolled into the Environmental Quality Incentives



Program (EQIP), and the Agriculture Conservation Easement Program was created by combining the Wetlands Reserve Program, Grasslands Reserve Program and Farmland Protection Program.

Implementation

With specific regard to implementation, applications are currently being accepted for enrollment into both CSP and EQIP.

Crop Insurance Title

Reinforcement & Expansion

As the section of the farm bill with the most significant impact on soybean farmers second only to the Commodity Title, the Crop Insurance Title was also expanded in the law, not only protecting but actually expanding and strengthening the crop insurance program.

For soybean farmers, the new Supplemental Coverage Option (SCO) is authorized and funded at $1.7 billion. SCO policies will be made available to all covered commodities, provided those farmers are not enrolled in the Commodity Title's ARC program. Referring back to the earlier discussion of the Commodities Title, SCO will provide county-wide coverage on top of individual farm level coverage policies up to 86 percent. Producers must buy, at a minimum, catastrophic (CAT) crop insurance coverage. The federal government will subsidize 65 percent of the SCO premium cost.

Other strengths of the Crop Insurance Title include its permanent establishment of the Enterprise Unit subsidy, and the permitted splitting of these units between irrigated and non-irrigated acres. Also, different crop insurance coverage levels by practice will be allowed on individual units.

Conservation Compliance

The conservation compliance provisions previously set in the Commodity Title were extended to the Crop Insurance Title and producers will need to comply with those rules to be eligible for premium subsidies when buying federal crop insurance. Those producers in compliance under the Commodities Title requirements will see no different requirements under the Crop Insurance Title; however, the compliance was made forward-looking from its date of enactment for wetland conversions.

Implementation

In early April, USDA announced that premiums for the minimum requirement of Catastrophic Risk Protection (CAT) will increase to more accurately reflect the cost of coverage. To mitigate the negative effects of disaster years on Actual Production History (APH) yields, producers will be allowed to drop a year of history for a crop in any year in which the yield of that crop in their county is at least 50 percent below the simple average of the county's previous 10 years; then divide the remaining nine years of APH history by nine.

For up-to-date status reports on implementation of the Agricultural Act of 2014, visit the USDA's farm bill implementation resource page at www.usda.gov/farmbill.

Other ASA-Supported Elements of the 2014 Farm Bill

In the Trade Title:

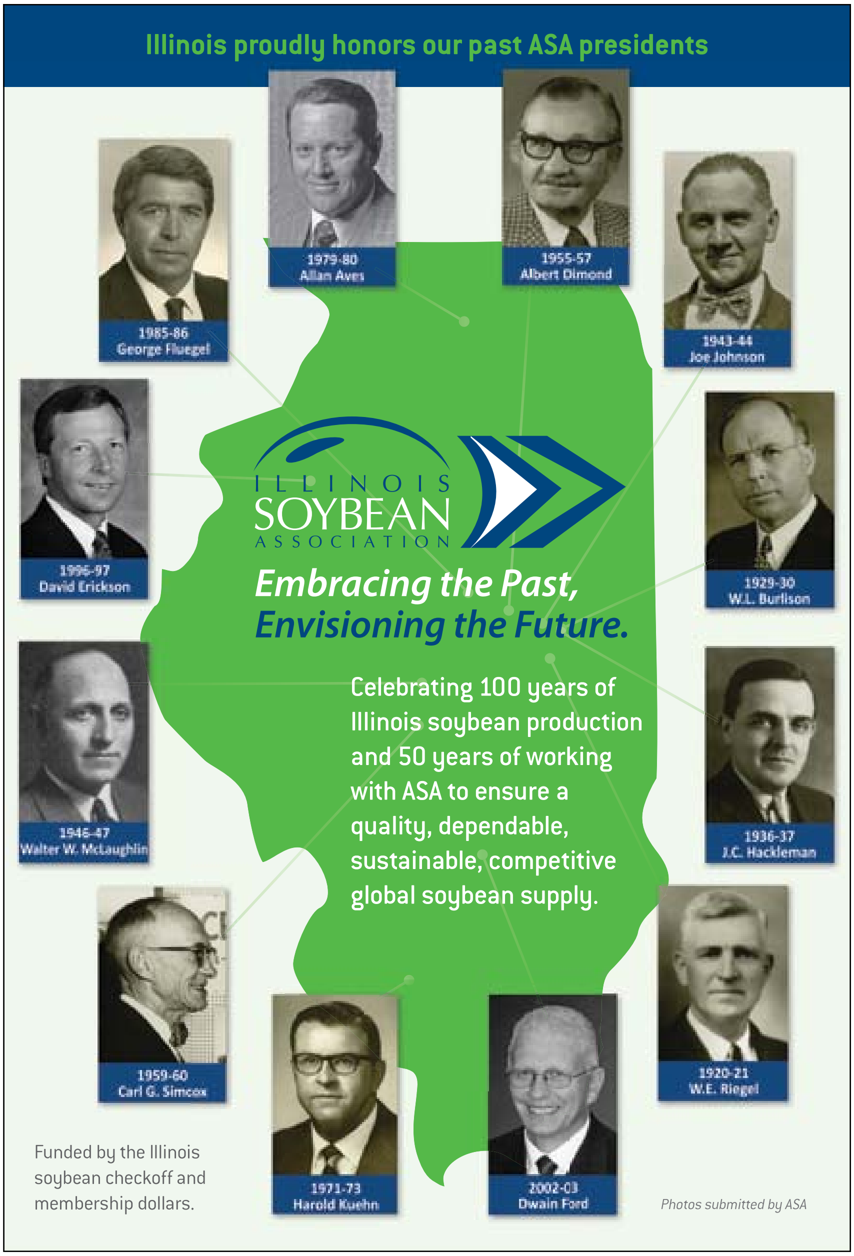
- Continued funding of the Foreign Market Development Program and Market Access Program, and reauthorization of the Food for Peace, Food for Progress and McGovern-Dole International Food for Education and Child Nutrition programs.

In the Rural Development Title:

- Authorization of a program to fund the construction, improvement and acquisition of facilities and equipment to provide broadband internet services to rural areas.

In the Research Title:

- Establishment and funding of the Foundation for Agriculture Research to enhance current research activities through grants and public-private partnership driving agricultural innovation.



In the Energy Title:

- Investment in three programs that are of particular benefit to soy biodiesel: Biodiesel Fuel Education Program, Biobased Market Program and Bioenergy Program for Advanced Biofuels.

In the Horticulture Title:

- Authorization for research into plant pests and disease, including species related to soybean cyst nematode and phytopthora root rot.

In multiple titles:

- A series of complimentary programs to help beginning farmers and ranchers obtain credit, purchase crop insurance, and access industry resources.

- Development and funding of programs to encourage and assist military veterans with loans and resources to begin farming. ▫