

Overview of Commodity Program Changes

Joe Outlaw
Professor and Extension Economist
Co-Director, AFPC



National Association for Agriculture and Food Policy

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Commodity Provisions

- Repeals direct payments, counter-cyclical payments, and ACRE
- Landowners and/or Tenants will need to make 3 important decisions
 - Opportunity to update their payment yields
 - Opportunity to reallocate base acres to crops planted on the farm at any time during the 2009 to 2012 crop years
 - 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 revenue program and PLC a deep loss price protection 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
- Cotton base acres are now generic base acres



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
 - Upland Cotton no longer a covered commodity

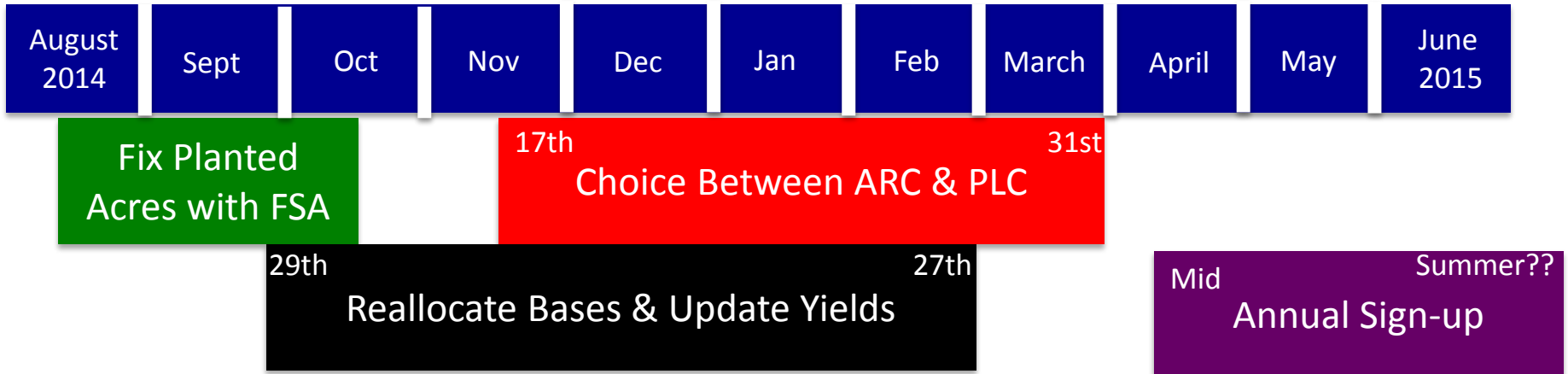


Commodity Provisions

Covered Commodity	Subcategory	Units	Marketing Year	2014 - 2018 Reference Price	2014 - 2018 Loan Rate
Wheat		Bushels	June 1 - May 31	\$ 5.50	\$ 2.94
Barley		Bushels	June 1 - May 31	\$ 4.95	\$ 1.95
Oats		Bushels	June 1 - May 31	\$ 2.40	\$ 1.39
Corn		Bushels	Sept 1 - Aug 31	\$ 3.70	\$ 1.95
Grain Sorghum		Bushels	Sept 1 - Aug 31	\$ 3.95	\$ 1.95
Rice	Medium Grain	Hundredweight	Aug 1 - July 31	\$ 14.00	\$ 6.50
	Long Grain	Hundredweight	Aug 1 - July 31	\$ 14.00	\$ 6.50
	Japonica	Hundredweight	Aug 1 - July 31	\$ 16.10	\$ 6.50
Other Oilseeds	Canola	Hundredweight	July 1 - June 30	\$ 20.15	\$ 10.09
	Flaxseed	Hundredweight	July 1 - June 30	\$ 20.15	\$ 10.09
	Rapeseed	Hundredweight	July 1 - June 30	\$ 20.15	\$ 10.09
	Sunflower	Hundredweight	Sept 1 - Aug 31	\$ 20.15	\$ 10.09
	Mustard seed	Hundredweight	Sept 1 - Aug 31	\$ 20.15	\$ 10.09
	Safflower	Hundredweight	Sept 1 - Aug 31	\$ 20.15	\$ 10.09
	Crambe	Hundredweight	Sept 1 - Aug 31	\$ 20.15	\$ 10.09
	Sesame	Hundredweight	Sept 1 - Aug 31	\$ 20.15	\$ 10.09
Soybeans		Bushels	Sept 1 - Aug 31	\$ 8.40	\$ 5.00
Peanuts		Ton	Aug 1 - July 31	\$ 535.00	\$ 355.00
Pulse Crops	Dry Peas	Hundredweight	July 1 - June 30	\$ 11.00	\$ 5.40
	Lentils	Hundredweight	July 1 - June 30	\$ 19.97	\$ 11.28
	Small Chickpeas	Hundredweight	Sept 1 - Aug 31	\$ 19.04	\$ 7.43
	Large Chickpeas	Hundredweight	Sept 1 - Aug 31	\$ 21.54	\$ 11.28



Sign-up Timeline



Yield Updating

- PLC Payment Yield (2013 CCP Yield)
- Landowner has 1-time option to update yields on a crop-by-crop, farm by farm basis
- May retain current yield or update
- **90%** of the **2008-2012** average yield per planted acre



Yield Updating

**Farmer Smith
On Farm 5 Yrs**

Year	Corn
2008	DNP
2009	88
2010	120
2011	100
2012	150
Substitute Yield	70
2013 CC Yield	90

**Farmer Jones
On Farm 2 Yrs**

Corn
No Records
No Records
No Records
110
120
70
90

**Farmer Brown
On Farm 2 Yrs**

Corn
95
100
120
130
120
70
90

Obtained From Prior Tenant

Could Update to: $(88 + 120 + 100 + 150)/4 * .9 = 103$

$(70 + 70 + 70 + 110 + 120)/5 * .9 = 79$

$(95 + 100 + 120 + 130 + 120)/5 * .9 = 102$



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



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



Base Reallocation Example

With Cotton

	Cotton	Corn	Sorghum	Soybeans	Wheat	Total
Base	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



ARC/PLC Choice

- Producers on each farm can choose
 - An individual farm version of ARC for **all crops** on the farm **OR**
 - For **each crop** on a farm, they can choose between the county version of ARC or PLC
- Choice is made **once** for the life of the farm bill
- Choice stays with the farm even if producer doesn't
- If producers on a farm do not agree on a choice
 - No ARC or PLC benefits are available in 2014
 - PLC is only remaining option for 2015 and beyond



Price Loss Coverage (PLC)

- 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
- New supplemental coverage option (SCO) insurance is available to producers only if they have selected PLC for a specific covered crop on a FSA farm #



Agriculture Risk Coverage (ARC)

- Payments if per-acre revenues fall below 86% of benchmark
- Benchmark:
 - County : 5-yr. Olympic avg. national price * 5-yr. Olympic avg. county yield
 - Farm: 5-yr Olympic average of the weighted per-acre revenues
 - Prices used to compute averages are higher of farm price or reference price
- Maximum payment: 10% of benchmark (covers 76-86%)
- Paid on 85% (county yield option) or 65% (farm yield option) of base acres (not planted)
- ARC county will allow irrigated and non-irrigated to be calculated separately



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.

