Peanut Provisions in the Farm Bill

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Commodity Programs and Peanuts

- The Peanut Program had it's own subtitle before 2002. A supply control program commonly referred to the Peanut Quota Program was in place going as far back as the 1942.
- Peanuts became a covered commodity in the 2002 Farm Bill when the quota program was repealed.
- Peanut is included in the commodities programs of the 2014 Farm Bill.

Marketing Assistance Loan

- The Loan Program provisions remains the same:
- 9 month loan period,
- Loan Deficiency Payment (LDP) or Marketing Loan Gain (MLG) if repayment rate below the loan rate,
- No Sequestration applied to MAL.
- Peanut Storage, Handling and Associated Cost
  - No change from 2008 Farm Bill

National Loan Rate	2008	2014
Peanut	$355/ton	$355/ton

Payment 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 doubling to $250,000
- Equal and separate limit for peanuts

Crop Insurance

- Peanut Revenue Insurance:
  - Mandates availability for 2015 crop
  - Recently approved by FCIC of RMA
- Supplemental Coverage Option (SCO):
  - To be available for commodities enrolled in PLC
  - 65% subsidy
  - Will not be available in 2015 for Peanuts

What Are the Main Decisions for Peanuts?

1. Covered Commodity Bases: Retain or Reallocate
2. Payment Yield (for PLC): Retain or Update
3. PLC vs ARC-C vs ARC-I (Known as Producer Election)
4. SCO crop insurance (if PLC is chosen)

Base Reallocation Example

= 200 acres total
100 acres cotton/generic base
80 acres other bases

2009-2012 Acres Planted to Covered Commodities				
	Corn	Peanuts	Soybeans	Wheat
2009	0	100	0	0
2010	90	0	0	0
2011	170	0	0	0
2012	0	160	0	0
Average	**65**	**65**	**0**	**0**
	50%	**50%**		

130 Acres Planted (> available bases)

80/130 x 65 = 40 acres allocated to corn
80/130 x 65 = 40 acres allocated to peanuts

Reallocated Bases Would Be →

Original Example Courtesy of Dr. Stanley Fletcher, UGA

Generic Base

- Cotton Base becomes Generic Base.
- 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 (excluding cotton) planted.
- A covered commodity must be planted to be eligible for any generic base allocation.
- Many peanut farms have generic base.

Generic Base Example

Use Previous Reallocated Base Farm Example

= 200 acres

In 2014, assume the producer plants:

65 peanut acres
65 corn acres
70 cotton acres
200 acres total

130 acres covered commodities > 100 Generic base acres

65/130 x 100 = 50 acres assigned to peanuts
65/130 x 100 = 50 acres assigned to corn

(40 base + 50 generic) = 90 total peanut base acres
(40 base + 50 generic) = 90 total corn base acres

Can have more total base than planted in a year because Crop Base (non-generic) does not have to be planted.

Opportunity to Update Yields

- PLC Payment Yield (assumed to be the 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.

Peanut Example			
	Production	**Acres Planted**	**Yield Per Acre**
2008	760,000	200	3,800
2009	410,000	100	4,100
2010	500,000	125	4,000
2011	352,500	75	4,700
2012	1,120,000	224	5,000
5-Yr Average Yield			4,320
90% of Average Yield			**3,888**

Opportunity to Update Yields

- What if did not plant covered commodity every year?
- Exclude any crop year acreage planted was zero.

Peanut Example			
	Production	**Acres Planted**	**Yield Per Acre**
2008	760,000	200	3,800
2009	410,000	100	4,100
2010	500,000	125	4,000
2011	0	0	-
2012	1,120,000	224	5,000
Average Yield			4,225
90% of Average Yield			**3,803**

Peanut Example			
	Production	**Acres Planted**	**Yield Per Acre**
2008	0	0	-
2009	410,000	100	4,100
2010	0	0	-
2011	0	0	-
2012	1,120,000	224	5,000
Average Yield			4,550
90% of Average Yield			**4,095**

PLC vs ARC-C vs ARC-I

Price Loss Coverage (PLC) Reference Price

Crop	2008 Farm Bill		PLC
	Target Price	Effective Price	Reference Price
Corn	2.63/bu	2.35/bu	3.70/bu
Grain Sorghum	2.63/bu	2.28/bu	3.95/bu
Peanuts	495/ton	459/ton	535/ton
Oats	1.79/bu	1.766/bu	2.40/bu
Rice	10.50/cwt	8.15/cwt	14.00/cwt
Soybeans	6.00/bu	5.56/bu	8.40/bu
Wheat	4.17/bu	3.65/bu	5.50/bu

PLC Payment made on 85% of Base Acres

Price Loss Coverage (PLC)

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

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

<u>Peanut Example</u>:
Average Market Price = $500
Payment Yield = 3,800 (1.9 tons)
Base Acres = 100 acres

Payment made after October 1 of the following year.

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

PLC Payment = $35/ton x 1.9 tons x 100 ac x 85% = $5,652.60
($56.53 per base acre)

NASS Marketing Year Average Price for Peanuts

Year	$/Lb	$/Ton
2013	0.249	498
2012	0.301	602
2011	0.318	636
2010	0.225	450
2009	0.217	434
2008	0.23	460

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 than base acreage, the lower the average price per ton.
- Payments not received until October 1 or later of the next year. (i.e. Oct 2015 for 2014 crop).

Overplant/Low Price PLC Example

- 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

- Overplant peanuts
  $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

ARC-County, Peanut Example

5-Year OA County Yield	3,872	
5-Year OA Market Price	$0.2675	$535 per ton
Benchmark County Revenue	**$1,036**	
86% of Benchmark Revenue	**$891**	**ARC Guarantee**
10% of Benchmark Revenue	$104	Maximum ARC Payment
Actual County Yield	4505	
Higher of MYA Price or Loan Rate	$0.1775	$355 per ton
Actual County Revenue	**$800**	
ARC Payment	**$91**	

Payment received on 85% of Base Acres, not before October 1 of the following year

ARC Individual Coverage

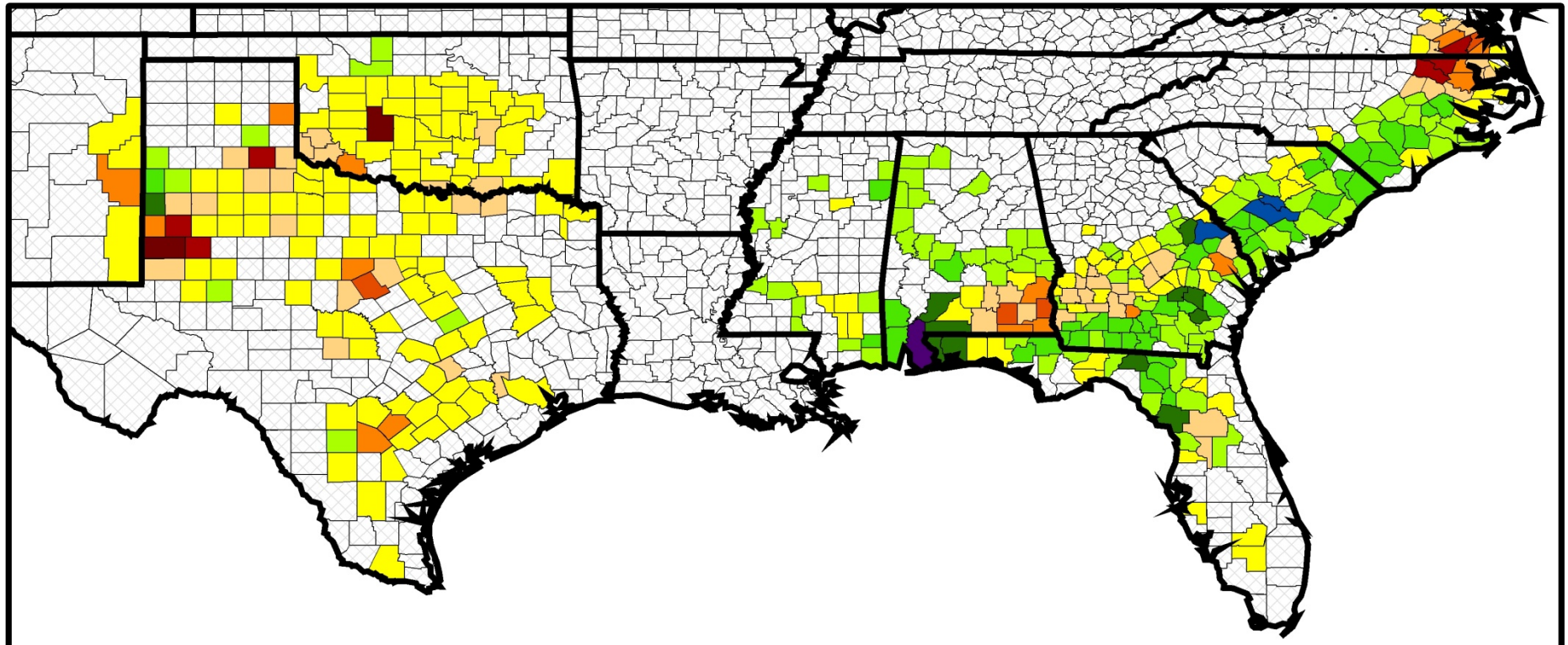
- Not going to be an option in most cases for peanut and rice farms due to diverse crop mixes and likelihood of PLC payments.
- Lower payment factor of 65%.

ARC Issues

- In calculating the Benchmark Revenue, if the market year average price is less than the Reference Price, the Reference Price will be used.
- If the county yield per planted acre is less than 70% of the T-yield, 70% of the T-yield will be used.
- As with PLC Payment Yield, farm yield for ARC Individual must be documented/proven.
- As with PLC Payment, ARC Payment will be received not before Oct 1 after the marketing year.

Peanut Implications

- Shifts in peanut acreage have occurred since 2002.
- Base acreage and planted acres don't line up in some states.
- Peanuts are grown in rotation with cotton.
- Generic base will allow flexibility to manage price/revenue risk base on plantings.
  - Regions with generic base will be able to temporarily assign peanut base.



Change in U.S. Planted Peanut Acreage 2010 vs. Avg. '98-'01

- Greater than 20,000 decrease
- 19,999 to 15,000 decrease
- 14,999 to 10,000 decrease
- 9,999 to 5,000 decrease
- 4,999 to 1,500 decrease
- 1,499 to 1 decrease
- 1 to 1,500 increase
- 1,501 to 5,000 increase
- 5,001 to 10,000 increase
- 10,001 to 15,000 increase
- 15,001 to 20,000 increase
- Greater than 20,000 increase

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Map Generated by the
University of Georgia
National Center for Peanut Competitiveness

Source:FSA/USDA

Peanut Implications

- Peanut market is oversupplied.
- Expect an increase in acres and production in 2015 because of relative cost and returns to other row crops, high yields, high crop insurance price election, potential base payments.
- Long run, the boom-bust cycle of planting may moderate due to sticking to rotations with the new safety net.

Conclusions

- Program decision for peanuts will be pretty straight forward, PLC with or without SCO. Other crops will be more complicated.
- PLC will provide protection against deeper losses.
- ARC protection will eventually decline with consecutive years of low prices
- Options updating base and yield will vary greatly on farm by farm, case by case basis because of dynamics of landowner and tenant relationships and changes.
- Growers will be looking for help in making decisions that have long term impact (life of farm bill).

Thank You

Program Participation - Georgia

- Georgia had 2,983,213 Base acres in 2009
- Heavy in Cotton and Peanut Base.
  - Cotton Base acres = 1,416,566
  - Corn Base acres = 451,580
  - Peanut Base acres = 479,411
  - Soybean Base acres = 97,507
  - Wheat Base acres = 437,878
- 40% to 50% irrigated in cotton and peanuts
- 65% to 70% irrigated in corn
- Zero ACRE contracts vs 32,512 DCP contracts.