



The 2014 Farm Bill: Questions and Answers for Landlords

FIRM Team Fact Sheet 14-03

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The Agricultural Act of 2014 (the “2014 farm bill”) has many new provisions that will be important for landlords. This Fact Sheet provides answers to the most common questions that landlords are asking.

Q: What is in the 2014 farm bill that is important for landlords?

A: The 2014 farm bill includes 3 issues that landlords and tenants will need to address in the next few months. First, owners will be permitted to update the program yields on their farms. Second, owners will be permitted to reallocate the base acres on their farms. Finally, landlords and tenants will be required to elect either the new “Agricultural Risk Coverage” (ARC) or “Price Loss Coverage” (PLC) programs for each covered crop on their farms.

Q: When will I be required to make these decisions?

A: The Farm Service Agency (FSA) of the U.S. Department of Agriculture has indicated that the yield update decision and the base reallocation decision will likely occur during the fall months of 2014. The ARC/PLC decision is likely to occur in late 2014 and early 2015. Watch FSA announcements for the exact dates.

Q: What is a “covered crop” in the 2014 farm bill?

A: The 2014 farm bill defines “covered crops” to include corn, wheat, soybeans, other oilseeds, oats, barley, grain sorghum, rice, peanuts and pulse crops (lentils, dry peas, small and large chickpeas). Dry beans, fruits, and vegetables **are not** covered crops.

Q: What are the “yield update” and “base reallocation” decisions required in the 2014 farm bill?

A: “Program yields” and “base acres” are used by FSA to calculate the program benefits paid to each farm. The program yields and base acres used from 2008 to 2013 were becoming outdated. Congress included this opportunity to update program yields and reallocate base acres to better reflect the crop yields and crops planted in recent years.

Q: What will happen if I don’t make the program yield update or base reallocation decisions under the 2014 farm bill?

A: The FSA will continue to use your existing program yields and base acres to calculate the program benefits paid to your farm. Thus, your farm’s program benefits could be less than the farm would receive with the updated program yields or reallocated base acres.

Q: What happened to the “direct payments” that my farm received under the 2002 and 2008 farm bills?

A: Congress eliminated the Direct and Countercyclical Payments (DCP) that were used in the 2002 and 2008 farm bills. The DCP program was replaced by a choice of either the “Agricultural Risk Coverage” or “Price Loss Coverage” programs in the 2014 farm bill.

Q: What are the “Agricultural Risk Coverage” and “Price Loss Coverage” programs in the 2014 farm bill?

A: The Agricultural Risk Coverage (ARC) program will make payments based on revenue (calculated as price times yield) of each covered crop on the farm. The Price Loss Coverage (PLC) program will make payments based on the market price of each covered crop on the farm.

Q: What is the “ARC versus PLC” decision that is required under the 2014 farm bill?

A: During the enrollment period for ARC and PLC (FSA has announced that this will be during late 2014 and early 2015), all producers on a farm (FSA defines “producers” to include both the landlord(s) and the tenant(s) on the farm) must elect to enroll in either the ARC program or the PLC program for all the covered crops on the farm. This decision **must be unanimous** among all the landlords and tenants on the farm and is **a 1-time irrevocable decision** that will apply to the farm for the 2014 to 2018 crop years.

Q: What will happen if I don’t make the ARC versus PLC decision under the 2014 farm bill?

A: If the landlord(s) and tenant(s) on a farm do not make a unanimous decision to elect ARC or PLC for each covered crop on that farm, then the farm will be ineligible for ARC or PLC payments for the 2014 crop year. In addition, the farm will only be eligible for the PLC program in the 2015 to 2018 crop years. Thus, failure to make a decision during the enrollment period could result in the farm receiving lower benefits during the 2014 to 2018 period.

Q: How should I make the ARC versus PLC decision under the 2014 farm bill?

A: There are several factors that should be considered when choosing between the ARC or PLC programs. The Extension services of several land grant universities, including Michigan State University, are developing computer software to assist landlords and tenants with this decision. This software will be available before the end of 2014.

Q: How can I work with my tenant(s) to make the yield update, base reallocation, and ARC versus PLC decision under the 2014 farm bill?

A: The most important thing that a landlord can do to help make these decisions is to (a) assist in the collection of the information needed to make these decisions and (b) become informed about the role that you will be required to play in making these decisions.

Q: How can I assist in the collection of the information needed to make these decisions?

A: The update of program yields and the base reallocation decisions are likely to require information about the actual yields and actual acreage planted for each crop on your farm during the period from 2008 to 2012. Share all information that you have about your farm's yields or planted acreage during this period with your tenant. If you changed tenants after 2007, it will be particularly important to share any information that you have about the time period before your current tenant began farming on your land.

Q: How can I become informed about the role that I will be required to play in making these decisions?

A: Most importantly, **READ** all letters, newsletters, or other announcements that you receive from the FSA and be willing **DISCUSS** these issues with your tenants. In August 2014, the FSA started the process of implementing the 2014 farm bill by sending to owners a letter with each farm's "Reported Commodity Crop History Summary" that provides each farm's recorded base acreage, program yields and 2009-2012 planting history. This information will be a key factor in making decisions during 2014 and 2015. Review the FSA letter and the Reported Commodity Crop History Summary and report any errors to your local FSA office within 60 days of the letter's date.

Q: Can I let my tenant(s) make my decisions for me under the 2014 farm bill?

A: Some landlords have rental contracts that include a "power of attorney" clause that grants to the tenant the power to make decisions related to FSA programs. Whether this clause applies to the 2014 farm bill could depend on how the clause is worded. Watch your FSA newsletters and announcements for more information on this issue.

Q: What if I disagree with my tenant(s) about the decisions that should be made for my farm under the 2014 farm bill?

A: As noted above, failure to make these decisions could affect the farm program benefits received by your farm. Every effort should be made to reach agreement with your tenant(s) on these decisions. Congress wrote the 2014 farm bill with these provisions to give landlords and tenants an opportunity to make decisions that better reflect today's farm yields, planted acreage, and crop prices. ***It is in the best interest of both landlords and tenants to make the best possible decisions for the farm – cooperation between a landlord and tenant will provide the best financial results for the farm.***

Q: A friend or relative in another county or state tells me that he/she made a different decision on yield updates, base reallocation, or ARC versus PLC than my tenant is recommending on my farm. Why is that?

A: Do not compare your farm's decision to the decision on a farm in another county or state, or even in your home county. Every farm is unique – it has a unique mix of crops, yields, risks, and objectives. Congress has written a very different type of farm bill that

gives landlords and tenants a great deal of flexibility to make decisions that are in each farm’s best interest – but that also means that landlords and tenants will have the responsibility of analyzing their options and making their own choices. Use that opportunity to make the decisions that are best for your farm.

Q: What if I have more than one tenant farming my land?

A: This scenario could be complex. For example, FSA administers its programs using a system of “farm numbers.” Do you have different tenants farming your land with different farm numbers? In that case, you might need to make a separate decision for each farm number. If you rent to more than one tenant under the same farm number, then you and your tenants might have to make unanimous decisions as a group. FSA has not yet announced the final rules on such issues, and you should be especially attentive to watch for FSA announcements on this topic.

Q: Where can I get more information on the 2014 farm bill and my decisions as a landlord?

A: First, your local FSA office is the best source of official information on the 2014 farm bill. To find your county FSA office website, go to <http://www.fsa.usda.gov/FSA/> and then link to the Michigan website and to your county website.

Second, Michigan State University Extension will be providing information about the farm bill, spreadsheets for analyzing farm program decisions, and links to other sources of information at the website <http://www.firm.msue.msu.edu> under the “Farm Bill” link.

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