The 2014 Farm Bill and the New Farm Programs: What Should I Do ASAP?

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The 2014 farm bill contains new farm programs that will require complex decisions by farmers and landlords in late 2014 and early 2015. While many of the specific rules for these decisions have not yet been released by the Farm Service Agency (FSA), producers and landlords should be aware that there are actions that should be taken now to prepare for the decisions that must be made during the coming months. This paper will examine these upcoming decisions and the actions that should be taken As Soon As Possible to prepare for these decisions.

The 3 Major Decisions for Farmers and Landlords in the 2014 Farm Bill

The 2014 farm bill includes 3 decisions that farmers and landlords will be required to make in 2014 and 2015. The 3 decisions are:

- **Updating Program Yields**: Owners will be permitted to update their program yields based on the farm’s actual production yields from 2008 to 2012.

- **Reallocating Base Acres**: Owners will be permitted to reallocate their base acres based on the farm’s actual planted acreage from 2009 to 2012.

- **ARC Programs versus PLC Program**: The Direct and Countercyclical Payments (DCP) that were used under the 2008 farm bill have been eliminated. Producers (landowners and tenants) will be permitted to choose between the new Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) programs that replaced the DCP program.

Though many details on these decisions are not yet available, some important steps in preparing for these decisions can now be taken and some important deadlines are now in place. In addition, the process of collecting information for these decisions should begin now. The final timeline for owner/producer decisions has not yet been announced, but a general timeline is available. Owners will have an opportunity to update program yields and reallocate base acres during the late summer and fall of 2014. Decisions on the ARC/PLC programs are likely to be required during late 2014 and early 2015.

**2014 Farm Bill Decisions: What to do ASAP**

In August 2014, the FSA started the process of implementing the 2014 farm bill by sending to owners and producers 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. Owners and producers should do the following as soon as possible to prepare for the upcoming year:

1. **Review** the FSA letter and Reported Commodity Crop History Summary and inform FSA within 60 days of the letter’s date if the information is incorrect.

2. **Begin now** to collect information on the farm’s actual planting history during 2009-2012 (how many acres of each crop were planted on the entire farm during each year from 2009-2012?) and the farm’s actual yield history (what was the yield per acre for each crop planted on the entire farm during each year from 2008-2012?). Evidence from all sources (sales receipts, crop insurance records, etc.) should be collected retained (NOTE: FSA has not yet announced the rules regarding the information required for program decisions. Consequently, all information that could prove helpful in proving actual planted acreage or actual yields could be helpful).

3. **Communicate** with your tenants and/or your landlords. The upcoming decisions will affect the program benefits that a farm collects during 2014 to 2018. All parties have a common interest in making the best possible decisions for the farm, so good communication and cooperation between landlords and tenants will be beneficial for all parties involved.

4. **Stay informed** about the upcoming deadlines for decisions in late 2014 and early 2015. READ all emails and newsletters from your local FSA office and consult with your local FSA office and with your tenants or landlords about these decisions.

5. **Be patient but be alert.** The farm bill was passed by Congress and signed by the President at a relatively late date, and the FSA has a major challenge in implementing the new programs in the 2014 farm bill. Landlords will need to become informed about program options and key deadlines and cooperate with tenants. Tenants can often have numerous landlords that they will need to consult and enrollment dates could fall during peak work periods. The new programs are likely to require some complex decisions in late 2014 and early 2015. Landowners and tenants should stay informed about program deadlines and program options to cooperate in the best possible decisions for each farm.

**A Special ASAP Note for Winter Wheat Producers in Michigan**

Producers of covered commodities (corn, wheat, and soybeans in Michigan) will be eligible for the new “Supplemental Coverage Option” (or SCO) beginning with the 2015 crop. The SCO is a form of crop insurance that provides an additional form of coverage for the deductible of the producer’s underlying crop insurance policy.

The SCO can be purchased as an endorsement to any of the Yield Protection, Revenue Protection, or Revenue Protection with the Harvest Price Exclusion policies. The Federal Government pays 65 percent of the premium cost for SCO. For example, assume a grower buys a Revenue Protection policy with a 75% coverage level (this is the “underlying policy”). The underlying policy covers 75% of the expected crop value and leaves 25% uncovered as a deductible. Since the underlying policy is Revenue Protection, SCO will also provide revenue protection, except that SCO payments will be determined at a county level. Thus, is the underlying policy is a Revenue Protection policy, the SCO Endorsement begins
to pay when **county** average revenue falls below 86% of its expected level. The full amount of the SCO coverage is paid out when the county average revenue falls to the coverage level of the underlying policy (in this example, it the underlying policy level is 75%).

As noted above, producers of covered crops (corn, wheat and soybeans in Michigan) will be required to elect either the Agricultural Risk Coverage (ARC) or Price Loss Coverage (PLC) commodity programs for the 2014-2018 crop years. This will be a 1-time irrevocable decision that will be required in late 2014 or early 2015. Producers who elect to take the PLC program will be eligible to purchase SCO coverage. Producers who elect the ARC program will not be eligible to purchase SCO coverage.

SCO coverage will be available for the 2015 crop year’s winter wheat. Producers must make a crop insurance coverage decision for fall-planted crops (including SCO) by the sales closing date (generally **September 30, 2014**). Producers who applied for SCO for their winter wheat for 2015 may elect to withdraw coverage on any farm where they later elect the ARC program for winter wheat by the earlier of their **acreage reporting date or December 15** without penalty. If producers withdraw SCO coverage for a farm by the earlier of their **acreage reporting date or December 15**, they will not be charged a crop insurance premium for SCO. In order to withdraw coverage without penalty, producers must notify their agents of their intended election for ARC by the earlier of their winter wheat **acreage reporting date or December 15**. This is a onetime exemption that is only allowed for the 2015 crop year’s winter wheat to coordinate with ARC program sign-up rules.

Details on the SCO program are available at the USDA Risk Management Agency website:

A map of the availability of SCO for winter wheat is available at:

A calculator for SCO coverage is available at the USDA Risk Management Agency website:
http://prodwebnlb.rma.usda.gov/apps/CIDT/

Thus, a final ASAP action for winter wheat producers:

6. **Consult** your crop insurance agent to discuss your options and deadlines under the Supplemental Coverage Option.

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