



IFES 2014: The 2014 Farm Bill Program Decisions

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This is a presentation summary from the 2014 Illinois Farm Economics Summit (IFES) which occurred December 15-19, 2014 at locations across Illinois. A complete collection of presentations including PowerPoint Slides (PPT), printable summaries (PDF) and interviews are available [here](#).

2014 Farm Bill Decisions

The Agricultural Act of 2014 (the 2014 Farm Bill) has revised the commodity support programs. Producers must elect from among three different programs and there is a new crop insurance policy. Landowners are also provided an opportunity to reallocate base acres and update payment yields. These decisions are made per Farm Service Agency (FSA) farm, based on the farm number assigned. The decisions will be made once by the deadlines provided and cannot be changed for the life of the 2014 Farm Bill.

Payment Yields and Base Acres

The owners of each FSA farm will have a onetime opportunity to update payment yields for each program crop on the farm. Payment yields are only used to calculate payments under the PLC program but the landowner's decision is independent of the program decision. The choice is between the current payment (or program) yields for the crop or updated to 90 percent of the average yields for the crop for the 2008 to 2012 crop years. The deadline for landowners to make this decision is **February 27, 2015**.

All three programs pay on base acres for the program crops on the farm, not on planted acres, and this decision is a reallocation not an update. The decision is whether to keep the current distribution of base acres or to reallocate those base acres across program crops determined by the ratio of program crops on the farm for the 2009 to 2012 crop years. The FSA farm's total base acres will not be increased or decreased by this decision, merely reallocated. This decision will apply to all program crops on the farm. The deadline for this decision is **February 27, 2015**.

Program and Crop Insurance Decisions

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The program decision is to be made by the producers on the farm, defined in the statute such that in a cash lease the landlord is not considered a producer and will not make the program decision. The program decision cannot be changed during the life of this farm bill, even if the farm owner or tenants change.

Agriculture Risk Coverage, County Option (ARC-CO) provides revenue-based assistance that uses county average yields and national average prices. Payments are triggered when actual county revenue in a crop year is below 86 percent of the 5-year Olympic moving average county yields multiplied by the 5-year Olympic moving average of national average prices. The maximum payment is 10 percent of that number and payments are made on 85 percent of the base acres for the program crop. This is a crop-by-crop decision.

Price Loss Coverage (PLC) provides price based deficiency payments based on the difference between a fixed reference price and the national average prices. That difference is multiplied by the payment yields for the crop and paid on 85 percent of the base acres for the crop. The reference prices do not move and will not change for the life of the farm bill.

Agriculture Risk Coverage, Individual Farm Coverage (ARC-IC), also provides revenue based assistance that uses the farm's yields across all program crops on the farm. If actual farm revenue for all crops is below 86 percent of the 5-year Olympic moving average revenue for all crops on the farm (weighted by planted acres in the crop year) the payment is made on the difference up to a maximum of 10 percent, and payments are made on 65 percent of all base acres for all program crops on the farm.

Supplemental Coverage Option (SCO) is a new crop insurance program that is first available for the 2015 crop year. It provides coverage in the deductible range of the underlying crop insurance policy but with a county-based trigger set at 86 percent of the county liability and depending upon the underlying policy (i.e., multi-peril or revenue).

The underlying policy determines the size of SCO coverage as it goes from 86 percent down to that coverage level. This is a crop insurance policy, payments are made on actual planted acres and crops using futures prices, actual county yields and the producer's Actual Production History yields. Farmers will pay premium for the coverage with 65 percent of the cost covered by premium subsidy. SCO is not available for any crop enrolled in ARC-CO nor for any farm enrolled in ARC-IC, it can only be mixed with PLC.

The deadline for this decision is **March 31, 2015**. Failure to make a decision by that deadline will result in forfeiture of any 2014 payments and the FSA farm will be deemed to have elected PLC for all crops on the farm beginning with the 2015 crop year.

Additional Resources

The slides for this presentation can be found at:
http://www.farmdoc.illinois.edu/presentations/IFES_2014

For the Farm Bill Toolbox and the APAS Calculator, see:

<http://farmbilltoolbox.farmdoc.illinois.edu/>
<http://fsa.usapas.com>