USDA

UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SERVICE AGENCY

2014 Farm Bill

FACT SHEET

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What's in the 2014 Farm Bill for Farm Service Agency Customers

The Agricultural Act of 2014 (the Act), also known as the 2014 Farm Bill, was signed by President Obama on Feb. 7, 2014. The Act repeals certain programs, continues some programs with modifications, and authorizes several new programs administered by the Farm Service Agency (FSA). Most of these programs are authorized and funded through 2018.

OVERVIEW

The Direct and Counter-Cyclical Program and the Average Crop Revenue Election program are repealed and two new programs are established: Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC). Upland cotton is the only covered commodity that is no longer eligible to participate in these programs, but rather, becomes eligible for the new Stacked Income Protection Plan (STAX) offered by the Risk Management Agency (RMA). Until STAX becomes available, upland cotton is eligible for transition payments made by FSA for 2014 and 2015 crops.

The Marketing Assistance Loan program and sugar loans continue mostly unchanged. The Milk Income Loss Contract Program continues through Sept. 1, 2014, unless it is replaced by the Dairy Margin Protection Program prior to that date.

The Conservation Reserve Program (CRP), USDA's largest conservation program, continues through 2018 with an annually decreasing enrolled acreage cap. The contract portion of the Grassland Reserve Program enrollment has been merged with CRP. The Biomass Crop Assistance Program is extended and funded at $25 million per year.

The Noninsured Crop Disaster Assistance Program has been expanded to include protection at higher coverage levels, similar to buy-up provisions offered under the federal crop insurance program. The Livestock Forage Disaster Program, the Livestock Indemnity Program, the Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish, and the Tree Assistance Program are continued, with modifications starting in October 2011, and succeeding years. The Supplemental Revenue Assistance Program (SURE), which covered losses through Sept. 30, 2011, is not reauthorized.

The credit title of the Act continues and improves the direct and guaranteed loan programs that provide thousands of America's farmers and ranchers the opportunity to obtain the credit they need to begin and continue their operations. The changes in the Act provide FSA greater flexibility in determining eligibility including expanded definitions of eligible entities, years of experience for farm ownership loans, and allowing youth loan applicants from urban areas to access loans. FSA's popular microloan and down payment loan programs, important to furthering the Administration's objective of assisting beginning farmers, have been improved by raising loan limits and emphasizing beginning and socially disadvantaged producers. The Act also provides greater enhancements for lenders to participate in the guaranteed conservation loan program and eliminates term limits for the guaranteed operating program, allowing farmers and ranchers the opportunity for continued credit in cases where financial setbacks may have prevented them from obtaining commercial credit.

ADJUSTED GROSS INCOME

Adjusted gross income (AGI) provisions have been simplified and modified. Producers whose average AGI exceeds $900,000 are not eligible to receive payments or benefits from most programs administered by FSA and the Natural Resources Conservation Service (NRCS). Previous AGI provisions distinguished between farm and non-farm AGI.

PAYMENT LIMITATIONS

The total amount of payments received, directly and indirectly, by a person or legal entity (except joint ventures or general partnerships) for Price Loss Coverage, Agricultural Risk Coverage, marketing loan gains, and loan deficiency payments (other than for peanuts), may not exceed $125,000 per crop year. A person or legal entity that receives payments for peanuts has a separate $125,000 payment limitation.

Cotton transition payments are limited to $40,000 per year. For the livestock disaster programs, a total $125,000 annual limitation applies for payments under the Livestock Indemnity Program, the Livestock Forage Program, and the Emergency Assistance for Livestock, Honeybees and Farm-Raised Fish program. A separate $125,000 annual limitation applies to payments under the Tree Assistance Program.

ACTIVELY ENGAGED IN FARMING

Producers who participate in the Price Loss Coverage or Agricultural Risk Coverage programs are required to provide significant contributions to the farming operation to be considered as "actively engaged in farming." The Act requires the Secretary to promulgate regulations to define "significant contribution of active personal management" as part of this determination.

COMPLIANCE

The Act continues to require an acreage report for all cropland on the farm. The acreage report is required to be eligible for Price Loss Coverage; Agriculture Risk Coverage; transition assistance for producers of upland cotton; marketing assistance loans; and loan deficiency payments.

Compliance with Highly Erodible Land Conservation (HELC) and Wetland Conservation (WC) provisions continues to be required for participation in most FSA and NRCS programs. These provisions place restrictions on the planting of an agricultural commodity on highly erodible land or wetlands. Further, they prohibit the conversion of a wetland to make possible the production of an agricultural commodity.

The Act adds premium assistance for crop insurance as a benefit subject to compliance with HELC and WC provisions. New provisions are created for determinations, administration, and penalties relating to HELC and WC provisions that are unique to crop insurance. FSA will make HELC/WC eligibility determinations for crop insurance participants based on NRCS technical determinations of HELC/WC compliance.

PRICE LOSS COVERAGE (PLC) AND AGRICULTURAL RISK COVERAGE (ARC)

Base Reallocation and Yield Updates: Owners of farms that participate in PLC or ARC programs for the 2014-2018 crops have a one-time opportunity to: (1) maintain the farm's 2013 bases through 2018; or (2) reallocate base acres (excluding cotton bases). Covered commodities include wheat, oats, barley, corn, grain sorghum, rice, soybeans, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe and sesame seed, dry peas, lentils, small chickpeas, large chickpeas and peanuts. Upland cotton is no longer considered a covered commodity, but the upland cotton base acres on the farm are renamed "generic" base acres. Producers may receive payments on generic base acres if those acres are planted to a covered commodity.

A producer also has the opportunity to update the program payment yield for each covered commodity based on 90 percent of the farm's 2008-2012 average yield per planted acre, excluding any year when no acreage was planted to the covered commodity. Program payment yields are used to determine payment amounts for the Price Loss Coverage program.

Price Loss Coverage: Payments are issued when the effective price of a covered commodity is less than the respective reference price for that commodity established in the statute. The payment is equal to 85 percent of the base acres of the covered commodity times the difference between the reference price and the effective price times the program payment yield for the covered commodity.

County ARC: Payments are issued when the actual county crop revenue of a covered commodity is less than the ARC county guarantee for the covered commodity and are based on county data, not farm data. The ARC county guarantee equals 86 percent of the previous five-year average national farm price, excluding the years with the highest and lowest price (the ARC guarantee price), times the five-year average county yield, excluding the years with the highest and lowest yield (the ARC county guarantee yield). Both the guarantee and actual revenue are computed using base acres, not planted acres. The payment is equal to 85 percent of the base acres of the covered commodity times the difference between

the county guarantee and the actual county crop revenue for the covered commodity. Payments may not exceed 10 percent of the benchmark county revenue (the ARC guarantee price times the ARC county guarantee yield).

Individual ARC: Payments are issued when the actual individual crop revenues, summed across all covered commodities on the farm, are less than ARC individual guarantees summed across those covered commodities on the farm. The farm for individual ARC purposes is the sum of the producer's interest in all ARC farms in the state. The farm's ARC individual guarantee equals 86 percent of the farm's individual benchmark guarantee, which is defined as the ARC guarantee price times the five-year average individual yield, excluding the years with the highest and lowest yields, and summing across all crops on the farm. The actual revenue is computed in a similar fashion, with both the guarantee and actual revenue computed using planted acreage on the farm. The individual ARC payment equals: 65 percent of the sum of the base acres of all covered commodities on the farm, times the difference between the individual guarantee revenue and the actual individual crop revenue across all covered commodities planted on the farm. Payments may not exceed 10 percent of the individual benchmark revenue.

Election Required: All of the producers on a farm must make a one-time, unanimous election of: (1) PLC/County ARC on a covered-commodity-by-covered-commodity basis; or (2) Individual ARC for all covered commodities on the farm. If the producers on the farm elect PLC/County ARC, the producers must also make a one-time election to select which base acres on the farm are enrolled in PLC and which base acres are enrolled in County ARC. Alternatively, if individual ARC is selected, then every covered commodity on the farm must participate in individual ARC. The election between ARC and PLC is made in 2014 and is in effect for the 2014 – 2018 crop years. If an election is not made in 2014, the farm may not participate in either PLC or ARC for the 2014 crop year and the producers on the farm are deemed to have elected PLC for subsequent crop years, but must still enroll their farm to receive coverage. If the sum of the base acres on a farm is 10 acres or less, the producer on that farm may not receive PLC or ARC payments, unless the producer is a socially disadvantaged farmer or rancher or is a limited resource farmer or rancher. Payments for PLC and ARC are issued after the end of the respective crop year, but not before Oct. 1.

In 2015, producers in PLC have an additional option. Producers enrolling in PLC, and who also participate in the federal crop insurance program, may, beginning with the 2015 crop, make the annual choice whether to purchase additional crop insurance coverage called the Supplemental Coverage Option (SCO). SCO provides the producer the option of covering a portion of his or her crop insurance deductible and is based on expected county yields or revenue. The cost of SCO is subsidized and indemnities are determined by the yield or revenue loss for the county or area.

Crops for which the producer has elected to receive ARC are not eligible for SCO benefits.

Producers who enroll their 2015 crop of winter wheat in SCO may elect to withdraw from SCO prior to their acreage reporting date without any penalty. This allows producers additional time to make an informed decision related to whether to enroll in the Agricultural Risk Coverage program (ARC) or the Price Loss Coverage (PLC) program. If they choose ARC, they will not be charged a crop insurance premium so long as they withdraw from SCO prior to their acreage reporting date.

COTTON TRANSITION PAYMENTS

For the 2014 crop year, transition payments are provided to cotton producers on farms that had cotton base acres in 2013. For the 2015 crop year, transition payments will only be offered in counties where STAX is unavailable.

MARKETING ASSISTANCE LOANS (MALS) AND SUGAR LOANS

The Act extends the authority for sugar loans for the 2014 – 2018 crop years and nonrecourse marketing assistance loans (MALs) and loan deficiency payment (LDPs) for the 2014 – 2018 crops of wheat, corn, grain sorghum, barley, oats, upland cotton, extra-long staple cotton, long grain rice, medium grain rice, soybeans, other oilseeds (including sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe and sesame seed), dry peas, lentils, small chickpeas, large chickpeas, graded and nongraded wool, mohair, honey, unshorn pelts and peanuts. Provisions are mostly unchanged from the 2008 Farm

Bill, except marketing loan gains and loan deficiency payments are subject to payment limitations.

DAIRY PROGRAMS

The Act extends the Milk Income Loss Contract Program (MILC) from Oct. 1, 2013, through the earlier of the date on which the Secretary certifies that the Dairy Margin Protection Program is operational or Sept. 1, 2014. Dairy producers who were enrolled in 2013 do not need to re-apply. MILC payments are issued when the Boston Class I milk price falls below $16.94 per hundredweight (cwt), as adjusted by a dairy feed ration formula.

The Dairy Margin Protection Program replaces MILC and will be effective not later than Sept. 1, 2014, through Dec. 31, 2018. The margin protection program offers dairy producers: (1) catastrophic coverage, at no cost to the producer, other than an annual $100 administrative fee; and (2) various levels of buy-up coverage. Catastrophic coverage provides payments to participating producers when the national dairy production margin is less than $4 per hundredweight (cwt). The national dairy production margin is the difference between the all-milk price and average feed costs. Producers may purchase buy-up coverage that provides payments when margins are between $4 and $8 per cwt. To participate in buy-up coverage, a producer must pay a premium that varies with the level of protection the producer elects.

In addition, the Act creates the Dairy Product Donation Program. This program is triggered in times of low operating margins for dairy producers, and requires USDA to purchase dairy products for donation to food banks and other feeding programs.

Dairy Indemnity Payment Program (DIPP)

The DIPP provides payments to dairy producers when a public regulatory agency directs them to remove their milk from the commercial market because it has been contaminated by pesticides and other residues.

CONSERVATION RESERVE PROGRAM (CRP)

The Act continues CRP with modifications. The acreage cap is gradually lowered to 24 million acres for fiscal years 2017 and 2018. The requirement to reduce rental payments under emergency haying and grazing is eliminated. Rental payment reductions of not less than 25 percent are required for managed haying and grazing.

Producers also are given the opportunity for an "early-out" from their CRP contracts, but only in fiscal year 2015. The rental payment portion of the Grassland Reserve Program enrollment has been incorporated into the CRP.

The Transition Incentive Program (TIP) continues to allow for the transition of CRP land to a beginning or socially disadvantaged farmer or rancher so land can be returned to sustainable grazing or crop production. TIP now includes eligibility for military veterans (i.e., veteran farmers).

BIOMASS CROP ASSISTANCE PROGRAM (BCAP)

BCAP provides incentives to farmers, ranchers and forest landowners to establish, cultivate and harvest eligible biomass for heat, power, bio-based products, research and advanced biofuels. Crop producers and bioenergy facilities can team together to submit proposals to USDA for selection as a BCAP project area. BCAP has been extended through 2018 and is funded at $25 million per fiscal year.

NONINSURED CROP DISASTER ASSISTANCE PROGRAM (NAP)

NAP has been expanded to include buy-up protection, similar to buy-up provisions offered under the federal crop insurance program. Producers may elect coverage for each individual crop between 50 and 65 percent, in 5 percent increments, at 100 percent of the average market price. Producers also pay a fixed premium equal to 5.25 percent of the liability. The waiver of service fees has been expanded from just limited resource farmers also to include beginning farmers and socially disadvantaged farmers. The premiums for buy-up coverage are reduced by 50 percent for those same farmers. Grazing land is not eligible for buy-up coverage. NAP is also made available to producers that suffered a loss to a 2012 annual fruit crop grown on a bush or tree in a county declared a disaster by the Secretary due to a freeze or frost.

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RTCP FOR GEOGRAPHICALLY DISADVANTAGED FARMERS AND RANCHERS

The Reimbursement Transportation Cost Payment Program (RTCP) is re-authorized to provide assistance to geographically disadvantaged farmers and ranchers for a portion of the transportation cost of certain agricultural commodities or inputs.

EMERGENCY LOANS

A Secretarial disaster designation or a Presidential declaration provides producers with emergency loans to help cover the recovery costs for physical and production losses. Farm bill revisions expand the type of entities eligible for loans.

FARM OPERATING LOANS AND MICROLOANS

Farm Operating Direct and Guaranteed Loan Programs provide low-interest financing for producers to purchase farm and ranch operating inputs. The FSA is authorized to implement the program through the Consolidated Farm and Rural Development Act, also known as the Con Act. The 2014 Farm Bill revisions expand the types of entities eligible, provide favorable interest rates for joint financing arrangements, increase loan limits for microloans, make youth loans available in urban areas, and eliminate term limits for guaranteed operating loans.

FARM OWNERSHIP LOANS

Farm Ownership Direct and Guaranteed Loan Programs provide low-interest financing for producers to purchase farms and ranches and other real estate related needs. The FSA is authorized to implement the program through the Consolidated Farm and Rural Development Act, often referred to as the Con Act. The 2014 Farm Bill revisions expand the types of entities eligible, provide favorable interest rates for joint financing arrangements, provide a larger percent guarantee on guaranteed conservation loans, increase the loan limits for the down payment program, and authorize a relending program to assist Native American producers purchase fractionated interests of land.

DISASTER PROGRAMS

The following four disaster programs authorized by the 2008 Farm Bill have been extended indefinitely (beyond the horizon of the Act). The programs are made retroactive to Oct. 1, 2011. Producers are no longer required to purchase crop insurance or NAP coverage to be eligible for these programs (the risk management purchase requirement) as mandated by the 2008 Farm Bill.

Livestock Forage Disaster Program (LFP): LFP provides compensation to eligible livestock producers that have suffered grazing losses due to drought or fire on land that is native or improved pastureland with permanent vegetative cover or that is planted specifically for grazing. LFP payments for drought are equal to 60 percent of the monthly feed cost for up to five months, depending upon the severity of the drought. LFP payments for fire on federally managed rangeland are equal to 50 percent of the monthly feed cost for the number of days the producer is prohibited from grazing the managed rangeland, not to exceed 180 calendar days.

Livestock Indemnity Program (LIP): LIP provides benefits to livestock producers for livestock deaths in excess of normal mortality caused by adverse weather or by attacks by animals reintroduced into the wild by the federal government. LIP payments are equal to 75 percent of the average fair market value of the livestock.

Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish (ELAP): ELAP provides emergency assistance to eligible producers of livestock, honeybees and farm-raised fish for losses due to disease (including cattle tick fever), adverse weather, or other conditions, such as blizzards and wildfires, not covered by LFP and LIP. Total payments are capped at $20 million in a fiscal year.

Tree Assistance Program (TAP): TAP provides financial assistance to qualifying orchardists and nursery tree growers to replant or rehabilitate eligible trees, bushes, and vines damaged by natural disasters.

FEEDSTOCK FLEXIBILITY PROGRAM (FFP)

FFP is continued through fiscal year 2018. Congress authorized the FFP in the 2008 Farm Bill, allowing for the purchase of sugar to be sold for the production of bioenergy in order to avoid forfeitures of sugar loan collateral under the Sugar Program.

NON-FARM BILL PROGRAMS

The following programs continue under laws other than the 2014 Farm Bill.

Emergency Conservation Program (ECP)
ECP is authorized by Title IV of the Agricultural Credit Act of 1978, Section 401 (P.L. 95-334) (16 U.S.C. 2201). ECP provides emergency cost-share assistance to farmers and ranchers to help rehabilitate farmland and ranchland damaged by natural disasters and to carry out water conservation measures during periods of severe drought. Cost-share assistance may be offered only for emergency conservation practices to restore land to a condition similar to that existing prior to the natural disaster.

Emergency Forest Restoration Program (EFRP)
EFRP is authorized by Title IV of the Agricultural Credit Act of 1978, Section 407 (16 U.S.C. 2206). EFRP was established to provide financial and technical assistance to owners of non-industrial private forest land damaged by natural disaster to carry out emergency measures to restore damaged forests and rehabilitate forest resources.

Farm Storage Facility Loan Program (FSFL)
FSFL provides low-interest financing for producers to build or upgrade farm storage and handling facilities.

Sugar Storage Facility Loan Program (SSFL)
SSFL provides low-interest financing for processors to build or upgrade farm storage and handling facilities for raw or refined sugar.

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