The Agricultural Act of 2014

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Master set of slides
October 17, 2014
Agricultural Act of 2014 (the new farm bill)
- Overview
- Crops
- Livestock
- Decisions
- Web based tool
  - Available at http://www.fapri.missouri.edu
This information is based on our reading of the 2014 farm bill, rules issued as of Oct. 16, 2014, and other available information.

We know there will likely be differences in our interpretation and some final rules and regulations.

This information is intended to be for educational purposes only.

More (and better) information will be available before most decisions need to be made.
Key features of the new farm bill

- Eliminates many existing farm programs
  - Direct payments, countercyclical payments, ACRE
  - Dairy price supports and MILC payments
- Reduces SNAP (food stamp) spending
- Limits conservation reserve enrollment
- Allocation of “savings”
  - Reduce federal deficit
  - Create new programs that pay farmers when prices or revenues fall below a trigger
“Mandatory” spending
CBO estimates, FY 2014-23 totals, billion dollars

<table>
<thead>
<tr>
<th></th>
<th>Continuing pre-2014 farm bill laws</th>
<th>With the 2014 farm bill in place</th>
<th>Change because of the 2014 farm bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity programs</td>
<td>58.8</td>
<td>44.5</td>
<td>-14.3</td>
</tr>
<tr>
<td>Crop insurance</td>
<td>84.1</td>
<td>89.8</td>
<td>+5.7</td>
</tr>
<tr>
<td>(Comm. programs + crop insurance)</td>
<td>142.9</td>
<td>134.3</td>
<td>-8.6</td>
</tr>
<tr>
<td>Conservation</td>
<td>61.6</td>
<td>57.6</td>
<td>-4.0</td>
</tr>
<tr>
<td>Nutrition (SNAP)</td>
<td>764.4</td>
<td>756.4</td>
<td>-8.0</td>
</tr>
<tr>
<td>Everything else*</td>
<td>4.0</td>
<td>8.1</td>
<td>+4.0</td>
</tr>
<tr>
<td>Total**</td>
<td>972.9</td>
<td>956.4</td>
<td>-16.6</td>
</tr>
</tbody>
</table>

*Includes research, energy, horticulture, rural development and more.
**Many cite savings of $23 billion, including effects of sequestration.

Source: http://www.cbo.gov/publication/45049?utm_source=feedblitz&utm_medium=FeedBlitzEmail&utm_content=812526&utm_campaign=0
“Mandatory” spending
CBO estimates, FY 2014-23 totals

Pre-2014 policies continued ($972 bil.)
- Commodities: 8.6%
- Crop ins.: 6.3%
- Conservation: 0.4%
- Nutrition: 78.6%

2014 farm bill policies ($956 bil.)
- Commodities: 9.4%
- Crop ins.: 6.0%
- Conservation: 0.8%
- Nutrition: 79.1%
- Other: 4.6%
Commodity Credit Corporation farm program spending under new bill

CCC net outlays total $76 billion over FY 2014-23

Fiscal year

Billion dollars


Grains, oilseeds & cotton, Conservation, All other

Source: FAPRI-MU U.S. Baseline Briefing Book, page 47
Total outlays on mandatory farm and conservation programs

Crop insurance share of program spending increases

Source: FAPRI-MU U.S. Baseline Briefing Book, page 47
Policy changes for crop producers

- No more direct, countercyclical or ACRE program payments

- Reallocate base acres (1) and update program yields (2)
  - One time choice, for the life of the farm bill
  - Made by land owner

- Must choose (1 time for life of farm bill) between
  - Price loss coverage (PLC, payments when prices fall below a trigger) (3)
  - Agriculture risk coverage (ARC, payments when per-acre revenues fall below a trigger) (4)
  - Made by producers

- A new crop insurance option (SCO) (5) for crops not in ARC or STAX

- A new crop insurance option (STAX) for upland cotton producers
  - No ARC or PLC program for upland cotton
  - Cotton not in STAX can get SCO
  - Cotton producers get transition payment in 2014 and can get ARC/PLC for other crops grown on the farm
One time decision by landowners
- Decision is made on each FSA farm unit
- Two choices
  - Retain existing base acres
  - Reallocate existing base acres
    - Based on what you planted or were prevented from planting from 2009-2012
      - Does not change total base acres on a farm
- Cotton base acres become generic base and cannot be reallocated
Reallocation is in proportion to the ratio of:

- The 4 year average of –
  - Planted acres to each crop from 2009 to 2012; PLUS
  - Prevented planting acres from 2009 to 2012; to

- To the 4 year average of –
  - Acreage planted on the farm to all covered commodities; PLUS
  - Any acreage on the farm prevented from planting
## Base reallocation example

<table>
<thead>
<tr>
<th>Current Base Acres</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Corn</td>
<td>Wheat</td>
<td>Soybeans</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td></td>
<td>125</td>
<td>75</td>
<td>75</td>
<td>275</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Planted + Prevented Planted Acres</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>135</td>
<td>140</td>
<td>135</td>
<td>140</td>
<td>137.5</td>
</tr>
<tr>
<td>Wheat</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Soybeans</td>
<td>140</td>
<td>135</td>
<td>140</td>
<td>135</td>
<td>137.5</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>275</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ratio of Crop to Total Acres</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Reallocated Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>0.5</td>
<td></td>
<td></td>
<td></td>
<td>137.5</td>
</tr>
<tr>
<td>Wheat</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Soybeans</td>
<td>0.5</td>
<td></td>
<td></td>
<td></td>
<td>137.5</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>275</td>
</tr>
</tbody>
</table>
Yield update (2)

- One time decision by landowners

- Made on a crop by crop basis for each FSA farm unit
  - 90% of the average yield for the 2008 – 2012 crop years
  - Exclude any year that the planted acres are zero
  - If the yield per planted acre for any year is less than 75% of the county average yield for 2008 -2012
    - Can use 75% of the county average yield for 2008-2012
Producers on each farm can choose
- An individual farm version of ARC (ARC-IC) for all crops on the farm OR
- For each crop on a farm, they can choose between the county version of ARC (ARC-CO) or PLC

Choice is made once for the life of the farm bill

If producers on a farm do not agree on a choice
- No ARC or PLC benefits are available in 2014
- PLC is only remaining option for 2015 and beyond
Who makes the ARC/PLC choice?

- Producers:
  - Owner-operators
  - Cash and share renters
  - Landowners in share rent arrangements

- Landowners who cash rent land generally are NOT producers under USDA rules

- ARC/PLC decision is made by current producers on the farm at the time the election is made
Like countercyclical payments in some respects
- Makes payments when prices fall below a trigger
- Payments tied to base acreage and program yields
- These generally do NOT depend on current production choices
  - Except for those with cotton base or with fruits and vegetables, planting more or less of a given crop will have NO effect on payments

But different in many ways, including
- Formula is simpler—payment rate is just the difference between reference price and the higher of the season-average farm price and the loan rate
- New “reference prices” are far higher than old target prices
## Reference and target prices

<table>
<thead>
<tr>
<th>Crop Type</th>
<th>2008 Farm Bill Target Prices</th>
<th>2014 Farm Bill Reference Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat/bu.</td>
<td>$4.17</td>
<td>$5.50</td>
</tr>
<tr>
<td>Corn/bu.</td>
<td>$2.63</td>
<td>$3.70</td>
</tr>
<tr>
<td>Soybeans/bu.</td>
<td>$6.00</td>
<td>$8.40</td>
</tr>
<tr>
<td>Sorghum/bu.</td>
<td>$2.63</td>
<td>$3.95</td>
</tr>
<tr>
<td>Upland cotton/lb.</td>
<td>71.25 cents</td>
<td>None*</td>
</tr>
<tr>
<td>Long-grain rice/cwt</td>
<td>$10.50</td>
<td>$14.00</td>
</tr>
<tr>
<td>Japonica rice/cwt</td>
<td>$10.50</td>
<td>$16.10</td>
</tr>
</tbody>
</table>

*Upland cotton is not eligible for PLC (or ARC) benefits under the 2014 farm bill. Instead, it has a special crop insurance program: STAX.

Under PLC, payments are made in the October of the year after the crop is harvested (e.g., payments for the 2014 crop would be made in October 2015 or later).
Price-based option for farm support

- **Price Loss Coverage**
  - Payment if annual average farm price is less than reference price
    - Wheat: $5.50/bu.
    - Corn: $3.70/bu.
    - Soybeans: $8.40/bu.
    - Sorghum: $3.95/bu.
    - Long-grain rice: $14.00/cwt.
  - Paid on 85% of base acres (tied to historical plantings)

**Corn prices**

Sources:
- Agricultural Act of 2014, FAPRI-MU
- March 2014 baseline; USDA baseline, Feb. 2014
U.S. farm prices for corn

Source: FAPRI-MU stochastic baseline, March 2014
U.S. farm prices for corn

2019 yield in #5 is 140 bushels per acre (avg: 174)

Source: FAPRI-MU stochastic baseline, March 2014
U.S. farm prices for corn

Source: FAPRI-MU stochastic baseline, March 2014
U.S. farm prices for corn

Source: FAPRI-MU stochastic baseline, March 2014
U.S. farm prices for corn

Source: FAPRI-MU stochastic baseline, March 2014
U.S. farm and futures prices for corn

2014/15 corn yields and prices
FAPRI-MU stochastic baseline, March 2014
2014/15 corn yields and prices
FAPRI-MU stochastic baseline, March 2014

Avg. of March estimates:
163.5 bu./a. and $4.17/bu.
2014/15 corn yields and prices
FAPRI-MU stochastic baseline, March 2014

October USDA estimates:
174.2 bu./a. and $3.40/bu.

Avg. of March estimates:
163.5 bu./a. and $4.17/bu.
Corn PLC payments
(Dollars per base acre for participating producers)

Source: FAPRI-MU March 2014 stochastic baseline
Price-based option for farm support

- **Price Loss Coverage**
  - Payment if annual average farm price is less than reference price
    - Wheat: $5.50/bu.
    - Corn: $3.70/bu.
    - Soybeans: $8.40/bu.
    - Sorghum: $3.95/bu.
    - Long-grain rice: $14.00/cwt.
  - Paid on 85% of base acres (tied to historical plantings)

![Soybean prices graph](chart.png)

Sources:
U.S. farm prices for soybeans

Source: FAPRI-MU stochastic baseline, March 2014
U.S. farm and futures prices for soybeans

Soybean PLC payments
(Dollars per base acre for participating producers)

Source: FAPRI-MU March 2014 stochastic baseline
Price-based option for farm support

- **Price Loss Coverage**
  - Payment if annual average farm price is less than reference price
    - Wheat: $5.50/bu.
    - Corn: $3.70/bu.
    - Soybeans: $8.40/bu.
    - Sorghum: $3.95/bu.
    - Long-grain rice: $14.00/cwt.
  - Paid on 85% of base acres (tied to historical plantings)

Sources:
U.S. farm prices for wheat

Source: FAPRI-MU stochastic baseline, March 2014
U.S. farm and futures prices for wheat

Wheat PLC payments
(Dollars per base acre for participating producers)

Source: FAPRI-MU March 2014 stochastic baseline
Agriculture risk coverage (ARC)

- Like ACRE in some respects
  - Makes payments when per-acre revenues fall below a trigger
  - Trigger depends on moving averages of market prices and yields

- But different in many ways, including
  - Paid on base acreage, not planted
  - Tied to county or farm yields, not state
  - Covers losses of 14-24% (ACRE was 10-35%)
  - Don’t have to give up direct payments to participate
  - No loan rate penalty
ARC (4) in more detail

- Payments if per-acre revenues fall below 86% of benchmark

- Benchmark:
  - County: 5-yr. Olympic avg. national price * 5-yr. Olympic avg. county yield
  - Individual: Weighted average of the 5-yr Olympic average revenues
  - Annual prices used are higher of farm price or reference price

- Maximum payment: 10% of benchmark (covers 76-86%)

- Paid on 85% (county yield option) or 65% (farm yield option) of base acres (not planted)

- As with PLC, 2014 crop year payments to be made in October 2015 or later
## ARC-CO calculation example

### Audrain Co., MO corn, using NASS yields

<table>
<thead>
<tr>
<th>Year</th>
<th>Max of (national avg. farm price, reference price)</th>
<th>County yield</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009/10</td>
<td>$3.70/bu.</td>
<td>146.0 bu./a.</td>
<td></td>
</tr>
<tr>
<td>2010/11</td>
<td>$5.18</td>
<td>122.3</td>
<td></td>
</tr>
<tr>
<td>2011/12</td>
<td>$6.22</td>
<td>105.2</td>
<td></td>
</tr>
<tr>
<td>2012/13</td>
<td>$6.89</td>
<td>33.4*</td>
<td></td>
</tr>
<tr>
<td>2013/14</td>
<td>$4.46</td>
<td>124.3</td>
<td></td>
</tr>
</tbody>
</table>

**Olympic average**: $5.29, 117.3

**2014/15 benchmark revenue**: $621

**86% of benchmark**: $534

**1st option triggering payments**: $3.40, <157, <$534

**2nd option triggering payments**: <$3.14, 170, <$534

*Note: this yield would be replaced by a plug yield, but regardless, it is dropped as the lowest of the five years.*
Revenue-based option for farm support

- **Agriculture Risk Coverage (ARC)**
  - Payment if per-acre revenues fall below trigger
  - For this example, using national yields, but actual program uses county- or farm-level yields
  - Paid on share of base acreage
    - 85% if choose county option
    - 65% if choose farm option (all crops on farm)

![Graph of Corn revenues per acre](source)

Sources: Agricultural Act of 2014, FAPRI-MU Oct. 2014 baseline
Corn ARC payments
(Dollars per base acre for participating producers)

Source: FAPRI-MU March 2014 stochastic baseline
Avg. corn ARC and PLC payments
(Dollars per base acre for participating producers)

Source: FAPRI-MU March 2014 stochastic baseline
Given Oct. baseline prices, 2014 expected payments would be considerably higher under both programs.

Source: FAPRI-MU March 2014 stochastic baseline
Revenue-based option for farm support

- **Agriculture Risk Coverage (ARC)**
  - Payment if per-acre revenues fall below trigger
  - For this example, using national yields, but actual program uses county- or farm-level yields
  - Paid on share of base acreage
    - 85% if choose county option
    - 65% if choose farm option (all crops on farm)

Soy revenues per acre

Sources: Agricultural Act of 2014, FAPRI-MU Oct. 2014 baseline
Avg. soybean ARC and PLC payments
(Dollars per base acre for participating producers)

Source: FAPRI-MU March 2014 stochastic baseline
Revenue-based option for farm support

- **Agriculture Risk Coverage (ARC)**
  - Payment if per-acre revenues fall below trigger
  - For this example, using national yields, but actual program uses county- or farm-level yields
  - Paid on share of base acreage
    - 85% if choose county option
    - 65% if choose farm option (all crops on farm)

*Sources: Agricultural Act of 2014, FAPRI-MU Sep. 2014 baseline*
Avg. wheat ARC and PLC payments
(Dollars per base acre for participating producers)

Source: FAPRI-MU March 2014 stochastic baseline
Given Oct. baseline prices, 2014 expected payments would be lower under PLC.

Source: FAPRI-MU March 2014 stochastic baseline
Avg. rice ARC and PLC payments
(Dollars per base acre for participating producers)

Source: FAPRI-MU March 2014 stochastic baseline
Back to Audrain Co., MO corn
2014/15 crop year payments

<table>
<thead>
<tr>
<th>2014/15 national season-average corn price</th>
<th>PLC payment per base acre (program yield= 100 bu./a.)</th>
<th>ARC payment per base acre if county yield is 130 bu./a.</th>
<th>ARC payment per base acre if county yield is 150 bu./a.</th>
<th>ARC payment per base acre if county yield is 170 bu./a.</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.00</td>
<td>$59.50</td>
<td>$52.74</td>
<td>$52.74</td>
<td>$20.10</td>
</tr>
<tr>
<td>3.20</td>
<td>$42.50</td>
<td>$52.74</td>
<td>$45.60</td>
<td>$0</td>
</tr>
<tr>
<td>3.40</td>
<td>$25.50</td>
<td>$52.74</td>
<td>$20.10</td>
<td>$0</td>
</tr>
<tr>
<td>3.60</td>
<td>$8.50</td>
<td>$52.74</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>3.80</td>
<td>$0</td>
<td>$33.70</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>4.00</td>
<td>$0</td>
<td>$11.60</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>
Assumed participation rates
March 2014 FAPRI-MU baseline

<table>
<thead>
<tr>
<th></th>
<th>PLC</th>
<th>ARC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Soybeans</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Wheat</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>Sorghum</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>Rice</td>
<td>90%</td>
<td>10%</td>
</tr>
<tr>
<td>Peanuts</td>
<td>90%</td>
<td>10%</td>
</tr>
</tbody>
</table>

- Participation rates based on comparison of expected payments and judgment
- Actual rates will differ, perhaps by a lot
  - Final program rules
  - Changing market circumstances
  - Producer perceptions
Average PLC + ARC outlays similar to old DCP and ACRE outlays

PLC and ARC replace DCP and ACRE

Marketing year

07/08  09/10  11/12  13/14  15/16  17/18  19/20 21/22 23/24

Billion dollars

DCP, ACRE  PLC  ARC  Marketing loans

Corn returns decline from recent peak

With new programs, actual spending and payments uncertain

CCC net outlays could vary greatly from averages

Some other farm bill policy changes affecting crop producers

- Conservation reserve limited to 24 million acres by 2017 (current enrollment: <26 mil. a.)

- Spending on other conservation programs reduced from previous planned levels

- Payment limitation rules
  - ARC/PLC + marketing loan benefits < $125,000
  - Adj. gross income <$900,000
Crop insurance in the farm bill

- Most existing policies retained

- STAX
  - Area policy for cotton only
  - 80% premium subsidy

- Supplemental coverage option
  - Not available to STAX or ARC participants
  - Area policy
  - 65% premium subsidy
New farm bill crop insurance policies

- Stacked Income Protection Plan (STAX)
  - Area-based insurance for range between up to 90% and higher of individual coverage level or 70%, specified in increments of 5%
  - Do not have to have individual policy (unlike SCO)
  - 80% subsidized
  - Option of “protection factor” of up to 120%
  - Not available until 2015
  - No PLC or ARC benefits for cotton
    - Cotton producers can get PLC and ARC for other crops
    - Transition payments for 2014 crop (when STAX unavailable)
Supplemental coverage option (SCO)
- On top of regular individual coverage (must have individual policy)
- Area-based insurance for range between 86% and individual coverage level
- 65% subsidized
- Only available for crops not in ARC or STAX
- Thus producer must consider SCO when deciding between PLC and ARC
- Starts in 2015 (NOT available in 2014); not available in all counties for all crops
Average net indemnities
(Indemnities minus producer premiums, dollars per acre)

Source: FAPRI-MU stochastic baseline, March 2014
Note that payment rate does not depend on individual loss

<table>
<thead>
<tr>
<th>County % loss</th>
<th>Individual coverage level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>50%</td>
</tr>
<tr>
<td>10%</td>
<td>0</td>
</tr>
<tr>
<td>15%</td>
<td>1%</td>
</tr>
<tr>
<td>25%</td>
<td>11%</td>
</tr>
<tr>
<td>50%</td>
<td>36%</td>
</tr>
<tr>
<td>75%</td>
<td>36%</td>
</tr>
</tbody>
</table>
### Individual crop insurance subsidies

(Note: SCO subsidy is 65%)

#### Average subsidy rate

<table>
<thead>
<tr>
<th>Unit</th>
<th>Coverage level</th>
<th>50%</th>
<th>55%</th>
<th>60%</th>
<th>65%</th>
<th>70%</th>
<th>75%</th>
<th>80%</th>
<th>85%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td></td>
<td>67%</td>
<td>64%</td>
<td>64%</td>
<td>59%</td>
<td>59%</td>
<td>55%</td>
<td>48%</td>
<td>38%</td>
</tr>
<tr>
<td>Optional</td>
<td></td>
<td>67%</td>
<td>64%</td>
<td>64%</td>
<td>59%</td>
<td>59%</td>
<td>55%</td>
<td>48%</td>
<td>38%</td>
</tr>
<tr>
<td>Enterprise</td>
<td></td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>77%</td>
<td>68%</td>
<td>53%</td>
</tr>
</tbody>
</table>

#### Marginal subsidy rate

<table>
<thead>
<tr>
<th>Unit</th>
<th>Coverage level</th>
<th>50%</th>
<th>55%</th>
<th>60%</th>
<th>65%</th>
<th>70%</th>
<th>75%</th>
<th>80%</th>
<th>85%</th>
</tr>
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<tbody>
<tr>
<td>Basic</td>
<td></td>
<td>67%</td>
<td>49%</td>
<td>64%</td>
<td>37%</td>
<td>59%</td>
<td>38%</td>
<td>22%</td>
<td>1%</td>
</tr>
<tr>
<td>Optional</td>
<td></td>
<td>67%</td>
<td>48%</td>
<td>64%</td>
<td>35%</td>
<td>59%</td>
<td>36%</td>
<td>14%</td>
<td>-9%</td>
</tr>
<tr>
<td>Enterprise</td>
<td></td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>64%</td>
<td>32%</td>
<td>-11%</td>
</tr>
</tbody>
</table>
Selected other crop insurance provisions

- Enterprise units for irrigated/non-irrigated crops

- APH yield adjustments
  - Can exclude years with yields <50% of 10-year county average from APH calculations
  - Not available in 2014 or 2015, based on RMA comments

- Beginning farmer and rancher provisions
  - Higher yield plug (80%), higher subsidy and more

- Conservation compliance
Crop insurance net outlays are also uncertain.

Dairy policy in one slide

- Eliminate price supports, MILC

- Create new margin program
  - For $100, makes payments if margin between milk price and feed cost < $4.00/cwt
  - Producers can purchase higher coverage levels, up to $8.00/cwt margin

- Dairy Product Donation Program
  - When the margin is less than $4.00 for the two preceding months, the Secretary purchases dairy products at prevailing market prices and distributes to public and private nonprofits assisting low-income households
Livestock defined as cattle (including dairy), bison, poultry, sheep, swine, horses and other livestock as determined by the Secretary

Livestock Indemnity Payments

- FY 2012 and each succeeding year
- For livestock death in excess of normal mortality due to attacks by animals reintroduced into the wild by the Federal government, adverse weather (hurricanes, floods, blizzards, disease, wildfires, extreme heat, and extreme cold)
- Payment rates – 75% of the market value of applicable livestock
Livestock Forage Disaster Program

- FY 2012 and each succeeding year
- Provides compensation to eligible livestock producers who have suffered grazing losses due to:
  - Drought
    - 60% of the monthly feed cost
  - Fire on federally managed rangeland
- Provisions included to extend benefits to 5 months
Livestock Forage Disaster program

<table>
<thead>
<tr>
<th>Drought Threshold</th>
<th>Weeks Required in Threshold</th>
<th>Monthly Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>D2</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>D3</td>
<td>Any</td>
<td>3</td>
</tr>
<tr>
<td>D3</td>
<td>4</td>
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<tr>
<td>D4</td>
<td>Any</td>
<td>4</td>
</tr>
<tr>
<td>D4</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

**Legend:**
- **D2** – Severe Drought
- **D3** – Extreme Drought
- **D4** – Exceptional Drought
Livestock programs – Sign-up

- Livestock forage disaster program (LFP)
    - If you registered after September 30, 2014, payment will be reduced by 7.3% (Budget Control Act)
  - Ends January 30, 2015
  - Subsequent years
    - within 30 calendar days after the end of the calendar year in which the grazing loss occurred
Choices to be made

1-time choices for life of the farm bill
- Reallocate base acreage on a farm?
- Update program yields for each crop on a farm?
- Can choose ARC-IC for all crops on a farm OR
- Choose between PLC or ARC-CO for each crop on a farm

Annual choices
- Formally enroll in the selected programs? (Note: cannot change ARC/PLC choice)
- Purchase crop insurance (SCO available only if not in ARC or STAX)
Timing of decisions

- **Base Reallocation/Yield Updates**
  - Begins: September 29, 2014
  - Ends: February 27, 2015

- **ARC/PLC Election**
  - Begins: November 17, 2014
  - Ends: Not before March 31, 2015

- **Sign ARC/PLC Contracts**
  - Begins: mid-April, 2015
  - Ends: end of the summer 2015
Partnersing with Texas A&M University Ag and Food Policy Center to develop web based tools for:

- Yield update
- Base reallocation and PLC/ARC decision
- Crop insurance
- Generic base allocation

- Incorporates risk
- Initial version released September 25, 2014
- Link on FAPRI home page
  - http://www.fapri.missouri.edu