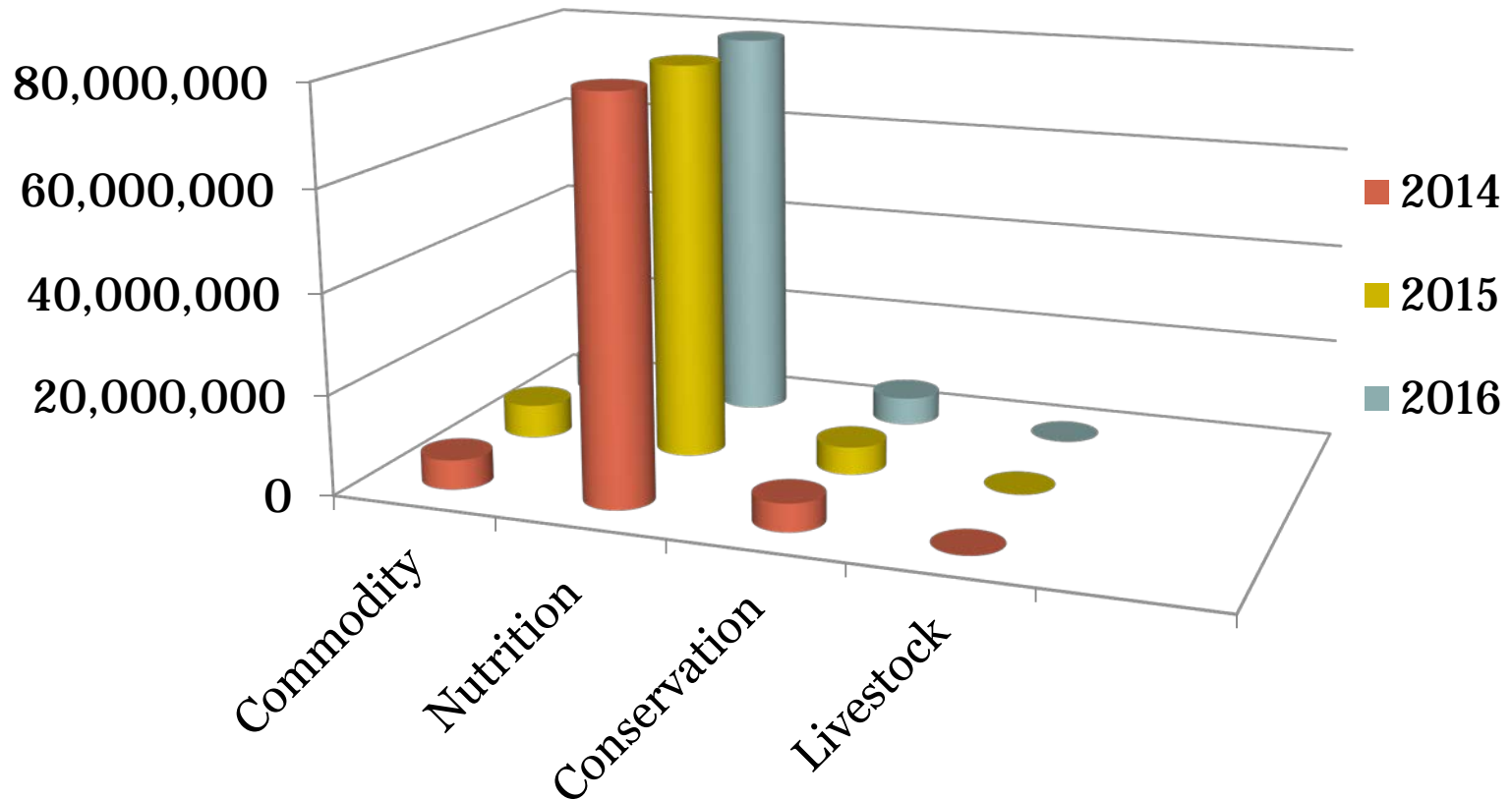


**Farm Bill**  
**Agricultural Act of 2014**  
**Commodities and Conservation**



# Agriculture Program

## Agriculture Spending



# Commodities

- **Cotton Programs:**
  - Stax
  - Supplemental Coverage Option (SCO)
- **Corn, Wheat, SoyBean, Rice, Peanuts:**
  - Price Loss Coverage (PLC)
  - Agricultural Risk Coverage (ARC)
  - Base Acres
  - Payment Yields
  - Payment Limitations, Adjusted Gross Income, and Actively Engaged
  - Crop Insurance
- **Dairy**
  - Margin Protection Program

# PLC and ARC

- **Base Acres**
  - Last 4 years 2009-2012
  - You can redo your Base or keep the same
  - Cotton is automatic Generic Base
  - Cotton is decoupled from rest of Farm Programs
- **Yield**
  - 90% of last 5 years
  - Update last 5 years 2008-2012
  - If 1 year is lower than 3 year average you can use 75% of 3 year average for each crop

## Average Prices and Reference Prices for ARC and PLC

### Corn:

2008	4.06	
2009	3.55	
2010	5.18	
2011	6.12	
2012	7.20	
Olympic avg.	\$5.12	
Reference Price		\$ 3.70

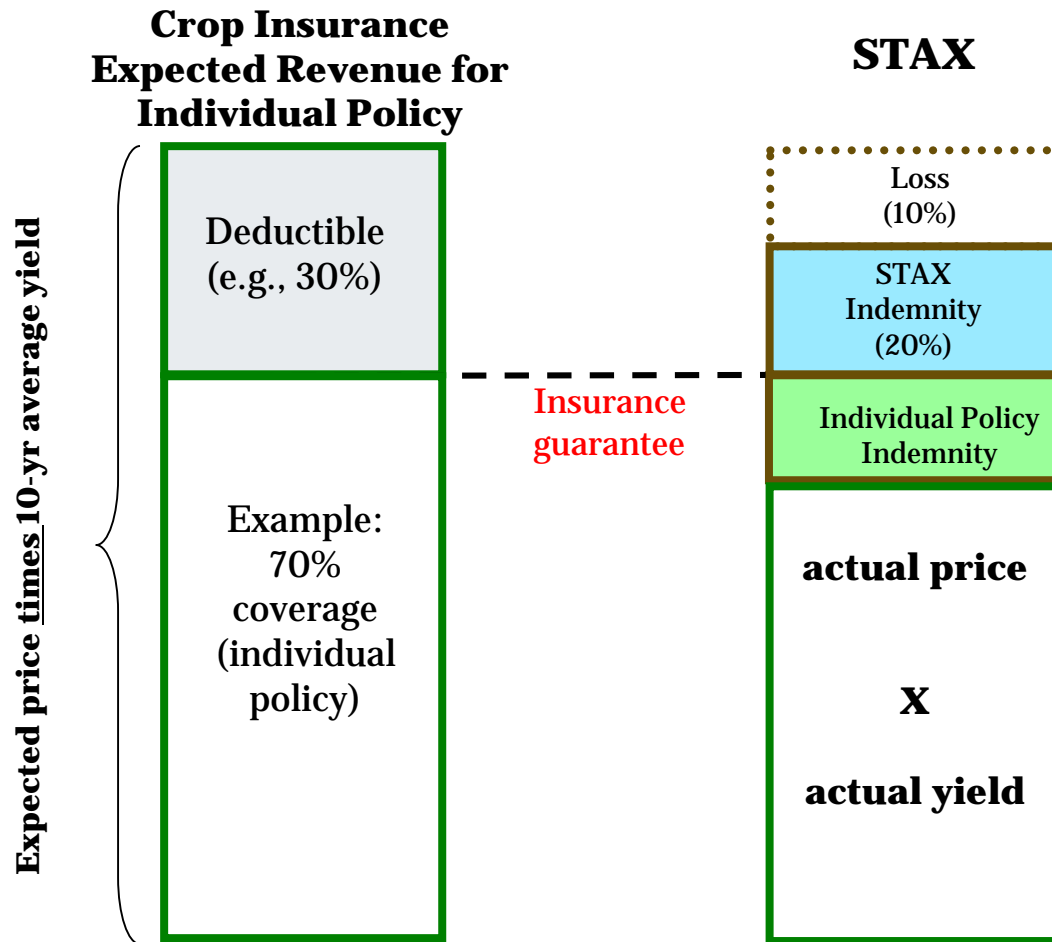
### Soybeans:

2008	9.97	
2009	9.59	
2010	11.30	
2011	11.70	
2012	14.90	
Olympic avg.	\$10.99	
Reference Price		\$8.40

### Wheat:

2008	6.78	
2009	4.87	
2010	5.70	
2011	7.30	
2012	7.90	
Olympic avg.	\$6.59	
Reference Price		\$5.50

# Stacked Income Protection Plan (STAX) for Upland Cotton



STAX premium subsidy equals 80%.

Cotton is not eligible for Price Loss Coverage (PLC) or Agriculture Risk Coverage (ARC).

# Stacked Income Protection Plan (STAX) for Upland Cotton: **LOW REVENUE SCENARIO**

## Crop Insurance Expected Revenue for Individual Policy

Uninsured  
= \$240/ ac.

---

1000lbs X 70%  
= 700lbs

Guarantee =  
\$560 / ac.

70%  
coverage  
(individual  
policy)  
X RMA set  
Price of 80 ¢

Insurance  
guarantee  
= \$560 /ac

Max  
payment  
under STAX  
is \$128

## STAX

Farmer loss  
(\$112/ac.)

**\$128 / ac.**

---

**800lbs  
County Yield  
X RMA price  
Of 80¢ =  
\$640 x 20% =  
\$128.00 Stax  
+ \$560  
Personal  
Insurance =  
guarantee  
\$688**

Expected price times 10-yr average yield

1,000lbs is  
insurance yield set  
by RMA-Farmer's  
personal yield

\$ per acre  
STAX indemnity\* = \$128  
Indiv. indemnity = \$560

**Total = \$688/ ac.**

\*assumes that a county revenue  
loss triggers the STAX indemnity

For illustration only (not a decision tool).

# Cotton Payment Limitations and Market Loan Gains

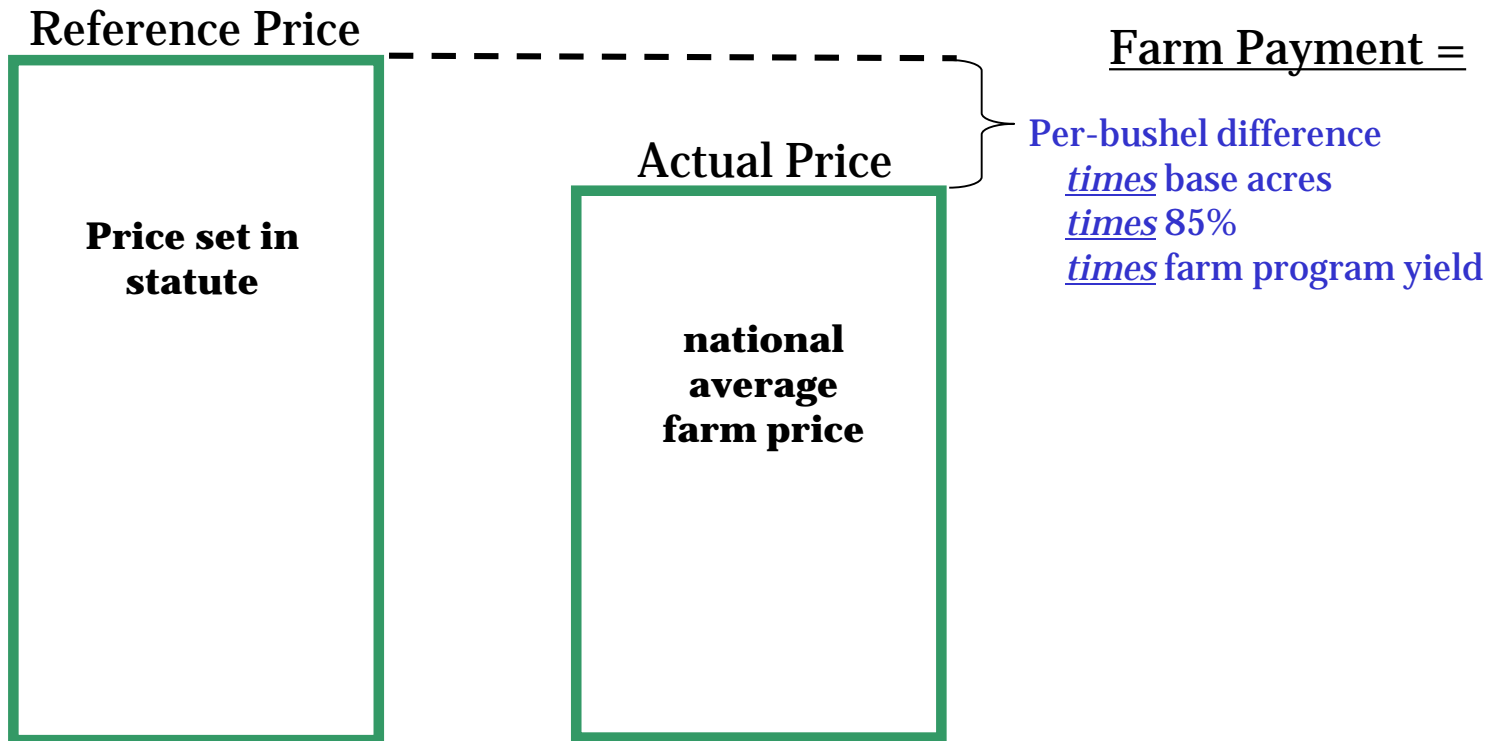
- Payment Limitations
  - \$125,000.00/\$250,000.00 per couple
  - Applies to Market Loan Gains
- Marketing Loan Gains
  - You have to have a Marketing Loan Gain for limits to apply.
  - Example:
    - If you Pop it and do not have a Marketing Loan Gain the Payment Limits will not apply.



# Price Loss Coverage (PLC)

*Makes payment when national average farm price drops below the reference price*

## Payment Calculation



For illustration only (not a decision tool).

# Price Loss Coverage (PLC)

## LOW PRICE SCENARIO: Corn Example

Price is 12 month average price received.

### Payment Calculation

Reference Price = \$3.70 / bu.

**Producer Yield**

Price set in statute

100 bu.  
x  
3.70 = \$370/ac

Low price scenario:  
\$3.50 / bu.

national average farm price

Farm Payment =

Difference = \$0.20 / bu.  
*times* 85% of base  
*times* 100 bu. / acre  
  
= \$1,700 farm payment

Only pays 86%  
Personal Yield Simple  
Average 5 years or keep  
your same yield

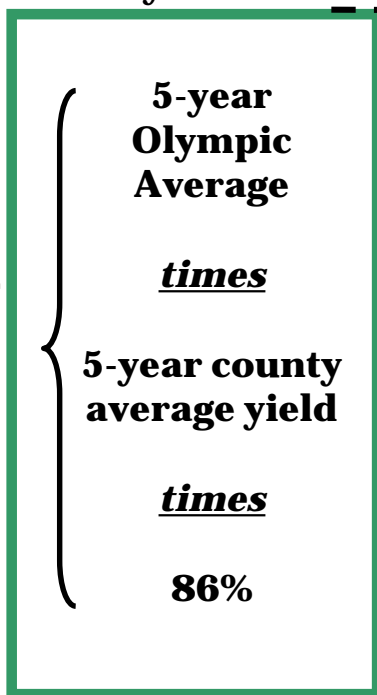
For illustration only (not a decision tool).

# Agriculture Risk Coverage (ARC)

*Makes payment when actual farm or county-wide revenue drops below 86% of historical revenue (protects against “shallow loss”)*

## Payment Calculation

### County Revenue Guarantee



### Actual Revenue



### Farm Payment =

Per-acre difference  
times base acres  
times 85%

Max. per-acre payment is 10% of benchmark revenue.

Note: Instead of a county guarantee, farmers can select a farm-level guarantee. Payment acreage is reduced to 65% of base acres, and revenue guarantee and payment is calculated based on total farm number revenue, not on a crop-by-crop basis.

For illustration only (not a decision tool).

# Agriculture Risk Coverage (ARC)

## LOW PRICE SCENARIO: Corn Example

5 year County Olympic County Average

County Revenue Guarantee = \$430/ ac.

Irrigated vs. Non-irrigated where applicable.

Farm Payment =

Benchmark Revenue = \$500/ac.

5 year County Olympic Average is \$5.00 x 100 bu = \$500 x 86% = \$430

**\$5.00 / bu.**  
times  
**100 bu. / ac.**  
times  
**86%**  
**= \$430/ ac.**

Low revenue scenario:  
Actual Revenue = \$320

**\$4.00 / bu.**  
times  
**80 bu. / acre**  
**= \$320 / ac.**

Difference = \$110 per acre  
*times* 85%  
= \$93.50/acre

Max payment is 10% of benchmark revenue = 10% of \$500.00 or \$50/acre

Price is 12 month average price received.

For illustration only (not a decision tool).



# Supplemental Coverage Option

## LOW PRICE SCENARIO: Corn Example

**Crop Insurance**  
**Expected Revenue**  
 = \$750/ ac.

Deductible  
 = \$375/ ac.

150bu x  
 5.00=750 x  
 .50=  
 Guarantee =  
 \$375/ ac.  
 50%  
 coverage  
 (individual  
 policy)

140 bu X  
 \$5.00 X  
 36%=  
 \$252.00 SCO

Insurance  
 guarantee  
 = \$375 /ac

RMA set  
 price of  
 \$5.00

**SCO**

Farmer loss  
 (\$123/ac.)  
 SCO  
 supplement  
 \$252.00.

5 year  
 County  
 Olympic  
 Average Yield.  
 Price is  
 determined  
 just like buy-  
 up insurance

Area Wide Like Stax

100 acres of corn with  
 expected yield of 150 bu.  
 Yield X \$5.00=\$750.00.

\$ per acre  
 SCO indemnity\* = \$252  
 Indiv. indemnity = \$375

**Total Guarantee**  
 = \$627 / ac.

\* First 50% is buy-up  
 insurance, second SCO  
 coverage is triggered by  
 county. Can purchase SCO up  
 to 86% as long as you have an  
 underlying policy.

For illustration only (not a decision tool).



# Agriculture Risk Coverage (ARC)

## LOW PRICE SCENARIO: Long Grain Rice Example

County Revenue Guarantee = \$883/ ac.

Farm Payment =

Benchmark  
Revenue  
= \$1,027/ac.

**\$14.67 / cwt.**  
  
***times***  
  
**70 cwt. / ac.**  
  
***times***  
  
**86%**  
  
**= \$883 / ac.**

Low revenue scenario:  
Actual Revenue = \$850

**\$13.50 / cwt.**  
  
***times***  
  
**63 cwt. / ac.**  
  
**= \$850 / ac.**

Difference = \$34 per acre  
*times* 85%

= \$2,890 farm payment

For illustration only (not a decision tool).

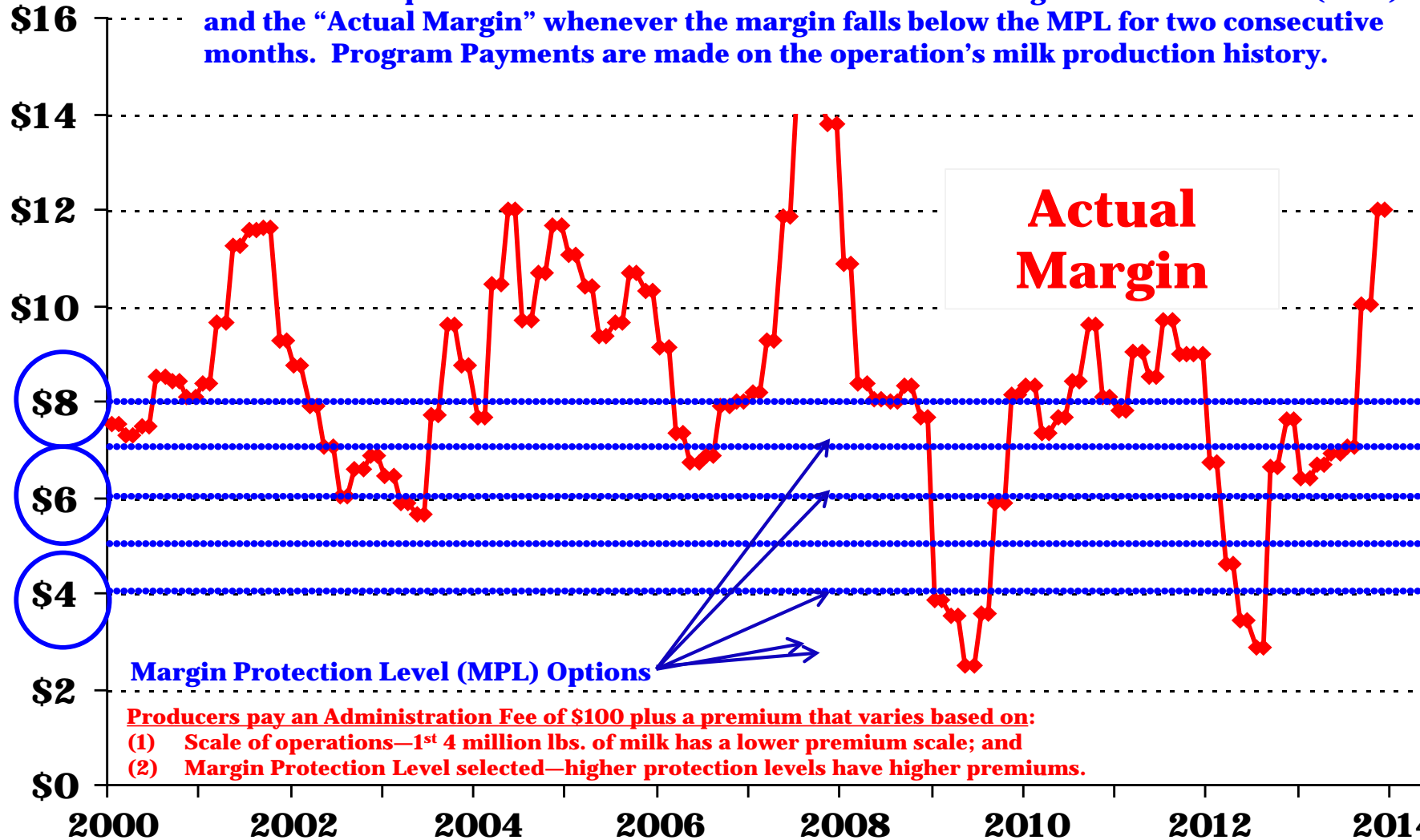
# Covered Commodities

- Market Assistance Loans available on all production at current loan rates
- Choice of Price Loss Coverage (PLC) or Agriculture Risk Coverage (ARC)
- ARC may be on area or individual farm basis
- Choice is one-time, irrevocable on commodity-by-commodity basis for 2014-18 crops
- If no choice made for 2014, Secretary may not make payments for 2014 and 2015-18 crops are enrolled in PLC
- If individual ARC coverage is elected it applies to all crops under producer's control in state (whole farm)
- PLC and ARC payments are decoupled from production (except on generic base)

# Market Protection Program for Dairy

\$/cwt

Producers are paid the difference between the selected “Margin Protection Level (MPL)” and the “Actual Margin” whenever the margin falls below the MPL for two consecutive months. Program Payments are made on the operation’s milk production history.



Source: Margins calculated by CRS based on USDA data ( WASDE, Jan. 10, 2014) using the formula in Conference Report H.R. 2642, Sections 1401 and 1402 of the 113<sup>th</sup> Congress. Margins = (All-Milk Price) less (Avg. Feed Ration Cost); calculated for two-month intervals.

