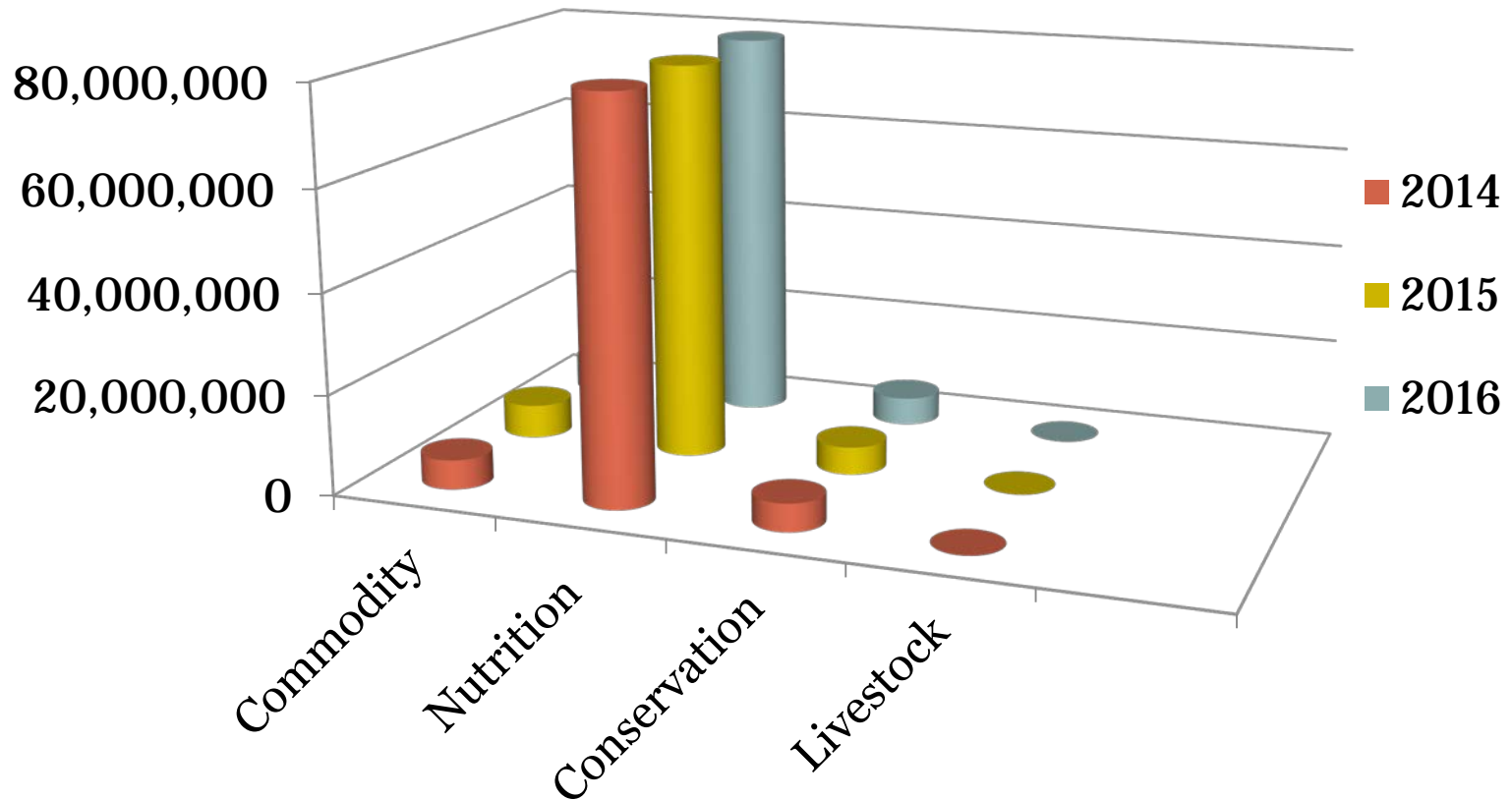


Farm Bill
Agricultural Act of 2014
Commodities and Conservation



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

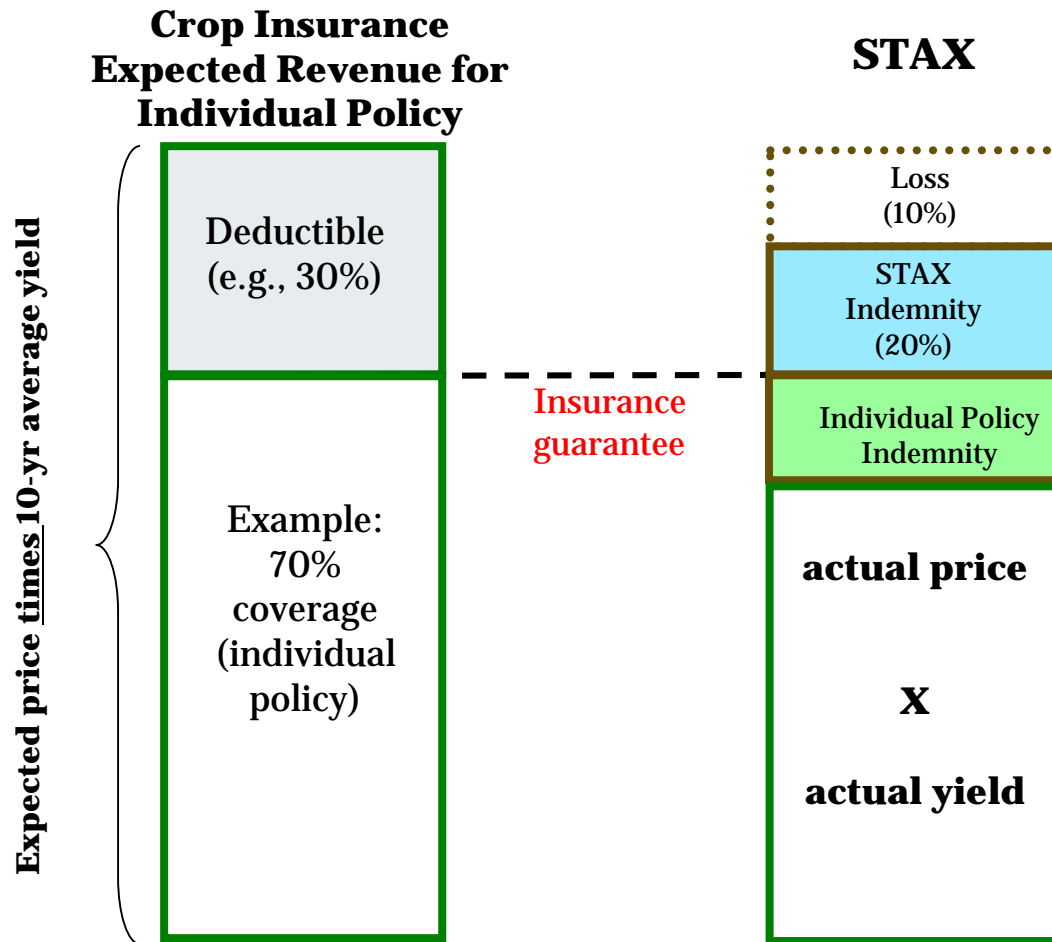
Soybeans:

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).

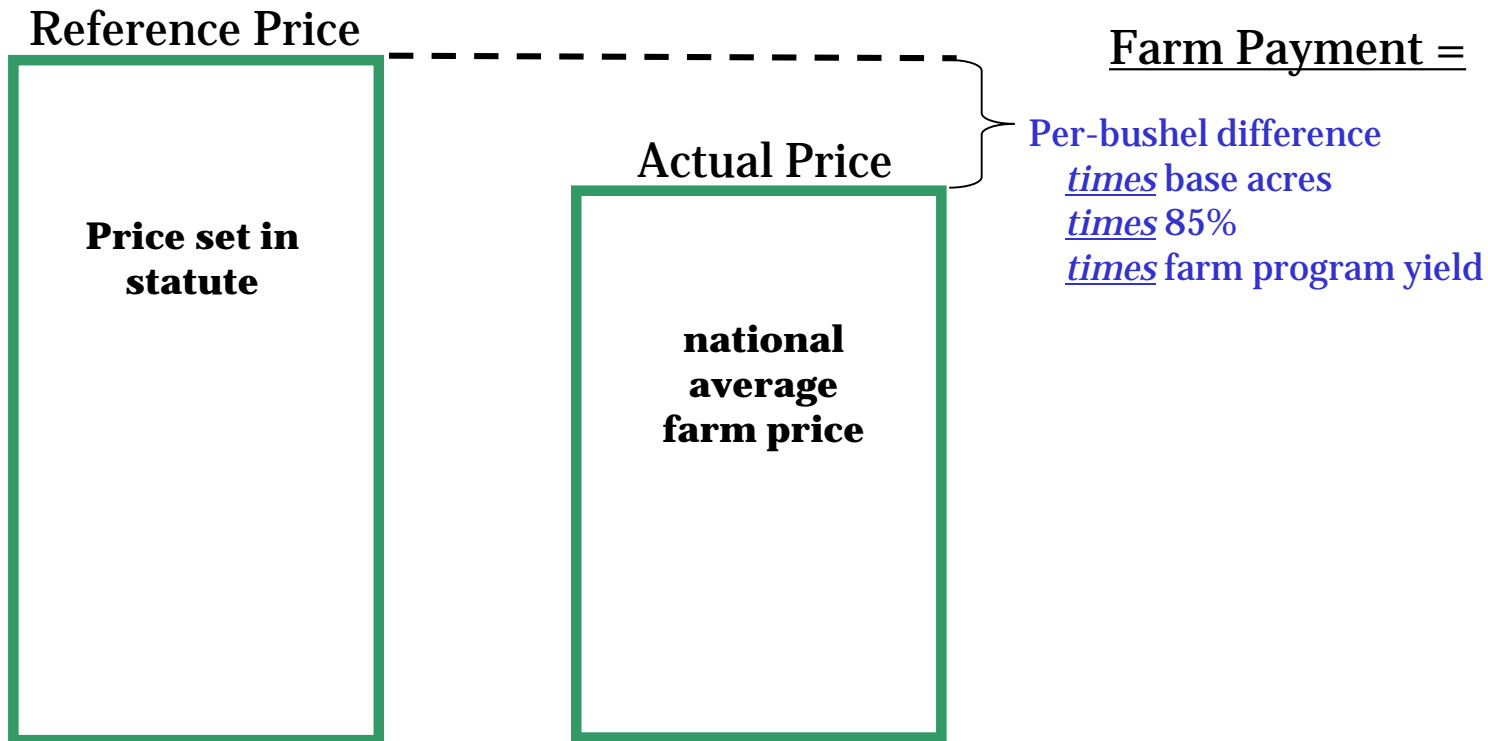
Cotton Payment Limitations and Market Loan Gains

- 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

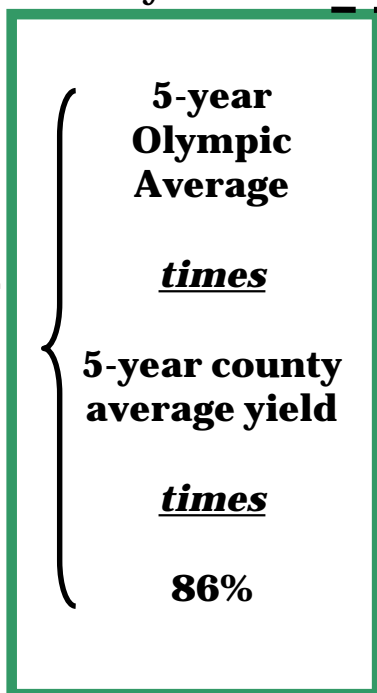
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Agriculture Risk Coverage (ARC)

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

Payment Calculation

County Revenue Guarantee



Benchmark Revenue —

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

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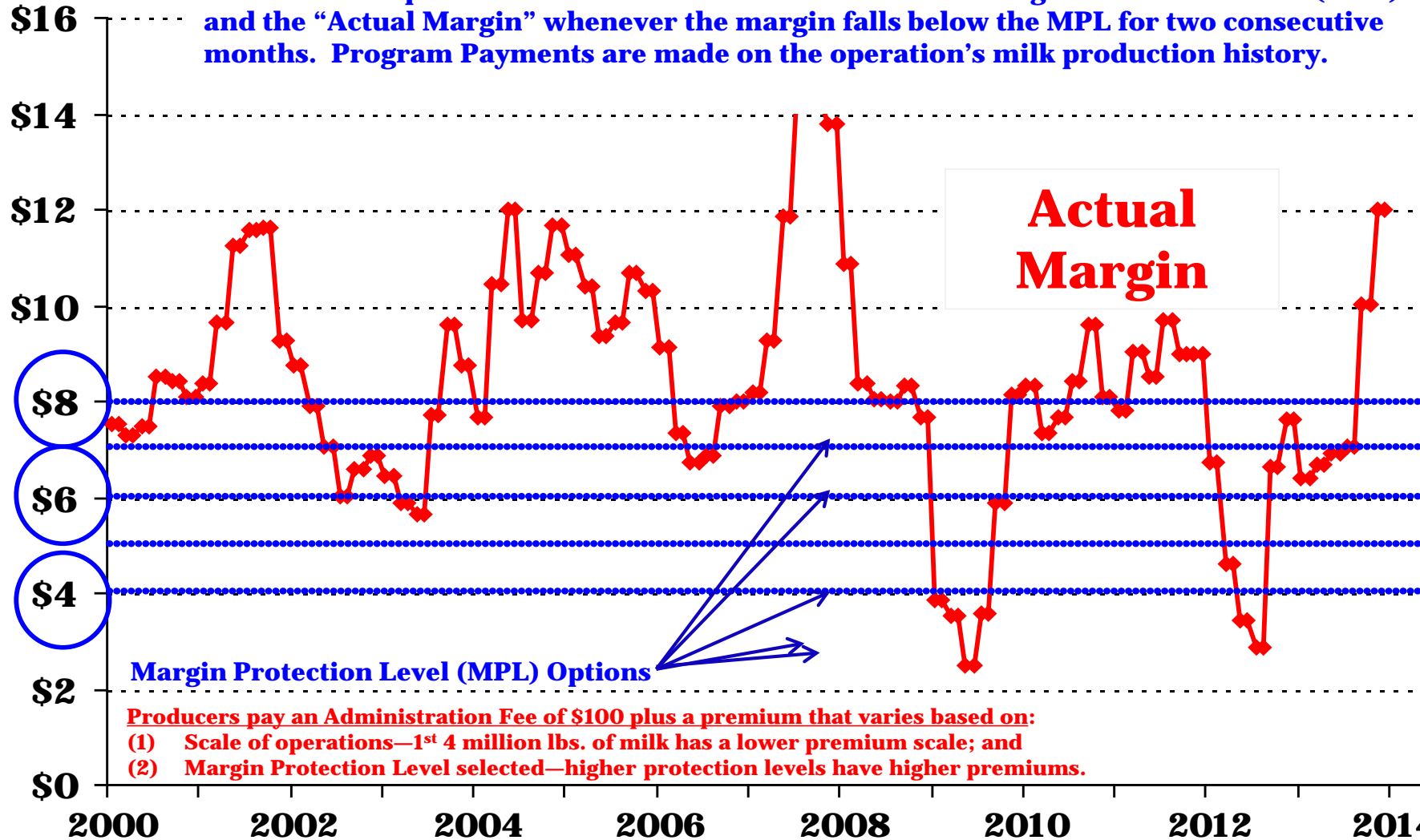
Covered Commodities

- 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.



Producers pay an Administration Fee of \$100 plus a premium that varies based on:
 (1) Scale of operations—1st 4 million lbs. of milk has a lower premium scale; and
 (2) Margin Protection Level selected—higher protection levels have higher premiums.

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 113th Congress. Margins = (All-Milk Price) less (Avg. Feed Ration Cost); calculated for two-month intervals.

