The Agricultural Act of 2014

Preliminary Overview*

February 6, 2014

Cotton

Choice to purchase STAX or SCO on all acres planted to cotton

Special transition program for 2014 crop, and if STAX not available, transition program extends to 2015

- For 2014, equates to 5.40 cents/lb. on 2013 cotton base acres and payment yield
- If necessary to be made available, the 2015 rate would be significantly lower
- Separate $40,000 limit on transition benefits

Market Assistance Loan available on all production

- Annual loan rate set by formula using average world price for most recent 2 years
- Loan rate for base quality cannot be less than 45 cents/lb. or greater than 52 cents/lb.
- Current redemption rules and AWP calculation continue
- Storage payments available when AWP is below principal plus interest
- Legislation includes provision eliminating sequester on MALs beginning in 2014

Economic Adjustment Assistance Program continues at 3 cents/lb.

ELS cotton loan and competitiveness programs continue

- Pima Trust Fund reauthorized using CCC funds

STAX

If Area-Wide Actual Income falls below 90% of Area-Wide Reference Income, an indemnity is triggered

Actual Income is insurance harvest price x actual county yield

Reference income is insurance projected price x expected county yield

Indemnity is equal to lesser of amount that 90% of Reference Income exceeds Actual Income or 20% of Reference Income (90%-70% coverage is maximum coverage band)

Premium subsidy is 80%

Harvest Price Option and Protection Factor (between 80% and 120%) available as options

May purchase coverage in 5% increments

Available on all acres planted to cotton

Offered by irrigated and non-irrigated practice to greatest extent possible

Does not require purchase of underlying crop insurance coverage

Supplemental Coverage Option (SCO)

Available to upland cotton and other crops beginning with 2015 crop

SCO may not be purchased on acres planted to cotton covered by STAX

Not available on covered commodities if ARC is selected for covered commodities

Underlying insurance coverage is required for SCO

Provides coverage for a portion of individual's deductible from underlying policy

SCO indemnities triggered based on county-level experience

SCO will be yield or revenue product, depending on underlying coverage

** Preliminary assessment subject to change based on interpretation of legislative language and implementation.*

SCO deductible is 14%, i.e. provides indemnities if county yield/revenue falls below 86% of expected yield/revenue

SCO premium subsidy is 65%

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)

Price Loss Coverage (PLC)

If effective price is less than reference price, a payment is triggered

Effective price is higher of loan or 12 month average price received

Reference prices set by statute:

Peanuts	$535/ton
Corn	$3.70/bu
Soybeans	$8.40/bu
Wheat	$5.50/bu
Rice	$14.00/cwt
Sorghum	$3.95/bu
Barley	$4.95/bu

Agriculture Risk Coverage (ARC)

If Actual Crop Revenue is below ARC Guarantee a payment is triggered

Actual Crop Revenue is actual avg. county yield/planted acre x higher of 12 mo. national avg. price or loan rate

Benchmark Revenue is 5 yr. Olympic avg. county yield x 5 yr. Olympic avg. price received

- Yield plug = 70 % in any year yield is below 70% of Olympic county average
- Price plug = loan rate in any year price is below loan rate

ARC Guarantee is 86% of Benchmark Revenue

Payment rate is lesser of amount ARC guarantee exceeds Actual Crop Revenue or 10% of Benchmark Revenue (86%-76% coverage)

Payment Acres

For PLC and ARC (area)

- 85% of sum of base acres for each covered commodity and any generic base planted to the covered commodity (30% for prevented panted acres)
- 65% of sum of base acres and generic acres planted to commodity if individual farm ARC elected
- When generic acres are planted to one or more covered commodities special rules for calculating total payment acres for each covered commodity are specified
- Payment acres may not exceed total base acres on the farm

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Base Acres

Choice to retain 2013 base acres or reallocate base

- Generic base (formerly cotton base) is automatically retained, regardless of the decision whether or not to reallocate bases of covered commodities
- Reallocation applies to base acres of 2014 covered commodities (i.e. excludes cotton) and is calculated by using average acres planted to covered commodities in crop years 2009-12 (including years the crop was not planted)
- Reallocation of base acres may not result in total number of base acres (including generic base) for the farm exceeding the number of base acres in effect on the farm on Sep 30, 2013.

Payment Yields

Producers may elect to update yields for purposes of PLC on a commodity-by-commodity basis beginning with 2014 crop

Update calculated as 90% of Olympic average per planted acre for 2008-12 crop years-excluding years when acreage planted to the crop was zero

- If yield in any year is less than 75% of Olympic average, plug-in 75% of Olympic average

Payment Limits, Income Tests, and Actively-Engaged-in-Farming

Payment Limit per entity is $125,000 for total of PLC, ARC, MLGs and LDPs

- Separate limit for peanuts is extended

Adjusted Gross Income test: if 3 year average exceeds $900,000 ineligible for commodity and conservation benefits; does not apply to eligibility for crop insurance premium subsidies

Actively-Engaged-in-Farming provision authorizes Secretary to define what constitutes a significant contribution of management and provides discretionary authority to establish a limit on the number of individuals who may be considered actively engaged when a significant contribution of management is used to meet the actively engaged requirements; any changes to actively engaged rules will not be effective until 2015 crop. New management rules will not apply to individuals in operations composed solely of family members.

Crop Insurance

Enterprise Units

- Makes premium subsidy permanent and allows for separate irrigated and non-irrigated crops in 2015

Adjustment in APH to determine insurable yields

- A producer may choose to exclude any year from their APH if the yield in the county in that year is less than 50% of the ten year county average. This also applies to contiguous counties and allows for the separation of irrigated and non-irrigated acres.

Allows for coverage levels by practice beginning in 2015

Requires conservation compliance to receive premium subsidy

Sod saver program applies in Midwest - reduces benefits if native prairie plowed up

Requires RMA and FCIC to provide for a peanut revenue crop insurance program (using the Rotterdam price) by the 2015 crop year

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Conservation

CRP reduced to 24 million acres by 2018

CSP maximum annual enrollment reduced to 10 mil acres through 2022

- Must meet two Priority Resource Concerns and must meet or exceed an additional one by end of the contract

EQIP

- At least 5% for wildlife habitat and 60% for livestock
- Payment limit $450,000 total for all contracts from 2014 to 2018
- Funds increase from $1.35 billion in FY 14 to $1.75 billion in FY18

Agricultural Conservation Easement Program

- Combines WRP, GRP and FRPP into one program

Trade

The new farm bill includes legislative language intended by Congress to resolve the Brazil dispute as it relates to GSM

- GSM is reauthorized through 2018 with annual limit of $5.5 billion

Includes authority to allow the Secretary to implement the GSM program in a manner consistent with WTO obligations:

- Reduces the maximum tenor for loan guarantees to 24 months;
- Strikes a provision in previous law requiring that the Secretary maximize the amount of credit guarantees made available each fiscal year; and
- Strikes a provision that restricted the Secretary's ability to adjust program fees.
- In the Manager's Statement, House and Senate farm bill conference leaders specifically acknowledge that there are unresolved issues in the Brazil case and that it is their strong intent that the discretion provided to the Secretary be used to reach a negotiated solution to the dispute.

Re-authorizes Market Access Program (MAP) and Foreign Market Development (FMD) Program through 2018

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