

The 2014 Farm Bill and the Apple Industry



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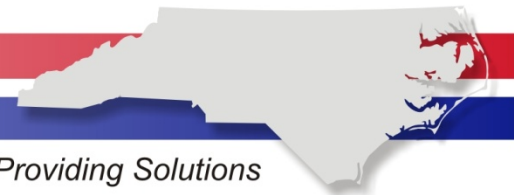
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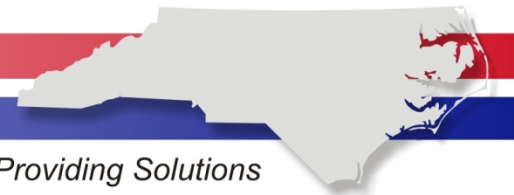
What Do We Know?

- There is a Farm Bill and it has been signed into law
 - Agricultural Act (AA) of 2014
- It is over 930 pages long
 - Will likely be over 20,000 pages long after USDA has written implementation rules for all programs



Disclaimer

- Information provided here is based on my reading of the Bill and other available materials regarding the contents of the Bill
- There may be differences in my interpretation and final regulations



Provisions affecting the Apple Industry

- **Risk Management:**
 - Tree Assistance Program (TAP)
 - Whole Farm Revenue Program (WFRP)
- **Trade:**
 - Market Access Program (MAP) & Technical Assistance for Specialty Crops (TASC)
 - Bulk Apple Export to Canada (without inspection)



Tree Assistance Program (TAP)

- 2014 Farm Bill re-authorized TAP
- **Purpose:**
 - To provide financial assistance to qualifying orchardist and nursery tree growers to replant or rehabilitate eligible trees (including apple trees) damaged by natural disaster
- Retro-active to cover eligible losses back to Oct 1, 2011



Tree Assistance Program (TAP)

- **Eligibility:**

- Trees lost/damaged due to a natural disaster (including plant disease & insect infestation)
- Must have loss in excess of 15% (adjusted for normal mortality)
- Loss could not have been prevented through reasonable measures
- Need evidence of loss (i.e. visual, obvious)
- Replaced eligible trees within 12 mos.



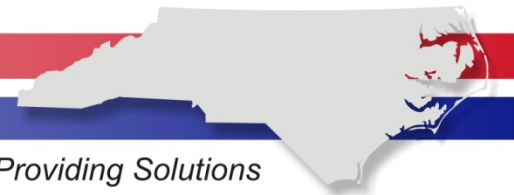
Tree Assistance Program (TAP)

- Payment Calculation:
 - 65% of actual cost of replanting trees that is in excess of 15% mortality (adjusted for normal mortality) AND 50% of the actual cost of rehabilitation (e.g., land prep, removal costs, etc.) that is in excess of 15% mortality (adjusted for normal mortality)
 - Or, a maximum eligible amount established by FSA (e.g., \$8 per tree for tree replacement)
 - Whichever is lesser



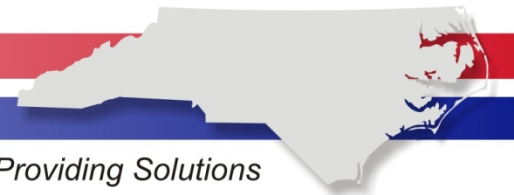
Tree Assistance Program (TAP)

- **Acreage Limitation:** 500 acres
- **Payment Limitation:** \$125,000
- **AGI limitation:** \$900,000
- Submit application for TAP payments (with documentation) within **90 days** of the disaster event or the date when loss is apparent



Whole Farm Revenue Protection

- 2014 Farm Bill required **development of a whole farm crop insurance policy** (Title XI, Sec. 11022)
- Primarily because **specialty, organic, and diversified** crop farmers have historically been underserved
 - Specialty crops: fruits, nuts, vegetables



Whole Farm Revenue Protection

- New whole farm crop insurance policy meant to expand & improve upon previous whole-farm revenue programs:
 - AGR and AGR-Lite
- AGR & AGR-Lite have been lightly used since its introduction in 1999
 - In NC, 3 AGR-Lite policies sold in 2013



Whole Farm Revenue Protection

- In May 2014, the FCIC approved the **Whole Farm Revenue Protection (WFRP)** pilot policy to be offered by RMA in **2015**
- WFRP allows farmers to insure **all crops (& livestock)** at once, rather than insuring commodity-by-commodity
 - Expands options for diversified producers



WFRP Program Features

- **Revenue** insurance
 - Revenue coverage from tax records
- **Expanded coverage levels** from **50%** to **85%** of gross farm revenue
- **Premium subsidy** of up to **80%** when at least two crops are grown
- Further **premium discounts** with increased diversification (at higher coverage)



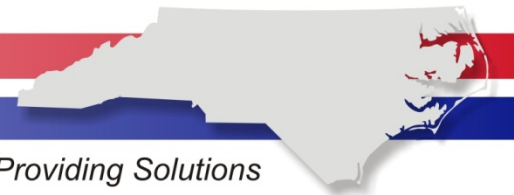
WFRP Program Features

- Expanded coverage to allow incidental processing expenses needed to bring commodity to market
 - Washing, trimming, and packaging costs
- Increased liability limit to \$8.5 million
 - Compared to \$6.5 million for AGR & \$1 million for AGR-Lite



Crop Insurance Update

- For NC, change in varietal groupings:
 - Varietal group A (\$51.45): Honeycrisp
 - Varietal group B (\$15.55): Cortland, Empire, Fuji, Gala, Jonagold, Macoun, McIntosh, Ozark Gold, Paula Red, Cripps Pink (Pink lady), Red Rome
 - Varietal group C (\$10.75): Others
 - Fresh (\$13.35)
 - Processing (\$4.15)



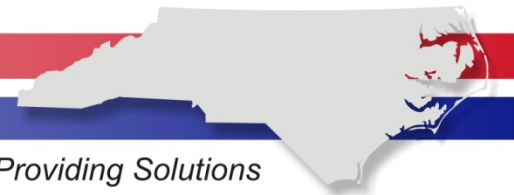
Market Access Program (MAP)

- 2014 Farm Bill re-authorized MAP
- **Purpose:**
 - to help US ag. trade groups build export markets by providing technical assistance & sharing the cost of overseas marketing



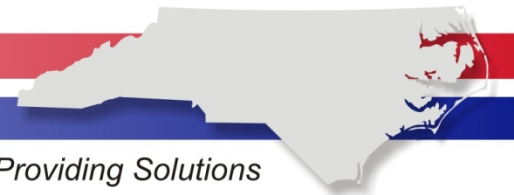
Market Access Program (MAP)

- In FY13, apple industry received **>\$5.5 million** in export development funds from MAP
- **Past MAP Outcomes:**
 - ↑ fresh apple exports by 150% since 1986
 - In 2013, 30% of US fresh apple exported (\$800 million value)
 - Export promotion in more than 25 countries



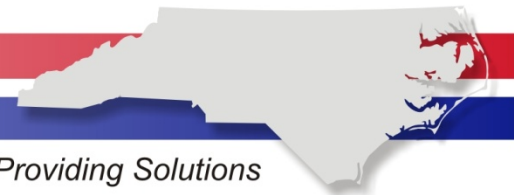
Technical Assistance for Specialty Crops (TASC)

- 2014 Farm Bill re-authorized TASC
 - Increased funding \$9 million/year
- **Purpose:**
 - To help overcome phytosanitary and technical trade barriers that prohibit or threaten exports of US specialty crops (including apples)



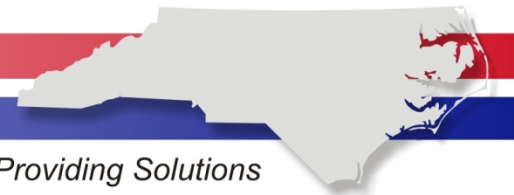
Bulk Apples to Canada

- 2014 Farm Bill allows **bulk fresh apple containers to be shipped without inspection to Canada**
 - Exemption to the Export Apple Act
- With 1.5 million bushels of apples shipped to Canada, **industry expected to save \$500,000 annually**
 - Inspection fee savings



Take Home Messages

- In general, 2014 Farm Bill provided considerable support to **specialty crops** (including the **apple industry**)
 - TAP, MAP, TSAC, etc.
- WFRP has **potential** to be an attractive risk management option for apple growers (especially diversified operations)



More Information

- **For TAP:** See FSA Website:
 - <http://www.fsa.usda.gov>
- **For WFRP:** See the RMA Website:
 - <http://www.rma.usda.gov>
 - **Note:** Sales closing date is 2/28/2015
- **NCSU Farm Bill website:**
 - <http://ag-econ.ncsu.edu/extension/2014-farm-bill>



Thank You!

- Questions? Contact:

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