

THE 2014 FARM BILL: Livestock Disaster Programs (and Other Highlights)



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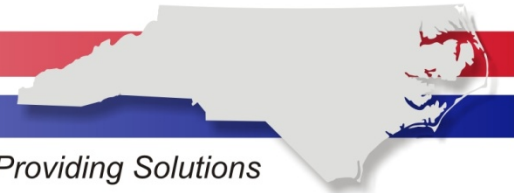
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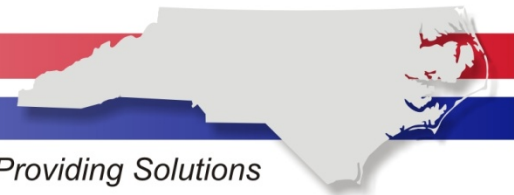
What Do We Know?

- 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



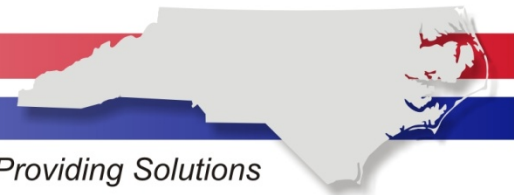
Disclaimer

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



Livestock Disaster Programs

- **2008 Farm Bill** authorized three standing livestock disaster programs:
 - 1) Livestock Forage Disaster Program (LFP)
 - 2) Livestock Indemnity Program (LIP)
 - 3) Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP)



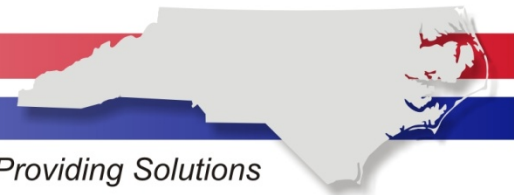
Livestock Disaster Programs

- **2014 Farm Bill** re-funded these disaster programs
 - Retroactively starting Oct 2011
- Starting April 15, 2014 can sign-up for disaster programs and make claims
- Livestock Disaster Program **made permanent** under the new Farm Bill



The LFP Program

- Compensation to eligible livestock producers who have suffered **grazing losses due to drought or fire** on federally managed rangeland
- LFP payment rate is:
 - **60%** of monthly feed cost for up to **5 months** (drought)
 - **80%** of monthly feed cost for up to **5 months** (2 year drought)
 - **50%** of monthly feed cost for days prohibited from grazing (fire)



The LFP Program

- **Payments and Drought Intensity:**
 - **1 monthly payment** for a county rated as D2 (severe drought) for 8 consecutive weeks or more
 - **3 monthly payments** for a county rated as D3 (extreme drought) at any time
 - **4 monthly payments** for a county rated as D3 for at least 4 weeks or D4 (exceptional drought) at any time
 - **5 monthly payments** for a county rated as D4 for at least 4 weeks



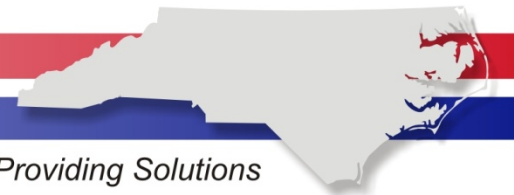
The LIP Program

- Compensation to eligible livestock producers who have suffered livestock death losses in excess of normal mortality due to:
 - Adverse weather
 - Attacks by animals reintroduced in the wild by the federal government or protected by federal law



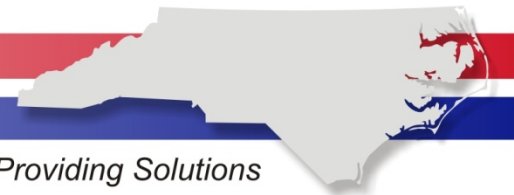
The LIP Program

- Payments are equal to **75% of the market value** of the applicable livestock on the day before the date of death
- Important to have death documentation
 - Photos, vet records, contracts, bank documents, etc
- Eligible livestock:
 - Beef cattle, dairy cattle, bison, poultry, sheep, swine, horses, other livestock (as determined by Secretary)



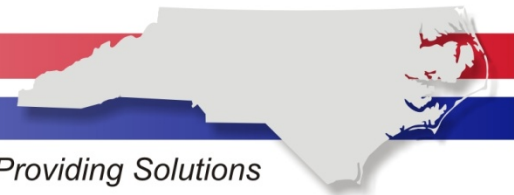
The ELAP Program

- Provides payments to eligible producers of livestock, honey bees, & farm-raised catfish for losses due to:
 - Disease, adverse weather or other conditions (e.g. blizzards and fire on private land)
- Provides aid for losses **not covered** by LIP or LFP



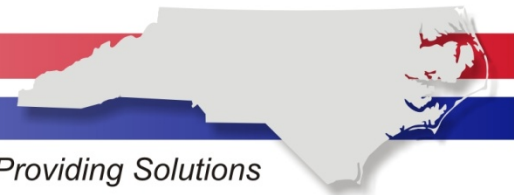
The ELAP Program

- **Four categories** of livestock losses:
 - 1) Livestock death losses caused by an eligible loss condition
 - 2) Livestock feed & grazing losses that are not due to drought or fires
 - 3) Losses resulting from additional cost of transporting water to livestock due to drought
 - 4) Losses resulting from additional cost associated with gathering livestock for treatment of cattle tick fever



Livestock Disaster Programs

- No crop insurance or NAP purchase required
- Payment limit: not to exceed \$125,000 for LFP, LIP, and ELAP combined
 - Ineligible if AGI exceeds \$900,000
- LFP and LIP sign-up deadline: Jan 30
- ELAP sign-up deadline: Nov 1



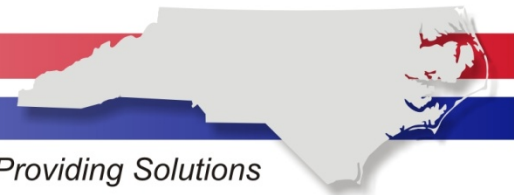
Other Major Highlights

- What is not in 2014 Farm Bill?
 - Direct Payments (gone)
 - ACRE Program (gone)
 - Countercyclical payments (gone, but not really; PLC is very similar)
 - SURE Program (gone)
 - Dairy Price Support Program & Milk Loss Contract (gone)



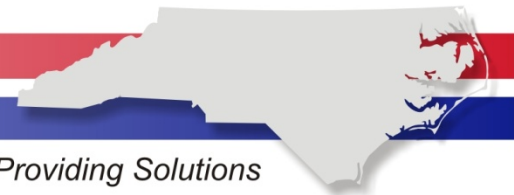
Other Major Highlights

- The “**Big Four**” in Title I and XI
 - 1) Base re-allocation & Payment yield update
 - 2) Price Loss Coverage (**PLC**)
 - 3) Agricultural Risk Coverage (**ARC**)
 - 4) Shallow Loss Programs
 - Supplemental Coverage Option (**SCO**)
 - Stacked Income Protection Plan (**STAX**)
 - Cotton producers only



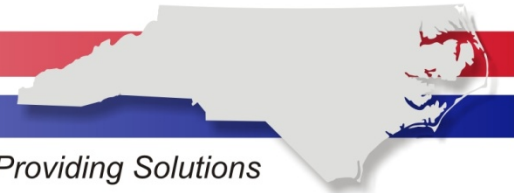
Base re-allocation

- Opportunity to re-allocate base acres to crops planted from 2009 to 2012
 - Cotton base acres now generic base acres
- Opportunity to update program payment yield based on **90%** of farm's 2008-2012 average yield per planted acre
 - Payment yield used in PLC



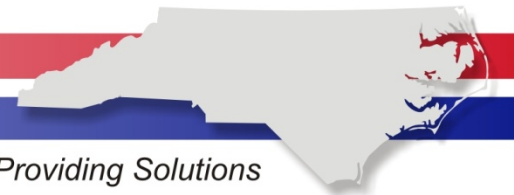
Price Loss Coverage (PLC)

- Payments made when effective price of a covered crop is **below** its reference price established in the statute
 - E.g., reference price for corn = \$3.70
- **PLC Payment** = $0.85 \times \text{Payment Yield} \times \text{Base Acres} \times \text{PLC Payment Rate}$
 - where: **PLC Payment Rate** = [Ref. Price – Higher of (Nat'l aver mktg. year price or Marketing Loan Rate)]



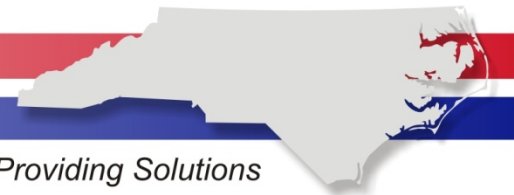
Agricultural Risk Coverage (ARC)

- County ARC or Individual ARC
- County ARC –
 - Payments when actual county revenue for covered crop < ARC County Revenue Guarantee
 - **County ARC Payment** based on **85% of Base acres**
- Individual ARC –
 - payments when actual individual crop revenues (summed across all covered commodities) are less than ARC individual guarantees (summed across all covered commodities)
 - **Individual ARC Payment** based on **65% of Base acres**



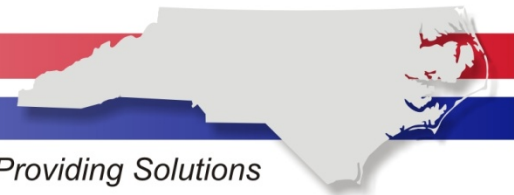
PLC or ARC?

- All producers on the farm must make a one-time, irrevocable decision among PLC, County ARC & Individual ARC
- PLC & County ARC can be made on a covered-commodity-by-covered-commodity basis
 - County ARC commodity ineligible for PLC & SCO
- Individual ARC applies to all covered commodities
 - Ineligible for PLC & SCO



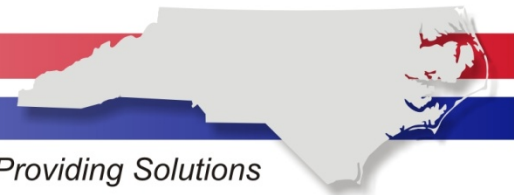
Shallow Loss Programs

- Supplemental Coverage Option (SCO)
 - “Area” triggered (based on expected county yield or revenue)
 - Covers part of the deductible of the producer’s underlying individual policy
 - Triggered if area loss exceeds 14% of expected value of crop (but not > deductible)

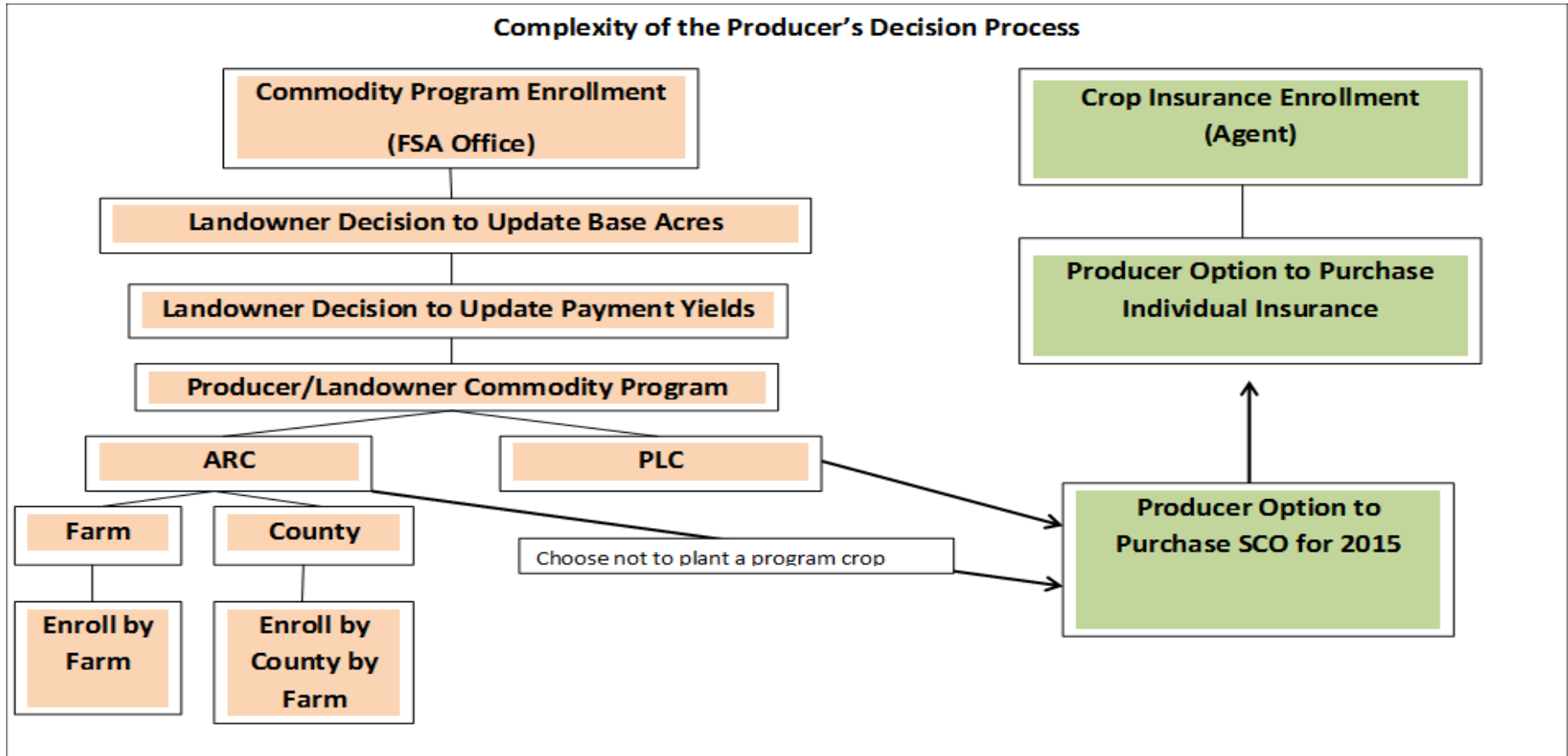


Shallow Loss Programs

- Stacked Income Protection Plan (STAX)
 - For cotton producers starting 2015 (since no more counter-cyclical for this crop)
 - Also “area” triggered (county revenue)
 - Covers part of the deductible of the producer’s underlying individual policy
 - Triggered if area revenue loss exceeds 10% of expected value of crop (but not > deductible)



Decision Process



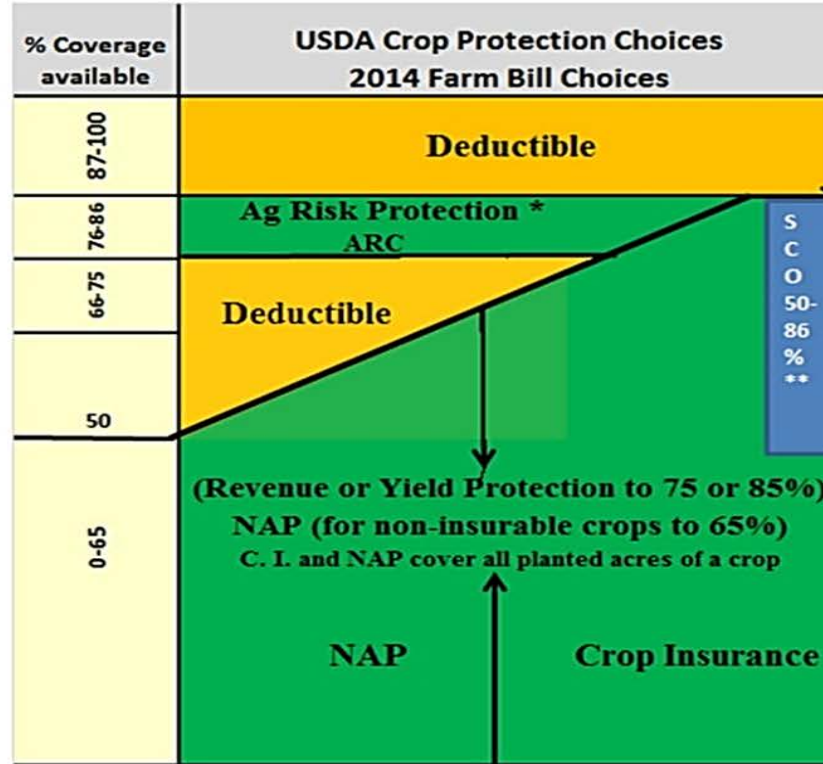
The "Sum of the Parts" - Protection for YOUR Farm

Each producer is personally responsible to develop a risk management plan for their farm(s) before enrollment deadlines. USDA provides tools for YOUR consideration.

* Price Loss Coverage (PLC) available in lieu of ARC on Program crops with base acres at FSA

* Comparison of PLC and CCP Price Support Levels

Covered Commodity	2014 Farm Bill Reference Prices Statutory	2008 Farm Bill Target Prices
Wheat	\$5.50	\$4.17
Barley	\$4.95	\$2.63
Oats	\$2.40	\$1.79
Corn	\$3.70	\$2.63
Grain Sorghum	\$3.95	\$2.63
Soybeans	\$8.40	\$6.00



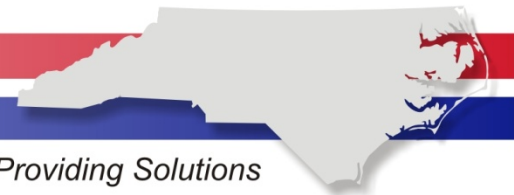
** Supplemental Coverage Option (SCO) available on an expanding number of crops (not available on crops enrolled in ARC). SCO provides area loss coverage between 86% and the individual policy coverage @65% premium subsidy.

Is YOUR Risk Management Plan Adequate to Manage a Disaster Related Business Interruption?



Take Home Messages

- For livestock disaster programs:
 - Sign-up and bring proper documentation
- 2014 Farm Bill programs are complex
 - Lots of **decisions** to think about
 - Some decisions are **irrevocable** (for the life of the bill) and have important interactions with other programs



Take Home Messages

- Producers may need to rely on **decision tools** for these complex choices
 - Texas A&M tool may be best for our area:
<https://decisionaid.afpc.tamu.edu/>
- Key deadlines:
 - Base re-allocation: **February 28, 2015**
 - ARC/PLC choice: **March 31, 2015**



Thank You!

- Questions? Contact:

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