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

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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 × Payment Yield × Base Acres × 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

Complexity of the Producer’s Decision Process

Commodity Program Enrollment (FSA Office)
- Landowner Decision to Update Base Acres
  - Landowner Decision to Update Payment Yields
    - Producer/Landowner Commodity Program
      - ARC
        - Farm
        - Enroll by Farm
      - County
        - Enroll by County by Farm
    - PLC
      - Choose not to plant a program crop

Crop Insurance Enrollment (Agent)
- Producer Option to Purchase Individual Insurance
  - Producer Option to Purchase SCO for 2015

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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

** 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?

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<table>
<thead>
<tr>
<th>Covered Commodity</th>
<th>2014 Farm Bill Reference Prices Statutory</th>
<th>2008 Farm Bill Target Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>$5.50</td>
<td>$4.17</td>
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<tr>
<td>Barley</td>
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<tr>
<td>Oats</td>
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<tr>
<td>Corn</td>
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<tr>
<td>Grain Sorghum</td>
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<tr>
<td>Soybeans</td>
<td>$8.40</td>
<td>$6.00</td>
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</tbody>
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USDA Crop Protection Choices 2014 Farm Bill Choices

- Deductible
- Ag Risk Protection *
  - ARC
  - SCO 50-86%

(Risk Protection to 75 or 85%)
- NAP (for non-insurable crops to 65%)
- C.I. and NAP cover all planted acres of a crop

Crop Insurance

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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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