AGRICULTURAL ACT OF 2014, FACT SHEET 1 UPDATED

Title I. Commodities – Overview for Crops

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The “Agricultural Act of 2014,” commonly called the farm bill, changes many programs and rules affecting crop commodities. This fact sheet provides an overview of these changes for covered commodities. Others in the series describe the programs and choices in detail.

WHAT'S GONE!

Several previous programs are repealed in the new farm bill. Direct payments are gone (except for a declining amount for cotton growers). The Average Crop Revenue Election (ACRE) program and the Counter-Cyclical Program (CCP) are repealed. While the new programs may look similar to these, the new programs are different: simpler in some ways, more complicated in other ways.

DECISIONS AND CHOICES

Several choices need to be made with the new farm bill.

By February 27, 2015, owners need to decide whether to:

- Update payment yields?
- Reallocate base acres?

By March 31, 2015, producers and owners who receive a share of the crop need to elect either:

- Price Loss Coverage (PLC) or Agriculture Revenue Coverage (ARC)—on county or individual farm basis?
- Add Supplement Coverage Option (SCO) to their PLC choice?

UPDATING PAYMENT YIELDS

Owners have a one-time opportunity to update their current payment yields established under the 2008 farm bill to 90% of their 2008-2012 average yields. This can be done on crop by crop basis. This decision is straightforward. Is 90% of the 2008-2012 average yield higher or lower than the current payment yield? If it is higher, the owner should update.

REALLOCATING BASE ACRES

Owners also have a one-time opportunity to reallocate their current base acres to reflect their cropping pattern in 2009-2012. Owners can choose to keep their current base acres
(typically the average of their 1998-2001 acreages) or reallocate their current base acre total according to the mix of crops in 2009-2012. The current total cannot be increased.

**CHOOSING CROP COMMODITY PROGRAMS**

Under the new farm bill, producers and owners who receive a share of the crop need to make a one-time, irrevocable decision to elect either the Price Loss Coverage (PLC) program or the Agricultural Risk Coverage (ARC) program. Within the ARC program, producers can choose between county coverage (ARC-CO) and individual farm coverage (ARC-IC).

Producers can make the PLC and ARC-CO decision crop by crop, and coverage is by individual crop. However, the ARC-IC requires all covered commodities on the farm to be enrolled, and coverage is for losses over all covered commodities, not crop by crop.

The 2014 farm bill also creates the Supplemental Coverage Option (SCO). The SCO is a supplement to the crop insurance choices currently available. Electing either of the ARC options eliminates the possibility of the SCO for that crop or farm. The SCO will be available for the 2015-2018 crop years but not for the 2014 crop.

**LIMITS ON PAYMENTS AND ADJUSTED GROSS INCOME (AGI)**

Under the new farm bill, the total amount of payments received, directly or indirectly, by a person or legal entity (except a joint venture or general partnership) for any crop year under the PLC and ARC programs and as marketing loan gains or loan deficiency payments (other than for peanuts) may not exceed $125,000.

A person or legal entity with a 3-year average adjusted gross income (AGI) over $900,000 is not eligible to receive any benefit from PLC and ARC programs, supplemental agricultural disaster assistance programs (for livestock and trees), marketing loan gains, loan deficiency payments, conservation programs (starting in 2015), and some other payments (from previous bills). AGI includes both farm and nonfarm income.

Crop insurance indemnity payments (including SCO payments) are not affected or limited by these limits.

**And here’s a warning.** If all the producers and owners who receive a share of the crop on a farm fail to make a unanimous election of which program to elect, the bill says the Secretary of Agriculture may not make any payments to that farm for the 2014 crop year, and the farm will be deemed to have elected PLC for the 2015 through 2018 crop years.

For more information: [extension.umn.edu/agriculture/business/farm-bill](http://extension.umn.edu/agriculture/business/farm-bill)