

PolicyPennings by Daryll E. Ray & Harwood D. Schaffer

# Implementation of 2014 Farm Bill allows farmers time to make an informed choice

With the passage of the 2014 Farm Bill well into the 2014 crop year for winter wheat and the planning period for other row crops and with the significant changes Congress made to commodity policy—the elimination of Direct Payments, the need for farmers to choose between Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC), and the addition of the Supplemental Coverage Option (SCO) to the insurance program—the United States Department of Agriculture (USDA) was faced with a compressed time period in which to write all of the appropriate guidelines and regulations if farmers were to have to make their choices between PLC and ARC this spring.

After analyzing the new legislation, USDA Secretary Tom Vilsack told over 7,000 farmers at the annual Commodity Classic, the USDA decided to stage the rollout of the 2014 Farm Bill. Programs based on activities covered by existing regulations will be implemented immediately. New programs like PLC, ARC, and SCO will be preceded by a period of analysis and education with the appropriate rules to be issued in time for farmers to make their choice of commodity programs.

As Vilsack said, “Let me start first with the opportunity to ensure you that payments due will be paid. As you all know, for those of you who also have livestock operations, we saw the need to send a clear message to our livestock operators that we were with them as they went through two and a half difficult years of facing disaster without assistance because our assistance programs had expired under the previous farm bill.

“Well, they were restored by this farm bill and we are committed at USDA to make sure that those who suffered losses due to disasters will be able and empowered by April 15th to make application for those losses. And we will work very hard shortly thereafter to make sure the resources are paid. We want to make sure that we keep as many operators in business as possible.”

He went on to say that with restored funding for export promotion programs, the USDA will begin immediately to implement them, targeting in particular biofuels. In addition, “we will this spring and early summer implement our Market Assistance Loan Programs, our MILC, dairy program, crop insurance, noninsured crop assistance, the sugar program, the common definition of programs that already exist for which there is an explanation of assistance and help sometime during 2014.”

Other programs to be implemented in the near future include: the Market Assistance Loan Program, farm credit program for beginning farmers, the Environmental Quality Incentives Program (EQIP), the Management Assistance Program, the Conservation Stewardship Program, the Wetland Reserve Easement program, the Ag Land Easement program, and a cost share program for organic producers.

To enable farmers to make an informed choice between PLC and ARC, the USDA will “establish the educational materials and training materials that will be used to educate you and educate our field staff. We will be soon be dispersing the \$3 million that Congress has provided for the tab of those training materials and the web-based tools that you all will use and study over the course of the next several months to make determinations and decisions about your operation. We will establish the opportunities that will assist us in our outreach which we can expect to do this in the summer and fall of this year,” Vilsack said.

“We will allow you during the course of that summer and fall to update production history. We want to make sure we are communicating with you about base and yields in your production history. We are going to hope to publicize and focus on publicizing the final program and the regulations for both ARC and PLC in the fall of 2014.

“We will allow [you], after that occurs, to update your information concerning yields and relocate your business if you need to do that with the hope that by the end of 2014 and early 2015, you will be in a position to be able to make your election and your decisions. So, we hope that that reassures you that we understand the importance of getting these programs up and going as quickly as we possibly can.”

Farmers will know their 2014 yields and production before they have to make the choice between PLC and ARC. Any payments under these programs will not be made until 2015 after the 2014 marketing year ends—the price protection is based on the marketing year average price received by farmers.

To be able to implement the county-level coverage under SCO, the Vilsack said, “we have to have enough data and enough history and information that will allow us to make an appropriate determination from an actuarial standpoint of precisely how to price these options. So, we will be looking at information. And we have already begun that process of looking at whether or not in each county where a commodity is

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being grown, whether it will have an adequate number of farms, whether we have an adequate number of years of back history that will allow us to do a good job of actuarially determining the cost of this option.

“We expect and anticipate that for most counties, for corn, soybeans, grain, sorghum, cotton and rice, we will be able to publish maps sometime in the summer and fall of 2015 that will give you a sense of precisely where this coverage will be made available. And we recognize that this creates a dilemma, particularly for wheat producers. We know that you may have to make elections and option before you have all the information. You may have to make a decision about coverage before you really know for sure what you are doing relative to the various programs.

So, we want to assure you are that we are going to give you the ability prior to the coverage recording deadline to opt out of the decision as you may on the Supplemental Coverage Option. And if you opt out prior to that date, you won't incur any responsibility for the payment of premiums. This should give you a reassurance that we are aware of challenges that we are presented.”

To gear up for these new programs, the USDA has been authorized to hire temporary staff. FSA offices cannot expect a permanent increase in the size of their office staff.

As required by the new legislation, the USDA will also be working on the definition of “actively engaged” in farming in order to receive program payments.

Vilsack concluded the portion of his remarks on the new legislation saying his prior statements “should give you some reassurance that we are going to be able to make the payments that are due and expected in 2014, and that we are going to set the table, lay the ground work, do the education and training that will allow all of us to have a better field and understanding of new programs so that when we hit the 2015 year, for the most part, we are ready to be engaged.”

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