UNITED STATES DEPARTMENT OF AGRICULTURE
RISK MANAGEMENT AGENCY

2014 Farm Bill

FACT SHEET

April 2014

New Farm Bill Offers Modifications to Crop Insurance Programs

OVERVIEW

The 2014 Farm Bill, signed by President Obama on Feb. 7, 2014, continues programs with modifications and authorizes several new programs administered by the Risk Management Agency (RMA).

The Farm Bill strengthens crop insurance by providing more risk management options for farmers and ranchers and by making crop insurance more affordable for beginning farmers. It continues the growth of the crop insurance program, and provides avenues to expand farm safety net options for organic producers and specialty crop producers. It provides for increased program integrity, guaranteeing that tax dollars are used effectively and efficiently as we expand the farm safety net.

There are many changes to the crop insurance program. Some of the major changes are outlined below.

EXPANSION AND INNOVATION

Supplemental Coverage Option (SCO)

SCO is a county level revenue or yield based optional endorsement that covers a portion of losses not covered by the same crop's underlying crop insurance policy. Indemnities will be payable once a 14 percent loss has occurred in the county, and individual payments will depend upon coverage levels selected by producers. Any crop on a farm that you elect to participate in the Agriculture Risk Coverage (ARC) program (a new program started in the 2014 Farm Bill, administered by the Farm Service Agency) is not eligible for SCO coverage.

The Farm Bill requires SCO to be made available beginning with the 2015 crop year. Producers who enroll their winter wheat in SCO may elect to withdraw from SCO prior to their acreage reporting date without any penalty. This allows producers additional time to make an informed decision related to whether to enroll in the ARC or the Price Loss Coverage (PLC) program. If they choose ARC, they will not be charged a crop insurance premium so long as their SCO coverage is voided prior to their acreage reporting date.

RMA is making every effort to offer SCO to as many producers as possible. SCO will be available for corn, cotton, grain sorghum, rice, soybeans, spring wheat, and winter wheat in selected counties for the 2015 crop year. Program details and eligible counties will be made available in the summer of 2014.

STAX

STAX is a standalone/supplemental insurance policy for cotton only. STAX protects against county-wide revenue losses and can supplement a producer's underlying cotton policy, or be purchased as a standalone policy. Producers can elect coverage of up to 20 percent of expected county revenue, depending on the coverage level of their individual cotton insurance policy. STAX payments begin when county revenue falls below 90 percent of its expected level. The premium subsidy for this coverage is 80 percent.

RMA is making every effort to offer STAX to as many producers as possible. STAX will be available in selected counties for the 2015 crop year. Program details and eligible counties will be made available in the summer of 2014.

Crops enrolled in ARC (as well as acreage when enrolled in STAX) will not be eligible for SCO coverage.

Whole Farm Policy

The Federal Crop Insurance Corporation Board of Directors approved a new Whole-Farm Revenue Protection policy on May 8, 2014. Whole-Revenue Protection combines Adjusted Gross Revenue and Adjusted Gross Revenue-Lite with improvements to target the following types of farms: (1) Highly diversified farms and (2) Farms selling 2-5 commodities to wholesale markets.

The new product takes into consideration direction provided in the Farm Bill. Whole-farm insurance covers all commodities on the farm including specialty crops. The new whole-farm insurance product was sent for a contracted external expert review by the FCIC Board which is part of the new product development process.

RMA will continue to work on developing a whole farm policy that meets the needs of producers that grow diverse crops. The Farm Bill provides specific requirements for the whole farm policy if the Board does not approve a policy by 2016.

Beginning Farmer Provisions

Beginning farmers will receive increased assistance, which will give them access to risk management tools that are vitally important for beginning farmers. Changes will exempt beginning farmers from paying the $300 administrative fee for catastrophic policies and provide them, in certain instances, the ability to use the production history of entities where they were previously employed or helped to manage. It will also increase the premium subsidy rates for beginning farmers by ten percentage points during their first five years of farming.

If covered beginning farmers experience a poor yielding crop, they may replace the poor yield in their yield history for determining next year's guarantee with 80 percent of the county T-Yield, which is 20 percentage points higher than they previously would have received.

Coverage Level by Practice

This change provides a producer that produces an agricultural commodity on both dry land and irrigated land the option to elect a different coverage level for each production practice.

Change in T-Yield

When a crop in a county suffers over a 50 percent yield loss, producers in that county and adjacent counties may omit their yield for that year's production. For this provision, the Federal Crop Insurance Corporation may make a separate determination for irrigated and non-irrigated acreage.

Organic Expansion

Previous to the passage of the Farm Bill. RMA had taken steps to improve coverage for organic producers. These steps continue to be strengthened by the bill.

RMA has removed the 5 percent surcharge for organic price options. RMA has extended policies for organic price coverage. The agency added organic price elections for 2014 for eight additional crops (oats, peppermint, apricots, apples, blueberries, almonds, pears, and grapes for juice), bringing the total number of crops with organic price elections to sixteen. This allows producers the option to choose to insure their crops at an organic or conventional policy coverage price set by RMA.

RMA has issued The Contract Price Addendum (CPA) that allows an organic producer who has a written contract from a buyer by the acreage reporting date, the ability to insure an organic crop at the contract price. Producers can now buy a Federal crop insurance guarantee that is more reflective of the actual value of your organic crop.

Peanut Revenue Policy

RMA was directed to provide a revenue crop insurance policy for peanut producers. A private submitter has been working on a policy and if the submission is approved by the FCIC Board this spring it is possible to have this available in the future.

ENVIRONMENTAL BENEFIT

Conservation Compliance

In order to receive premium assistance from the federal government for crop insurance, producers will have to comply with highly erodible land and wetland conservation requirements that most already have to comply with as a result of participating in FSA and NRCS programs. RMA will work to utilize the verification process in place to ensure that producers are not overly burdened by this requirement.

The 2014 Farm Bill built on the conservation practices underway on farms and ranches by re-linking conservation compliance with the premium subsidy provided under the crop insurance program. Conservation compliance requires producers to have a conservation plan if they plant annually tilled crops on highly erodible soil and prohibits producers from planting on or destroying wetlands for crop production.

Producers who do not comply with conservation compliance can still purchase crop insurance, however, they will no longer be eligible to receive the government paid premium subsidy. Producers who destroy a wetland after enactment of the 2014 Farm Bill (February 7, 2014) risk losing their crop insurance premium subsidy, consistent with the new conservation compliance requirements of the 2014 Farm Bill. This affects eligibility not only for crop insurance premium subsidies but also commodity, conservation, and disaster program benefits. Producers who were eligible for commodity, conservation, or disaster programs under FSA or NRCS will remain eligible for the government paid crop insurance premium subsidy. The changes related to the crop insurance premium subsidy do not change the existing conservation compliance requirements and ramifications for violations for commodity, disaster, or conservation programs offered by FSA or NRCS.

In the fall of 2014, USDA will publish a rule that will provide the details involved with connecting conservation compliance with crop insurance.