

2018 Farm Bill Update and News



Rod M. Rejesus

*Professor and Extension Specialist
Dept. of Ag. and Resource Economics
NC State University*



Goals for Today

- Discuss major highlights of the 2018 Farm Bill
 - Changes in **Title I: Commodity Programs**
 - Changes to note in **Title XI: Crop Insurance**
 - Others: Hemp, Credit, and Conservation programs



The 2018 Farm Bill

- Congress have been working on the 2018 Farm Bill since 2017 (even earlier)
 - House version passed (barely) in May 2018
 - Senate version passed in June 2018
 - Conference proceedings started Sept. 2018
 - Passed final bill by Dec 12, 2018
- **Agriculture Improvement Act of 2018** signed into law Dec. 20, 2018
 - Largely viewed as “status quo” bill



Title I: Commodities

- No major changes in the programs offered
- Still **ARC** vs **PLC**
 - ARC-CO & ARC-I still available
- **Sign-up/election change:**
 - Pick one for 2019 and 2020
 - Annual sign-up for 2021, 2022, 2023
 - More flexibility for farmers!



PLC Changes

Crop	Ref. Price	Max "Float" price
Corn	\$3.70/bu	\$4.26/bu
Soybeans	\$8.40/bu	\$9.66/bu
Wheat	\$5.50/bu	\$6.33/bu
Sorghum	\$3.95/bu	\$4.54/bu
Peanuts	\$535/ton	\$615/ton
Seed Cotton	\$0.367/lb	\$0.422/lb

- PLC reference prices remain the **same**
 - Will be allowed to “float” up to 115% of reference price if Olympic average of the last 5-year MYAP is above PLC ref. price
 - But with low commodity prices, “float” prices will likely not become effective over the life of the bill

PLC Changes

- One-time option to update PLC payment yields
- Recall:
 - **PLC Payment** = 0.85 × **Payment Yield** × Base Acres
× PLC Payment Rate
 - where: **PLC Payment Rate** = [Ref. Price – NMYAP]
- Update based on **average of 2013-2017 yields**
 - New payment yield = 2013-17 ave. yield x Update factor
 - Update factor = 0.9 x [ratio of '08-'12 ave yield & '13-17 ave. yield]
- Update only if **new payment yield > old payment yield**

ARC-CO Program

- Recall ARC-CO program:
 - Payments when Actual County Revenue < County ARC Revenue Guarantee (CARG)
 - Where:
 - **County Benchmark** = 5-yr Olympic Ave. County Yield x 5-year Olympic Ave. NMYAP
 - **CARG** = 86% x County Benchmark
 - **Actual County Rev.** = Actual County Yield x NMYAP
 - **ARC Payment Rate** = CARG – Actual County Rev (up to 10% of county benchmark – cap)
 - **ARC Payment** = 85% x Base Acres x ARC Payment Rate
 - Up to 10% of County Guarantee

ARC-CO Changes

- Upgrades in calculating **County Benchmark**
 - Low county yields for calculating Olympic average can be replaced by **80% of county T-yield** (instead of 75% in 2014 Farm Bill)
 - Use of **trend-adjustment factors** in benchmark and actual county yield calculations
 - PLC reference prices as min for calculating Olympic ave. prices
- These upgrades generally suggest an **increase** in ARC revenue guarantee
 - Increase likelihood of ARC payments

ARC-CO & Related Changes

- ARC-CO payments based on **physical location** of the farm, not the **administrative county**
- Will offer ARC-CO for **irrigated vs dryland** practice
- FSA required to use RMA crop insurance data as main source of yield data (instead of NASS)
 - Have implications for submitting yield data in crop insurance
- **No payments** for base acres not planted to program crops in last decade
 - For example, those planted to grasses or pasture

Marketing Loan Rates

- Increase in marketing loan rates
 - Except for peanuts
 - First increase since 2002
- Improve ability to get larger loans for managing cash flow
 - Pay-off operating loans

Crop	Previous Loan Rate	New Loan Rate
Corn	\$1.95/bu	\$2.20/bu
Soybeans	\$5.00/bu	\$6.20/bu
Wheat	\$2.94/bu	\$3.38/bu
Sorghum	\$1.95/bu	\$2.20/bu
Barley	\$1.95/bu	\$2.50/bu
Peanuts	\$355/lb	\$355/lb

Other Commodity Title Changes

- Payment limits still \$125,000 per person
 - Excludes MAL gains & LDP payments from limit
 - But individual family extends to nieces, nephews, & cousins
- Adjusted Gross Income limit still \$900k
 - Producers with AGI above \$900k not eligible
- Improvements in **Non-Insured Crop Disaster Assistance Program (NAP)**
 - Lessen paperwork and agent training
 - Increased payout limit to \$300k (from \$125k)

Title XI: Crop Insurance

- **Multi-county enterprise units** now allowed
 - Can insure a single crop planted across county lines
 - Where before, it could only be one enterprise unit for one county and a basic or optional or another enterprise unit in another county
- **Cover crops**
 - Clarifying cover crop termination rules in a way that would reduce risk of losing insurance coverage of subsequently planted commercial crop
- **CAT fee** – Increase to \$655 flat fee per crop per county

Crop Insurance Title

- Planned improvements to the **Whole Farm Revenue Protection (WFRP)** plan
 - Review of WFRP & improve agent training
 - Reduce paperwork (esp. for insured with < \$1M in revenue)
 - Increase beginning farmer discounts to 10 years (from 5)



Hemp in the Farm Bill

- “Legalizes” hemp production
 - Defined hemp (<0.3% THC)
 - State-Federal framework still to be established (including in NC)
 - Should still follow existing NC rules until State Plan is approved by USDA
 - Allow interstate commerce of legally produced hemp
- Recognize **hemp as an agricultural commodity**
 - Makes it eligible for crop insurance (to be developed)
 - Allow bankers & other businesses to transact with legal hemp producers



Title V: Credit

- Re-authorized several FSA loan programs
 - Direct loans: loans directly to producer
 - Guaranteed loans: FSA “guarantees” producer loans
- Increase FSA direct farm ownership loan limit to **\$600k** (from \$300k), and FSA guaranteed farm ownership loan limit to **\$1.75M** (from \$700k)
- Increase FSA direct operating loan limit to **\$400k** (from \$300k), and FSA guaranteed operating loan limit to **\$1.75M** (from \$700k)

Title II: Conservation



- Conservation Reserve Program (CRP) acre cap to increase from 24M acres to **27M by 2023**
- Limit annual CRP rental rates
 - 85% of average county rates for general signup, 90% for continuous signup
- Conservation Stewardship Program (CRP) still a standalone program
- Generally maintains conservation funding levels



Title IV: Nutrition

- Main point of debate in conference proceedings
 - House sought increased work requirements and other changes
- House conceded all changes, and accepted Senate version
- Virtually no change
 - Except for improvements in anti-fraud measures



Take Home Message(s)

- Overall, no major changes in Farm Bill programs
 - There were enhancements in the programs under the commodities, crop insurance, and credit titles
 - Important to sign-up for ARC or PLC (annual signup starting in 2021)
 - Hemp has been “legalized”
 - No major changes in conservation and nutrition titles
 - Wait for implementation rules



Thank you!

- **Questions?**

- **Contact: *Rod M. Rejesus, NC State University***

- Tel No. (919)513-4605**

- Email: rod_rejesus@ncsu.edu**

- **Website:**

- **Agricultural Policy and Farm Bill Extension Website at NC Dept. of Ag. & Resource Economics:**

- <https://cals.ncsu.edu/are-extension/policy-and-regulation/agricultural-policy-and-farm-bill/>

Farm Bill Updates

- Points of contention (mainly from House version):
 - Work requirements for SNAP eligibility
 - 20 hours per week work requirement for capable adults
 - Region-specific update of payment yields (for drought counties; mostly benefitting cotton producers)
 - Why not just nationwide?
 - Elimination of the Conservation Stewardship Program (CSP) & issues with related conservation programs
 - Merging CSP to EQIP (House) &/or reduce CSP acres (Senate)