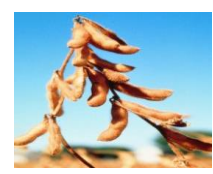


# Farmer Safety-Net Programs and Trade Aid 2.0



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# Goals for Today

- Commodity Program Updates: ARC & PLC
- Disaster Assistance Program: WHIP+
- Crop Insurance Updates
  - Crop Insurance for hemp
- Trade Aid 2.0
  - MFP payments



# Commodity Programs

- **Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC)** programs were re-authorized under the 2018 Farm Bill
  - **ARC offers revenue protection**
    - **ARC-CO** makes a payment on **85%** of base acres when county revenue falls below the county revenue guarantee
    - **ARC-I** makes a payment on **65%** of base acres when individual farm revenue falls below the individual revenue guarantee
  - **PLC offers price protection**
    - PLC makes a payment when MYAP is below effective reference price

# Commodity Programs

- Important enrollment information:
  - Need to enroll every year

Contract Year	Enrollment Dates
2019	September 3, 2019 through March 15, 2020
2020	October 7, 2019 through June 30, 2020
2021	October 2020 through March 15, 2021
2022	October 2021 through March 15, 2022
2023	October 2022 through March 15, 2023

- One ARC vs PLC choice for 2019 & 2020, with chance to change in 2021, 2022, & 2023 – more flexibility!

# Commodity Programs

- Should I choose ARC-CO, ARC-I, or PLC?
- Historical participation in NC:

Crop	% Farms Electing PLC	% Farms Electing ARC-CO	% Farms Electing ARC-I
Corn	4%	96%	0%
Soybeans	3%	97%	0%
Wheat	17%	83%	0%
Sorghum	12%	88%	0%
Peanuts	99%	1%	0%

Source: USDA FSA data

# Commodity Programs

- Important considerations:
  - **Expected returns** from ARC-CO vs PLC
    - Depends on individual expectations on prices and yields
  - **Coverage preference**
    - Revenue vs price protection
  - **Payment caps & limits**
    - ARC-CO limit at 10% of average county revenue; PLC is loan rate
    - \$125,000 payment limit on all payments from commodity programs
  - Preference for **SCO** “shallow loss” coverage
    - With ARC-CO, you cannot purchase SCO, but with PLC you can
  - **Wait to enroll** near deadline - reduce uncertainty

# Disaster Assistance: WHIP+

- Wildfire and Hurricane Indemnity Program Plus (WHIP+)
  - Part of **Disaster Relief Bill** passed by Congress in June to help communities hit by hurricanes, tornadoes, & other disasters in 2018/2019
  - In NC, covers damages from **Hurricanes Florence and Michael in 2018**, and **Dorian in 2019**
  - Signup started on Sept. 11, 2019

# Disaster Assistance: WHIP+

- **Eligibility requirements:**
  - Crops must be eligible for crop insurance or NAP
  - Crops must have suffered losses before harvest
  - Must be in counties that received Presidential Emergency Disaster Declaration or Secretarial Disaster Declaration
    - Most NC counties qualify in 2018, a number of coastal NC counties qualify in 2019
  - Required to purchase **future** crop insurance or NAP coverage



# Disaster Assistance: WHIP+

- **Payment Formula:**

- WHIP+ = [Expected Value of Crop x WHIP factor] –  
[Actual Value of Harvested crop x Payment factor] –  
Crop Insurance Indemnity or NAP payment received
- WHIP factor – 70-95% depending on coverage level; 70% for uninsured
  - Payment factor – varies by commodity and state
  - Payment limit: \$125k for 2018, 2019, and 2020 combined
  - Eligible 2018 producers with losses will receive 100% of WHIP+ payment, 2019 producers to receive 50% first and 50% after Jan 1, 2020

# Crop Insurance for Hemp



- 2018 Farm Bill, recognize hemp as an **“agricultural commodity”** and makes it eligible for crop insurance
  - Also allow bankers & other businesses to legally transact with hemp producers
- Facilitates development of hemp crop insurance product(s)
  - Waived viability & marketability requirement in product development

# Hemp Coverage Available in 2020

- RMA-administered crop insurance for hemp will be available in 2020 through the **Whole Farm Revenue Protection (WFRP)** policy
  - Note: Details not yet publicly available
- Likely NC Sales Closing Date: **Feb. 28, 2020**
  - For calendar/fiscal year filers



## News Release

### Hemp Crop Insurance Coverage Available for 2020

WASHINGTON, August 27, 2019 — Certain industrial hemp growers will be able to obtain insurance coverage under the Whole-Farm Revenue Protection (WFRP) program for crop year 2020. USDA's Risk Management Agency (RMA) today announced coverage for hemp grown for fiber, flower or seeds, which will be available to producers who are in areas covered by USDA-approved hemp plans or who are part of approved state or university research pilot programs.

"Numerous producers are anxious for a way to protect their hemp crops from natural disasters," said RMA Administrator Martin Barrett. "The WFRP policy will provide a safety net for them. We expect to be able to offer additional hemp coverage options as USDA continues implementing the 2018 Farm Bill."

Producers can obtain WFRP coverage for hemp now if they are part of a Section 7606 state or university research pilot as authorized by the 2014 Farm Bill. Other producers cannot obtain coverage until a USDA approved plan is in place.

WFRP allows coverage of all revenue for commodities produced on a farm up to a total insured revenue of \$25 million. It is popular for specialty crops, organic commodities and non-traditional crops.

The 2018 Farm Bill amended the Controlled Substances Act to address how industrial hemp is to be defined and regulated at the federal level, and those modifications cleared the way for the Federal Crop Insurance Corporation to offer policies for it. The Farm Bill defines hemp as containing 0.3 percent or less tetrahydrocannabinol (THC) on a dry weight basis.

#### Policy Requirements

RMA has started addressing the changes by offering hemp coverage under WFRP for the 2020 crop year. To be eligible, among other requirements, a hemp producer must comply with applicable state, tribal or federal regulations for hemp production and have a contract for the purchase of the insured industrial hemp.

WFRP producers state that hemp having THC above the compliance level will not constitute an insurable cause of loss. Additionally, hemp will not qualify for re-plant payments under WFRP.

#### Hemp Plans

USDA's Agricultural Marketing Service (AMS) is formulating regulations that will include specific details for both a USDA plan for the production of hemp and a process for submission of state, tribal or tribal plans to USDA. AMS is developing the regulation now, which is anticipated to post to the *Federal Register* later this year.

Once rulemaking is complete, RMA, the Farm Service Agency (FSA), the Natural Resources Conservation Service and other USDA agencies will share eligibility information on their programs, which include state-by-need, conservation, farm loan and disaster assistance programs. This includes FSA looking at additional coverage options through its National Crop Disaster Assistance Program and through RMA-administered crop insurance.

#### More Information

For more information on the Hemp Production Program, visit the AMS Hemp Production webpage and these questions and answers.

For more information on WFRP coverage, visit the Hemp and Farm Bill Programs webpage on farmers.gov. RMA will publish a bulletin with additional information for approved insurance providers on Aug. 30.

USDA is an equal opportunity provider, employer and lender.



# How does WFRP work?

- All farm revenue is insured together under one policy
  - Individual commodity losses are **not** considered, it is the **overall farm revenue** that determines losses
- Coverage levels available: **50% to 85%**
  - In 5% increments
- Insurable revenue is mainly based on **tax records**

# When will WFRP pay out?

- When **whole-farm revenue-to-count** for the **insurance year** is lower than **insured whole-farm revenue**, a loss payment will be made
  - Only **natural causes of loss** and **decline in market price** are valid causes of loss
  - Taxes must be filed for the insurance (loss) year before any claim can be made
  - For hemp, **having THC above compliance level** not **valid cause of loss**

# Trade Aid Package

- US response to help farmers affected by trade dispute with China (i.e., retaliatory tariffs on ag)
- In 2018, Trade Aid 1.0 (estimated at \$12 billion):
  - **Market Facilitation Program (MFP)**
    - Direct payments to farmers (~\$8.5 billion across 9 ag products)
  - **Food Purchase and Distribution Program**
    - Purchase ag. commodities affected by tariffs
  - **Agricultural Trade Promotion (ATP) Program**
    - Cost-share assistance to access new export markets and promote trade

# Market Facilitation Program 2.0

- Still FSA-administered
- Expanded coverage to more crops
  - Includes **29 non-specialty crops** (e.g, corn, soybeans, millet, etc.) and **10 specialty crops** (e.g., fruits & nuts), plus **dairy and hogs**;
- Sign-up period: **July 29 to Dec. 6, 2019**
  - Eligibility requirements:
    - Adjusted Gross Income (AGI) <\$900k (average for 2015-2017)
    - Conservation compliance
    - Actively engaged in farming
    - No controlled substance violation

# Market Facilitation Program 2.0

- **Non-specialty crop MFP payments**
  - Based on **single-county payment rates** multiplied by the **total plantings (acres)** of all MFP-eligible crops
  - In NC, per acre payment rates range from **\$15 to \$122** with an average payment rate of about **\$46**
    - Northampton and Halifax counties > \$100/acre payment rate
    - Carteret and Warren counties have \$46/acre payment rate
    - Alleghany, Avery, (plus 5 more counties) \$15/acre payment rate
- **Specialty crop MFP payments**
  - E.g., Table grapes: \$0.03/lb at 20,820 lbs/acre



# Market Facilitation Program 2.0

- **Dairy and Hog payments**
  - Dairy: **\$0.02/cwt** times production history measure
  - Hogs: **\$11/head** times live hogs owned on selected day in April/May 2019
- **MFP Payment tranches**
  - First payment: Higher of 50% of calculated payment or \$15 per acre
  - Second and third to be determined in 11/2019 & 1/2020
- **Payment limits**
  - \$250k for non-specialty crops, \$250k for specialty crops, and \$250k for dairy/hogs

# Take Home Messages

- There are a number of safety-net programs currently available through FSA
  - Contact your local FSA office personnel ASAP
- Take note of sign-up deadlines
  - MFP & WHIP+ first, ARC or PLC later



# Thank you!

- **Questions?**

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- **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/>