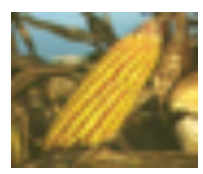


# Farmer Safety-Net Programs and Trade Aid 2.0



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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



# 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/>