

# 2018 Farm Bill Update and News

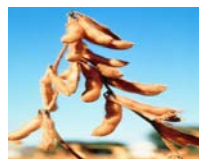


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# Goals for Today

- 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** =  $0.85 \times \text{Payment Yield} \times \text{Base Acres} \times \text{PLC Payment Rate}$ 
    - 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 =  $0.9 \times [\text{ratio of '08-'12 ave yield} \& \text{'13-17 ave. yield}]$
- 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

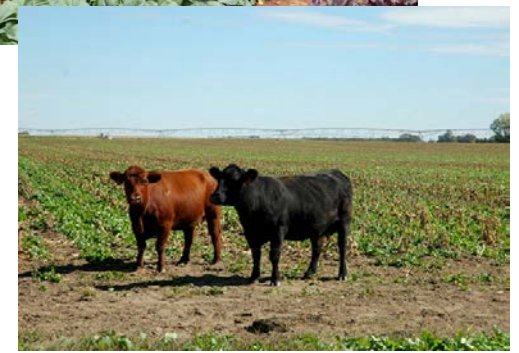
- Payment limits still \$125,000 per person
  - Excludes MAL gains & LDP payments from limit
  - But individual family extends to nieces, nephews, & cousins
- Adjusted Gross Income limit still \$900k
  - Producers with AGI above \$900k not eligible
- Improvements in **Non-Insured Crop Disaster Assistance 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 licensed 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?**

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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/>



# 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)