



# IDAHO BARLEY NEWSBRIEF

## **DECISION TIME: Federal Farm Program & 2015 Crop Insurance Sign-up** *special edition presented by Northwest Farm Credit Services*

As part of an ongoing collaboration between the Idaho Barley Commission and Northwest Farm Credit Services (NWFCS) on grain producer risk management education, we are pleased to bring you this important fact sheet on **critical decisions producers face this winter on 2015 crop insurance and federal farm program sign-up.**

We also want to acknowledge the ongoing support we have received from other crop insurance agents, specifically Mark Andreasen, Mountain States Insurance, Soda Springs (mark@mntstatesins.com) and Tracy Hawker, Hub International, Blackfoot (tracy.hawker@hubinternational.com). Mark and Tracy and their companies have generously supported Idaho grain producer education and have spent numerous hours working with us to improve barley crop insurance coverage. **WE THANK ALL OF THESE VALUABLE PARTNERS.**



**Do you consider your crop insurance agent an important part of your farming operations?** The 2014 Farm Bill has changed a lot of what we may be used to and has added things that producers need to make important decisions about. Your licensed Northwest Farm Credit Services Insurance Agent focuses solely on crop insurance, and they can provide you with up-to-date information and assistance as you navigate the ever-changing insurance environment.

2014 saw that even producers with the best farming practices are no match for Mother Nature who brought her wet weather at the worst possible time. With much higher than average yields, 2014 crop insurance policies' federal rules were not adequately able to compensate growers for the decreased VALUE of their sprouted grain.

Starting with the 2015 crop year the new farm bill does offer some great tools to help farmers insure their REVENUE and thus cover a decrease in VALUE of their farm produced products. But time is running out and educated decisions need to be made soon.

The 2014 Farm Bill eliminated direct, countercyclical or ACRE program payments, and added the following programs:

- Agricultural Risk Coverage (ARC)
- Price Loss Coverage (PLC)
- Supplemental Coverage Option (SCO)
- Whole Farm Revenue Protection (WFRP)

- ◆ **Must choose WFRP and SCO by March 15, 2015:**
- ◆ **Must choose ARC or PLC by March 31, 2015** (1 time for the life of the 5-year farm bill) :
- ◆ **Must have a signed AD-1026 form on file with FSA by June 1<sup>st</sup>, 2015**

The 2014 bill creates two new FSA programs and you sign up for these at your county FSA office.

### **Agricultural Risk Coverage (ARC) – Revenue Loss Safety Net**

Choose between ARC-County or ARC-Individual (whole farm)

Grower chooses PLC or ARC-County by Farm Number

### **Price Loss Coverage (PLC) – Price Loss Safety Net**

Eligible for SCO coverage

Grower chooses PLC or ARC-County by Farm Number

Must choose ARC or PLC by March 31, 2015 (1 time election for the life of the farm bill)

If no election is made, the program defaults to PLC for 2015 – 2018.

### **Agricultural Risk Coverage (ARC) – Revenue Loss Safety Net**

**Must choose ARC or PLC by March 31, 2015** (1 time for the life of the 5-year farm bill) .

As mentioned above a producer can choose between ARC- Individual or ARC-County. Let's talk about the highlights of each:

#### **Individual level**

All crops on farm included

“**Benchmark Revenue**” is the Olympic Average of the most recent 5-year revenue per acre for all program crops on all farms you have an interest

“Olympic average” refers to dropping the highest and lowest prices and yields and averaging the remaining values

**Price** is national average price with PLC reference price floor

**Yield** is the actual yield for each year

**Acres** are planted acres per crop for each year

**Actual revenue** is sum of crop year revenues for all program crops on farm

Actual farm yield X higher of national marketing year average price or loan rate

Pays on 65% of base acres

Maximum payment is 10% of benchmark revenue

**How are payments calculated?** The following is the formula for calculating an ARC-Individual payment. With ARC you do not have the option to purchase Supplemental Coverage Option (SCO).

ARC-Individual Payment = base acres X 65% X the difference between the ARC guarantee & the actual crop revenue per acre (not to exceed 10% of the ARC guarantee)

### County level

Select county crop by crop Farm Number

Payments are made on the historical base acres.

Payments are made after the end of the marketing year

“**Benchmark Revenue**” is Olympic Average of most recent 5-year county revenue by program crop

“Olympic average” refers to dropping the highest and lowest prices and yields and averaging the remaining values.

**Price** is national average price with PLC reference price floor

**Yield** is the average county yield for each year

**Guarantee** is 86% of benchmark revenue

**Actual revenue** is crop year county revenue

Actual revenue = Actual county average yield X higher of national marketing year price or loan rate

Pays on 85% of base acres

Maximum payment = 10% of benchmark revenue

**How are payments calculated?** The following is the formula for calculating a ARC-County payment. With ARC you do not have the option to purchase Supplemental Coverage Option (SCO).

ARC-County Payment = base acres X 85% X the difference between the ARC guarantee & the actual county crop revenue (not to exceed 10% of the ARC guarantee)

### Price Loss Coverage (PLC) -Price Loss Safety Net (Fixed Reference Price) **Must choose ARC or PLC by March 31, 2015** (1 time for the life of the 5-year arm bill).

The second farm safety net option is **Price Loss Coverage or PLC**. With PLC a payment is made for crops enrolled in PLC when the national average marketing year price is below the reference price for that crop. This sounds a little easier to follow than ARC. Basically, if you feel that a commodity’s prices will decline over the next 4 years or so; this may be the best option as there is a fixed price set. But, talk to your NWFCS agents to determine what is best for your operation. To the right are the set reference prices. The payment is multiplied by the farm’s base acres for that crop times **85%** to calculate the total payment. If a producer elects PLC for one or more crops, he may also purchase SCO.

Wheat	\$5.50
Barley	4.95
Corn	3.70
Soybeans	8.40
Grain sorghum	3.95
Oats	2.40
Minor oilseeds	20.15
Dry peas	11.00
Lentils	19.97
Chickpeas (sm)	19.04
Chickpeas (lg)	21.54

**How are payments calculated?** The following is the formula for calculating a PLC payment. The “Effective” Price is the higher of loan rate or 12 month national average price and with PLC you retain the option to purchase Supplemental Coverage Option (SCO).

PLC Payment = (reference price – effective price) X program yield X 85% of base acres

## **Supplemental Coverage Option (SCO) – Purchased through your insurance agent. Must choose WFRP and SCO by **March 15, 2015.****

Another product is called Supplemental Coverage Option (SCO). It is sold through your crop insurance agent and is designed to be a “deductible” coverage, wherein SCO pays from the limit that your underlying policy ends (65%, 70%, 75%) up to a maximum of 86% and pays when the area-wide ACTUAL yields fall below area-wide AVERAGE yield. Let’s look at some on the highlights:

Option to purchase shallow-loss county/area coverage on top of individual insurance plan

Coverage mimics the crop insurance plan (RP/YP)

Available coverage level between 86% and individual crop insurance level

Minimum CAT coverage level required

No prevent plant on SCO

Guarantee based on crop insurance price

65% premium subsidy

Separate Admin Fee for SCO

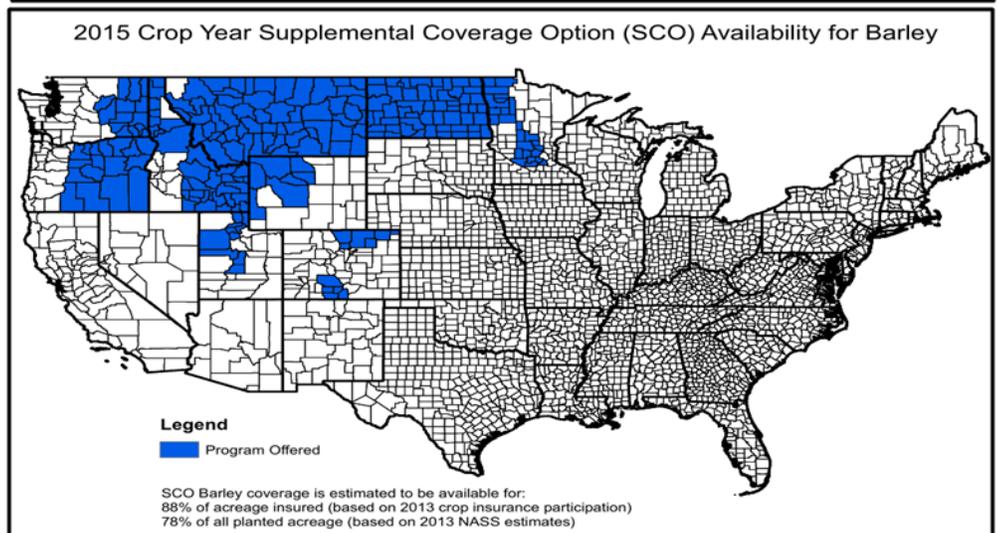
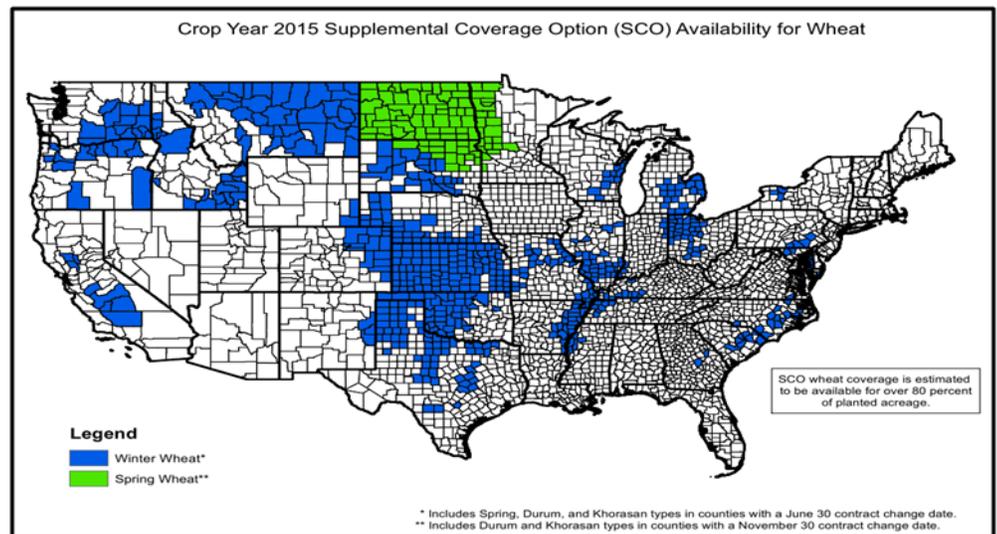
No payment limits

Payment received when area-wide actual yield is less than 86% of the area-wide average.

The two maps below show where SCO coverage is available this year for wheat and barley.

**How are SCO payments calculated?** The following is the formula for calculating a SCO payment.

SCO Payment = Area wide yield X 86% - Area wide harvest yield X crop insurance price (not to exceed the difference between 86% guarantee & the crop insurance level guarantee)



## **Whole Farm Revenue Protection (WFRP) -kind of like a whole farm umbrella policy. Must choose WFRP and SCO by **March 15, 2015.****

**This may very well be the best product to mitigate the risk of decreased value of a farmed produced commodity.** Unfortunately growers could not purchase WFRP for the 2014 crop year, but if we have a repeat in 2015 of wet weather at harvest time, WFRP could compensate for the lost revenue because of lower quality, and thus lower valued, commodities. Let's look at the highlights:

WFRP is a whole-farm insurance product that provides producers with risk management protection for all commodities on the farm under one insurance policy.

Provides protection against loss of revenue that a producer expects to earn or will obtain from commodities produced or purchased for resale, including animals and animal products, during the insurance period.

Insures against loss of approved revenue due to unavoidable natural causes that occur during the insurance year.

### **So what is an Insurance Year?**

A calendar year if taxes are filed on a calendar year basis, or

A fiscal year if taxes are filed on a fiscal year basis.

Insurance year is designated by the calendar year in which the sales closing date occurs.

### **So what are the Coverage Levels?**

Levels of coverage are from 50% to 85% of approved revenue. In increments of 5% (for example 50, 55, 60, 65.)

Need at least three commodities for the 80% and 85% levels.

Can combine commodities to qualify for the commodity count.

Payment rate is 100% for each level. (Claims are paid dollar for dollar)

Liability credit is up to 50% of policy liability. (if you have a underlying MP policy, it could cut your cost of the WFRP policy by up to 50%)

Very affordable with federal subsidy up to 90%\*

### **There are some Minimum Requirements:**

Must have 5 consecutive years of farm tax history (*Schedule F tax forms or other farm tax forms that can be converted to a substitute Schedule F*) (previous CY (2014) is a lag year)  
(For 2015 CY: Need 2009—2013 Schedule F's)

You cannot purchase CAT coverage on any commodity on your farm operation.

Total coverage liability cannot exceed \$8.5 million.

**What makes me Ineligible?** Expected revenue from animal products is greater than \$1 million or more than 35% of your expected revenue. You raise potatoes with no other commodities.

You purchased CAT coverage on any commodity on your farm operation. *MPCI Buy up policy at 50%/100% minimum for eligibility. No MPCI required to participate however no liability credit.*

You have one commodity on your farm operation and revenue protection is available for that commodity.

More than 50% of your allowable revenue is from commodities purchased for resale.

## **Conservation Compliance -AD-1026 - must be on file at the FSA office**

The last thing on the list is AD-1026 which is the FSA form for conservation Compliance. Their aim is to reduce soil loss on erosion-prone lands and protect wetlands for the benefits they provide.

### **What does this apply to?**

All land that is considered highly erodible or wetland that is owned or farmed by persons participating in USDA programs.

FSA loans & disaster assistance payments  
NRCS & FSA conservation program benefits  
Federal crop insurance premium subsidies

### **So how do I comply?**

All farmers **must have a signed AD-1026 form on file with FSA by June 1<sup>st</sup>, 2015** reporting activities that may require a technical determination by NRCS and certify they will not:

Plant or produce an agricultural commodity (annually tilled) on highly erodible land without following an NRCS approved plan  
Plant or produce an agricultural commodity on a converted wetland  
Convert a wetland which makes the production of an agricultural commodity possible

**If you are in non-compliance** & participate in programs administered by the following, the penalty is:

#### **Farm Service Agency (FSA)**

You may lose FSA loans and disaster assistance payments

#### **Natural Resources Conservation Services (NRCS)**

NRCS and FSA conservation program benefits

#### **Risk Management Agency (RMA)**

Federal crop insurance premium subsidies

**Non-compliance includes not having a form AD-1026 signed and submitted to FSA by June 1<sup>st</sup>, 2015.** Producers *currently* participating in a conservation compliance program (this includes a large number of Idaho and Oregon producers) have an AD-1026 on file and must be compliant before 2016 crop year.

Producers *previously* subject to conservation compliance that stopped participating in any program subject to compliance before February 7, 2014 & would have been in violation had they continued have until June 30, 2016 to develop & comply with a conservation plan.

Producers *never* subject to conservation compliance have until June 30, 2019 to develop & implement a conservation plan

As crop insurance reporting requirements and underwriting rules become increasingly complex, it is imperative to have an open dialogue with your agent. As you consider crop insurance, leverage a Northwest Farm Credit Services Insurance Agent's knowledge and make sure you're educated on the products available. While volatility in ag means increased risk, it also means that those who manage risk effectively will have unprecedented opportunities and likely be more successful than ever. **Include your crop insurance agent as an important part of your farming operations.**



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We invite you to call a Northwest Farm Credit Services Insurance Agent to get the best, up-to-date knowledge to help you make educated farm and risk management decisions. We look forward to talking to you!!

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