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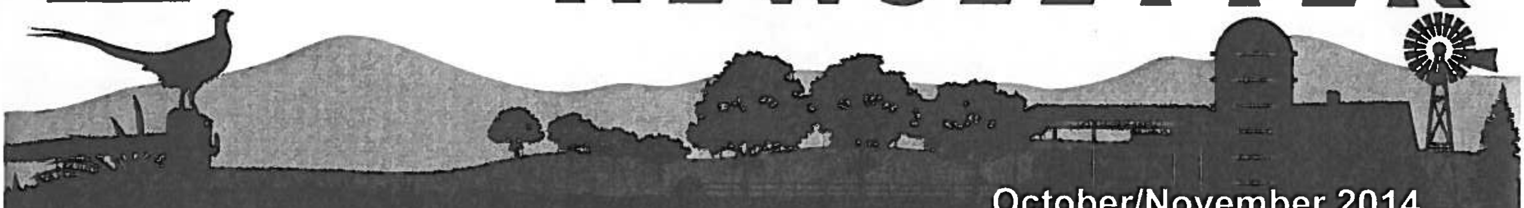
NEWSLETTER



October/November 2014

USDA Montana Farm Service Agency (FSA)
P.O. Box 670
Bozeman, MT 59771

Phone: 406.587.6872
Fax: 855.546.0264
Web: www.fsa.usda.gov/mt

State Executive Director:
Bruce Nelson

State Committee:
Steve Carney, Chair
Floyd Dahlman
Kelly Flaherty-Settle
Hans McPherson
Patricia Quisno

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USDA Farm Service Agency
MONTANA 2014 FARM BILL UPDATE

The Agricultural Act of 2014, also known as the 2014 Farm Bill, was passed by Congress and signed into law by President Obama. Within 90 days of passage, USDA Farm Service Agency (FSA) implemented provisions to assist those who suffered livestock or forage losses. Many of the changes to the Conservation Reserve Program have been put in place, and the Agricultural Risk Coverage and Price Loss Coverage (ARC/PLC) programs are now being implemented. The Direct and Counter-Cyclical Program (DCP) and the Average Crop Revenue Election (ACRE) program have been replaced by ARC/PLC. The elimination of the DCP and ACRE programs resulted in the loss of direct payments authorized in the 2008 Farm Bill. Under ARC/PLC, payments will only be issued if the crop or farm has suffered price and/or revenue losses in the applicable crop year.

In August, FSA mailed information related to the ARC/PLC program to owners and operators of farms with crop base acres. Those letters contained crop base and yield information along with the farm's planting history for the years of 2008-2012. The ARC/PLC program provides an opportunity to complete a base acre reallocation, yield update, program election and annual enrollment, each of which are explained in this newsletter. Farm owners and/or operators will be making these important program decisions in the coming months; these decisions will be effective for the life of the Farm Bill.

Please take time to read this newsletter and attend one of our upcoming informational meetings. Meetings details and additional information are available on the Montana FSA website at: www.fsa.usda.gov/mt. You may also contact your county office with any questions you may have.

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Agriculture Risk Coverage and Price Loss Coverage Overview

The Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs authorized by the Agricultural Act of 2014 (the 2014 Farm Bill) combine provisions from previous programs delivered by FSA (DCP, ACRE and the Supplemental Revenue Assistance (SURE) Programs) with revenue insurance delivered by the Risk Management Agency.

The 2014 Farm Bill authorizes three program election options: PLC, ARC-County (ARC-CO) and ARC-Individual (ARC-IC). PLC payments are issued when the effective price of a covered commodity is less than the respective reference price for that commodity established in the statute for 2014-2018 crops. ARC-CO payments are issued when the actual county crop revenue of a covered commodity is less than the ARC-CO guarantee for the covered commodity. ARC-IC payments are issued when actual ARC-IC revenue, summed across all covered commodities on the farm, is less than the associated ARC-IC guarantee. ARC and PLC are available for the following covered commodities: wheat, oats, barley, corn, grain sorghum, rice, soybeans, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe, sesame seed, dry peas, lentils, small chickpeas, large chickpeas and peanuts.

A farm owner must make a one-time decision to retain or reallocate crop bases and/or to retain or update program payment yields. Current year producers on the farm will then make a program election of PLC, ARC-County or ARC--Individual effective for the 2014-2018 crop years. And finally, annual enrollment must be completed by the current producers in the applicable year. This three-step process began September 29, 2014, with the first payments being issued in October 2015 if triggered.

Payment reductions do not apply to mung beans, dry peas, lentils or chickpeas. Planting FAVs on acres that are not considered payment acres will not result in a payment reduction. Farms that are eligible to participate in ARC/PLC but are not enrolled for a particular year may plant unlimited FAVs since they are not enrolled in a current year contract. Eligibility for succeeding years is not affected.

Starting in the 2014 crop year, a planting history of fruits and vegetables is no longer required to plant those crops on a farm's payment acres. However, planting and harvesting fruits, vegetables and wild rice on ARC/PLC payment acres is subject to the acre-for-acre payment reduction when those crops are planted on more than 15 percent of the base acres of a farm enrolled in ARC–County or PLC, or more than 35 percent of the base acres of a farm enrolled in ARC-Individual.

Price Loss Coverage Provisions

PLC payments are issued when the effective price of a covered commodity is less than the respective reference price for that commodity. Reference prices are set in statute and will remain the same for the life of the Farm Bill. The effective price is the higher of the marketing year average (MYA) price or the national average loan rate for the covered commodity. The PLC payment is equal to 85 percent of the base acres of the covered commodity; times the difference between the reference price and the effective price; times the PLC payment yield for the covered commodity. If the effective price for a year is equal to or higher than the crop's reference price, no payment will be issued in that year. There is no requirement to plant the crop with base acres to receive the PLC payment.

PLC Payment Example: Farm has 100 base acres of barley with a payment yield of 50 bushels per acre. The payment rate is $0.45 per bushel (the difference between the $4.95 reference price and a hypothetical $4.50 MYA price). The payment calculation is as follows: 100 base acres X 85% X 50 bu PLC yield X $0.45 payment rate = $1,913. **This payment will be issued if barley base acres exist on the enrolled farm; even if there is no barley planted in the applicable year.**

Producers who participate in the Federal crop insurance program may, beginning with the 2015 crop year, purchase additional crop insurance coverage called the Supplemental Coverage Option (SCO), for crops with a PLC election, if the coverage is available in the applicable county. SCO provides the producer the option of covering a portion of his or her crop insurance deductible and is based on expected county yields or revenue. The cost of SCO is subsidized and indemnities are determined by the yield or revenue loss for the county or area. Any crops with an ARC election are not eligible for SCO. **SCO is a Federal crop insurance program; please contact your local crop insurance agency for more information and crop eligibility in your county.**

Producers who enrolled their 2015 crop of winter wheat in SCO may elect to withdraw from SCO prior to November 15, 2014 without any penalty. This allows producers additional time to make an informed ARC/PLC election decision. If they elect ARC for wheat, they will not be charged a crop insurance premium so long as they withdraw from SCO prior to their acreage reporting date of November 15, 2014.

County Agricultural Risk Coverage (ARC–CO) Provisions

ARC – CO payments are issued when the actual county crop revenue of a covered commodity is less than the ARC-CO guarantee for the covered commodity. The ARC-CO guarantee equals 86 percent of the previous five-year market year average price, excluding the years with the highest and lowest price (the ARC benchmark price), times the five-year average county yield, excluding the years with the highest and lowest yield (the ARC county benchmark yield). The payment is equal to 85 percent of the base acres of the covered commodity; times the difference between the county guarantee and the actual county crop revenue for the covered commodity. The ARC-CO payment rate may not exceed 10 percent of the ARC-CO benchmark revenue for the covered commodity. There is no requirement to plant the crop with base acres to receive the ARC-CO payment.

ARC-CO Payment Example: Farm has 100 base acres of wheat. A hypothetical county ARC guarantee for wheat is $250 per acre and the actual county crop revenue is $240; the difference of $10 is the payment rate. The payment calculation is as follows: 100 base acres X 85 percent X $10 payment rate = $850. **This payment will be issued if wheat base acres exist on the enrolled farm ; even if there is no wheat planted in the applicable year.**

Individual Agriculture Risk Coverage (ARC–IC) Provisions

ARC-IC payments are issued when actual ARC-IC revenue, summed across all covered commodities on the farm, is less than the associated ARC-IC guarantee. The farm for ARC-IC purposes is the sum of the producer's interest in all enrolled ARC-IC farms in the state. The farm's ARC individual guarantee equals 86 percent of the farm's benchmark, defined as the five-year average of a producer's annual benchmark revenue for each commodity, excluding the high and low annual revenues. The benchmark revenues for each planted covered commodity on the farm are added together to come up with the ARC-IC guarantee. Actual revenue is computed similarly. The payment is equal to 65 percent of the TOTAL base acres on the farm; times the difference between the ARC-IC guarantee and the actual revenue for the ARC-IC farm. The ARC-IC payment rate may not exceed 10 percent of the ARC-IC benchmark revenue. **At least one or more covered commodities must be planted on the farm to receive an ARC-IC payment.**

ARC-IC Payment Example: Farm has a total of 1000 base acres; wheat is the only covered commodity planted in the applicable year. A hypothetical farm ARC guarantee is $300 per acre and the actual farm crop revenue is $290; the difference of $10 is the payment rate. The payment calculation is as follows: 1000 base acres X 65% X $10 payment rate = $6500.

Additional ARC-PLC Producer Resources

Visit MSU Extension's Farm Bill Website for links to the ARC-PLC Decision Tool and additional producer resources:

http://www.montana.edu/farmbill

Step 1: Base Acre Reallocation and Yield Update (Sept. 29, 2014—Feb. 27, 2015)

Owners of farms with base acres have a one-time opportunity to: (1) retain the farm's 2013 base acres; or (2) reallocate base acres. Base acre reallocation will result in the base acres on the farm being recalculated based on a proration of the farm's 2009 – 2012 planted and considered planted history. <u>The total base acres on the farm cannot be increased from the 2013 farm's total crop base acres.</u> Farm owners will also be provided a one-time opportunity to (1) update the program payment yields based on 90 percent of the farm's 2008-2012 average yield per planted acre, excluding any year when no acreage was planted to the covered commodity; or (2) retain the farm's 2013 counter-cyclical (CC) yields.

On July 30, 2014, FSA mailed letters to landowners and operators of farms with base acres that provides a farm summary of covered commodities planted or considered planted (P&CP) during the 2008-2012 crop years. The letter also contains the farm's 2013 crop bases along with each crop's CC yield. Owners will have the opportunity to update crop bases through reallocation using the 2009-2012 planting history and/or update the CC yields by certifying to the farm's 2008-2012 yield per planted acre for the applicable crop. The planting history provided in the letter will be used for the base reallocation and yield update process.

Late filed acreage reports for crop years 2009-2012 will be accepted providing certain criteria are met.

Operators with a current FSA-211, Power of Attorney, on file with FSA will be able to use that document to sign on behalf of the landowner provided that the FSA-211 designated signature authority for current and future programs.

<u>Base Acre Reallocation</u>

Owners have the opportunity to reallocate the farm's base acres based on a proration of each covered commodity planted or considered planted acres to the total acres of all covered commodities planted or considered planted during the 2009 through 2012 crop years. An INCREASE in base acres is not authorized.

Example: If a farm has 500 base acres of wheat, but had planted 50 percent of the cropland acres to corn and 50 percent of the cropland acres to soybeans during the 2009-2012 crop years, then the owner has the option to maintain the 500 base acres of wheat <u>**or**</u> to reallocate the farm's base acres to 250 acres of corn and 250 acres of soybeans.

<u>Yield Update</u>

Owners also have a one-time opportunity to update the program payment yields for each covered commodity with base acres on their farm using 90 percent of the farm's 2008-2012 average yield per planted acre, excluding any year in which the covered commodity was not planted. In any year that the farm's actual yield falls below 75% of the county average yield for the applicable crop, a substitute yield equal to 75% of the county average yield will be used in the average yield calculation. The updated yields will only be utilized in the PLC program; however, owners have the option of updating yields regardless of program election.

The decision to update yields can be made on a covered commodity-by-covered commodity basis. If the landowner chooses not to update the farm yields and/or does not make the necessary updates before the Feb. 27, 2015 deadline, the farm's 2013 counter-cyclical (CC) yields will be carried forward as the payment yields for the life of the Farm Bill. The 2014 Farm Bill yield, whether retained or updated, will be referred to as the PLC yield.

If an owner chooses to update the yield on the farm, FSA will accept a certified yield for each year the crop was planted on the farm during the 2008-2012 crop years. Certified yields are subject to spotcheck through the life of the farm bill, so farm owners are required to maintain the data used for the yield update process to provide if chosen for spotcheck. Data that can be used to support the certified yield includes, but is not limited to: RMA data, production reported under the ACRE program, appraisals, sold production, stored production that is measured, and fed production if measured or weighed prior to feeding.

Step 2: ARC/PLC Election (November 17, 2014—March 31, 2015):

All current year producers and owners with a share of the cropland on a farm must make a one-time, <u>unanimous</u> election of: (1) PLC/ARC-CO on a covered-commodity-by-covered-commodity basis for each covered commodity with base acres on the farm; or (2) ARC-IC for <u>all</u> covered commodities on the farm. The election between PLC/ARC-CO and ARC-IC is in effect on the farm for the life of the farm bill and cannot be changed after the election deadline of March 31, 2015.

If producers and owners with a share of the cropland on a farm fail to make a unanimous election by March 31, 2015, the farm will be ineligible for any 2014 payments and all covered commodities on the farm will have a default PLC election valid from the 2015-2018 crop years. Election is not enrollment; producers must still enroll their farm annually to receive program benefits.

Step 3: ARC/PLC Enrollment (Mid-April 2015-Summer 2015):

Producers will sign contracts to participate in ARC/PLC for 2014 and 2015 program years simultaneously beginning sometime next spring. Exact dates will be advertised when they have been determined. Enrollment for each FSA farm must be completed annually.

Step 4: ARC/PLC Payments (October 2015 for the 2014 crop year):

Payments for ARC and PLC are issued after the end of the respective crop year, but not before October 1. Payments for 2014 ARC and PLC, if triggered, will be issued beginning October 2015.

If the sum of the base acres on a farm is 10 acres or less, a producer on that farm may not receive ARC or PLC payments, unless the producer certifies that they are a socially disadvantaged rancher or a limited resource farmer or rancher.

Producers who participate in the ARC and PLC programs are subject to an acre-for-acre payment reduction when fruits, vegetables (FAVs) or wild rice (WR) are planted on the farm's payment acres.

2014-2018 Reference Prices, National Loan Rates and Maximum PLC Payment Rates for Covered Commodities

Crop	Reference Prices	National Loan Rates	Maximum PLC Rate
Barley 1/	$4.95 / bu.	$1.95 / bu.	$3.00 / bu.
Chickpeas, Large	$21.54 / cwt.	$11.28 / cwt.	$10.26 / cwt.
Chickpeas, Small	$19.004 / cwt.	$7.43 / cwt.	$11.61 / cwt.
Corn	$3.70 / bu.	$1.95 / bu.	$1.75 / bu.
Dry Peas	$11.00 / cwt.	$5.40 / cwt.	$5.60 / cwt.
Grain Sorghum	$3.95 / bu.	$1.95 / bu.	$2.00 / bu.
Lentils	$19.97 / cwt.	$11.28 / cwt.	$8.69 / cwt.
Oats	$2.40 / bu.	$1.39 / bu.	$1.001 / bu.
Canola	$20.15 / cwt.	$10.09 / cwt.	$10.06 / cwt.
Crambe	$20.15 / cwt.	$10.09 / cwt.	$10.06 / cwt.
Flaxseed	$11.28 / bu.	$5.65 / bu.	$5.63 / bu.
Mustard	$20.15 / cwt.	$10.09 / cwt.	$10.06 / cwt.
Rapeseed	$20.15 / cwt.	$10.09 / cwt.	$10.06 / cwt.
Safflower	$20.15 / cwt.	$10.09 / cwt.	$10.06 / cwt.
Sesame Seed	$20.15 / cwt.	$10.09 / cwt.	$10.06 / cwt.
Sunflower	$20.15 / cwt.	$10.09 / cwt.	$10.06 / cwt.
Soybeans	$8.40 / bu.	$5.00 / bu.	$3.40 / bu.
Wheat	$5.50 / bu.	$2.94 / bu.	$2.56 / bu.

1/ Barley price is based on the price of "all barley". Previously, the price was based on the "feed barley" price.

OTHER UPCOMING FSA DATES/DEADLINES:

- **Nov. 17:** 2015 Acreage Reporting Deadline for Apiculture, Perennial Forage, Pasture, Rangeland & Forage (PRF) including Native grass, Fall Wheat (Hard Red Winter - HRW), and all other Fall-Seeded Small Grains
- **Dec. 1:** Last day to return voted ballots to the local FSA County Office
- **Dec. 1:** 2015 NAP Sales Closing Date for 2015 Honey Producers
- **Dec. 5:** Dairy Margin Protection Program Enrollment Deadline for 2014 and 2015
- **Jan. 1:** Newly elected county committee members take office
- **Jan. 2:** 2015 Acreage Reporting Deadline (or 30 days after placement of colonies) Honey covered under NAP
- **Jan. 15:** 2015 Acreage Reporting Deadline for Cherries, Established Stand Alfalfa Seed, Fall Alfalfa Seed
- **Jan. 30:** 2011, 2012, 2013 & 2014 Livestock Forage Program (LFP), Livestock Indemnity Program (LIP) Notice of Loss and Application for Payment Deadline
- **Jan 30:** Deadline to submit Tree Assistance Program (TAP) Application for Payment and Supporting Documentation for Loss for 2011, 2012, 2013 and 2014 (or 90 days after disaster event or loss was apparent)
- **Jan. 30:** Deadline to request early CRP contract termination

For more info, contact your local FSA county office.

United States Department of Agriculture
Farm Service Agency
Montana State Office
PO Box 670
Bozeman, MT 59771-0670

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