UNITED STATES DEPARTMENT OF AGRICULTURE
RISK MANAGEMENT AGENCY

2014 Farm Bill

FACT SHEET

Revised April 2015

New Farm Bill Offers Modifications to Crop Insurance Programs

OVERVIEW

The 2014 Farm Bill, signed by President Obama on Feb. 7, 2014, continues programs with modifications and authorizes several new programs administered by the Risk Management Agency (RMA).

The Farm Bill strengthens crop insurance by providing more risk management options for farmers and ranchers and by making crop insurance more affordable for beginning farmers. It continues the growth of the crop insurance program, and provides avenues to expand farm safety net options for organic producers and specialty crop producers. It provides for increased program integrity, guaranteeing that tax dollars are used effectively and efficiently as we expand the farm safety net.

There are many changes to the crop insurance program. Some of the major changes are outlined below.

EXPANSION AND INNOVATION

Supplemental Coverage Option (SCO)

SCO is a county level revenue or yield based optional endorsement that covers a portion of losses not covered by the-crop's underlying crop insurance policy. Indemnities will be payable once a 14 percent loss has occurred in the county, and individual payments will depend upon coverage levels selected by producers. Any crop on a farm that you elect to participate in the Agriculture Risk Coverage (ARC) program (a new program started in the 2014 Farm Bill, administered by the Farm Service Agency) is not eligible for SCO coverage.

The Farm Bill requires SCO to be made available beginning with the 2015 crop year. Producers who enroll their winter wheat in SCO may elect to withdraw from SCO prior to their acreage reporting date without any penalty. This allows producers additional time to make an informed decision related to whether to enroll in the ARC or the Price Loss Coverage (PLC) program. If they choose ARC, they will not be charged a crop insurance premium so long as their SCO coverage is voided prior to their acreage reporting date.

RMA is making every effort to offer SCO to as many producers as possible. SCO is available for corn, cotton, grain sorghum, rice, soybeans, spring wheat, and winter wheat in selected counties for the 2015 crop year. Program details and eligible counties are available at www.rma.usda.gov/news/currentissues/farmbill/2015scomap.pdf. Crops enrolled in ARC (as well as acreage when enrolled in STAX) are not eligible for SCO coverage.

Stacked Income Protection (STAX)

STAX is a standalone/supplemental insurance policy for cotton only. STAX protects against county-wide revenue losses and can supplement a producer's companion cotton policy, or be purchased as a standalone policy. Producers can elect coverage of up to 20 percent of expected county revenue, depending on the coverage level of their companion cotton insurance policy. STAX payments begin when county revenue falls below 90 percent of its expected level. The premium subsidy for this coverage is 80 percent.

RMA is making every effort to offer STAX to as many producers as possible. STAX is available in selected counties for the 2015 crop year. Program details and eligible counties are available at www.rma.usda.gov/news/currentissues/stax/staxmap.pdf.

Whole Farm Policy

The Federal Crop Insurance Corporation Board of Directors approved a new Whole-Farm Revenue Protection policy on May 8, 2014. Whole-Farm Revenue Protection combines Adjusted Gross Revenue and Adjusted Gross Revenue-Lite with improvements to target the following types of farms: (1) Highly diversified farms and (2) Farms selling 2-5 commodities to wholesale markets.

The new product takes into consideration direction provided in the Farm Bill. Whole-farm insurance covers all commodities on the farm including specialty crops. The new whole-farm insurance product is available as a pilot program for the 2015 insurance year.

Coverage levels range from 50 to 75 percent for farms with one commodity and from 50 to 85 percent for farms with three or more commodities that meet the minimum diversification requirements.

A higher premium subsidy is available for farms that have two or more commodities that meet the minimum diversification requirements. Farms with one crop will receive the standard premium subsidy rate used for basic units.

Beginning Farmer and Rancher Provisions

Beginning farmers now receive increased assistance, which gives them access to risk management tools that are vitally important for beginning farmers. Changes exempt beginning farmers from paying the administrative fee for crop insurance policies and provide them, in certain instances, the ability to use the production history of farming operations they were previously involved in the decision making or physical activities. It also increases the premium subsidy rates for beginning farmers by ten percentage points during their first 5 years of farming.

If beginning farmers experience a poor yield due to an insurable cause of loss, they may replace the poor yield in their yield history with 80 percent of the county T-Yield, which is 20 percentage points higher than non-beginning farmers receive.

Coverage Level by Practice

This change allows those who produce an agricultural commodity on both dry land and irrigated land the option to elect a different coverage level for each production practice.

Actual Production History Yield Exclusion

When the average per planted acre yield for the county is at least 50 percent below the simple average for the previous 10 consecutive crop years, producers in that county and contiguous counties may exclude their yield for that crop year, as identified in the actuarial documents. For this provision, the Federal Crop Insurance Corporation will make a separate determination for irrigated and non-irrigated acreage.

Organic Expansion

RMA took steps to improve coverage for organic producers before the 2014 Farm Bill passed. These steps continue to be strengthened by the bill.

RMA removed the 5 percent surcharge for organic price options. The agency added organic price elections for 2014 for eight additional crops (oats, peppermint, apricots, apples, blueberries, almonds, pears, and grapes for juice). RMA introduced organic price elections during the 2015 crop year for ten crops (corn silage, figs, flax, grain sorghum, hybrid corn seed, hybrid sorghum seed, millet, popcorn, silage sorghum, and walnuts). This allows producers the option to choose to insure their crops at an organic or conventional policy coverage price set by RMA.

RMA also issued The Contract Price Addendum (CPA) that allows an organic producer who has a written contract from a buyer by the acreage reporting date, the ability to insure an organic crop at the contract price. Producers can now buy a Federal crop insurance guarantee that is more reflective of the actual value of your organic crop.

Peanut Revenue Policy

A new peanut revenue policy is available for eligible producers beginning with the 2015 crop year in all counties where yield-based insurance coverage is currently offered: www.rma.usda.gov/pubs/rme/peanutrevenue.pdf.

ENVIRONMENTAL BENEFIT

Conservation Compliance

To receive premium assistance from the Federal Government for crop insurance, producers have to comply with highly erodible land and wetland conservation requirements that most already have to comply with as a result of participating in FSA and NRCS programs. RMA uses the verification process in place to ensure that producers are not overly burdened by this requirement. In order to be in compliance, producers need to have an AD-1026 on file with FSA by June 1, 2015 for eligibility in the 2016 reinsurance year.

The 2014 Farm Bill built on the conservation practices underway on farms and ranches by re-linking conservation compliance with the premium subsidy provided under the crop insurance program. Conservation compliance requires producers to have a conservation plan if they plant annually tilled crops on highly erodible soil and prohibits producers from planting on or destroying wetlands for crop production.

Producers who do not comply with conservation compliance can still purchase crop insurance, however, they will no longer be eligible to receive the government paid premium subsidy. Producers who destroy a wetland after enactment of the 2014 Farm Bill (February 7, 2014) risk losing their crop insurance premium subsidy, consistent with the new conservation compliance requirements of the 2014 Farm Bill. This affects eligibility not only for crop insurance premium subsidies but also commodity, conservation, and disaster program benefits. Producers who were eligible for commodity, conservation, or disaster programs under FSA or NRCS will remain eligible for the government-paid crop insurance premium subsidy. The changes related to the crop insurance premium subsidy do not change the existing conservation compliance requirements and ramifications for violations for commodity, disaster, or conservation programs offered by FSA or NRCS.