

Native Sod Provisions

Background

The U.S. Department of Agriculture's Risk Management Agency today announced that the final provisions of the 2014 Farm Bill, which provide farmers and ranchers better protection from weather disasters, market volatility and other risk factors, are now fully in place through the publication of a final rule in the Federal Register.

The final rule clarifies an exception that allows producers to break up to 5 acres of native sod and not receive reduced crop insurance benefits premium subsidy on coverage of for native sod acreage.

How will agents know that a farmer is tilling native sod if the farmer doesn't tell them?

A producer who has tilled native sod for the first time will have to have a yield for the acreage to obtain crop insurance. Therefore, working with their crop insurance agent, the agent will request proof the acreage has been previously tilled or assign 65 percent of the transitional yield.

How does the 2018 Farm Bill impact native sod acreage tilled under the 2014 Farm Bill?

Native sod acreage tilled under the 2014 Farm Bill (February 7, 2014, to December 20, 2018) is not impacted by the 2018 Farm Bill (December 21, 2018, and later). Any native sod acreage tilled under the 2014 Farm Bill must still follow the 2014 Farm Bill provisions.

How did the 2018 Farm Bill impact the reduced crop insurance benefits for farmers who have tilled native sod?

The reduced benefits did not change for farmers who till native sod. However, those reductions now apply to all insured crops instead of only annual crops.

How long will reduced crop insurance benefits impact farmers who have tilled native sod under the 2018 Farm Bill?

The reduced benefits apply to insured crops on native sod acreage after the breaking of native sod in Iowa, Minnesota, Montana, Nebraska, North Dakota, and South Dakota. The reduced benefits will apply until the native sod acreage has had 4 crop years of insurance. If a farmer has not insured a crop on the native sod acreage for 4 crop years within the first 10 crop years after initial tillage, beginning with the 11th crop year, the acreage will no longer be subject to the reduced benefits. The reduced benefits will also continue to apply to insured prevented planting acreage.

What are the reduced benefits?

Approved Actual Production History (APH) yield is established at 65 percent of the RMA published transitional yield or personal transitional yield, if elected. Production reports are still required by the production reporting date but are not used to establish your approved APH yield. No yield substitution is allowed. The protection factor under an Area Risk Protection Insurance Plan is limited to 65 percent. Insured revenue under a Whole-Farm Revenue Protection Policy is adjusted to 65 percent of the approved revenue. The productivity factor under a Rainfall and Vegetation Index Plan is limited to 65 percent. Premium subsidy for all plans of insurance, excluding Catastrophic Risk Protection (CAT) coverage, is reduced by 50 percentage points.

Are the reduction in benefits applied to the native sod acreage tilled or all the producer's acreage in the county?

The reduction in benefits only apply to the native sod acreage that is tilled.

Now that the native sod acreage receives the reduced benefits until that acreage has 4 crop years of insurance, what qualifies as a crop year of insurance?

Any year that the native sod acreage has buy-up crop insurance on that acreage qualifies as a crop year of insurance. If a producer insures a crop on the native sod acreage and is unable to plant the crop, insured prevented planting coverage counts towards a crop year of insurance on that native sod acreage. Catastrophic (CAT) coverage *does not* count towards a crop year of insurance, however may still be purchased for the native sod acreage. In addition, any year that the native sod acreage is covered under the Farm Service Agency (FSA) Noninsured Crop Disaster Assistance Program (NAP) *does not* count towards a crop year of insurance.

If I till more than 5 native sod acres, will the reduction in benefits apply to just the acreage that exceeds 5 acres or all the acreage?

Once total native sod acreage exceeds the *de minimis* 5-acre exemption for a policyholder in a county (cumulative across crop years), the reduction in benefits will apply to all tilled native sod acreage in the crop year the *de minimis* acreage was exceeded, and apply to all tilled native sod acreage in subsequent crop years. For example, for the 2020 crop year I tilled 7 acres of native sod acreage to be planted to an insured crop. The reduction in benefits would apply to all 7 acres.

If I till 4 acres of native sod that qualifies for the de minimis 5-acre exemption under the 2014 Farm Bill and till 4 more acres under the 2018 Farm Bill which no longer qualifies as de minimis, which Farm Bill provisions apply?

The time in which the native sod acreage no longer qualifies as *de minimis* determines which Farm Bill provisions apply. Since the *de minimis* 5-acre exemption was exceeded under the 2018 Farm Bill, the 2018 Farm Bill provisions would apply to the native sod acreage.