December 28, 2018

2018 FARM BILL UPDATE

The Agriculture Improvement Act of 2018 (Farm Bill) was signed by President Trump on December 20, 2018. Simply put, the 2018 Farm Bill continues programs from Title I commodities from the 2014 Farm Bill and is largely status quo but with some improvements. The programs should benefit farmers during these tough times in agriculture that we are facing. These programs include ARC or Ag Risk Coverage program, PLC or Price Loss Coverage program, Marketing Assistance Loans and Loan Deficiency Payments.

A good place to read about the changes that have occurred is from Art Barnaby's group at KSU. The article is titled "A First Look at the Agricultural Improvement Act of 2018" and is the basis of this column. For more detail on the key provisions go to: https://go.unl.edu/fb2018

The following are ten changes that caught my attention:

1. The initial decision to enroll in ARC or PLC is for the 2019 and 2020 crop years. Beginning in 2021, producers are allowed to change annually if they desire.
2. Beginning in 2019, ARC-CO (ARC-County) payments will be based on the physical location of the farm, with farms that cross multiple counties being prorated into each county.
3. Effective reference prices now include a formula and could increase as much as 15% if commodity prices favor that. For example, the reference price of corn is $3.70/bushel but if the 5-year Olympic average was high enough, the effective reference price could go up to a maximum of $4.26. Because of the lower commodity prices in the last 5 years, the likelihood of this formula reference price becoming effective for our major Nebraska crops is currently low.
4. At the sole discretion of the owner of a farm, there is a one-time opportunity to update the PLC payment yields starting with the 2020 crop. The formula is complicated based on your actual yields from the 2013 to 2017 crops years and some other factors but the decision to update is easy. If the result is a higher pay yield than the current PLC pay yield it is a no brainer.
5. When calculating the benchmark revenue for ARC-CO, the effective reference price will be used as part of the calculation for the 5-year Olympic average price when the effective reference price is higher than the marketing year average price. In addition, the 5-year Olympic average yield will use either the county average yield or 80% of the county transitional yield, whichever is higher for that year.
6. Loan rates have increased for most commodities.
7. A separate irrigated and dryland ARC-County guarantee and payment will be calculated in EVERY county. Gage County would be an example of this new change.
8. USDA Risk Management Agency (RMA) yields per planted acre will be used as the first source of county-yield information to set revenue guarantees and calculate ARC-CO payments.

9. Owners that have base acres that have been planted to grass or pasture and planted none of their base acres to program crops for all years of 2009-2017 will effectively be "suspended" from receiving payments, but still maintain their historical base. These base acres will be eligible for the CSP grasslands program. These suspended acres will also be considered "planted" to program crops during this Farm Bill so it will maintain the base for future legislation. The definition of "grass" is uncertain at this time and will have to be interpreted by the Secretary.
10. The Conservation Title saw some heated debate and change. The CRP acre cap will be increased over time from 24 million acres to 27 million acres by 2023, but rental rates will be reduced to 85% of the average county rental rate for general sign-ups and 90% of the county average for continuous CRP enrollment. The Conservation Stewardship Program (CSP) will be phased out as a standalone acre-based program and be administered with the current Environmental Quality Incentives Program (EQIP). The Crop Insurance Title saw very little change, which will be a relief to most farmers who consider this their number one risk management tool.

More information will be coming once administrative guidelines come to our local FSA offices as it is far too early yet. Expect educational meetings to be held.

Finally, Dr. James Richardson, widely respected Texas A&M economist, is retiring on December 31, 2018. I will greatly miss working with him utilizing the Texas A&M Decision Aid Computer program. Once the computer updates become available I plan on running some local examples to get a good handle on the decisions at hand that owners and operators face in Southeast Nebraska.

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