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RightRisk™

RightRisk News

Dates to Remember

- **July 15, 2014**: Spring crop acreage reporting deadline.
- **August 15, 2014**: Spring premium billing deadline date.
- **November 15, 2014**: Pasture, Rangeland, Forage (PRF) sales closing date.

For more information see: http://www.rma.usda.gov.

How Much Risk is Right for You?

2014 Farm Bill

The 2014 Farm Bill, formally titled The Agricultural Act of 2014, was signed into law on February 7, 2014. This bill, authorized and funded through 2018, will bring about many changes to U.S. agricultural programs. This article provides a broad overview of the Bill with an emphasis on the risk management decision aspects that some of the new programs and modifications to existing programs create.

Direct Payment and Counter-Cyclical Programs End

The Direct Payment program, the Counter-Cyclical Program, and the Average Crop Revenue Election (ACRE) program are all repealed with the 2014 Farm Bill. These programs are replaced with two new programs: the Price Loss Coverage (PLC) program and the Agricultural Risk Coverage (ARC) program.

These Farm Service Agency (FSA) programs are designed to help mitigate risk for producers of commodity program crops in times of low yields and/or prices. The big change from a risk management standpoint is that the known payment that came with the Direct Payment program has gone away.

In theory, this creates more risk for producers moving forward in that FSA payments become more variable. The PLC program is a price guarantee program while the ARC program is a revenue guarantee program. Both programs use national prices, while the ARC program uses a 5-year Olympic average yield to determine average revenue.

Probably the biggest consideration at this point in time is that producers must make an election between ARC and PLC in 2014 for each farm and this election remains in effect for the 2014–2018 crop years. The 2014 Farm Bill also provides owners and operators a one-time opportunity to update their base acres across commodity program crops.

Supplemental Coverage Option

Starting in 2015, producers who enroll in PLC and participate in the federal crop insurance program have an additional option available to them. On an annual basis, these producers can decide whether to purchase the Supplemental Coverage Option (SCO) for individually insured commodity program crops.

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Risk Management Profile

Rich and Sally Samedi have been farming for close to 20 years. During that time they have encountered a variety of different risks. Sometimes things have worked out well; sometimes not so well.

Rich and Sally are at a point in their life that they feel a need to take a deeper look at their farming operation and the risk/reward potential that it holds for their family as a whole.

To read more see: http://RightRisk.org > Resources > Risk Mgt Profiles

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This coverage provides the producer with the option of protecting a portion their insurance deductible up to a total of 86 percent coverage for yields and/or revenue, based on county averages. Crops for which the producer has elected to participate in ARC are not eligible for the SCO.

NAP and Disaster Programs

The Noninsured Crop Disaster Assistance Program (NAP) has been expanded to include buy-up coverage in 5-percent increments from 50 percent up to 65 percent yield coverage at 100 percent of market price.

The four disaster assistance programs authorized in the 2008 Farm Bill are reauthorized retroactively to October 1, 2011 and are extended indefinitely. The programs include the Livestock Forage Disaster Program (LFP), the Livestock Indemnity Program (LIP), the Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP), and the Tree Assistance Program (TAP). Beginning April 15, 2014, producers can begin enrolling in these programs for qualified 2012-2014 losses.

Dairy Programs

The 2014 Farm Bill created the Dairy Margin Protection Program to replace the Milk Income Loss Contract Program (MILC). The Dairy Margin Protection Program provides catastrophic margin coverage for producers at no cost other than a $100 administrative fee. The catastrophic margin is defined to be a $4 per hundredweight margin between the all-milk price and average feed costs. Buy-up coverage is available for margins between $4 and $8 per hundredweight.

In coming months, we will have more details on these programs and other considerations for upcoming risk management decisions and strategies.

RightRisk™

RightRisk helps decision-makers discover innovative and effective risk management solutions.

- Education
- Coaching
- Research

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How much risk is right for you and your operation?

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