Volume 7, Issue 8 August 2019

RightRisk™

RightRisk News

Dates to Remember

Forage Insurance
- September 30th

RI-PRF Coverage
November 15th, 2019 for 2020 crop year coverage

Acreage Reporting:
- November 15th

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

How Much Risk is Right for You?

2018 Farm Bill – What Are the Implications for Ag Risk Management?

The Agriculture Improvement Act of 2018 (2018 Farm Bill) provides for the reform and continuation of agricultural and other programs in the Department of Agriculture and for other purposes. The 2018 Farm Bill was signed on December 20, 2018 and will remain in force through 2023.

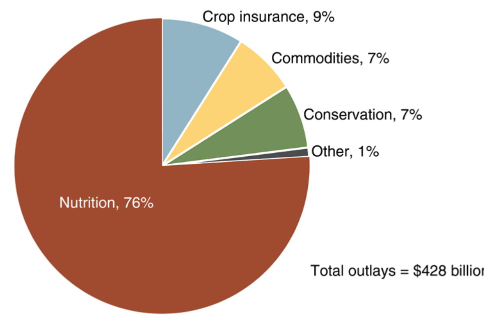
The Bill increases FY2019-FY2023 spending by $1.8 billion (less than one percent). The Congressional Budget Office projects that 76 percent of outlays under the 2018 Farm Bill will fund nutrition programs, nine percent will fund crop insurance programs, seven percent will fund conservation programs, seven percent will fund commodity programs, and the remaining one percent will fund all other programs, including trade, credit, rural development, research and extension, forestry, horticulture, and miscellaneous programs (Figure 1).

Although the Act introduces changes across all twelve titles included in the Bill. We will focus our attention in this article on the changes included in Title I: Commodities and Title XI: Crop Insurance.

Title I: Commodities
- The Act retains both the Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) program
  - » Revisions to both ARC and PLC are included in the Bill
  - » An initial decision will be required in 2019, then annually beginning in 2021
  - » Seed cotton is included through 2018 Appropriations
  - » Base acres not planted to a covered commodity in 2009-2017 are not eligible for ARC or PLC; may be enrolled in the Conservation Stewardship Program (CSP)
- Increases commodity loan rates for many crops
- Revised Dairy Margin Coverage (DMC) replaces Margin Protection Program for Dairy (MPP-Dairy) and removes the prohibition on Livestock Gross Margin (LGM) with participation in DMC
- Keeps status quo for sugar
- Disaster assistance remains with permanent authority and mandatory funding and with expanded coverage and benefits
- Expands family member definition for payment limits and eligibility rules

Title XI: Crop Insurance
- Makes various modifications to existing crop insurance programs
- Basic crop insurance provisions permanently authorized in separate legislation
- Selected changes include:
  - » Adds catastrophic (CAT) coverage for grazing crops
  - » Provides separate coverage for dual-purpose grazed and harvested crops
  - » Changes beginning farmer and rancher definition to 10 years for insurance benefit purposes
  - » Adds hemp to list of eligible insurable crops
  - » Increases CAT administrative fees from $300 to $655

Figure 1. Projected Outlays Under the 2018 Farm Act, 2019-2023

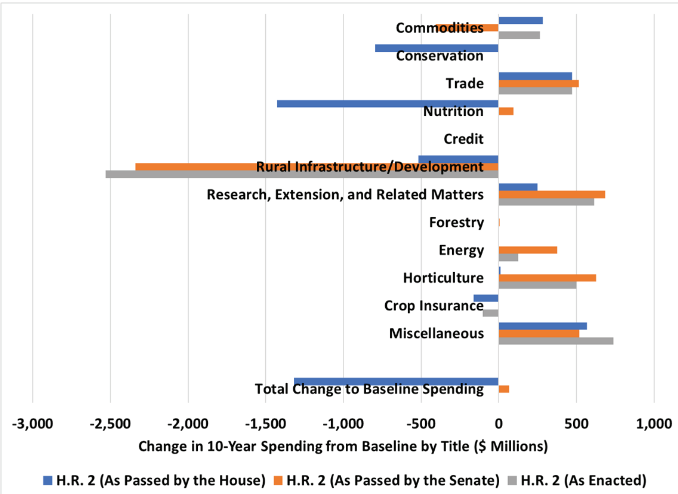


Sources: USDA, Economic Research Service calculations based on Congressional Budget Office estimates.

Farm Safety Net programs under the Bill will include an opportunity to update *program yields*, on a covered-commodity-by-covered-commodity basis, using 90 percent of the average of the yield per planted acre for the 2013-2017 crop years. However, unlike the 2014 farm bill yield update that used the simple average for the data period, the 2018 farm bill yield update is subject to a commodity-specific adjustment factor to account for any national increase in trend yield. Producers may receive payments on generic base acres if those acres are planted to a covered commodity. Any yield update election must be made so as to be in effect beginning with the 2020 crop year.

A portion of a participating farm's *base acres* must be enrolled in either PLC or ARC for that covered commodity. If ARC-CO or PLC program payments are triggered, then they are made on 85 percent of the producer's base acres that were enrolled for that covered commodity irrespective of actual plantings. ARC-IC payments are made on a reduced 65 percent of base acres.

Figure 2. 2018 Farm Bill Budget by Title



Source: Congressional Research Service and Congressional Budget Office

The 2018 Farm Bill also includes several new policy features, including: provisions to allow for an *enterprise unit* to include land across county lines, restrictions to cap individual actual production history declines at 10 percent when due to insurable causes of loss, and creates a *Veteran Farmer or Rancher* category so veteran farmers receive additional benefits such as an increased subsidies. It also defines *Beginning Farmer* as having not held an insurable interest for more than 10 years for the Whole Farm Revenue Protection Program.

The act also revises the treatment of *forage and grazing* by repealing a ban on catastrophic (CAT) coverage for crops and grasses used for grazing. In addition, it allows for separate coverage on crops that are both grazed and mechanically harvested.

Specialty Crops include fruits and vegetables, tree nuts, dried fruits, and horticulture nursery crops. The Act allows the Federal Crop Insurance Corporation (FCIC) to offer policies for **industrial hemp**. In addition, the Bill designates the Agricultural Marketing Service (AMS) as the lead USDA agency to administer the new USDA Hemp Production Program. AMS is in the process of developing regulations to implement the 2018 Farm Bill provisions. It is expected that the final rule will be implemented by the end of calendar year 2019.

Disaster Assistance Programs continue to include the Livestock Indemnity Program (LIP), the Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish program (ELAP), the Livestock Forage Disaster Program (LFP), and the Tree Assistance Program (TAP). These programs remain authorized and have minimal changes. Cold is now considered a LIP covered eligible loss for unweaned livestock without regard to any management practice, vaccination protocol, or lack of vaccination. LIP now covers diseases that are caused or transmitted by a vector and are not controlled by vaccination or an acceptable management practice. These diseases were previously covered under ELAP. ELAP payments are no longer subject to payment limitation.

Noninsured Crop Disaster Assistance Program (NAP) was revised to include buy-up NAP coverage as part of permanent program authorization. Basic coverage has a payment limitation of $125,000 per person and legal entity, while the payment limitation for buy-up coverage is a separate $300,000. Service fees for applications for coverage have increased, while the premium amounts for buy-up NAP coverage are unchanged.

The definition of *family member* for farming operation has expanded to include first cousin, niece, and nephew; (great-grandparent or grandparent, parent, child [including legally adopted children and stepchildren] grandchild, great grandchild, sibling of the family members in the farming operation, and spouses of family members).

References:

Lubben, B. University of Nebraska-Lincoln. "Farm Bill Overview." Presentation at the 2018 Farm Bill Education Conference. Kansas City, MO. **https://agrisk.umn.edu/**. May 2019.

Schnepf , R. "Farm Commodity Provisions in the 2018 Farm Bill (P.L. 115-334)." **https://www.everycrsreport.com/reports/R45730.html#_Toc9327995.** Congressional Research Service. May 2019.

USDA-Economic Research Service. "Agriculture Improvement Act of 2018: Highlights and Implications." **https://www.ers.usda.gov/**. USDA-ERS. August 2019.

USDA-Farm Service Agency. "Farm Bill Home." **https://www.fsa.usda.gov/programs-and-services/farm-bill/index**. USDA-FSA. August 2019.

USDA-Farm Service Agency. "What's New: FSA and the 2018 Farm Bill." and "The 2018 Farm Bill – What Is New and What Has Changed." **https://www.fsa.usda.gov**. USDA-FSA. Feb. 2019.

USDA-National Institute of Food and Agriculture (NIFA). "NIFA Administrative Actions | USDA HEMP PRODUCTION PROGRAM." **https://nifa.usda.gov/industrial-hemp**. USDA-NIFA. August 2019.

USDA-Risk Management Agency. "2018 Farm Bill." **https://www.rma.usda.gov/en/Topics/Farm-Bill**. USDA-RMA. August 2019.

USDA-Risk Management Agency. "What's New: Risk Management Agency (RMA) and the 2018 Farm Bill." USDA-RMA. **https://www.rma.usda.gov/en**. February 2019.

RightRisk™

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

- *Education*
- *Coaching*
- *Research*

E-mail: information@RightRisk.org
Web: www.RightRisk.org

RightRisk News is brought to you by the RightRisk Team

Contributing authors:

John Hewlett, Ranch/Farm Management Specialist - University of Wyoming, hewlett@uwyo.edu
Jay Parsons, Risk Management Specialist - University of Nebraska-Lincoln, jparsons4@unl.edu
Jeff Tranel, Ag and Business Management Specialist - Colorado State University, Jeffrey.Tranel@ColoState.edu

Editing and Layout: John Hewlett, hewlett@uwyo.edu

Past issues of RightRisk News are available at: http://RightRisk.org > Resources > RightRisk News
To subscribe/unsubscribe, email information@RightRisk.org subject line "Subscribe/Unsubscribe RR News"

Colorado State University Extension | University of Wyoming Extension | Nebraska Extension

How much risk is right for you and your operation?