Crop Insurance and the 2014 Farm Bill

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Four Main Points

- Major Changes

- Extremely Complicated

- Details not finalized until late summer.

- New interactions between commodity program decisions and crop insurance decisions.

Conclusion

- Farmers will need information and guidance about the program and insurance options over the next few months.

WARNING: TALOCA

There

Are

Lots

Of

Confusing

Acronyms

The Old Farm Bill Commodity Programs

- Crop commodity programs
  - Direct Payments
  - Countercyclical Payments
  - Average Crop Revenue Election (ACRE)
  - Loan Deficiency Payments
- Dairy Programs
  - Milk Income Loss Contract (MILC)

The New Farm Bill Commodity Programs

- Crop commodity programs
  - ~~Direct Payments (DP)~~
  - ~~Countercyclical Payments (CCP)~~
  - ~~Average Crop Revenue Election (ACRE)~~

  - Loan Deficiency Payments (LDP)
  - **Price Loss Coverage (PLC)**
  - **Agricultural Risk Coverage (ARC)**

- Dairy Programs
  - ~~Milk Income Loss Contract (MILC)~~
  - **Margin Protection Program (MPP)**

The Old Farm Bill Crop Insurance Provisions

Crops

- Yield Protection Crop Insurance (YP)

- Revenue Protection Crop Insurance (RP)

- Group Risk Plans (GRP)

Dairy

- Livestock Gross Margin Insurance (LGM-Dairy)

The New Farm Bill Crop Insurance Provisions

Crops
- Yield Protection Crop Insurance (YP)
- Revenue Protection Crop Insurance (RP)
- Group Risk Plans (GRP)
- **Supplemental Coverage Option (SCO)**

Dairy
- Livestock Gross Margin Insurance (LGM-Dairy)

Examples of some complicated decisions

- ## Reallocating base acres

"The reallocation of base acres among covered commodities on a farm shall be in proportion to the ratio of—

(i) the 4-year average of—

(I) the acreage planted on the farm to each covered commodity for harvest, grazing, haying, silage, or other similar purposes for the 2009 through 2012 crop years; and

(II) any acreage on the farm that the producers were prevented from planting during the 2009 through 2012 crop years to that covered commodity because of drought, flood, or other natural disaster, or other condition beyond the control of the producers as determined by the Secretary;

To (ii) the 4-year average of—

(I) the acreage planted on the farm to all covered commodities for harvest, grazing, haying, silage, or other similar purposes for such crop years; and

(II) any acreage on the farm that the producers were prevented from planting during such crop years to covered commodities because of drought, flood, or other natural disaster, or other condition beyond the control of the producers, as determined by the Secretary".

- ## PLC or ARC?

The Devil is in the Details

And the details won't be known with precision until the publication of the rules and regulations implementing the farm bill.   Those are expected in August or September.

Interactions between commodity program decisions and insurance decisions

- SCO insurance is available only to those who choose PLC as the commodity program option.
- But more generally the new commodity programs are similar in many respects to insurance – paying when revenues or gross margins fall below a target level.
  - If I have Margin protection with MPP-Dairy, why do I need Gross Margin insurance?
  - If I have revenue protection from the ARC program does that mean I should choose a lower level of coverage under my RP insurance?

Get out your calendars and mark the appropriate date(s):

- Lower Shore is on Aug. 12, location TBA, 10-3, crop commodity programs only
- Upper Shore is on Aug. 13 at the Queen Anne's County Fair 11-3, crop commodity programs only
- Southern Maryland on August 15 at the St. Mary's Ag Service Center in Leonardtown, 10 -3, crop commodity programs only
- Northern Maryland on August 18 at the Baltimore County Ag Center in Cockeysville,   10 – 3, crop commodity programs and dairy programs.
- Central/Western Maryland on August 19 in Frederick County at either the 4-H Camp Center or Dutch's Daughter, 10 – 3,   dairy programs
- Garrett County on August 21, location TBA, 10 – 3, dairy programs

https://extension.umd.edu/crop-insurance/events#