2014 Farm Bill – Looking Back

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The Agriculture Act of 2014, or the 2014 Farm Bill, covered crop years 2014 to 2018. In the period for election to Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) in the 2015 crop year, many Oklahoma wheat farmers were sure to get a payment for the 2014 crop year and likely to get a 2015 payment. However, PLC was most likely to provide payments to producers given the level of support (reference price) and market prices for a few crops. Canola and peanuts, for example, were crops with high reference prices relative to current market prices. Elections for those crops reflect those ratios. Few Oklahoma producers elected Ag Risk Coverage-Individual (ARC-IC). Under ARC-IC, all the farm's base acres for all crops were enrolled in this option. This option was forecasted to be attractive only if a producer had very high yields or very low yields relative to county-average yields. Given that ARC-IC only paid on 65 percent of base acres, as opposed to 85 percent under ARC-CO and PLC, few producers elected this option.

Table 1 shows that 89 percent of Oklahoma canola producers controlling 95 percent of canola base acres elected PLC. The reference price for canola was $10.075 per bushel with the 2014-2015 cash price expected to average around $8.56 per bushel, so PLC was a very obvious choice. Similarly, peanuts have a reference price of $0.2675 per pound and an expected 2014-2015 average price of about $0.2169 per pound. So, 97 percent of Oklahoma producers responded by electing PLC, totaling 99 percent of Oklahoma's peanut base acres. Nationally, producers also responded to the relatively high reference prices for canola and peanuts with 97 percent of canola base acres and nearly 100 percent of peanut base acres enrolled in PLC.

Oklahoma's main crop, wheat, did not have a program with a clear advantage, so producers and acres were not as definitively elected into any one program. Oklahoma's wheat farmers elected to put 62 percent of base acres in ARC-CO and 38 percent of base acres in PLC. For 2014-2015 market-

Table 1. Oklahoma Farm Bill election numbers by farm and base acres.

	Percent of Farms Electing				*Percent of Bases Electing*			
Commodity	*PLC*	*ARC-CO*	*ARC-IC*	*Total*	*PLC*	*ARC-CO*	*ARC-IC*	*Total*
Barley	31	69	0	100	46	54	0	100
Canola	89	11	0	100	95	5	0	100
Corn	37	63	0	100	20	78	2	100
Dry Peas	50	50	0	100	40	60	0	100
Grain Sorghum	48	52	0	100	53	47	0	100
Lentils	0	100	0	100	0	100	0	100
LG Rice	89	11	0	100	100	0	0	100
Oats	39	61	0	100	45	55	0	100
Peanuts	97	3	0	100	99	1	0	100
Safflower	0	100	0	100	0	100	0	100
Sesame	73	27	0	100	70	30	0	100
Soybeans	23	77	0	100	16	84	0	100
Sunflowers	52	42	6	100	62	25	14	100
Wheat	37	63	0	100	38	62	0	100

Source: USDA Farm Service Agency.

ing year, wheat prices were expected to average about $6.05 per bushel. With a reference price of $5.50, no PLC payment for the 2014-2015 marketing year was expected at the time of election. ARC-CO payments varied by county based on yields. Nationally, 56 percent of wheat base acres were enrolled in PLC with 42 percent in ARC-CO.

The majority of Oklahoma's corn and soybean farmers also elected ARC-CO. Soybean base acres broke 94 percent for ARC-CO and 78 percent of corn base acres were elected in ARC-CO. The reference prices of $8.40 (soybeans) and $3.70 (corn) were not expected to result in sizable PLC payments for the 2014- 2015 marketing year. Grain sorghum base was split more evenly with 53 percent elected in PLC and 47 percent in ARC-CO. Nationally, 93 percent of corn base acres were enrolled in ARC-CO with only 7 percent in PLC. Even more striking, 97 percent of U.S. soybean base acres were placed in ARC-CO and a mere 3 percent in PLC, reflective of the relatively low soybean reference price. U.S. grain sorghum base acres went 33 percent for ARC-CO and 66 percent for PLC.

Looking back on those election choices in Tables 2 and 3, from 2014-2017 ARC-CO paid out almost $175 million to producers of covered crops and PLC paid out $262 million. However, the relative advantages of ARC-CO and PLC varied by commodity and year. The highest total payment year in Oklahoma for ARC-CO was crop year 2014, with total payments of $62 million for covered commodities. The highest total payment year in Oklahoma for PLC was crop year 2016, with payments totaling $127 million.

As expected during the election period, PLC did pay out most frequently for canola producers. Each year from 2014-2017, about a third of Oklahoma counties triggered a PLC payment. PLC payments averaged $284,000 on canola base acres across Oklahoma per year. Peanut producers similarly benefitted greatly from PLC election. Almost 60 percent of Oklahoma counties triggered a PLC payment each year from 2014-2017. PLC payments on peanut base acres averaged $11,714,000 across Oklahoma per year. ARC-CO provided benefits to those with soybean base acres enrolled, and averaged $367,000 across Oklahoma per year. No PLC payments were triggered in Oklahoma on soybean acres in the 2014-2017 crop years.

Other commodities had more mixed results. Some covered commodities benefited more under ARC-CO in 2014 and perhaps 2015, but would have benefited more from PLC in later years. In 2014, no Oklahoma counties were eligible for PLC payments for corn, grain sorghum, oats or wheat base acres and ARC-CO paid out a total of $62 million on those crops in Oklahoma. The greatest portion of that, $50 million, was on wheat base acres. Both ARC-CO and PLC paid for those crops in the 2015 crop years for some Oklahoma counties. Total corn, grain sorghum, oats and wheat ARC-CO and PLC payments in Oklahoma were $62 million and $44 million in that crop year, respectively. However, in the 2016 and 2017 crop years, the proportion of counties receiving PLC payments exceeded the proportion of counties receiving ARC-CO payments. This was most apparent in 2016, when PLC payments on Oklahoma wheat base acres surged from $39 million in 2015 to $104 million in 2016.

The Agricultural Improvement Act of 2018, or the 2018 Farm Bill, was signed into law on December 20, 2018. The 2018 farm bill only maintained the ARC-CO and PLC programs going forward to the 2019-2023 crop years, but maintained reference prices from the 2014 Farm Bill, unless prices increase above the reference prices for an extended period from 2019-2023. In addition, the 2018 Farm Bill provides the flexibility to shift from ARC-CO to PLC year-by-year starting with the 2021 crop year. The results of coverage from the 2014 Farm Bill indicate that opportunities may exist, county-by-county and commodity-by-commodity, to benefit from that flexibility.

Table 2. Percent of Oklahoma counties with base acres receiving ARC-CO or PLC payments 2014-2017.

	ARC-CO				*PLC*			
Commodity	*2014*	*2015*	*2016*	*2017*	*2014*	*2015*	*2016*	*2017*
Barley	60	65	27	58	0	0	0	31
Canola	14	14	0	10	30	30	30	31
Corn	12	57	58	32	0	90	92	91
Dry Peas	3	0	0	0	0	0	0	0
Grain Sorghum	21	77	78	74	0	99	100	100
Lentils	1	1	1	1	0	0	0	0
LG Rice	0	0	0	0	4	4	4	0
Oats	81	88	87	88	0	95	95	0
Peanuts	4	6	8	4	58	58	56	58
Safflower	0	0	0	0	0	0	0	0
Sesame	0	0	0	0	0	0	0	0
Soybeans	17	29	21	19	0	0	0	0
Sunflowers	0	0	0	0	0	13	14	0
Wheat	56	86	69	43	0	96	97	97

Source: USDA Farm Service Agency.

Table 3. Oklahoma Farm Bill total payments 2014-2017.

	ARC-CO ($thousands)				*PLC ($thousands)*			
Commodity	*2014*	*2015*	*2016*	*2017*	*2014*	*2015*	*2016*	*2017*
Barley	$86	$73	$15	$60				$214
Canola	$10	$9		$6	$258	$373	$292	$214
Corn	$10,906	$3,677	$9,128	$7,665		$409	$1,457	$1,509
Dry Peas	$0.02							
Grain Sorghum	$729	$895	$966	$844		$3,938	$6,901	$4,397
Lentils	$0.39	$0.39	$0.39	$0.28				
LG Rice					$102	$150	$212	
Oats	$122	$219	$200	$135		$190	$233	
Peanuts	$1	$18	$14	$11	$9,455	$15,051	$14,404	$7,947
Safflower								
Sesame								
Soybeans	$139	$517	$373	$441				
Sunflowers						$3	$12	
Wheat	$50,396	$48,674	$22,789	$15,574		$39,436	$103,770	$51,192

Source: USDA Farm Service Agency.

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