National Farmers Union
UNITED TO GROW FAMILY AGRICULTURE

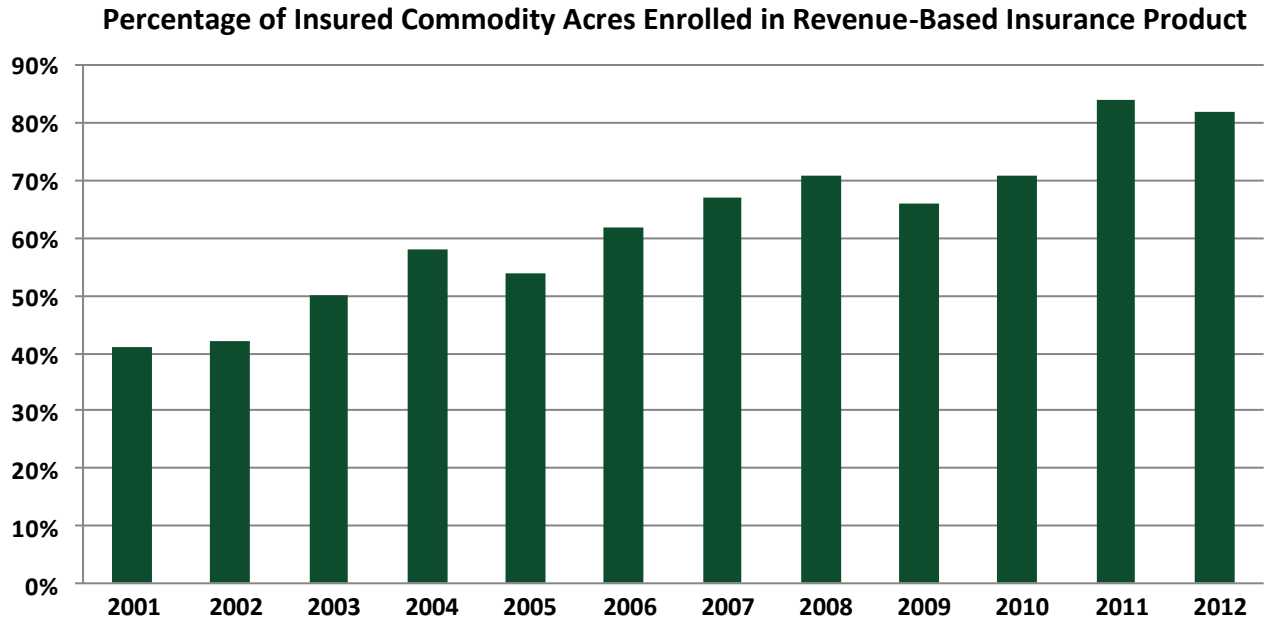
2014 Farm Bill Summary

CROP INSURANCE

With a funding increase of $5.7 billion over ten years, the 2014 Farm Bill spending levels for crop insurance are twice as high as those for the commodity programs, a fact that reflects the increased importance that has been assigned to risk management. Now that crop insurance has become the primary program for most farmers, **conservation compliance requirements that previously only applied to federal commodity programs will now apply to crop insurance as well.** Farmers must adhere to certain basic conservation methods in order to be eligible for federal crop insurance premium subsidies, with some exceptions and phase-in assistance for permanent crops, such as fruit and nuts, and specialty crops. It should be noted that there are no payment limits or income-based eligibility restrictions on crop insurance participation.

Because of the adjustments to conservation compliance requirements, the bill reduces crop insurance subsidies and noninsured crop disaster assistance for the first four years of planting on native sod acreage in Iowa, Minnesota, Montana, Nebraska, North Dakota and South Dakota.

Most of the funding increases for crop insurance are due to the inclusion of two new insurance products. One is for cotton only – the Stacked Income Protection Plan (STAX) – and the other is available for all commodities – the Supplemental Coverage Option (SCO). Both STAX and SCO cover county-wide revenue losses. The conference report prohibits cotton farmers from enrolling the same acreage in both STAX and SCO, but they may split acreage even within the same county between the two. Similarly, growers of any commodity may not enroll the same acreage in both SCO and the Agriculture Risk Coverage (ARC) program, but SCO and the Price Loss Coverage (PLC) program may be paired.



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CROP INSURANCE—CONTINUED

Cotton farmers can purchase STAX as a stand-alone policy or in addition to a revenue or yield protection insurance policy, which would result in coverage levels of 70 to 90 percent. SCO is a county-level revenue or yield loss policy available to eligible commodity producers as a supplemental policy to cover a portion of the deductible of their individual insurance policy. Payments from SCO will be applied if county losses exceed 14 percent, and coverage is limited to the difference between 86 percent of revenue and a farmer's individual insurance coverage level.

The 2014 Farm Bill makes available a ten percentage point reduction in crop insurance premiums for beginning farmers for their first five years of farming.

Further research on whole farm revenue insurance is emphasized in the bill, especially at higher coverage levels than are currently available. A variety of provisions are included that will expand or study improvements to crop insurance for other commodities, including specialty and organic crops. Other study areas include:

- Food safety and contamination-related insurance for specialty crop producers
- Insurance for hog farmers and poultry growers in the event of a catastrophic disease event
- Margin-based insurance for catfish farmers
- Insuring sweet sorghum grown as feedstock for renewable energy
- Alfalfa production insurance

Protections against cuts to crop insurance through the Standard Reinsurance Agreement negotiation process, which periodically reestablishes the terms of the relationship between the federal government and private crop insurance companies, are included in the bill.