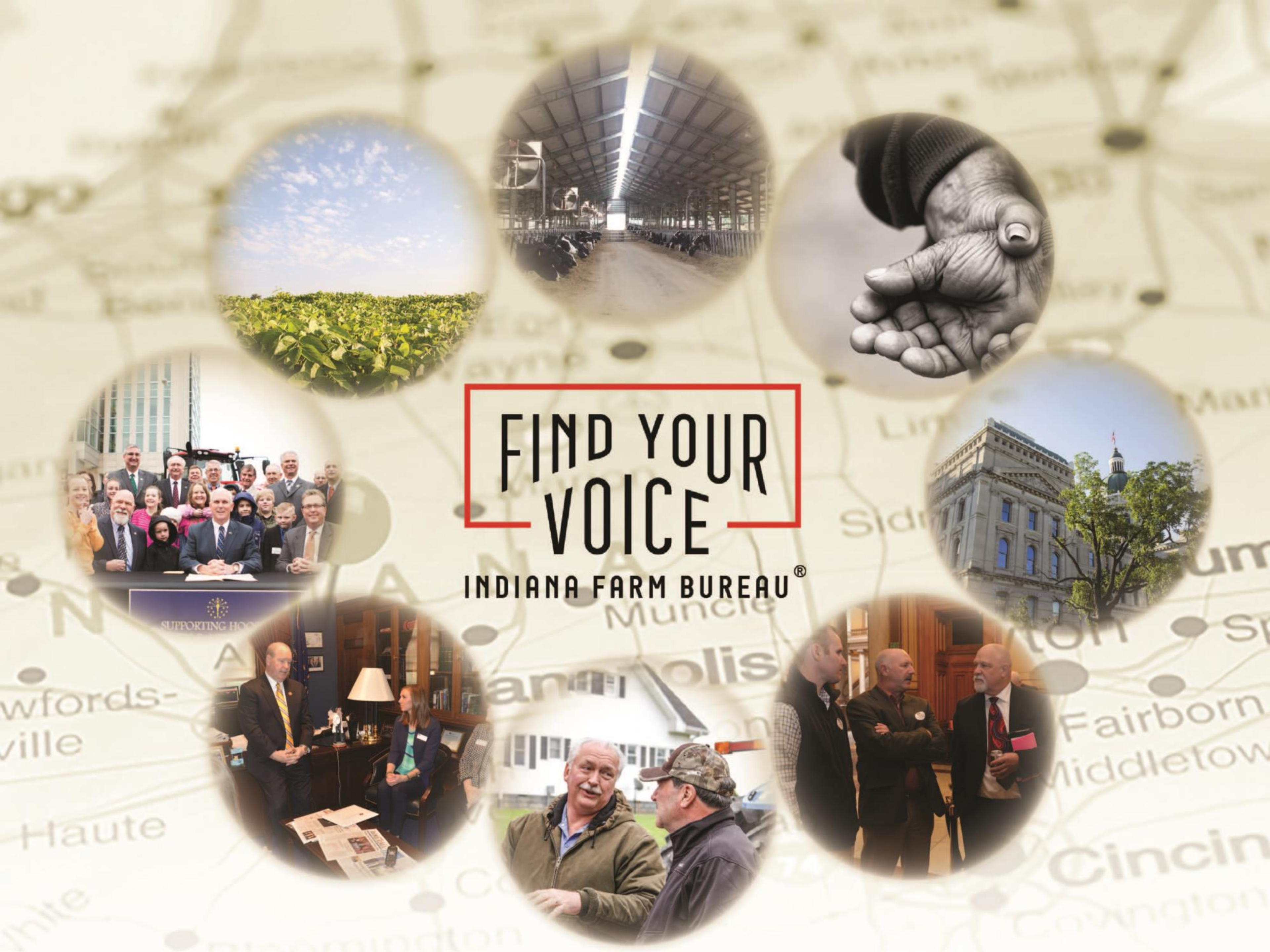
FIND YOUR VOICE

INDIANA FARM BUREAU®



Questions to Consider

- What are the goals for Indiana’s future in agriculture?
- Given the farm economic conditions, what do farmers need help with?
- What are your farm’s priorities moving forward?
- What role do you see yourself having in the next years related to agriculture?
- What role would you like to see the Farm Bill play?

I. Commodity Programs - Part 2

Farm Program Payment Limitations
Farm Savings Accounts
Actively Engaged Definition
Commodity Certificates

Farm Program Payment Limitations

Current Limitations for Program Payments	
Program Payment Type	**Limit for 2014-2018**
Commodity Programs	
Price Loss Coverage (PLC), Agricultural Risk Coverage (ARC), Loan Deficiency Payments (LDP), and Marketing Loan Gains (MLG) – other than peanuts	$125,000
PLC, ARC, LDP, and MLG – peanuts	$125,000
Conservation Programs	
Conservation Reserve Program (CRP) – annual rental payments and incentive payments	$50,000
Emergency Conservation Program (ECP) – per disaster event	$200,000
Emergency Forest Restoration Program (EFRP) – per disaster event	$500,000
Conservation Stewardship Program (CSP) – total limit for all contracts entered into after 2014 Farm Bill enactment and for FY2014-2018	$200,000
Environmental Quality Incentive Program (EQIP) - total limit for all contracts entered into after 2014 Farm Bill enactment and for FY2014-2018	$450,000
Agricultural Management Assistance (AMA) – in any fiscal year	$50,000
Disaster Assistance Programs	
Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program (ELAP), Livestock Forage Disaster Program (LFP), and Livestock Indemnity Program (LIP) – total payments for all three programs may not exceed $125,000	$125,000
Noninsured Assistance Program (NAP)	$125,000
Tree Assistance Program (TAP)	$125,000
Other Programs	
Trade Adjustment Assistance for Farmers (TAA)	$10,000

Farm Savings Accounts

- Free cash flow of farmer from high net revenue years could be deposited to Farm Savings Account accessible readily available funds in times of financial stress
- Provides safety net in times of financial stress
- Not tied to direct parcels of land to disconnect land values and government support
- Could be used to service debt in low cash-flow years to reduce possibility of loan default
- Would encourage farmers to put money aside to be available when needed to mitigate financial risk
- Could help pay expenses during a farmer's retirement years

Could work like Canada –

- Voluntary contributions of up to 3% of eligible net sales matched by government
- Or with no government contributions and a deposit amount up to 20% net eligible sales with a 3% bonus return on competitive interest rate at a cost to taxpayers
- All money is after-tax dollars
- Tax paid on interest earned and government contributions when money is withdrawn
- Withdrawals occur when income falls below 5-year average net returns or when taxable income falls below fixed level
- Amount withdrawn cannot exceed what is necessary to equate year's income with 1 of the 2 thresholds

Senator Richard Lugar's 2007 proposal is also being considered

- Accounts seeded by government contributions determined as percentage of farmer's adjusted gross revenue
- Percentage would decline with higher gross revenues
- Withdrawals happened when adjusted gross revenue for a year declines to 95% of average level in past 5 years or for value added farm investments

Farm Savings Accounts

Problems:

- Difficult to build a meaningful fund balance in the early years or during persistent low incomes
- Policy could include a tax code change which moves the policy out of the Ag Committees and into House Ways and Means and Senate Finance Committees

Rules of Actively-Engaged definition for Payment Eligibility

- 2014 Farm Bill exempted family farms from certain management requirements and "actively engaged"
- New Family Farm rule: Family farms can become non-lineal family farms due to the death of a member of the family and/or inclusion of a family member who, while related, is not lineal family (i.e. first cousins). Meaning they no longer are considered exempt
- In order to be eligible for farm program benefits/possible payments: all program participants, either individuals or legal entities, must provide significant contributions to the farming operation to be considered "actively engaged in farming", including capital, land, and/or equipment, as well as active personal labor and/or active personal management or combination.
  - Exemptions: spouses may both be considered if 1 makes all contributions and landowners if they contribute owned land to farming operation to receive rent or income for use of the land.
- Each with ownership interest must contribute active personal labor and/or active personal management on a regular basis.
  - Contribution must be identifiable and documentable
  - Contribution must be separate and distinct from other contributors
  - Rule restricts number of farm managers to 1 person/nonfamily farming operation
  - Significant contribution defined as 500 hours of management or at least 25% of total management required for the operation

Rules of Actively-Engaged definition for Payment Eligibility

Issues

- Definition impacts operations not solely comprised of lineal family members
- Certain generational changes can make an eligible family operation become non-lineal upon death or retirement, forcing compliance with new requirements quickly, even in times of grief.
- Rule places limits of number of farm managers. Numeric standards for management contributions do not properly measure management activities (i.e. abilities and interests), such as time dedicated to decision making.
- Farmers are now required to keep readily available records (date, time, location, and duration) of each management activity

Commodity Certificates

- Commodity Credit Corporation may issue commodity certificates to agricultural producers who have pledged a covered commodity as collateral for a Marketing Assistance Loan.
- MLA's are available from FSA to provide interim financing at harvest to meet cash flow needs without having to sell commodities, allowing producers to wait until market conditions are more favorable.
- MAL can be redeemed by repayment or delivering the commodity
- Commodity certificates allow outstanding MALs to purchase certificates and exchange the certificate for outstanding loan collateral, rather than forfeit loan to CCC
- Covers wheat, upland cotton, rice, feed grains, pulse crops, peanuts, wool, soybeans, and other minor oilseeds
- Payment limitations do not apply in the exchange
- Certificate rate is in effect on date it is purchased and may be exchanged when an exchange rate is less than applicable loan rate

Commodity Certificates

Issue: In 1 day, a farmer can take out the MAL, immediately pay it with a certificate at the posted county price. The loan rate is the gain and will equal the Loan Deficiency Payment on the day. By taking it as a loan and repaying with certificates, the gain does not count in the single all-commodity payment limit of $125,000