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Agriculture Improvement Act of 2018 (Title I: Peanuts)

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Covered Commodities: As defined in the 2014 Farm Bill as well as adding seed cotton.

Base Acres: As defined in the 2014 Farm Bill and recorded for the farm for the 2018 crop year. No base reallocation or updating was included in the language. However, it does have language for treatment of unplanted base on a farm that was planted to grass or pasture (including cropland that was idle or fallow). If a farm's entire cropland was planted to grass or pasture as well as the cropland that was idle or fallow during the time period of January 1, 2009 to December 31, 2017, the bases and payment yields for that farm would be maintained. However, no ARC/PLC payments can be made to those bases for the 2019 through 2023 crop years. Furthermore, producers on such farm will not have the option of changing the election between ARC/PLC for those covered commodities bases. Included in the language is the prohibition on reconstitution of the farm to get around this feature. Farms that have the ARC/PLC payments suspended will have the opportunity to participate in a 5-year grassland incentive contract under the Conservation Stewardship Program at a rate of $18 per base acre.

Payment Yield: As defined in the 2014 Farm Bill 90% of the 2008-2012 crop years average yield per planted acre could be the covered commodity's payment yield if the landowner of the farm selected the update. Language was included where for the landowner will have a single opportunity to update payment yield on their farm beginning with the crop year 2020. If landowner decides to update the payment yield on a covered commodity by covered commodity basis, the new payment yield will be 90% of the average yield per planted acre for the crop years of 2013-2017 multiplied by the yield update factor for that covered commodity. The yield update factor for peanuts is 0.9273. If for a given year, the farm's covered commodity yield is less than 75% of the average county yield for 2013-2017, USDA shall assign a yield for that crop year equal to 75% of the average of the 2013-2017 county yield.

Updated ARC/PLC Election Options: Producers have a choice between ARC and PLC on a crop by crop and farm by farm basis starting with the 2019 crop year. The choice made for 2019 crop year will also apply to the 2020 crop year. For crop years 2021 through 2023, producers will have flexibility to make annual decisions between ARC and PLC on a crop by crop and farm by farm basis.

Reference price: Same as in the 2014 Farm Bill except seed cotton which is the same as in the 2018 seed cotton provision. Peanuts - $535/ton, Wheat - $5.50/bu, Corn - $3.70/bu, Grain Sorghum - $3.95/bu, Barley - $4.95/bu, Oats - $2.40/bu, Rice (long and medium) - $14.00/cwt, Soybeans - $8.40/bu, and Seed cotton - $0.367/lb.

Effective reference price (to be used in the PLC calculation instead of the reference price): Is the lesser of:

(A) 115% of the reference price for such covered commodity; or
(B) Greater of:
   a. The reference price for such covered commodity; or
   b. 85% of the Olympic average of the most recent 5 crop years marketing year average price.

This implies that the effective reference price for peanuts can range from $535/ton (current reference price) to a maximum of $615.25/ton. To achieve an increase above $535/ton, the Olympic average of the most recent 5 peanut crop years marketing year average price must exceed $629.41

Marketing year average price (effective price): National average market price received by producers during the 12-month marketing year. (Same as in 2014 Farm Bill)

Marketing Loan: The marketing loan was increased for certain covered commodities. For peanuts and cotton, their marketing loan rate remained the same as in the 2014 Farm Bill (Peanuts - $355/ton and Upland cotton - $0.45-$0.52/lb). For calculations of PLC/ARC for seed cotton, the loan rate is $0.25/lb but is NOT a non-recourse marketing assistance loan for seed cotton.

PLC Calculation: The effective price is the higher of the marketing year average price or the national average loan rate. (Same as in 2014 Farm Bill) If the effective price, is less than the effective reference price, the PLC payment is determined. The payment formula is the same as in the 2014 Farm Bill but with a change using the effective reference price definition instead of strictly the reference price. Payment formula = 85%*Base Acres*Payment Yield*(Effective reference price-effective price).

Special Rules for Peanuts: Same as in the 2014 Farm Bill in regards to administering the marketing assistance loans through DMAs, marketing cooperatives and FSA; storage of loan peanuts; and storage, handling and associated costs – USDA pays handling and other associated costs but no storage costs but will be repaid when the loan is redeemed. If forfeited, USDA pays storage, handling and other associated costs. Repayment rate for loan peanuts is the same as in the 2014 Farm Bill.

Payment Limitations: AGI limit is same as in 2014 Farm Bill (i.e., $900,000 3-year average). Separate peanut payment limit. $125,000 payment limit for ARC/PLC payments. Marketing loan gains (MLG) and loan deficiency payments (LDP) are not included in the payment limit. Includes changes for family member definition such that first cousin, niece and nephew are included. Spousal rule still applies.

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