

THUNE FARM BILL 2018



Background Information on Sen. John Thune's Soil Health and Income Protection Program

Takeaway: The Soil Health and Income Protection Program (SHIPP) is a new voluntary program that is designed for today's production agriculture and soil health needs. It would provide participating farmers with a short-term acreage conserving use program, which unlike the Conservation Reserve Program (CRP), would require a commitment of only three to five years.

Background:

- Most commodity crop-producing farms include a percentage of cropland that is less productive due to soil type, slope, wetland characteristics, lack of fertility, and other factors.
- With today's low commodity prices that are expected to continue over the next few years, most farm operators would prefer an alternative to cropping their less productive land, especially with the high cost of inputs required to grow a crop.
- CRP is typically not a viable option for operators who crop less productive land because it requires a commitment of 10 or 15 years, and residue and cover on CRP-enrolled acres has been historically difficult to control.
- Today's technology can provide operators with information to help them identify the least productive land on their farms.

How SHIPP Would Work:

- ✓ Participation is voluntary.
- ✓ Operator chooses the land to be enrolled in SHIPP on each Farm Service Agency (FSA) Farm Serial Number (FSN).
- ✓ Verification that the enrolled land is the least productive land on the FSN is required, as determined by the secretary.
- ✓ Both the landowner and the operator must sign the SHIPP contract.
- ✓ Land is enrolled in SHIPP for three, four, or five years. The secretary of agriculture will have discretionary authority to terminate SHIPP contracts, if necessary.

- ✓ A maximum of 15 percent of the cropland on a FSN may be enrolled in SHIPP, and enrolled land must have been planted or considered planted to a commodity crop for three consecutive years prior to enrollment.
- ✓ SHIPP acres must be planted to a perennial conserving use cover.
- ✓ SHIPP acres may be harvested for seed after nesting and brood rearing period, but cannot be insured (25 percent reduction in rental payment if harvested for seed).
- ✓ Base acres on the FSN are suspended (and will be reinstated when the SHIPP contract expires) on a 1:1 basis for each acre enrolled in SHIPP.
- ✓ Perennial conserving use cover crops and planting rates shall be determined by the State Technical Committee (STC) and be established at the lowest cost practicable.
- ✓ SHIPP enrollee shall pay the establishment cost of the perennial conserving use cover crop.
- ✓ SHIPP annual payment rate shall be one-half of the CRP general sign-up rental per acre rate for the county.
- ✓ Land must have been planted or considered planted for three consecutive years prior to the date of enactment.
- ✓ A one-time sign-up will be held, beginning with the first crop year after the next farm bill has been enacted.
- ✓ Premium discount for insured crops planted in a crop insurance unit each year shall be increased by 2 percent if the unit contains acres enrolled in SHIPP.
 - Applies only to premium discounts less than 80 percent.
 - Does not apply to catastrophic coverage.
 - If an FSN with SHIPP-enrolled acres contains more than one crop insurance unit, the increased premium subsidy applies to all crop insurance units in the FSN.
- ✓ SHIPP acres may be hayed or grazed outside the nesting and brood-rearing period established for the county, with adequate stubble height left standing to protect the soil, as determined by the State Technical Committee.

General Example:

A crop insurance unit and FSN of 100 acres with 10 acres is enrolled in SHIPP. The county's CRP general sign-up rental rate is \$120 per acre.

- Corn and soybeans are planted on the 100 acres in 2019.
- The corn and soybeans are enrolled in an Area Revenue Plan at 80 percent coverage level.
- The premium discounts for corn and soybeans enrolled in the Area Revenue Plan are adjusted from 55 percent to 57 percent.
- SHIPP annual rental payment is \$60 per acre, or \$600 total for 2019.

APH Impact Example:

A farm/crop insurance unit having the same boundaries, with harvest and production data that can be identified by harvest mapping or other data using the parameters below:

- 100 acre corn field/farm with three years of harvest/production data:
 - Current APH is 155 bushels/acre
 - Harvest map shows 10 acres on the field that have a yield average of 55 bushels/acre
 - The 10 less-productive acres are enrolled in SHIPP and taken out of production for five years.
 - According to the APH before SHIPP enrollment, the 100 acres would be expected to produce 15,500 bushels.
 - 10 acres enrolled in SHIPP at 55 bushels/acre would be expected to produce 550 bushels (10 X 55), and the 90 acres would be expected to produce 14,950 bushels, with a yield of 166 bushels/acre (90 X 166 bushels/acre).
 - In five years, the APH for the farm/unit (assuming average production would be calculated as five years at 155 bushels/acre and the subsequent five years at 166 bushels/acre, or after five years an APH of 160.5) would increase by approximately 7 percent.

Underserved/Beginning/Young Farmer and Rancher Provisions under SHIPP:

- Will use most current USDA definition of beginning, underserved, young farmer/rancher.
- Pays 50 percent cost-share of conserving use perennial cover crop establishment costs.
- Rental rate is 75 percent of general CRP sign-up rental rate for the county in which the SHIPP acres are physically located.
- Crop insurance premium discount will be increased by 3 percent.

Additional Information:

- Conserving use acres could participate in State Natural Resources or Game, Fish & Parks walk-in programs for additional payment from the state.
- Wildlife organizations could leverage rental payments to SHIPP enrollees with additional funds to leave cover standing for enhanced wildlife habitat rather than harvest it.