

Farm Bill Extension for 2013... What's Next?

by Joe Outlaw, Ph.D., with Texas A&M University

To many farm bill observers, it was apparent for most of 2012 that despite considerable work by the House and Senate Agricultural Committees and the expiration of the 2008 Farm Bill at the end of September, there wasn't much hope of Congress enacting a new 5-year farm bill.

It wasn't until Jan. 2, 2013, when President Obama signed the American Taxpayer Relief Act of 2012 (generally referred to as the fiscal cliff legislation) into law that producers and lenders had any certainty regarding the federal farm safety net for 2013. The eminent threat of reverting back to the provisions of permanent law contained in the 1949 Act with its acreage allotments and extremely high parity-based price supports was enough to ensure Congressional leaders addressed agriculture in the fiscal cliff legislation. While only 18 of the 154 pages of the bill were devoted to agricul-

ture, the bill extended the primary safety net provisions in place for 2012 to the 2013 crop.

Producer sign-up for the 2013 program began Feb. 18. This prompts the question of why is there a sign-up if this is just a one-year extension of the previous bill.

USDA has interpreted the extension language as providing producers the opportunity to switch from the Direct and Counter-cyclical Payment (DCP) program to the Average Crop Revenue Election (ACRE) program and vice versa depending upon which one a producer deems as providing them the best safety net for 2013.

Sign-up for the ACRE program ends June 3, while DCP program sign-up ends Aug. 2. While all of the 2012 county yield data necessary to develop good estimates for potential ACRE payments aren't available at the time of this writing, by late February/

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From the Texas Corn Producers Board
and the Corn Producers Association of Texas
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the kernel

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CORNER Comments



David Gibson
TCPB Executive Director
CPAT Exec. Vice President

In my 13 years of working for the corn producers of

Texas, there is but one issue that has occurred that caused producers to suffer severe financial loss and, unfortunately, there was (and still is) no help TCPB, CPAT or any other organization or agency could provide. The failure of a grain buyer to pay for grain purchased or a storage facility where more grain is lost than is covered by the bond or net worth of the facility has struck the pocket books of farmers time and again. The Texas grain warehouse law requires a maximum \$500,000 bond, and a stated net worth requirement of the greater of \$200,000 or \$0.25 per bushel of capacity only

applies to grain in open storage. In the case where there is the maximum bond and minimum net worth, all that is guaranteed is \$700,000, including coverage of unsold grain, which with corn at \$7 per bushel is only 100,000 bushels – and that is for the total facility, not per grain depositor. Those affected by such circumstance, are often surprised, they thought that they had far more protection.

Grain that farmers have contracted or sold with a contract for a later pay date is not covered at all by the bond or warehouse law, again this has come as a shock to most of those affected. In past in-

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On Jan. 16 and 17, I attended NCGA's Policy and Priority Conference in St. Louis, Mo. This was a gathering of the state organizations' executives, chairmen and presidents to give input to national leaders on issues regarding corn grower concerns at both the state and national level. Obviously, the inability of Congress to complete a five-year Farm Bill was at the top of most attendees' lists.

U.S. Farmers and Ranchers Alliance gave a presentation on how we, agriculture, can effectively communicate with media and the public on how we produce their food and fiber. One of the interesting discussions was centered on the ineffectiveness of

saying we produce the most "abundant, safest and least expensive food in the world". Research has shown consumers respond more positively to statements showing we, as farmers and ranchers, are doing a better job than our predecessors producing food, while ensuring environmental safety. While noting precision agriculture as an important piece in efficiently applying crop protection materials and fertilizer. Also, that we are educating the next generation of food producers with higher education so that they can do a better job than their predecessors.

TCPB staff and directors work to improve the profitability of Texas corn growers.



Scott Averhoff
TCPB Chairman
Waxahachie, Texas

Please contact us with your concerns and have a successful and safe planting season.

Director Spotlight

Larry Mason farms more than 2,000 acres of corn and 1,250 acres of wheat within 30 miles of Dalhart, Texas. Along with his crop commodities, Mason raises cattle.

Mason's family has been farming ever since he can remember and his heritage traces back to many generations of farmers. He has been farming his own land since 1988. Farming is such a natural part of Mason's life that his career chose him.

"I like the lifestyle of farming. There is always something different happening all the time," Mason said, "I enjoy the freedoms of being a farmer."

Along with being a board member for CPAT, Mason is also active on the USDA - Natural Resources Conser-

vation Services board in Union County, N.M. Additionally, he serves on the National Corn Growers Association's Grower Services Action Team.

Mason enjoys being active on the CPAT board because it allows him to ensure his fellow corn producers' voices are being heard. As for his goals for while on the board, Mason believes they are ever-changing and he plans to take on the issues that arise over time very carefully.

Mason is interested in many issues in the industry, but politics, water conservation



CPAT Director Larry Mason of Dalhart

and ethanol production stand out the most in his mind.

"Politics in the farming industry and government involvement is good, but both factors need to also let the free-market do its job," Mason said. 🌽

Farm bill, continued from p. 1

early March we should have enough data to provide some indication of whether it might be a viable option for Texas corn producers relative to the DCP program.

Despite the 1-year extension and impending sign-up there are still many unanswered questions regarding the exact amount of payments producers should expect in 2013. For example, if a producer chooses to sign-up for the DCP program, should they expect the same direct payment they received in 2012? Unfortunately, there isn't a good answer to the question because only Congressional

leadership knows whether the cuts from sequestration will impact 2013 payments. The fiscal cliff legislation merely postponed the budget cuts until March 1 from the process referred to as sequestration. D.C. insiders have indicated that if any sequestration cuts impact 2013 payments, the impact on an individual producer's payments would be relatively small.

So What's Next?

The Senate Agriculture Committee is expected to reintroduce the bill the full Senate passed in 2012 again this Spring. The House Ag-

riculture Committee is likely to do the same with the bill that passed the Agriculture Committee last year. But, until agriculture's share of the budget cuts from sequestration are known, neither the Senate nor House will really know how much money they will have to work with in crafting a new bill. Once they know their final budget numbers, expect both the Senate and House Agricultural Committee leadership to move fairly rapidly with a new 5-year farm bill that will cover producers from 2014 to 2018. 🌽

THE VOICE: Association News

A note from the President...

With the failure of Congress to pass a five year Farm Bill, producers are facing continued uncertainty. Although a one year extension was passed, it leaves many questions unanswered, and most certainly will result in lower available funding for any future Farm Bills. However, with the extension, producers can at least rely on the continuation of the DCP or ACRE program for 2013 (although it is unclear whether or not those payments might be subject to sequestration or debt ceiling cuts). All producers should carefully weigh the advantages and disadvantages of each program, as there is an option to switch programs for the 2013 crop year.

Unfortunately, with the passing of only an extension of the current Farm Bill, the process of writing a new 5

year Farm Bill will have to start all over again, but with less funding than the previous Farm Bill, and with less rural members of Congress. Several CPAT directors will be heading to D.C. in the next few weeks, to begin the process of educating new legislators on the importance of farm programs to the economy of rural America. With the recent levels of increased profitability in the farming sector, the process of getting a good Farm Bill with a strong safety net will be more difficult than ever before. And, with the continued polarization that exists in D.C., both between the parties and even differing philosophy within each party, the Farm Bill process will likely be another long and lengthy process.

On the state level, several bills have been filed that in-



Jimmy Wedel
CPAT President
Muleshoe, Texas

volve water, but at this point it is too early to determine in what way it may affect producers, nor how likely these bills are to make it to the floor. CPAT will continue to monitor this process and provide testimony when needed.

Yield contest winners announced

The National Corn Growers Association's National Corn Yield Contest has provided corn growers the opportunity to compete with their colleagues to grow the most corn per acre, helping feed and fuel the world for nearly half a century. The program has offered participants not only the recognition they deserved, but the opportunity to learn from their peers.

The Brooks Brown Farm in Dumas ranked third in the irrigated contest at the national level.

Despite facing yet a second year of drought in the state, Texas farmers met the challenge. 2012 Texas yield winners by category are:

Non-irrigated:

- 1. Chad Wetzels, Sherman 187.3058 bu/a.
- 2. Michael Ehrig, Gonzales 165.8572 bu/a

Irrigated:

- 1. Brooks Brown Farm 345.3059 bu/a
- 2. Double 'SA' Farms, Hart 324.0455 bu/a
- 3. Arlie Petty, Canyon 311.7256 bu/a

No-Till/Strip-Till:

- 1. Robert Gordon/Y4, Dalhart 302.6774 bu/a
- 2. Lightning Bar, Dimmitt 301.3787 bu/a
- 3. Norman Gerber, Nazareth 287.2483 bu/a

Winners in the contest will receive national recognition in publications such as the NCYC Corn Yield Guide, as well as cash trips or other awards from participating sponsors.

Texas Corn Producers congratulates all its competing members on a successful season!

Gibson's commentary, continued from p. 2

stances, producers learned civil action was their only recourse and in the case of a bankruptcy they were considered as non-secured creditors, which put them very low on the list of those to be paid in the bankruptcy. Producers who sell directly to livestock feeders, turn-row buyers, feed manufacturers who are not licensed warehouses, seed companies, etc. have only civil court actions to go after payment if not paid for their grain.

Recently producers had the right to vote on the establishment of a grain indemnity fund for Texas; this was modeled after the other 13 states that have similar funds in place. The producers who voted decided not to establish the grain indemnity fund. Very low voter totals was noted across the state – out of the 30,000 or so eligible, less than 1,800 voted. In the closing of the facility in North-Central Texas, more than 250 farmers were listed in the bankruptcy proceedings; this low voter number really concerns me as I look at the number of producers who have the risk to deal with.

Just last November another commodity processor was closed by a federal agency

and growers are still working on and wondering when and if they will be paid. All facilities do not fail to pay simply due to mismanagement or fraud, it can happen from things such as noted above or potentially by lending institutions if the buyer becomes to over leveraged by margin calls, for one example. Other circumstances that can cause a failure include the failure of purchasers from the buying facility to pay, or rapid swings in future prices causing lenders to say a purchaser is too overleveraged on their hedging accounts.

Buyers do not fail often, but when they do it is devastating to the producers and communities where they live. Some of the suggestions for avoiding having to deal with this issue would be:

- Always deal with a federally or state licensed warehouse when storing grain
- Make sure you have signed contracts by both you and the buyer if contracting production
- If you are selling with a deferred payment, get it in writing and signed by the buyer and you as the seller
- Be aware of changes – management, slow pay, failure to post a current price, etc.
- Keep documentation of

grain delivered

- Know your buyer, ask questions, be prepared to answer if the buyer ask you to verify your ability to deliver

Recently, I had a producer call wanting to know if his buyer could ask to see documentation that he was sound financially and that he could produce the crop that he was contracting. This business only wanted to protect against failure, so it is only appropriate that producers could ask for the same type of information on businesses they deliver to or contract goods with.

Good business practices need to be followed by all, and sometimes just being friends is not enough when one's livelihood and ability to repay debt is dependent on agreements, contracts and sales.

TCPB has a marketing document that is being updated for producers to fully understand how they are protected by the warehouse laws in Texas, what is not covered in Texas since we have no grain dealers licenses, and the implications that go with the failure of a warehouse to produce stored grain or a buyer to pay for sold or contracted grain. This document will be available in the near future. 🍌



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Changes in healthcare farmers should know about

2013 brings new changes in the Affordable Healthcare Act that farmers who employ one or more persons, or are self-employed, need to be aware of.

Effective Jan. 1, 2013, all net investment income to include rents, royalties, taxable capital gains, dividends, and interest paid to taxpayers with Modified Adjusted Gross Income of \$200,000 if filing as single, and \$250,000 if filing as joint married, will be assessed with a 3.8 percent tax.

This year also introduced the small business tax credit, which provides incentives for employers with low to moderate income workers. The incentives focus on encouraging employers to begin providing healthcare to employees, or to maintain the healthcare already provided. Employers with 25 or fewer employees who pay below \$50,000 in wages annually, and contribute 50 percent or more toward employee health premiums become eligible for tax credits up to 35 percent to help cover the cost of employee policies.

Additionally, all employers are now required to provide their employees with a “Summary of Benefits and Coverage” form, which outlines the coverage available to the employee and how much the policy costs. The SBC form is meant to keep employees informed about their policy and aware of their healthcare options.

Individuals who are self-employed now have the option to enroll in the individual healthcare marketplaces starting Oct. 1, 2013. Those who enroll will have the option of four types of policies that differ in the amount of costs that are covered. Individuals may also be eligible for subsidies and tax breaks based on a sliding income scale.

As of this year, insurance companies must spend 80 percent of the money brought in from premiums on medical care for their policy holders. If an insurance company fails to meet that mark they are required to pay out rebates to their policy holders, which will mainly be employers.

Three important new regulations will be seen in 2014 that farmers should keep in mind when planning for the next year.

- Effective Jan. 1, 2014, small businesses with 50 or fewer employees will now be able to purchase coverage from insurance marketplaces provided by the Small Business Health Options Program. The SHOP will lower the administrative costs incurred by small businesses by allowing the businesses to pool their risks. To enroll, small businesses must have an office in the operating area of the SHOP, and must offer SHOP coverage to all full-time employees.



- Effective Jan. 1, 2014, all employees who qualify for employer -provided coverage must be provided with that coverage within 90 days of the start of their employment.

- From 2014 to 2016, the Transitional Reinsurance Program Fees program will be in place. The program is intended to offset any high claims cost incurred by insurers under the individual insurance marketplace. Employers and insurers will pay a projected fee of \$63 per year for each individual covered by their insurance plan. The fee will be tax deductible for employers, and the fee is projected to decrease in the two years after 2014.

Learn more about the ACA regulations at www.sba.gov.

ODDS *AND* ENDS



New administrative intern

Shelbie Reid, of Coahoma, Texas, is the new TCP administrative intern. Shelbie is currently pursuing a degree in agricultural education at Texas Tech University.

Shelbie first discovered her love of the agricultural industry while growing up in Coahoma. Her passion for ag continued to grow throughout high school, when she became active in the FFA.

She has always felt the need to give back to the agricultural industry, and hopes her time as intern for the TCP will help her to find her place in the industry.

As the administrative intern, Shelbie works closely with TCP executive assistants on checkoff assess-



Shelbie Reid, a student at Texas Tech University, joined TCP staff in January as the administrative intern.

ments, finances, other administrative duties, and is likely the first person you'll

talk to when calling into the TCP office.

Corn educational materials available

Know a teacher looking for a way to integrate agriculture into their lessons? Texas Corn Producers has a new set of lesson plans and an activity book that offers just that!

These materials were designed specifically to meet the needs of Texas educators, and criteria set by the Texas Department of Education as learning objectives for upper elementary students. The corn education materials include:

- **Four Lesson Plans:** basic corn information, planting and harvesting, parts of a corn kernel, and uses of corn
- **Presentation Resources:** PowerPoint presentations accompany each lesson plan as an easy educational resource for teachers
- **Teacher Activity Book:** full of student activities, worksheets and experiments for the classroom or at home
- **Children Activity Books:** this publication can be used by students independently to have fun learning about corn, or you could use it in conjunction with the lesson plans.

To get any of these materials in print or electronic format, please email your request to info@texascorn.org or call 806.763.2676.

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Upcoming Events

March 26-27, 2013

TCPB/CPAT Board Meetings
Austin, Texas

April 24-26, 2013

TGFA Annual Meeting
Austin, Texas

March 29, 2013

Office Closed for Good Friday



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