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2014 Farm Bill Interim Rule FAQs

June 30, 2014

Beginning Farmer and Rancher**Q: What is a beginning farmer or rancher (BFR)?**

A: A BFR is an individual who has not actively operated and managed a farm or ranch with an insurable interest in a crop or livestock as an owner-operator, landlord, tenant or sharecropper for more than 5 years. This includes an insurable interest as an individual or as a substantial beneficial interest holder (10 percent or more) in another person who has an insurable interest in any crop or livestock. Crop years when the beginning farmer/rancher was under the age of 18, enrolled in post-secondary studies (not to exceed 5 crop years) or on active duty in the U.S. military may be excluded from consideration of the 5 crop years.

Q: What are the benefits of being a beginning farmer or rancher?

A:

- Exemption from paying the administrative fee for catastrophic (CAT) and additional coverage (buy up) level policies;
- Additional 10 percentage points of premium subsidy for additional coverage policies (buy-up) that have premium subsidy;
- Use of the production history of farming operations BFRs were previously involved in the decision making or physical activities; and
- An increase in the substituted yield for yield adjustment, which allows a replacement of a low yield due to an insured cause of loss, from 60 to 80 percent of the applicable transitional yield (T-Yield) for the crop in the county.

Q: When will the benefits for beginning farmer or rancher be available?

A: Beginning farmer/rancher provisions will be available for all plans of insurance for 2015, except insurance policies with contract change dates prior to June 30, 2014, which include: Nursery; Rainfall Index (RI) for Annual Forage; Livestock Gross Margin (LGM); Livestock Risk Protection (LRP); peppers; and strawberries. The incentives will not apply to these policies because the Interim Rule will be published after the contract change date for these policies, which is the date RMA must make all changes to a policy for the upcoming crop year. For these plans of insurance, beginning farmer/rancher benefits will be available starting with the 2016 crop year.

Q: What are the qualifications to be a beginning farmer or rancher?

A: An individual can be a BFR if all the qualifications are met. Business entities may receive BFR benefits only if all of the substantial beneficial interest holders of the business entity qualify as a BFR. For example, a son moves home to take over the family farm and incorporates with his spouse and neither have previous farming experience. Their corporation would qualify as a BFR. However, if a son moves home and forms a corporation with his father, who has had an insurable interest in crops or livestock for more than 5 crop years, the corporation cannot receive BFR benefits. Although the son qualifies as a BFR, the father does not, so as such the corporation cannot receive BFR benefits.

Q: What if I had beef cow-calf pairs as my 4-H project while in high school, is that considered an insurable interest in livestock and would it count towards the 5 crop years of insurable interest for BFR?

A: Owning cow-calf pairs would be considered an insurable interest in a crop or livestock. However, you may exclude any crop years of insurable interest in a crop or livestock from consideration for BFR eligibility purposes if the insurable interest was while you were under the age of 18 (including the crop year you turn 18).

Q: Why is the definition of beginning farmer or rancher for crop insurance different from other USDA agencies?

A: Section 11016 of the 2014 Farm Bill provided a definition, along with specific benefits, for BFR unique to the Federal crop insurance program. Therefore, other USDA agencies may have different qualifying criteria and benefits for their beginning farmer and rancher programs.

Q: How do I apply for beginning farmer or rancher benefits?

A: Contact your crop insurance agent. You will need to complete a BFR application and provide acceptable documentation for any crop years you wish to exclude from consideration of BFR status for when you were under the age of 18, enrolled in post-secondary studies (not to exceed 5 crop years) or on active duty in the U.S. military. You will be notified if you qualify.

Q: How long can I be a BFR and have BFR benefits?

A: Once you have 5 crop years of insurable interest in a crop or livestock, including having a substantial beneficial interest in another person who has an insurable interest in a crop or livestock, you are no longer entitled to BFR status. Once you elect and qualify for BFR status, it is continuous until the earlier of:

- You have had an insurable interest in a crop or livestock for more than five crop years;
- 5 crop years of BFR benefits are exhausted; or
- You cancel the BFR Application.

Q: If I change my crop insurance agent or approved insurance provider can I keep my BFR benefits? Do I have to complete a new BFR Application?

A: Yes, you can keep your BFR benefits as long as you remain eligible. Changing an insurance agent or approved insurance provider does not impact your BFR eligibility. When you change insurance agents or approved insurance providers you do not need to complete a new BFR application but you must provide your new insurance agent or insurance provider a copy of your previously completed BFR application and notice of approval.

Q: What if I change my farming operation? For example, if I form a corporation or other business entity, can I retain my beginning farmer or rancher status?

A: A business entities may receive BFR benefits if all of the substantial beneficial interest holders of the business entity qualify as a BFR. If you qualify as a BFR and you form a corporation in which you are the sole member, your corporation would be eligible for BFR benefits. For example, a husband and wife form a corporation, with neither spouse having previous farming experience or an insurable interest in a crop or livestock. The corporation would be eligible for BFR benefits. However, if a son moves home and forms a corporation with his father, who has had an insurable interest in crops or livestock for more than 5 crop years, the corporation cannot receive BFR benefits. Although the son may qualify as a BFR, the father does not and as such the corporation cannot receive BFR benefits.

Q: I am in night college classes yet want BFR premium subsidy now, do I have to wait until I complete my degree to deduct those years from experience?

A: No, you can receive BFR benefits while attending college or a university. However, these years will count towards the maximum five years that a producer can qualify for BFR benefits.

Q: Why did my yield substitution go to 60 percent of the T-Yield when it was 80 percent of the T-Yield previously?

A: When you no longer qualify for BFR benefits, you will receive the same yield substitution as all other policyholders who are not BFRs. Additionally, you will no longer be exempted from paying the administrative fees for your policies and you will no longer receive an additional 10 percentage points of premium subsidy.