

Frequently Asked Questions About Ad Hoc Rice Payments in the Fiscal Year 2023 Omnibus Package

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Background

On December 29, 2022, the President signed into law the Fiscal Year 2023 Omnibus Appropriations Bill (P.L. 117-328, 2022). This funding impacts Arkansas agriculture as it contains \$250 million of funding for rice producers to help them offset the disproportionately higher costs faced by the industry as cited by a report¹ published by the Texas A&M Agricultural and Food Policy Center (AFPC). This fact sheet addresses frequently asked questions regarding the amount of assistance producers should expect in the 2023 growing season.

Section 602: Assistance for Rice Producers

The FY2023 omnibus² package appropriates \$250 million for the USDA Secretary of Agriculture to provide a one-time payment to rice producers for the 2022 crop year. The payment will be determined by multiplying the payment rate, individual actual production history (APH) or area (i.e., county) yield, and an amount of certified rice acres determined by the number of planted acres and acres that were prevented from being planted.

What will my Payment Rate be?

This will be determined by the Secretary of Agriculture. Specifically, the Secretary will determine the payment rate based on two necessary conditions: the payment rate must be the same

across all rice varieties, and the full appropriated amount (\$250 million) must be used. It would be inappropriate to assume any payment amount a producer may receive until USDA rulemaking process has completed and the rule is published.

Will I Receive \$0.02 Per Pound for my Payment Rate?

While the language suggests the payment rate will be no lower than \$0.02/pound, this is not a final rate determination, and decisions made on the farm (or with your agricultural lender) should not be based on this payment rate. There is flexibility for the rate to be above or even below \$0.02/pound, but the driving factor for the payment rate will be the budgetary constraint of \$250 million outlined in the legislation.

What is an Actual Production History (APH) Yield?

The APH is a yield average which consists of a producer's individual farm-level yield history and is reported to the USDA Risk Management Agency (RMA). The number of years in the yield history will vary by farm, so producers should

Footnotes

¹ A study conducted by agricultural economists at AFPC found 15 representative rice farms faced the largest drop in net cash farm income of \$880,000 and a drop in per-acre net cash farm income of \$442 relative to other farm types (Outlaw, et al., 2022).

² The language outlining the one-time rice payment can be found in Division N, Title V, Section 602 of the Consolidated Appropriations Act of 2023 (P.L. 117-328, 2022).

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consult with their crop insurance agent if they are unsure of the APH they currently have on their farm.

What if I Don't Have an APH Yield?

If you don't have an APH yield history established with RMA, then an area yield will be used.

What is an Area Yield?

An area yield is simply the average of all farm yields in a given area, which in this case is a county. This average will be based on farms which have an APH established in a particular county.

What if I Don't Have Area Yield?

If an area yield is not available, the USDA Secretary will determine the yield used to calculate the payment for the farm.

How are Certified Acres Calculated?

Certified acres, which will be the acres upon which the payments are made, consist of two components: planted acres and acres prevented from being planted. For acreage in which prevented planting (PP) rice indemnities were paid by RMA, those acres will only be paid on the rice PP coverage factor of 55 percent of the one-time payment. If those acres were replanted and insured, they will only receive 35 percent of the coverage factor of 55 percent (i.e., 19.25 percent).

Is the Portion of my PP Acres Determined by the Coverage Factor and the Underlying Coverage of my Multi-peril Crop Insurance (MPCI) Policy?

No. The portion of PP acres upon which payments will be made is only based on the 55 percent coverage factor. The underlying crop insurance coverage of your MPCI policy is not accounted for.

Will There be Payment Limitations?

Yes. The payment limitations must be consistent with those of the Emergency Relief Program for 2020/2021 (USDA-FSA, 2022). The limitations are listed below:

- \$125,000 if a producer's adjusted gross income (AGI) from farming is less than 75 percent of their average AGI. The average AGI for program year 2022 is found by using the relevant tax years of 2018, 2019, and 2020.

- \$250,000 if a producer's adjusted gross income (AGI) from farming is greater than 75 percent of their average AGI.

Will the Rice Payment Count Towards Payment Limitations From Other USDA Programs I am Currently Enrolled in?

No. The one-time rice payment limitations will not impact payment limitations for any other USDA-sponsored programs.

Do I Need to Sign up for the Payment or Will I Automatically Receive the Payment?

There is currently no clear guidance on this step yet. Producers will most likely need to sign up with their local FSA office, but this is ultimately determined by USDA and will be outlined in the final rule.

When Should I Expect to Receive my Payment?

The language suggests that payment will be disbursed within 120 days of the passage of the FY23 omnibus package, but this deadline is not set in stone. April 28, 2023 is 120 days from December 29, 2022.

Will my Local Farm Service Agency (FSA) Office Have Additional Information?

Local FSA offices will not be able to provide any additional information until the USDA rulemaking process has been completed and the payment rule is published.

References

Outlaw, J. L., Fischer, B. L., Bryant, H. L., Raulston, J. M., Knapek, G. M., & Herbst, B. K. (2022). *Economic Impacts of Higher Crop and Input Prices on AFPC's Representative Crop Farms*. College Station, Texas: Texas A&M Agrilife Research and Extension.

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USDA-FSA. (2022). *Emergency Relief*. Retrieved from USDA-FSA: <https://www.fsa.usda.gov/programs-and-services/emergency-relief/index#:~:text=Fact%20Sheet,Who%20is%20Eligible%3F,for%20crops%20intended%20for%20grazing>.