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FARM BUREAU®
2018 Farm Bill

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Options for Altering Sodsaver Requirements

BACKGROUND

The 2014 Farm Bill expanded a 'Sodsaver' provision that had originally been implemented in the 2008 Farm Bill. Crop insurance premium discounts are now reduced by 50 percent for production on native sod during the first four years of planting. Crops planted on native sod will have reduced benefits under the Noninsured Assistance Program (NAP) as well. The legislation also mandated that native sod may include land that has never been tilled or cases where the producer cannot substantiate that the ground has ever been tilled. Sodsaver provisions apply only to native sod in six states – Iowa, Minnesota, Montana, Nebraska, North Dakota, and South Dakota.

The farm bill provides some flexibility with regard to compliance. For instance, a producer may receive full crop insurance premium discounts when they till native prairie, provided that for the first four years of cropping they plant a perennial crop or a non-insured annual crop. Starting in the fifth year, the producer would be able to receive full crop insurance subsidies for an insurable annual crop. The farm bill also exempts Sodsaver conversions of less than five acres from reduced premium discounts.

Farmers in the covered states should keep in mind crop yield guarantees are also affected for crop insurance policies when native sod is tilled. The yield guarantee for a crop insurance policy is a producer's crop yield based on actual production history (APH). In the absence of actual yield data (e.g., production on native sod or no yield documentation on existing fields), a transitional yield (T-yield) is assigned, which is based on a portion of 10-year average county yields for the crop. The 2014 Farm Bill sets the T-yield factor on native sod equal to 65 percent of the 10-year average county yield for production on native sod. For other cropland, the percentage can be higher depending on the number of years of actual data included in the APH. Also, yield substitution is not allowed; that is, low farm yields must be used in the APH rather than replacing them with potentially higher T-yields as allowed for other cropland.

ISSUE

While the farm bill did not specify whether the five-acre exemption was cumulative over time, USDA's rule requires that the five-acre exemption is cumulative and is for an entire farming operation.
We anticipate attempts to expand the Sodsaver provision in the next Farm Bill to include:

- Expanding the geographic scope of the Sodsaver provision beyond the current six states, most likely targeting Kansas, Oklahoma, and Texas; and
- Changing the current rule so that farmers are not able to break up native sod, plant the ground to an uninsured crop for four years, and then switch to an insured crop with no loss of subsidy.

OPTION #1

Support or oppose the expansion of Sodsaver.

OPTION #2

Support or oppose a provision that attempts to limit the ability of a farmer to break up sod and plant it to an uninsured crop for four years and still be able to switch to an insured crop without loss of subsidy.