

Farm Bill Questions

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Farm Bill Questions Webinar
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New Programs in 2014 Farm Bill

1) Agriculture Risk Coverage (ARC) - County

2) Price Loss Coverage (PLC)

3) Agriculture Risk Coverage (ARC) – Individual

Choice will have to be made for each farm (e.g., each FSA Farm Number)

ARC & PLC Program Overview

ARC/PLC Program Signup Process has 3 steps

1. **Update**: Producer can “*reallocate*” base acres and/or “*update*” CC Yields
2. **Election**: Once Base Acres and Yields are set, *Election* of PLC or ARC takes place on each farm
3. **Enrollment**: Once Election has been completed, *Enrollment* takes place annually on each farm

To Update Base Acreage or Not?

- Many Corn Belt farms can allocate more of their crop base to corn, if they reallocate base acres
- Payments per acre in central Corn Belt for corn are likely to be higher than soybeans & wheat
- Base reallocation decision favors corn over soybeans
- If your historic wheat base is large, compare potential payments across all three crops

Agricultural Risk Coverage (ARC)-County

- One-time irrevocable choice **by crop** for 2014-2018
- Payments occur when actual crop revenue falls below ARC revenue guarantee for a crop year
- ARC-County guarantee is 86% of ARC-County benchmark revenue

Agricultural Risk Coverage (ARC)-County

- Coverage is capped at 10%... making it a “shallow loss” program
 - Maximum payment occurs when actual county revenue equals 76% of county ARC benchmark revenue
 - No additional coverage if revenue falls below 76% of county ARC benchmark
- ARC-County benchmark revenue is Olympic average of county yields & U.S. marketing year average prices for preceding 5 crop years
- **Payment is made on 85% of base acres**

Price Loss Coverage (PLC)

- 1) Payments occur if the higher of U.S. average marketing year price for the crop year or crop loan rate falls below the crop's reference price

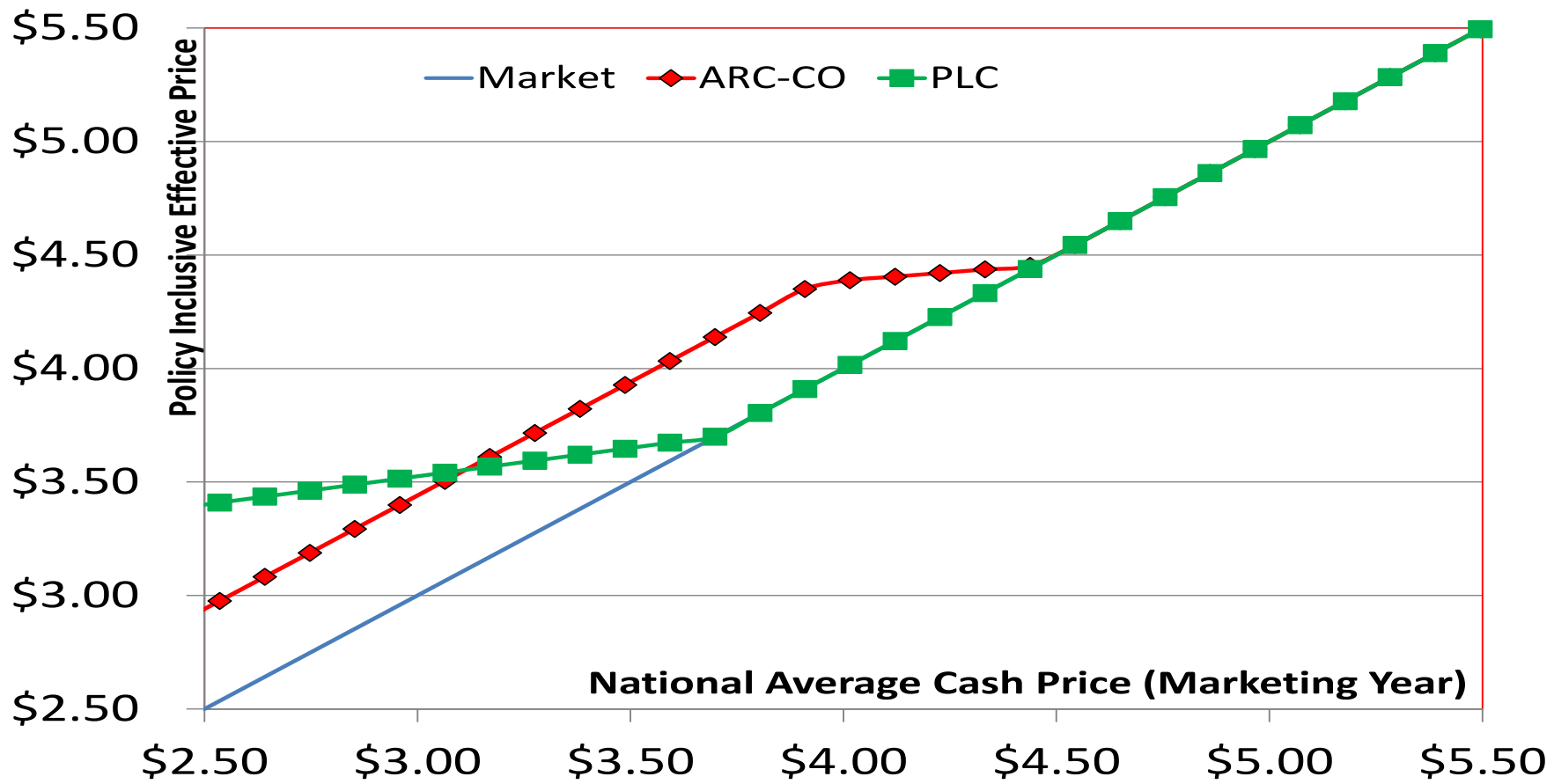
Corn Reference Price = \$3.70

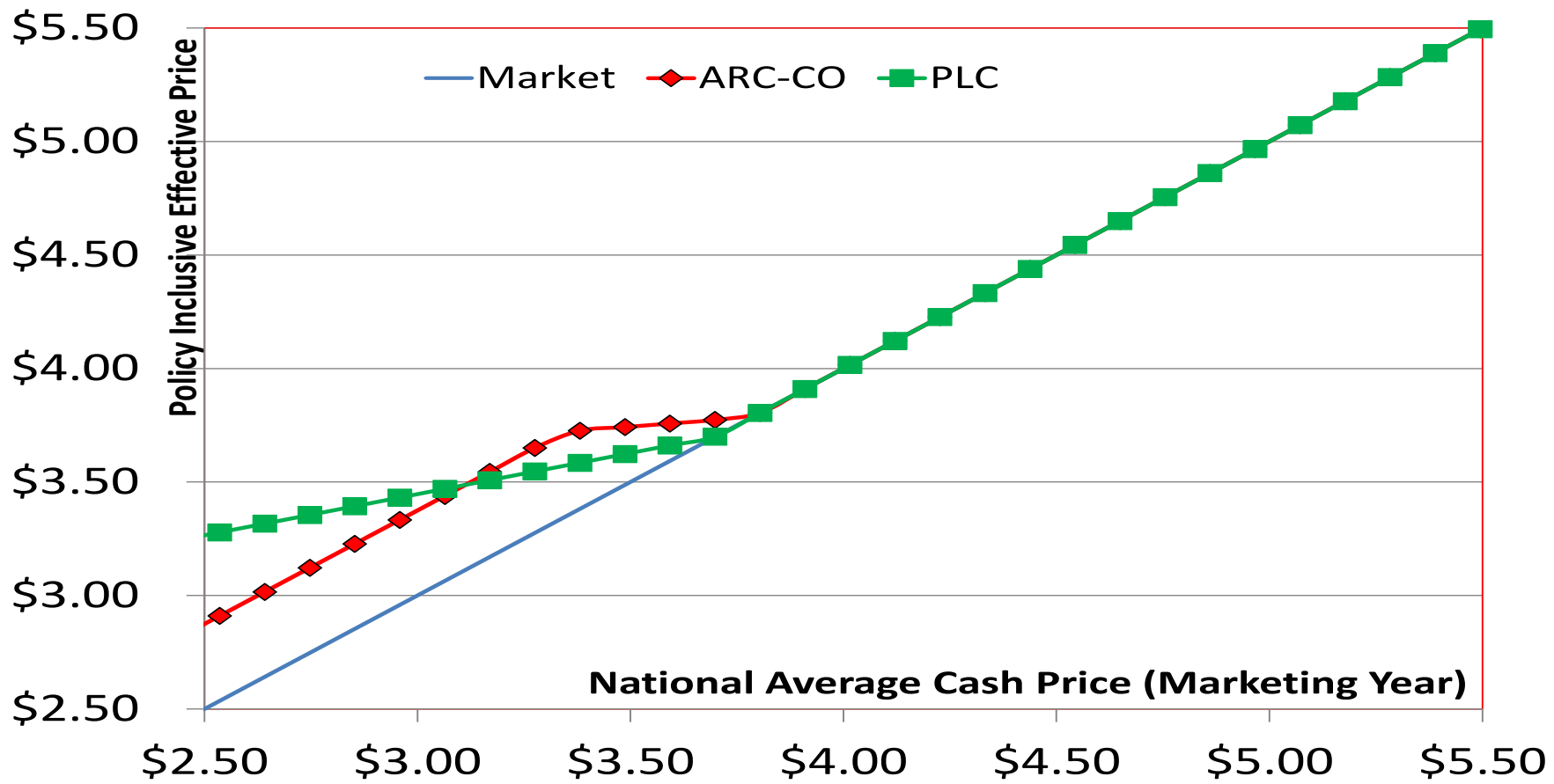
Soybean Reference Price = \$8.40

Wheat Reference Price = \$5.50

- 2) Payment is made on 85% of base acres
 - ✓ regardless of actual plantings in a given year
- 3) If no choice is made, the farm defaults to PLC, but you forfeit 2014 payment

Sensitivity of ARC-CO Payments to Yield and Prices





Price Loss Coverage (PLC)

Supplemental Coverage Option (SCO)

Farms have option to purchase county level insurance

Coverage level cannot exceed the difference between 86% and the coverage level in the individual policy

Subsidy rate is 65%

SCO is not available if enrolled in ARC

Input

State	Indiana
County	White
Crop	Corn
Type	All
PLC Payment Yield	149.5

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What-If

Change the county yields and Market Year Average (MYA) prices for 2014 and 2018 to see payments under ARC-County and PLC. Payments are stated per base acre, as such they are multiplied by .85. If there are 100 base acres per farm, multiple the result below by 100.

Input			Agricultural Risk Coverage (ARC) - County				Price Loss Coverage (PLC)
Year	County Yield	MYA Price ¹	Benchmark		ARC Guarantee ⁴	ARC Payment ⁵	Payment ⁶
			Yield ²	Price ³			
2009	181	3.55					
2010	167	5.18					
2011	168	6.22					
2012	118	6.89					
2013	184	4.45					
2014	204	3.63	172	5.28	781	34	9
2015	172	3.81	173	5.28	786	78	0
2016	174	3.83	175	4.83	727	53	0
2017	176	3.84	176	4.03	610	0	0
2018	178	3.92	178	3.83	586	0	0
Five-Year Average						33	2

Input

State	Indiana
County	White
Crop	Soybeans
Type	All
PLC Payment Yield	45.5

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What-If

Change the county yields and Market Year Average (MYA) prices for 2014 and 2018 to see payments under ARC-County and PLC. Payments are stated per base acre, as such they are multiplied by .85. If there are 100 base acres per farm, multiple the result below by 100.

Input			Agricultural Risk Coverage (ARC) - County				Price Loss Coverage (PLC)
Year	County Yield	MYA Price ¹	Benchmark		ARC Guarantee ⁴	ARC Payment ⁵	Payment ⁶
			Yield ²	Price ³			
2009	51	9.59					
2010	54	11.30					
2011	50	12.50					
2012	43	14.40					
2013	52	13.00				\$/acre	\$/acre
2014	57	10.02	51	12.27	538	0	0
2015	52	8.76	52	12.27	549	54	0
2016	53	9.11	51	11.84	519	35	0
2017	53	9.41	52	10.71	479	0	0
2018	54	9.79	53	9.51	433	0	0
Five-Year Average						18	0

ARC & PLC Program Overview

ARC / PLC Approximate Timeline

August, 2014	Now Through Feb. 27, 2015	Nov. 17, 2014 thru Mar. 31, 2015	Mid-April 2015 thru Summer 2015
Producers received letters notifying them of current bases and yields and 2008 to 2012 planting history of covered commodities	(Update Process) Owners have opportunity to update yields and reallocate bases for ARC/PLC purposes ARC & PLC online tools become available from Universities	(Election Process) Final Base & Yield Decisions made by Owners ARC/PLC <i>“one-time”</i> Election for 2014 through 2018 occurs	(Enrollment Process) ARC/PLC <i>“Enrollment”</i> for 2014 and 2015 starts