

# Farm Bill Choices

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# 2014 Farm Bill Focused on Risk Management

- Farm Bill provides “Shallow Loss Protection”
- New farm programs can supplement, not replace, revenue based crop insurance
- But you have to make some decisions at outset
- Analysis required for **your** farm’s situation

# 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 for corn are likely to be higher than soybeans
- ✓ Increasing corn base acres expected to boost revenue from 2014 Farm Bill

# 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**

# Agricultural Risk Coverage (ARC)-Individual

One-time irrevocable choice **by farm** for 2014-2018

ARC-Individual is a whole farm unit program & payments occur when

- actual crop revenue for all program crops (combined) on a farm fall below ARC revenue guarantee for a crop year
- ARC guarantee is 86% of ARC benchmark revenue
- Maximum payment equals 10% of ARC benchmark revenue
- **Payment made on 65% 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

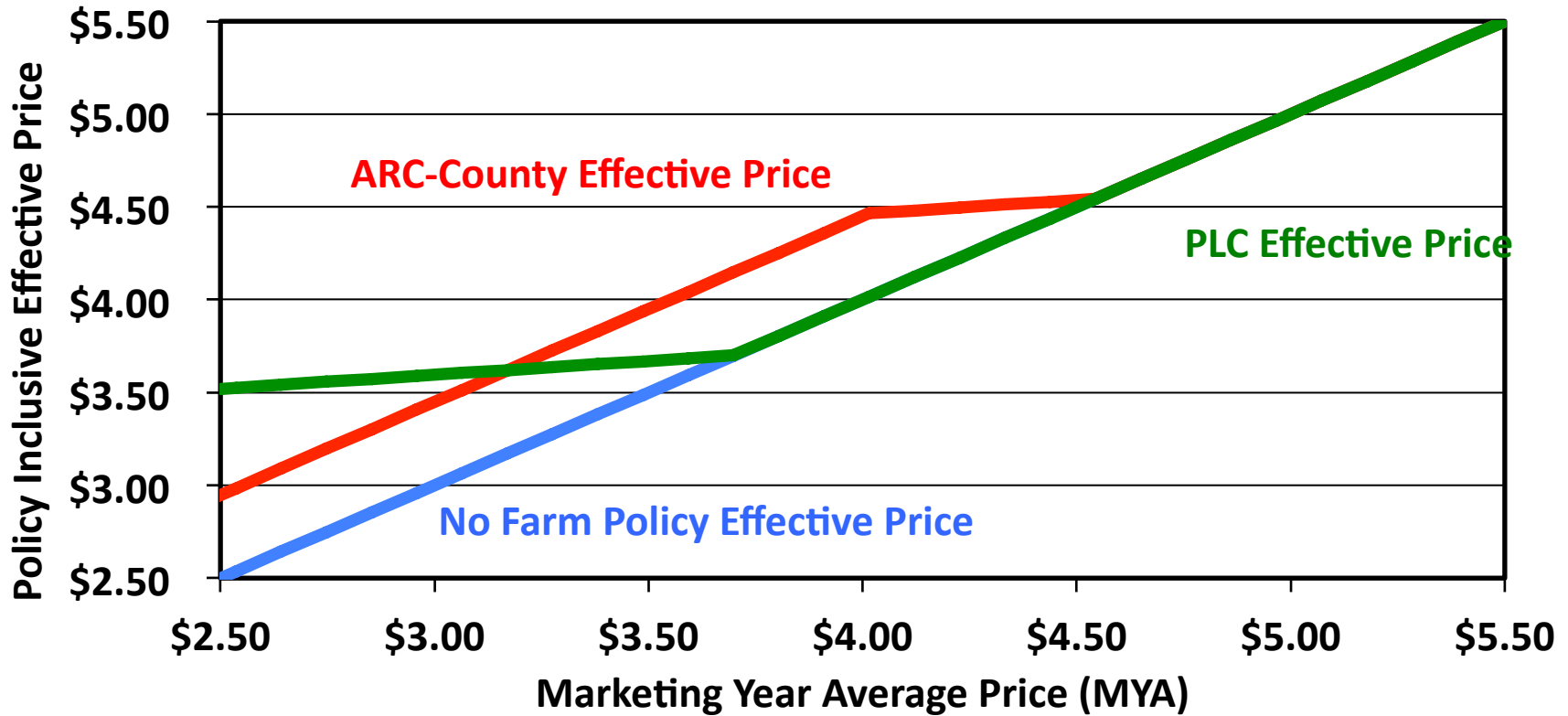
# Consider ARC-County As Your Starting Point

- Evaluate other programs as “challengers” to ARC-County
- Only consider another program if it looks advantageous compared to ARC-County

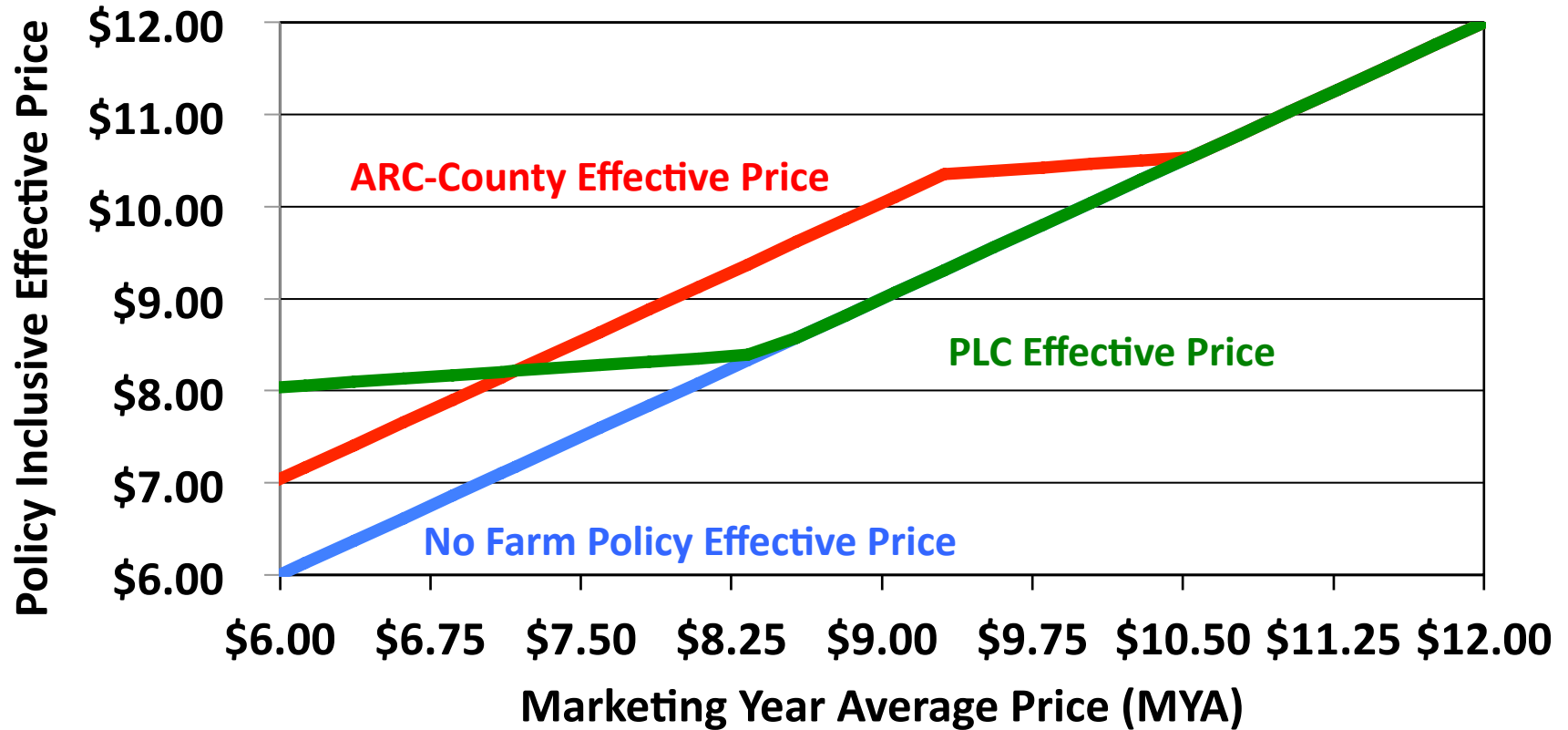
## What Are Big Differences Between ARC & PLC?

- Both ARC programs are “shallow-loss” programs
- ARC payments capped at 10% of benchmark revenue
- PLC designed to protect against larger revenue declines, but provides no “shallow-loss” protection
- PLC is attractive if you are very bearish on crop prices in 2016-2018

# 2014 Corn ARC & PLC Effective Price Comparisons



# 2014 Soybean ARC & PLC Effective Price Comparisons



# 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

# Farm Bill Decision Summary

- Favor reallocating base acreage if a higher percentage of your crop base will go to corn
- Compare updated yields to current program yields & update them at FSA if updated yields are higher
- Start with ARC-County as your initial program choice and evaluate ARC-Individual and PLC as challengers to ARC-County

# Farm Bill Tools – Information Needed

- For Each Crop
  - Base acres and program yields
  - Planted acres and yields since 2008
  - Expected yield in 2014
  - Projected national average marketing year prices for 2014-2018
  - Crop insurance program and coverage level



<http://farmbilltoolbox.farmdoc.illinois.edu/arc-plc-decision-steps.html>



## Farm Bill Toolbox

### ARC-PLC Decision Steps

The following 7 steps are designed to help guide you through the decisions required for each FSA farm.



CONTINUE

#### Overview

**Your Decision** The 2014 Farm Bill allows land owners and farmer to make three sets of decisions for each FSA farm

- Retain or update yields
- Retain or reallocate base acres
- Choose the program for each program crop

**General Guidance** This tool contains seven steps to lead you through this decision-making.

[Watch video on ARC-PLC Decision Steps](#)



### Agriculture Policy Analysis System (APAS)

#### APAS Sample Farm

Five Minute Review of Analytics for Your County

Quick program payment comparison using data for your state and county

#### APAS Custom Farm

Build Your Own Farm

Enter your own farm's information for detailed program and risk management analysis

#### NAP Crops

Coming Soon

#### Dairy



Start Here for Program & Tool Explanation

#### Payment Yield Update

Quick Calculator

#### Base Acre Reallocation

Quick Calculator

#### APAS FAQ

Coming Soon

#### YouTube Channel

Coming Soon

### ARC-CO PLC COMPARISON TOOL (Version 1.2)

**Input**

State	Indiana
County	White
Crop	Corn
Type	All
PLC Payment Yield	144

Use Defaults

Help

Print



**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 <sup>1</sup>	Benchmark		ARC Guarantee <sup>4</sup>	ARC Payment <sup>5</sup>	Payment <sup>6</sup>
			Yield <sup>2</sup>	Price <sup>3</sup>			
2009	181	3.5500					
2010	167	5.1800					
2011	168	6.2200					
2012	118	6.8900					
2013	184	4.4500				\$/acre	\$/acre
2014	170	3.5000	172	5.2800	781	77	24
2015	172	3.8000	168	5.2800	763	75	0
2016	174	4.0000	170	4.8200	705	9	0
2017	176	4.0000	172	4.0800	604	0	0
2018	178	4.0000	174	3.9300	588	0	0
<b>Five-Year Average</b>						<b>32</b>	<b>5</b>

**ARC-CO PLC COMPARISON TOOL (Version 1.2)**

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2015	172	3.0900	168	5.2800	763	75	75
2016	174	4.0000	170	4.7900	700	5	0
2017	176	4.0000	172	4.0500	599	0	0
2018	178	4.0000	174	3.9000	584	0	0
<b>Five-Year Average</b>						<b>32</b>	<b>30</b>

# Look At ARC-CO's Benchmark Prices

Input			Agricultural Risk Coverage (ARC) - County			
Year	County Yield	MYA Price <sup>1</sup>	Benchmark		ARC Guarantee <sup>4</sup>	ARC Payment <sup>5</sup>
			Yield <sup>2</sup>	Price <sup>3</sup>		
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2015	170	3.8000	168	5.2800	763	75
2016	174	4.0000	169	4.8200	701	5
2017	176	4.0000	171	4.0800	600	0
2018	178	4.0000	173	3.9300	585	0
			<b>Five-Year Average</b>			<b>32</b>

# 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	<p><b>(Update Process)</b></p> <p>Owners have opportunity to update yields and reallocate bases for ARC/PLC purposes</p> <p>ARC &amp; PLC online tools become available from Universities</p>	<p><b>(Election Process)</b></p> <p>Final Base &amp; Yield Decisions made by Owners</p> <p>ARC/PLC <i>“one-time”</i> Election for 2014 through 2018 occurs</p>	<p><b>(Enrollment Process)</b></p> <p>ARC/PLC “Enrollment” for 2014 and 2015 starts</p>

# Farm Bill Regional Programs

Joint w/FSA & co-sponsored with IN Farm Bureau, IN Soybean Alliance & IN Corn Marketing Council & ISDA

## Dates & Locations

- 12/8/14-Noblesville; 12/9/14-Huntingburg; 12/10/14-Shelbyville
- 1/6-Wabash; 1/8-Batesville; 1/9-W. Lafayette
- 1/15-Ft. Wayne Farm Show