



Is USDA's ARC-IC Program A Good Fit For You?

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What About Agricultural Risk Coverage – Individual (ARC-IC)?

- Initial decision **by FSA farm** for 2019 and 2020 program years
- ARC-IC payments occur when an FSA Farm's crop revenue is below the ARC-IC revenue guarantee for a crop year
- ARC-IC guarantee is 86% of ARC-IC benchmark revenue
- Coverage is capped at 10% of benchmark revenue
- ARC-IC benchmark revenue based on Olympic average of revenues for preceding 5 years
 - Revenues calculated using higher of MYA crop prices or “effective price” and proven yields
- **Payment is made on 65% of base acres (not 85% of base acres)**

ARC-IC Program Factors

1. Only Enrolled Farms are included in revenue calculations
2. Payments ARE dependent on the planting of covered commodities on enrolled farms
3. Establishment of Historic and Yearly YIELD reports are required
4. Benchmark Revenues, Guarantees, Actual Revenues and payment rates are calculated at the farm level and weighted by the producer's share of the covered commodities planted on all farms enrolled in ARC-IC within a state

Best Way to Understand ARC-IC Program

Is To Examine Possible Outcomes for an Example FSA Farm in 2019

- **Example Farm Assumptions:**

- Huntington County, Indiana
- Assumed FSA farm yield history equaled RMA county averages for each year
- Planted corn in 2013, 2015, and 2017 (e.g., farm followed corn/soybean rotation)
- Farm's Olympic average corn yield = 182
- Used Marketing Year Average (MYA) price of \$3.85 in 2019

- **Let's Examine 3 Scenarios**

- Scenario #1: 100% prevent plant in 2019
- Scenario #2: Some (but less than 100%) prevent plant in 2019
- Scenario #3: Planted entire farm, but 2019 crop yields were below average

Scenario #1, 100% Prevent Plant in 2019

100% Prevent Plant in 2019

- ARC-IC Benchmark Revenue for this farm = \$674
- ARC-IC Benchmark Guarantee for this farm = \$580 ($\$674 \times 86\%$)
- Actual Revenue = \$0 (because farm was 100% prevent plant)
- $(\$580 - 0) \times 65\% = \377 , but cap is $(\$674 \times 65\% \times 10\%) = \mathbf{\$44}$
- **2019 ARC-IC Payment = \$44**

Scenario #2

**50% Prevent Plant, 50% Planted to Corn
2019 Yield = 161 (12% Below Olympic Avg.)**

- ARC-IC Benchmark Revenue for this farm = \$674
- ARC-IC Benchmark Guarantee for this farm = \$580 ($\$674 \times 86\%$)
- 2019 ARC-IC Benchmark Guarantee = \$580
- Actual 2019 Revenue = \$620
- **Since Actual Revenue > Benchmark Guarantee, \$0 payment**
- **ARC-IC Payment = \$0**

Scenario #3, No Prevent Plant

100% of Acreage Planted to Corn, But 2019 Yield Was Below Average

- In 2019:
 - 100% of acres planted to corn, examine possible yield scenario outcomes
- Yield assumptions:
 - Yield = 150 (18% below Olympic Avg.); ARC-IC Payment = \$1
 - Yield = 140 (23% below Olympic Avg.); ARC-IC Payment = \$26
 - Yield = 130 (29% below Olympic Avg.); ARC-IC Payment = \$44

Food for Thought

What if we were to enroll both Farm #1 and Farm #3 in the ARC-IC program?

- To consider this, we need to assume how many acres are in each farm
- Assume Farm #1 is 80 Acres, Farm #3 is 40 acres
- Farm #1: 100% Prevent Plant
 - Actual Revenue = \$0
- Farm #3: Low Crop Yields
 - Assume yield = 150 bushels per acre
 - Actual revenue = \$578
- Weighted Average Actual Revenue = $(80/120 \times \$0) + (40/120) \times \$578 = \$193$
 - Which would still yield a 2019 payment equal to the 10% Cap

When Should You Consider ARC-IC?

Evaluate by individual FSA Farm#

1. Sample calculations suggest producers with 20% production losses in 2019 should take the time to evaluate ARC-IC
 - ✓ Farms with 100% prevented planting in 2019 will receive the per acre payment cap for 2019
2. All Farms enrolled by a producer in ARC-IC within a state will be combined when computing Actual Revenue
3. In some situations, combining a Farm with 100% Prevented Planting in 2019 with 1 or more Farms with planted acreage will still result in a relatively large 2019 payment

2 Upcoming Regional Farm Bill Conferences

Jointly sponsored by Purdue Extension, Center for Commercial Agriculture, Indiana FSA, Indiana Farm Bureau, Indiana Corn Marketing Council, & Indiana Soybean Alliance

1. February 5, 2020, 10:30 a.m. (EST)

Vincennes Agricultural Center
4207 Purdue Rd.
Vincennes, IN 47591

1. February 12, 2020, 10:30 a.m. (EST)

First Merchants Heritage Hall
Huntington County Fairgrounds
631 E. Taylor St.
Huntington, IN 46750

Register to attend at Purdue.edu/commercialag

Upcoming Webinar:
Making Your 2020 Crop Insurance Decisions

Monday, February 24, 2020, 12:30 p.m. (EST)

Register to attend at Purdue.edu/webinar022420