July 2014

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Presentation Objectives

• Review the 2014 Farm Bill Funding & the New Farm Programs Available
• Highlight ARC-CO, ARC-IC, PLC and SCO Programs
• Discuss the 3 Step ARC PLC Process: Update, Election & Enrollment
• Highlight the One-Time Unanimous ARC PLC Decision by FSA Farm Number
• Review the Process to Reallocate Base Acreage
• Highlight ARC PLC Timelines & Strategies
• Provide 5 Farm Program Education Web Sites.
Farm Bill Funding (FY 2014 to FY 2018)

Total Outlays $489 Billion


New 5-Year Farm Program (2014-2018)

Marketing Loan National Rates:
$1.95/bu Corn
$5.00/bu Soybeans

### Farm Programs: Estimated Implementation Timeline

**Agricultural Act of 2014**
- Livestock Disaster Assistance Program
- Conservation Programs (CRP, CSP & EQIP)
- Commodity Crop Program Education
- Letter from FSA explaining Base Acres & Yield Updates
- Conservation Compliance
- ARC PLC Election then Enrollment

**Base Acres and Yield Update Plans Released**
- ARC PLC Final Regulations

**2014**
- FEB
- MAR
- APR
- MAY
- JUN
- JUL
- AUG
- SEP
- OCT
- NOV
- DEC
- JAN
- FEB
- MAR
- APR

**Spring Seeded Crops – Crop Insurance Closing Date (March 15)**

Source: FSA and Other Ag Media Resources, July 2014

### FSA Commodity Crop Enrollment Decisions

#### County ARC (ARC-CO)
- 85% of base acres, Revenue Trigger = 5-yr. OA County Yields x 5-yr. OA MYA price (Estimated Price: $5.28/bu corn & $12.27/bu soybeans)

#### Farm ARC (ARC-IC)
- 65% of base acres, Revenue Trigger = 5-yr. Farm Yields x 5-yr. OA MYA price (If elected, revenue summed across all commodity crops on farm.)

#### PLC
- 85% of base acres, Price Trigger when MYA falls below $3.70/bu corn, $8.40/bu soybeans x Farm Yields.

- Base acres can be reallocated using 2009-12 actual planted acres, but can’t exceed farm’s total historic base.

- Enrollment at FSA Late Fall: Base Acreage and/or Farm Yield updates; Early 2015: ARC or PLC Election sign-up.

- One-time choice (irrevocable) by FSA farm number (needs landowner signatures).

- If a farm fails to elect either ARC or PLC in 2014, then PLC serves as the default for 2015 through 2018. PLC Yield uses 2008-12 Farm Yields x 90%.

Source: Johnson, ISU Extension, July 2014
The farmland owner and the farm operator can *reallocate* base acres and/or *update* CC Yields by FSA farm number.

Once Base Acres and Yields are determined for that farm, then the *Election* of the ARC or PLC program is established for the 5-year period 2014-2018.

Once Election has been completed then *Enrollment* by the “party at risk” occurs annually. Sign-up for both the 2014 and 2015 crops will run concurrently in early 2015.

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Source: Johnson, ISU Extension, July 2014
Owner and Operator Acreage History Letters

- The first part of August, all owners and operators will receive the following:
  1. Letter that provides basic background of base acreage “Reallocation” and “Update” of the CC Yield option.
  2. “Summary Acreage History Report” which shows the acreage of covered commodities reported to FSA, 2008 through 2012 per farm.

NOTE: This report also includes the “Base Acres” and “CC Yield” as of 9/30/2013.

Reallocating Base Acreage
Farm Historic: 100 Total Base Acres

- Corn 50 Acres
- Soybeans 50 Acres
### Base Acreage Reallocation Example #1

<table>
<thead>
<tr>
<th>Current Base Acreage</th>
<th>Corn</th>
<th>Soybeans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>50</td>
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<table>
<thead>
<tr>
<th>Planted Acreage</th>
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<td>2009</td>
<td>60</td>
<td>40</td>
<td>100</td>
</tr>
<tr>
<td>2010</td>
<td>100</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>2011</td>
<td>40</td>
<td>60</td>
<td>100</td>
</tr>
<tr>
<td>2012</td>
<td>60</td>
<td>40</td>
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<table>
<thead>
<tr>
<th>2009 to 2012 Average Reallocation Weight</th>
<th>Corn</th>
<th>Soybeans</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>0.65</td>
<td>0.35</td>
<td>100</td>
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<table>
<thead>
<tr>
<th>Base Reallocation</th>
<th>Corn</th>
<th>Soybeans</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>65</td>
<td>35</td>
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</tbody>
</table>

Source: Johnson, ISU Extension, July 2014

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### Base Acreage Reallocation Example #2

<table>
<thead>
<tr>
<th>Current Base Acreage</th>
<th>Corn</th>
<th>Soybeans</th>
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<td>50</td>
<td>50</td>
<td>100</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Planted Acreage</th>
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<th></th>
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<td>2011</td>
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<td>120</td>
</tr>
<tr>
<td>2012</td>
<td>120</td>
<td>0</td>
<td>120</td>
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<table>
<thead>
<tr>
<th>2009 to 2012 Average Reallocation Weight</th>
<th>Corn</th>
<th>Soybeans</th>
<th>Total</th>
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<th>Soybeans</th>
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<td></td>
<td>75</td>
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Source: Johnson, ISU Extension, July 2014
Farm’s Yield Update Choices

1. **Retain** the Farm’s Current CC Yield
   or

2. **Update** Yield *(90% of Planted Yield history)*


   A plug yield of 75% of the county yield for any year with low or missing farm’s yield.

   **Note:** This option is available per Crop for landowners and operators regardless of program election – PLC/ARC-CO/ARC-IC.

   Source: McClure, Iowa FSA Office, July 2014

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Supplemental Coverage Option (SCO)

- An additional crop insurance policy to cover “shallow losses” beginning with 2015 crop
- Shallow loss = part of the deductible on the producer’s underlying crop insurance policy
- SCO has a county-level payment trigger
- Indemnities are paid when the county experiences losses greater than 14%
- Premium subsidy = 65%

- If a farm is enrolled in ARC-CO or ARC-IC’ then SCO cannot be purchased on that farm.

   Source: Johnson, ISU Extension, July 2014
Comparing ARC 5-Year Average Cash Prices vs. PLC Reference Prices

### Agriculture Risk Coverage (ARC)

<table>
<thead>
<tr>
<th>Year</th>
<th>Corn</th>
<th>Soybeans</th>
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<tbody>
<tr>
<td>2009</td>
<td>$3.55</td>
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<td>$5.18</td>
<td>$11.30</td>
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<td>2011</td>
<td>$6.22</td>
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<tr>
<td>2012</td>
<td>$6.89</td>
<td>$14.40</td>
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<tr>
<td>2013</td>
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<td>$13.00</td>
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### Price Loss Coverage (PLC)

- Corn = $3.70/bu.
- Soybeans = $8.40/bu.

### ARC 5-yr. OA MYA Prices

- Corn = $5.28/bu.
- Soybeans = $12.27/bu.

Source: Johnson, ISU Extension, July 2014

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**Overview: ARC vs. PLC**

Separate a Revenue Trigger (ARC) from a Price-only Trigger (PLC); 2014 to 2018

- What will cash prices be each year through 2018: Corn above $3.70/bu, Soybeans above $8.40/bu? Benefit from ARC, potentially larger payments with **County ARC** (85% of base acres). **Farm ARC** (65% of base acres) combines all commodity crops across farm, potential for smaller payments depending on farm’s actual yields.

- Corn below $3.70/bu, Soybeans below $8.40/bu? Benefit from **PLC**, then you can add **SCO** to your crop insurance coverage beginning in 2015.

Source: Johnson, ISU Extension, July 2014
**ARC vs. PLC Timelines & Strategies**

**Mid-Summer:** Letter from FSA to determine the historical base acreage & CC Yield
- Consider Reallocation using 2009 to 2012 planted acres vs. Historical Base Acres on each farm

**Late Summer/Fall:** Reallocate Base Acres and/or Update Farm’s Yields
- The Actual Farm Yield Update (2008-2012 times 90%); a plug yield of 75% of the county average for missing yields
- Use University online tools to compare ARC/PLC potential payments through 2018

**Winter:** ARC/PLC One-Time Election then Annual Enrollment for 2014 and 2015.

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**Web Sites on the New Farm Program**

- **ISU Polk County Ext. Farm Management**
  (Government Farm Programs: FAQs, Fact Sheets, Regular Updates, Videos and Recorded Webcasts)
  [www.extension.iastate.edu/polk/farm-management](http://www.extension.iastate.edu/polk/farm-management)

- **Farm Doc – U. of Illinois Ext. Economics**
  [www.farmdoc.illinois.edu](http://www.farmdoc.illinois.edu)

- **Ag Manager – K-State Ext. Economics**
  [www.agmanager.info](http://www.agmanager.info)

- **Ag Decision Maker – ISU Ext. Economics**
  (Farm Program Decision Tool, Newsletters, Publications, Voiced Media, Monthly e-Newsletter, New Farm Program)
  [www.extension.iastate.edu/agdm/info/farmbill.html](http://www.extension.iastate.edu/agdm/info/farmbill.html)

- **USDA Farm Service Agency**