New Farm Program to Offer
New Risk Management Tools
Over next 5 Years

The new, five-year Agricultural Act of 2014 farm program eliminates direct payments as well as the ACRE, SURE and Counter-Cyclical Payment programs for corn and soybeans. Replacing them are some new risk management tools that farmers will choose from beginning in 2014.

To protect from multi-year downturns in crop revenue, the commodity title in the farm bill introduces two new programs. Farmers can choose between a revenue program that covers price and yield (revenue) losses called Agricultural Risk Coverage or ARC. The other choice is a price only program known as Price Loss Coverage or PLC.

Crop coverage options
PLC is a target price program that makes payments when national average cash crop prices drop below a set “reference price.” The reference price for corn over the next 5 years is $3.70 per bushel. For soybeans that price is $8.40 per bushel. Beginning in 2015, PLC enrollment also allows the purchase of Supplemental Coverage Option (SCO) insurance to reduce the traditional crop insurance deductible levels. Only farmers enrolled in the PLC program may buy SCO insurance and county yields will be used.

ARC is a revenue-based program designed to make payments to farmers when the actual annual revenue falls far enough below a revenue trigger. This trigger uses the past five-year’s county or farm yields times the national average cash prices. Farmers who choose ARC will have to make another decision. Whether to enroll in county ARC coverage on a commodity-by-commodity basis or farm ARC coverage that combines all commodity crops together on that farm to determine the revenue shortfall annually.

Payments for the county option occur when actual county revenue for a commodity is below the ARC revenue guarantee for the crop year. Individual farm ARC would issue payments depending on whole farm revenue rather than commodity-by-commodity like the county ARC. The program covers losses on 85% of the base acres for the county option and 65% of base acres for individual farm revenue coverage.

The ARC guarantee provides a range of revenue protection in a 76% to 86% band of historical revenue, with farmer-purchased crop insurance expected to cover deeper losses. Farmers who enroll in ARC may not buy SCO insurance that begins in 2015 because both products are both similar in function.

One-time decision
Payment triggers for both the ARC and PLC programs are based on marketing year price averages, so any payments for yield or price losses won’t be made until the year following a loss.

Farmers have to make a one-time, irrevocable decision to enroll in ARC or PLC for the life of the five-year farm program. If a farmer doesn’t make a decision, farms are automatically enrolled in PLC for subsequent years beginning in 2015.