New Farm Programs: ARC PLC Frequently Asked Questions (FAQs)

The 2014 Farm Bill authorized the Agriculture Risk Coverage (ARC) and the Price Loss Coverage (PLC) programs, which are administered by the USDA’s Farm Service Agency (FSA). The ARC and PLC programs provide revenue and price loss payments to eligible producers for the 2014 through 2018 crop years. John Whitaker, Iowa FSA Executive Director addresses these two farm financial safety net programs.

What is the process for base acre reallocation and establishing yield updates?
Owners of farms that participate in ARC or PLC programs for 2014-’18 covered commodities have a one-time opportunity to maintain the farm’s 2013 base acres through 2018 or reallocate base acres. Producers may receive payments for base acres on those enrolled farms that are planted to a covered commodity.

The option to retain or reallocate base acres is an “all or nothing” proposition. Partial retention or reallocation or bases is not permissible. Base acres may be restored for Conservation Reserve Program contracts that expire, are voluntarily terminated, or released early.

A producer also has the opportunity to update the program payment yield for each covered commodity crop based on 90% of the farm’s 2008-’12 average yield per planted acre, excluding any year when no acreage was planted of the covered commodity. Producers with yields in any of the 2008-’12 years that are less than 75% of the county average yield can substitute that yield in the calculation. Program payment yields are used to determine payment amounts for PLC. PLC yields may be updated for all farms, regardless of program election.

What are the ARC and PLC election requirements?
Farmers need to make a one-time irrevocable decision to elect either the PLC or ARC program. If farmers elect ARC, they need to choose between county coverage and individual farm coverage. All producers with an interest in the farm’s base acres must make a one-time, unanimous election of PLC or County ARC on a covered-commodity-by-covered-commodity basis, or Individual ARC for all covered commodities on the farm.

If the producers on the farm elect either PLC or County ARC, the producers must also make a one-time election to select which base acres are enrolled in County ARC. Alternatively, if individual ARC is selected, then every covered commodity on the farm must participate in Individual ARC.

The election between ARC and PLC is made in 2014 and is an effect for the 2014-’18 crop years. If an election isn’t made in 2014, the farm may not participate in either program for the 2014 crop year, and the producers on the farm are deemed to have elected PLC for subsequent crop years, but must still enroll their farm to receive benefits.

If the sum of the base acres on a farm is 10 acres or fewer, the producer on that farm may not receive PLC or ARC payments, unless the producer is a socially-disadvantaged or limited resource farmer. Payments for PLC and ARC are issued at the end of the crop marketing year, but not before October 1.

In 2015, producers in PLC have an additional option. Producers enrolling in PLC and participate in the federal crop insurance program may, beginning with the 2015 crop, make the annual choice whether to purchase additional crop insurance coverage, called the Supplemental Coverage Option (SCO). SCO provides the producer an option of covering a portion of his or her crop insurance deductible and is based on expected county yields or revenue. The cost of SCO is subsidized,
and indemnities are determined by the yield or revenue loss for the county or area.

Crops for the producer has to be elected to receive ARC are not eligible for SCO benefits.

**What commodities are considered “covered” for ARC and PLC program purposes?**
Covered commodities include wheat, oats, barley, corn, grain sorghum, rice, soybeans, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe and sesame seed, dry peas, lentils, chickpeas and peanuts.

**When do ARC and PLC payments trigger?**
It depends on which program option you’ve chosen.

A PLC payment is issued when the effective price of a covered commodity is less than the respective reference price for that commodity established in the statute for the 2014-’18 crops. Reference prices for corn are $3.70 per bushel and for soybeans $8.40 per bushel, respectively. The effective price equals the higher of the market year average price and the national average loan rate. The PLC payment is equal to 85% of the base acres of the covered commodity times the difference between the reference price and the effective price, times the program yield for the covered commodity.

**County ARC** payments are issued when the actual county crop revenue of a covered commodity is less than the County ARC guarantee for the covered commodity. The County ARC guarantee equals 86% of the previous five-year market year average price, excluding the years with the highest and lowest price (ARC guarantee price), times the five-year average county yield, excluding the years with the highest and lowest yield (County ARC guaranteed yield).

The payment is equal to 85% of the base acres of the covered commodity times the difference between the county guarantee and the actual county crop revenue for the covered commodity. Payments may not exceed 10% of the County ARC benchmark county revenue.

**Individual ARC** payments are issued when actual ARC revenue, summed across covered commodities on the farm, is less than the associated ARC guarantee, defined as the five-year average of the producer’s annual benchmark revenue for each commodity, excluding the high and low annual revenues. The resulting revenues are averaged across all crops on the farm, using plantings as weight, to obtain the revenue guarantee.

Actual revenue is computed similarly. The individual ARC payment equals 65% of the sum of the base acres of all covered commodities on the farm, times the difference between the individual guarantee revenue and the actual individual crop revenue across all covered commodities planted on the farm. Payments may not exceed 10% of the individual benchmark revenue.

**How can I learn more?**
FSA will publish the initial benchmark prices for the ARC program and reference prices for the PLC program online. FSA will update the website monthly until the final date is published later in the year (final dates vary by commodity). USDA hopes to publicize the final program and regulations for both programs this fall. Producers and landlords should look for FSA’s announcement that the reference website has launched.

Additionally, the USDA has allocated funding to state-based Extension services to educate producers, and has authorized the academic institutions to develop Web-based tools to help producers decide on ARC, PLC and other programs authorized by the 2014 Farm Bill.

Producers can also visit FSA’s farm bill website at [www.fsa.usda.gov/farmbill](http://www.fsa.usda.gov/farmbill). They can also subscribe to FSA’s online news source at [www.fsa.usda.gov/subscribe](http://www.fsa.usda.gov/subscribe).

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