

2014-18
ARC PLC
Decisions

July 2014

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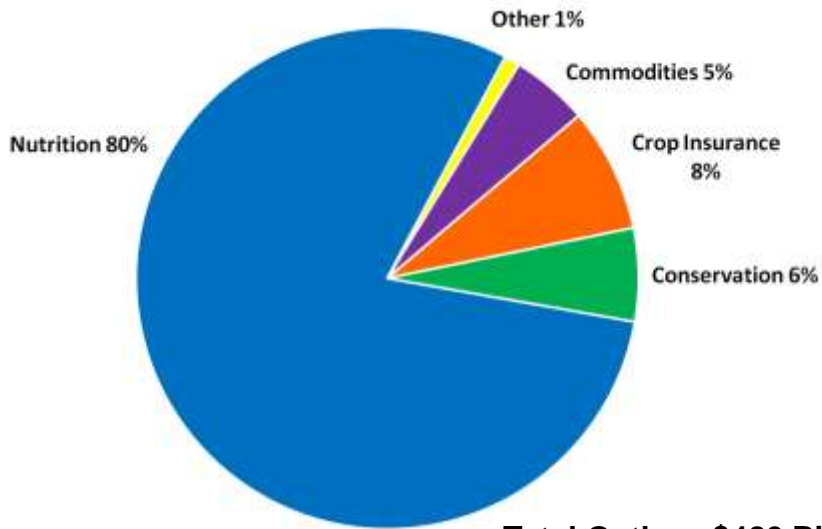
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Presentation Objectives

- 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.

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Farm Bill Funding (FY 2014 to FY 2018)



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Source: USDA Economic Research Service, January 2014

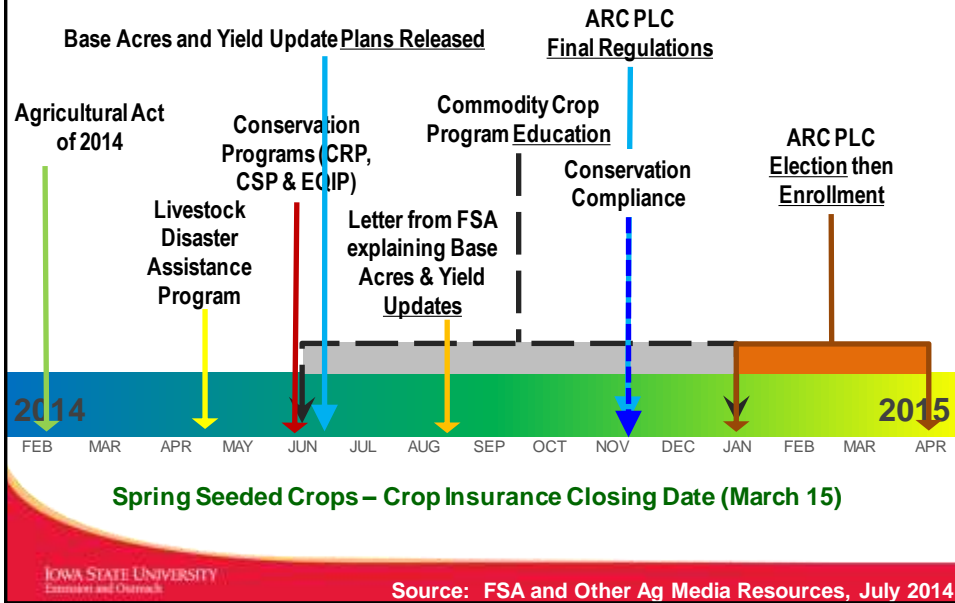
New 5-Year Farm Program (2014-2018)



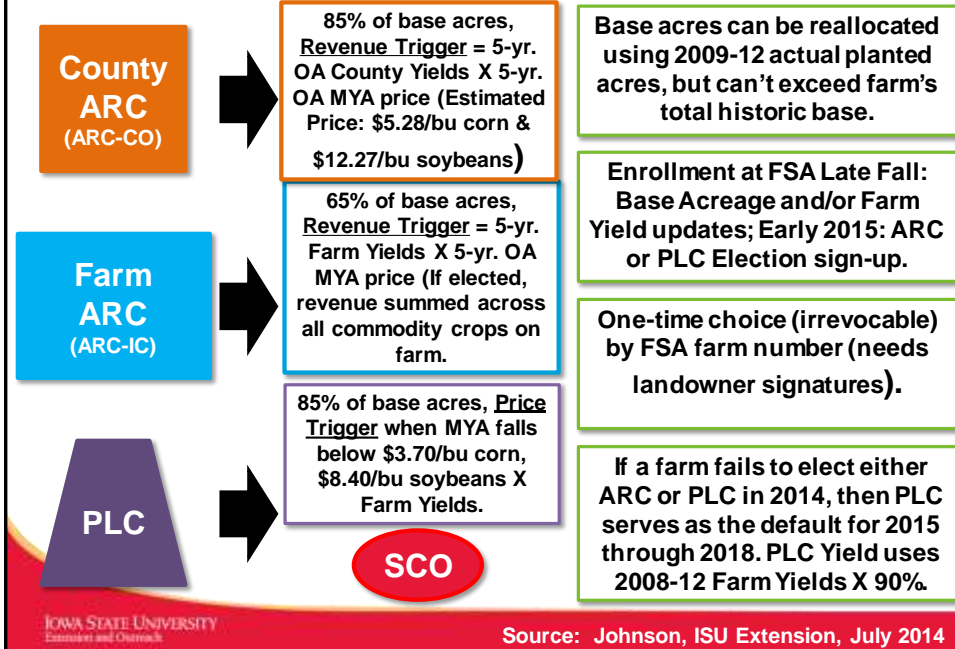
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Source: The Agricultural Act of 2014, February 2014

Farm Programs: Estimated Implementation Timeline



FSA Commodity Crop Enrollment Decisions



ARC or PLC: The 3 Step Process



1 UPDATE

The farmland owner and the farm operator can "**reallocate**" base acres and/or "**update**" CC Yields by FSA farm number.

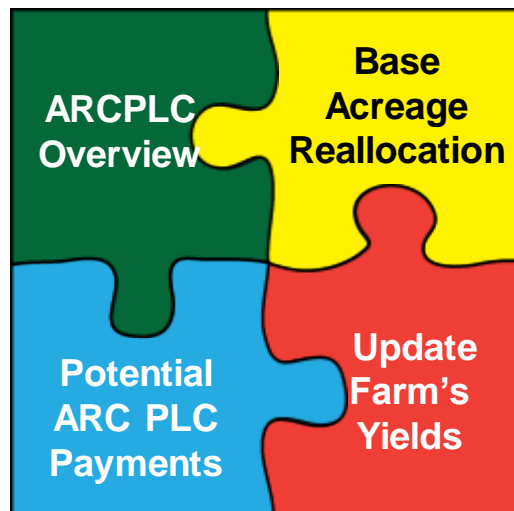
2 ELECTION

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.

3 ENROLLMENT

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.

Solving the ARC PLC Decisions Puzzle



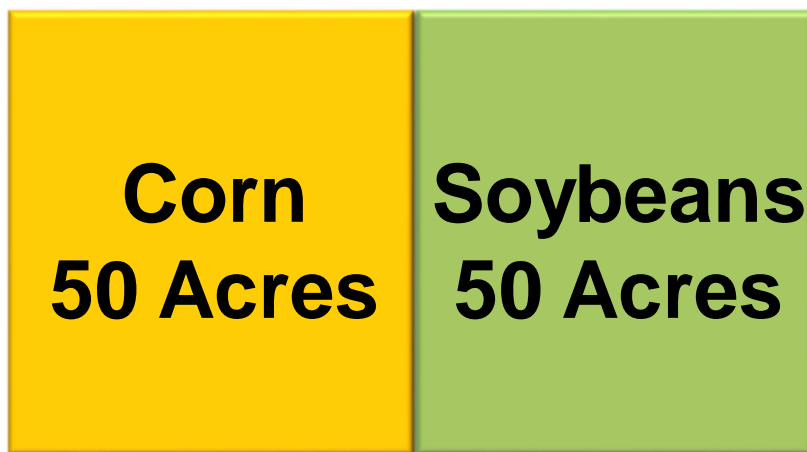
Summary Acreage History Report

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



Base Acreage Reallocation Example #1

	Corn	Soybeans	Total
Current Base Acreage	50	50	100
Planted Acreage			
2009	60	40	100
2010	100	0	100
2011	40	60	100
2012	60	40	100
2009 to 2012 Average	65	35	100
Reallocation Weight	0.65	0.35	
Base Reallocation	65	35	100



Corn
65 Acres

Soybeans
35 Acres

Base Acreage Reallocation Example #2

	Corn	Soybeans	Total
Current Base Acreage	50	50	100
Planted Acreage			
2009	120	0	120
2010	120	0	120
2011	0	120	120
2012	120	0	120
2009 to 2012 Average	90	30	120
Reallocation Weight	0.75	0.25	
Base Reallocation	75	25	100



Corn
75 Acres

Soybeans
25 Acres

Farm's Yield Update Choices

1. **Retain** the Farm's Current CC Yield

or

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

Uses production and total acres planted of covered commodities, **2008 – 2012**, using a simple average. 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.

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.

Comparing ARC 5-Year Average Cash Prices vs. PLC Reference Prices

Agriculture Risk Coverage (ARC)

<u>Year</u>	<u>Corn</u>	<u>Soybeans</u>
2009	\$3.55	\$9.59
2010	\$5.18	\$11.30
2011	\$6.22	\$12.50
2012	\$6.89	\$14.40
2013	\$4.45	\$13.00

ARC 5-yr. OA MYA Prices

Corn = **\$5.28/bu.**
Soybeans = **\$12.27/bu.**

Price Loss Coverage (PLC)

Corn = **\$3.70/bu.**
Soybeans = **\$8.40/bu.**

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.

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.

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
- **Farm Doc – U. of Illinois Ext. Economics**
www.farmdoc.illinois.edu
- **Ag Manager – K-State Ext. Economics**
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
- **USDA Farm Service Agency**
www.fsa.usda.gov/FSA/webapp?area=home&subject=arpl&topic=landing