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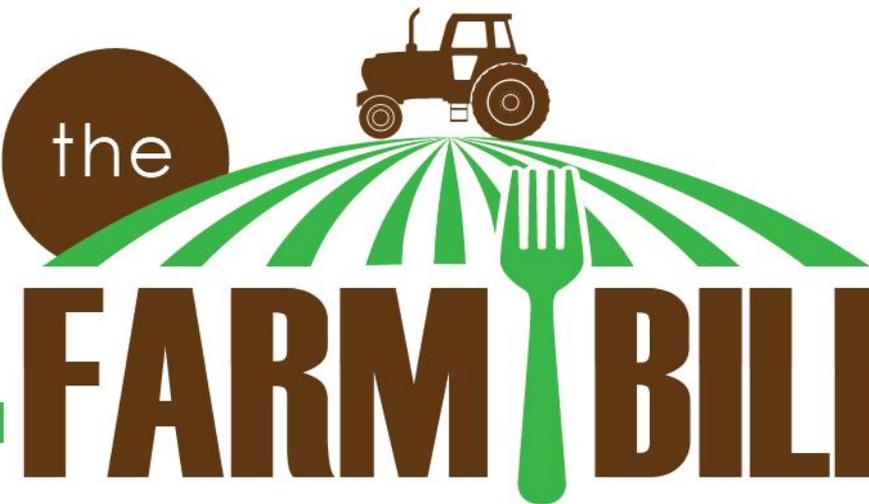
DIVISION OF AGRICULTURE  
RESEARCH & EXTENSION

*University of Arkansas System*

FSA

FARM SERVICE AGENCY

Understanding the



**2014 FARM BILL**

# ARC/PLC Program Price Loss Coverage (PLC)

# ARC/PLC Program

ARC/PLC Program Process has three PARTS:

1. **Update**: Owner(s) choice to “*reallocate*” base acres and/or “*update*” CC Yields

✓ **September 29, 2014 through February 27, 2015**

# ARC/PLC Program

ARC/PLC Program Process has three PARTS:

2. **Election**: Once Base Acres and Yields are set, then the ***Election*** of PLC or ARC takes place on the farm

✓ November 17, 2014 through March 31, 2015

# ARC/PLC Program

ARC/PLC Program Process has three PARTS:

3. **Enrollment**: Once Election has been completed then *Enrollment* takes place on the farm

✓ Mid-April 2015 through Summer 2015

# Price Loss Coverage (PLC)

- Price Protection Program
- Payments issued when prices for covered commodities fall below the reference price

# Reference Prices

Crop	Reference Price	Crop	Reference Price
Barley	\$4.95 per bu.	Mustard	\$20.15 per cwt.
Chickpeas, Large	\$21.54 per cwt.	Rapeseed	\$20.15 per cwt.
Chickpeas, Small	\$19.04 per cwt.	Safflower	\$20.15 per cwt.
Corn	\$3.70 per bu.	Sesame Seed	\$20.15 per cwt.
Dry Peas	\$11.00 per cwt.	Sunflower	\$20.15 per cwt.
Grain Sorghum	\$3.95 per bu.	Peanuts	\$535.00 per ton
Lentils	\$19.97 per cwt.	Rice, Long Grain	\$14.00 per cwt.
Oats	\$2.40 per bu.	Rice, Med Grain	\$14.00 per cwt.
Canola	\$20.15 per cwt.	Soybeans	\$8.40 per bu.
Crambe	\$20.15 per cwt.	Wheat	\$5.50 per bu.
Flaxseed	\$11.28 per bu.		

# Price Loss Coverage (PLC)

- ❑ **Effective Price = The HIGHER of the following:**
  - ❑ **National Average Market Price (MYA) for the applicable marketing year as determined by the secretary**
  - ❑ **National Average Loan Rate in effect for the applicable marketing year**

# Marketing Year Average Prices

- ❑ NASS is the agency that surveys buyers of commodities and publishes the price data
- ❑ NASS completes monthly price surveys of up to 2000 plus buyers Nationwide to determine monthly prices
- ❑ The prices are weighted across the US each month and for the 12 month marketing period for the crop

# Price Loss Coverage (PLC)

- ❑ **Payment Rate** = Difference between **reference price** and the **effective price**
- ❑ **NOTE:** If the difference between the reference price and the effective price is zero or negative, no payment will trigger.

# Price Loss Coverage (PLC)

## Payment Calculation

### Multiply

- ✓ Payment rate; by
- ✓ Payment yield; by
- ✓ Payment acres

NOTE: PLC Payments are not dependent of the planting of the crop

# Price Loss Coverage – Example 1

➤ Farm 1300

Crop	Base Acres	Planted Acres	PLC Payment Yield
Wheat	150	0	50 bu.
Corn	100	300	160 bu.
TOTAL	250	300	--

Crop	Reference Price	Effective Price	
		MYA Price*	Loan Rate
Wheat	\$5.50	\$5.00	\$2.94
Corn	\$3.70	\$4.00	\$1.95

\*MYA prices are hypothetical in this example

# Price Loss Coverage – Example 1

## (continued)

Crop	Reference Price	Effective Price		PLC Payment Rate
		MYA Price	Loan Rate	
Wheat	\$5.50	\$5.00	<del>\$2.94</del>	\$0.50
Corn	\$3.70	\$4.00	<del>\$1.95</del>	\$0.00

# Price Loss Coverage (PLC)

## Payment Formula Reminder

Payment Acres (85% of the crop's base acres) X PLC Yield X Payment Rate

Payment Rate =

Reference Price minus the effective price

Effective Price =

HIGHER of the MYA Price or Loan Rate

# Price Loss Coverage – Example 1 (continued)

Crop	Base Acres	Payment % *	Payment Rate	PLC Yield	PLC Payment
Wheat	150	85%	\$0.50	50 bu.	\$3188
Corn	100	85%	\$0.00	160 bu.	\$0

- ✓ PLC Payment Acres = 85% of the crop's base acres
- ✓ PLC Payment is made for wheat even though wheat was not planted on the farm

# Price Loss Coverage – Example 2

➤ Farm 2501 – with Generic Base

Crop	Base Acres	Planted Acres	PLC Yield
Corn	100	350	158 bu.
Soybeans	100	0	41 bu.
Upland Cotton	0	50	N/A
Generic	100	--	----
<b>TOTAL</b>	<b>300</b>	<b>400</b>	<b>----</b>

Crop	Reference Price	Effective Price	
		MYA Price	Loan Rate
Soybeans	\$8.40	\$8.00	\$5.00
Corn	\$3.70	\$3.50	\$1.95

# Price Loss Coverage – Example 2

(continued)

Crop	Attributed Base Acres	Reference Price	Effective Price		PLC Payment Rate
			MYA Price*	Loan Rate	
Soybeans	100	\$8.40	\$8.00	<del>\$5.00</del>	\$0.40
Corn	200 **	\$3.70	\$3.50	<del>\$1.95</del>	\$0.20

\* MYA Prices are Hypothetical

\*\* Includes Generic Base Acres

# Price Loss Coverage – Example 2 (continued)

Crop	Base Acres	Payment %	Payment Rate	PLC Yield	PLC Payment
Soybeans	100	85%	\$0.40	41 bu.	\$1394
Corn	200*	85%	\$0.20	158 bu.	\$5372

\* 100 acre corn base + 100 acre generic base attributed to corn

# Price Loss Coverage – Example 3

- Farm 2501 – with generic base

Crop	Base Acres	Planted Acres	PLC Yield
Wheat	100	150	40 bu.
Corn	100	125	160 bu.
Grain Sorghum	100	125	32 bu.
<b>Generic</b>	<b>100</b>	--	----
TOTAL	400	400	----

Crop	Reference Price	Effective Price	
		MYA Price	Loan Rate
Wheat	\$5.50	\$5.00	\$2.94
Corn	\$3.70	\$4.00	\$1.95
Grain Sorghum	\$3.95	\$3.75	\$1.95

# Example Three, Attributing Generic Base

- 150 acres of wheat/ 400 acres of covered commodities planted X 100 acres of generic base = **37.5 acres of generic base attributed to wheat**
- 125 acres of corn/ 400 acres of covered commodities planted X 100 generic base = **31.25 acres of generic base attributed to corn**
- 125 acres of grain sorghum/ 400 acres of covered commodities planted X 100 generic base acres = **31.25 acres of generic base attributed to grain sorghum**

# Price Loss Coverage – Example 3

Crop	Reference Price	Effective Price		PLC Payment Rate
		MYA Price	Loan Rate	
Wheat	\$5.50	\$5.00	<del>\$2.94</del>	\$0.50
Corn	\$3.70	\$4.00	<del>\$1.95</del>	\$0.00
Grain Sorghum	\$3.95	\$3.75	<del>\$1.95</del>	\$0.20

Crop	Base Acres	Payment %	Payment Rate	PLC Yield	PLC Payment
Wheat	137.5*	85%	\$0.50	40 bu.	\$2338
Corn	131.25*	85%	\$0.00	80 bu.	\$0
Grain Sorghum	131.25*	85%	\$0.20	32 bu.	\$714

\* Includes attributed generic base acres

# Price Loss Coverage (PLC)

- PLC payments are issued when the effective price for the commodity falls below the posted reference price for that commodity.
- PLC payments are NOT dependent on the planting of the crop

# Price Loss Coverage (PLC)

- PLC payments will be issued as soon as possible after October 1 in the year following the applicable marketing year
- PLC is the “default” program

# When are Final 2014/15 MYA Prices Published and 2014 Payments Issued?

Commodity	Publishing Dates, End of: 1/	Timing of 2014-crop PLC, ARC-CO, ARC-IC Payments
Wheat, Barley, Oats	June 2015	October 2015
Peanuts	August 2015	October 2015
Corn, Grain sorghum, Soybeans, Dry peas, Lentils	September 2015	October 2015
Large and small chickpeas, Sunflower seed, Canola, Flaxseed, Mustard seed, Rapeseed, Safflower	November 2015	December 2015
Rice (long grain, medium/short grain, temperate japonica)	January 2016	February 2015

1/ On or near the last business day of the month.

# FSA Website – ARC/PLC

Go to: [fsa.usda.gov](http://fsa.usda.gov)

Under “Popular Topics”, click on:

**“Agricultural Risk Coverage /  
Price Loss Coverage”**