



**2014 Farm Bill Training
October 14 - 17, 2014**

Price Loss Coverage Program (PLC)



PLC - Overview

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

Reference Prices

Crop	Reference Prices	Crop	Reference Prices
Barley <u>1/</u>	\$4.95 per bu.	Mustard	\$20.15 per cwt.
Chickpeas, Large (Garbanzo Bean, Kabuli)	\$21.54 per cwt.	Rapeseed	\$20.15 per cwt.
Chickpeas, Small (Garbanzo Bean, Desi)	\$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, Medium Grain <u>2/</u>	\$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.		.

- 1/ Barley price is based on the price of “all barley”. Previously the price was based on the “feed barley” price.
2/ Includes short grain and temperate japonica rice



PLC Payments

- **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**



PLC Payments

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



PLC Payments

- **Payment Calculation**

- **Multiply**

- **Payment rate; by**
 - **Payment yield; by**
 - **Payment acres**

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

Example One

- Farm 1300

Crop	Base Acres	Planted Acres	PLC Payment Yield
Wheat	150	0	30 bu.
Corn	100	200	80 bu.
Alfalfa	--	100	N/A
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

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

Example One, Continued

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

Example One, Payment Calculation

Crop	Base Acres	Payment % *	Payment Rate	PLC Yield	PLC Payment
Wheat	150	85%	\$0.50	30 bu.	\$1913
Corn	100	85%	\$0.00	80 bu.	\$0

* PLC Payment Acres = 85% of the crop's base acres.

Example Two – Generic Base

- Farm 2501

Crop	Base Acres	Planted Acres	PLC Yield
Corn	100	350	58 bu.
Soybeans	100	0	11 bu.
Upland Cotton	0	50	N/A
Generic	100	--	----
TOTAL	300	400	----

Crop	Reference Price	Effective Price	
		MYA Price	Loan Rate
Soybeans	\$8.40	\$10.50	\$5.00
Corn	\$3.70	\$4.00	\$1.95

Example Two – Generic Base Acres, Continued

Crop	Attributed Base Acres	Reference Price	Effective Price		PLC Payment Rate
			MYA Price*	Loan Rate	
Soybeans	100	\$8.40	\$10.50	\$5.00	\$0.00
Corn	200 **	\$3.70	\$4.00	\$1.95	\$0.00

* MYA Prices are Hypothetical

** Includes Generic Base Acres

Example Three – Generic Base

- Farm 2501

Crop	Base Acres	Planted Acres	PLC Yield
Corn	100	125	58 bu.
Wheat	100	150	30 bu.
Grain Sorghum	100	125	32 bu.
Generic	100	--	----
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

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

Example 3 – Payment Calculation

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

Crop	Base Acres	Payment %	Payment Rate	PLC Yield	PLC Payment
Wheat	137.5*	85	\$0.50	30 bu.	\$1753
Corn	131.25*	85	\$0.00	80 bu.	\$0
Grain Sorghum	131.25*	85	\$0.20	32 bu.	\$714

* Includes attributed generic base acres

PLC Review

- 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.
- 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

Questions??





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Agriculture Risk Coverage - County Level

ARC-CO





ARC Background

- ARC program offers “**Revenue**” loss coverage for selected covered commodities

Two Options under ARC program

- **ARC-CO**: County Level Loss Coverage
- **ARC-IC**: Individual Level Loss Coverage

ARC Background

- ARC-CO or PLC may be “**Elected**” on a covered commodity by covered commodity basis on the farm
- ARC-IC is “**Elected**” for ALL covered commodities at the farm level



ARC Background

- Upon election of PLC, ARC-CO or ARC-IC for 2014, the “**Election**” becomes “**Irrevocable**” through 2018
- If an election is NOT made by the end of the election period, then:
 - farm automatically elects PLC for 2015 through 2018
 - no payments earned for the 2014 crop year



ARC Background

- ARC-CO provides revenue loss coverage at the “**County**” level
 - not dependent on the planting of a covered commodity with the exception of Generic Base
 - no requirement to report production

ARC-CO Features

- ARC-CO payments are triggered when:
 - ARC-CO Actual crop revenue is **less than**
 - ARC-CO Guarantee calculated for the covered commodity for the year. The ARC-CO Guarantee is 86% of the Benchmark Revenue

ARC-CO Payment Calculation

ARC-CO Steps	
Step 1	Calculate Benchmark Revenue
Step 2	Calculate ARC-CO Guarantee
Step 3	Calculate Actual Crop Revenue
Step 4	Determine if a Revenue Loss Occurred
Step 5	Determine if Revenue Loss EXCEEDS 10% of Benchmark Revenue
Step 6	Calculate Producer Payment

ARC-CO Calculations

- **ARC-CO Benchmark Yield Calculation:**
 - averaging “County” yield per planted acre for the covered commodity on the farm for the most recent 5 crop years, excluding each of the crop years with the highest and lowest county yields (*Olympic average*)
 - county yields used in the calculation will be obtained at the national level using NASS yield data at the **COUNTY** level by crop.

ARC-CO Calculations

- **ARC-CO** benchmark “Yield” of each of the 5 most recent years will be the *higher of* either of the following:
 - county yield per planted acre determined by NASS per covered commodity, per county, per state
 - ARC-CO Substitute yield per covered commodity, per county, per state
 - 70% of the County Transitional Yield

ARC-CO Calculations

- Benchmark Yield Example:

Corn	2009	2010	2011	2012	2013	5 Year Olympic Average Yield
County Yield	184	163	183	112	155	167
70% of Transitional Yield	119	119	119	119	119	

ARC-CO Calculations

- **ARC-CO Benchmark Price Calculation:**
 - averaging the Marketing Year Average “Price” for the covered commodity on the farm for the most recent 5 crop years, excluding each of the crop years with the highest and lowest Prices (*Olympic average*)
 - Marketing Year Average Prices used in the calculation will be obtained at the national level using NASS data

ARC-CO Calculations

- **ARC-CO** benchmark “price” of each of the 5 most recent years will be the *higher of* either of the following:
 - Marketing Year Average Price determined by NASS per covered commodity
 - Reference Price set by Statute

ARC-CO Calculations

- Benchmark Price Example:**

Corn	2009	2010	2011	2012	2013	5 Year Olympic Average Price
Marketing Year Average Price	\$3.55	\$5.18	\$6.22	\$6.89	\$4.50	\$5.30
Reference Price	\$3.70	\$3.70	\$3.70	\$3.70	\$3.70	

ARC-CO Calculations

- **ARC-CO Benchmark Revenue:**

- calculated by multiplying:

- 5 Year Olympic average Yield (***higher of the county yield or 70% of T-Yield***) for the specific covered commodity,

TIMES

- 5 year Olympic average price (***higher of Marketing Year Average price or Reference price***) for the specific covered commodity base acres

ARC-CO Calculations

- ARC-CO Benchmark Revenue Example:**

Corn	2009	2010	2011	2012	2013	5 Year Olympic Average Yield
County Yield	184	163	183	112	155	167 Bu
70% of Transitional Yield	119	119	119	119	119	
Corn	2009	2010	2011	2012	2013	5 Year Olympic Average Price
Marketing Year Average Price	\$3.55	\$5.18	\$6.22	\$6.89	\$4.50	\$5.30
Reference Price	\$3.70	\$3.70	\$3.70	\$3.70	\$3.70	
ARC-CO Benchmark Revenue - Corn						
167 Bu			\$5.30		\$885.10	

ARC-CO Calculations

- **ARC-CO Benchmark Revenue:**

IF the benchmark Revenue is being calculated for...	THEN the 5 most recent crop years are...
Crop Year 2014	2009 through 2013
Crop Year 2015	2010 through 2014
Crop Year 2016	2011 through 2015
Crop Year 2017	2012 through 2016
Crop Year 2018	2013 through 2017

ARC-CO Calculations

- **ARC-CO Guarantee:**

- calculated by multiplying the ARC-CO Benchmark Revenue times 86 percent

Example:

ARC-CO Benchmark Revenue	ARC-CO Guarantee	
\$885.10	X 86%	\$761.19

ARC-CO Calculations

- **ARC-CO Actual Crop Revenue:**
 - calculated by multiplying the “**Actual Average County**” yield for the covered commodity times the *higher of*:
 - Marketing Year Average (MYA) price for the covered commodity
 - or
 - National Loan Rate for the covered commodity

ARC-CO Calculations

- **ARC-CO Actual Crop Revenue Example:**

Crop	Actual Average County Yield	MYA Price	National Loan Rate	ARC-CO Actual Crop Revenue
Corn	180 Bu	\$3.90	\$1.95	\$702.00

ARC-CO Calculations

- **ARC-CO Producer Payment Calculation:**

- ARC-CO producer payment is equal to 85% of the specific covered commodity base acres, ***times***
- calculated ARC-CO payment rate, ***times***
- producer's share as reported on the ARC-CO enrollment contract

ARC-CO Calculations

- Example Corn**

ARC-CO Guarantee	ARC-CO Actual Crop Revenue/per acre	Crop Revenue Loss 1/		
\$761.19	\$702	\$59.19/acre		
<p>1/ Payment rate is lesser of the calculated payment rate above - \$59.19/acres OR 10% of the benchmark revenue (CAP: \$885.10 X 10% = \$88.51/acre).</p>				
Corn Base Acres	85% of Base Acres	Share on Contract	Crop Revenue Loss	Producer Payment
100	85	100%	\$59.19	\$5031



ARC-CO Chart Summary

ARC-CO Steps	
Step 1	Calculate Benchmark Revenue
Step 2	Calculate ARC-CO Guarantee
Step 3	Calculate Actual Crop Revenue
Step 4	Determine if a Revenue Loss Occurred
Step 5	Determine if Revenue Loss EXCEEDS 10% of Benchmark Revenue
Step 6	Calculate Producer Payment

ARC-CO Summary

- **ARC-CO Step 1:**
 - **Calculate Benchmark Revenue**
 - **5 Year Olympic average YIELD** uses the *higher of* the county yield OR 70% of the county transitional yield (Substitute Yield).
 - **5 Year Olympic average PRICE** uses the *higher of* the Market Year Average price OR the Reference Price for the covered commodity.

ARC-CO Summary

- **ARC-CO Step 2:**
 - **Calculate ARC-CO Guarantee**
 - Calculated at 86 percent of the ARC-CO Benchmark Revenue calculation, which is recalculated each year, 2014 through 2018

ARC-CO Summary

- **ARC-CO Step 3:**
 - **Calculate Actual Year Revenue**
 - calculated by multiplying the “Actual Average County” yield for the covered commodity times the ***higher of***:
 - Marketing Year Average price for the covered commodity
 - or
 - National Loan Rate for the covered commodity.

ARC-CO Summary

- **ARC-CO Step 4:**
 - **Determine if a “Revenue” Loss Occurred**
 - calculated by subtracting the **“ARC-CO Actual year Revenue”** from the **“ARC-CO Guarantee”**.
 - if a **“Negative”** amount then **NO LOSS**

ARC-CO Summary

- **ARC-CO Step 5:**
 - **Determine if the Revenue Loss EXCEEDS 10% Max Payment Cap.**
 - ARC-CO payment rate **CANNOT** exceed 10% of the Benchmark Revenue calculated for the covered commodity
 - if the calculated “Revenue” loss is greater than 10% of the Benchmark Revenue (Cap), then the 10% cap payment rate is used

ARC-CO Summary

- **ARC-CO Step 6:**
 - **Calculate Producer Payment.**
 - 85% of the specific covered commodity base acres, *times*
 - ARC-CO payment rate (smaller of Revenue Loss or 10% Cap), *times*
 - producer's share as reported on the ARC-CO enrollment contract

ARC-CO Summary

- **“County”** level Yields are used, NOT individual producer/farm yields
 - a county may trigger a crop due to a low county yield, however the neighboring counties may not trigger that crop

ARC-CO Summary

- **Marketing Year Average (MYA) prices are used in revenue calculations**
 - MYA prices are determined at the end of the marketing period for the crop.
 - ARC-CO revenue calculations are computed after the MYA prices are determined
 - ARC-CO payments are made in OCTOBER (or later) after the MYA prices are determined



ARC-CO Summary

- **ARC-CO Maximum Payment Rate (CAP):**
 - ARC-CO payment rate **CANNOT** exceed **10% of the Benchmark Revenue** calculated for the covered commodity.

Agriculture Risk Coverage (ARC-IC)

- Consider the Agricultural Risk Coverage Individual (ARC-IC) option.
 - All producers on the farm; all program crops
 - Individual, farm level revenue
 - Farm's yields, all crops with base
 - 5-year Olympic average; added together and weighted by planted acres
 - Sum of all covered commodities
 - Producer's share of all farms in state in ARC-IC
 - Planted acres determine weights
 - 65% of base acres for all program crops on the farm



Agriculture Risk Coverage (ARC-IC)

- ARC Individual

- Based on producers share of all covered commodities planted on all farms for which ARC has been selected
- ARC guarantee is 86% of benchmark revenue
- Benchmark revenue is average historical revenue for the most recent 5 years excluding the high and low weighted by current plantings
- Coverage is based on producer's share of all covered commodities planted on all farms which individual coverage was selected
- Payment = Minimum of (ARC Revenue Guarantee – Actual Revenue) **OR** 10% of the benchmark * Base Acres * .65
- If they select ARC individual coverage on any crop on the farm then the entire farm is in ARC individual coverage

ARC-IC

- Benchmark Revenue** = For each crop, 5 most recent crop years is calculated individually = Farm yield X MYA price (reference price and 70% T-yield plug)
- Olympic Average Revenues** = Each crop's revenue, 5 most recent years dropping highest and lowest
- Weighted Sum is Benchmark Rev.** = Crop year planted acreages used to weight Olympic avg. revenue each crop, added together
- Actual Revenue** = Individual crop's revenue (farm yield X MYA price) added together and weighted by planted acres





QUESTIONS

QUESTION ?

Can you simply explain the ARC-CO program?



Answer

The ARC-CO program provides revenue loss protection for revenue losses at the county level. A determination regarding revenue loss for each covered commodity with enrolled bases acres in the county will be made after the market year average price is published by USDA.

QUESTION ?

What is the payment yield for PLC?



Answer

The current program payment yield under the 2014 Farm Bill is the farm's counter-cyclical (CC) yield in effect on September 30, 2013. The owner of the farm may choose to update the CC yield; this yield will be used to calculate PLC payments on the farm.

QUESTION ?

Can you simply explain the ARC-IC program?



Answer

The ARC-IC program provides revenue loss protection for revenue losses determined at the farm level. A determination regarding revenue loss for each covered commodity planted on the farm will be made after the market year average price is published by USDA.

QUESTION ?

Can you simply explain the PLC program?



Answer

The PLC program provides payments when the market year average price for a covered commodity falls below the crop's reference price specified in the 2014 Farm Bill.

QUESTION ?

What happens to my farm's base acres and yields if the owner does not allow an update?

Answer

The farm will retain the base acres and counter-cyclical yields in effect on Sept. 30, 2013, excluding upland cotton base acres for the 2014 - 2018 ARC/PLC programs. Upland cotton base acres are automatically converted to generic base, which is not part of the base reallocation decision.

QUESTION ?

Is the covered commodity required to be planted on a farm to receive an ARC-IC payment?

Answer

Yes. Current year planted acres of covered commodities on an ARC-IC farm are used to determine if a revenue loss occurs on the ARC-IC farm.

QUESTION ?

What is the timeline to elect ARC or PLC coverage?

Answer

September 29, 2014 until February 27, 2015 – Update yields & Reallocate base acres

November 17, 2014 until March 31, 2015 – One-time Election of either ARC or PLC for 2014 through 2018 crop years

Mid-April 2015 through Summer 2015 – Contract enrollment for 2014 & 2015 crop years

October 2015 – Payments for 2014 crop year, if needed

QUESTION ?

A producer has several Farm Service Agency (FSA) farm numbers. Can he/she select different programs for each farm?

Answer

Yes. The producer can elect ARC-CO or PLC on one or more farms and/or can elect ARC-IC on one or more farms. All farms with an ARC-IC election will be combined to calculate the revenue guarantee, actual revenue and, if applicable, the payment per acre.

QUESTION ?

What happens to the farm election when a new owner or operator acquires the farm?

Answer

The farm's program election made during the election period will remain in effect for the life of the farm bill, regardless of who acquires an interest in the land after the election.

QUESTION ?

Does the 2014 Farm Bill allow separate PLC yields for dry land and irrigated practices on the same farm?

Answer

No. Farms will only have one yield. The PLC yield for a crop that is both irrigated and non-irrigated will either be the farm's current counter-cyclical yield or an updated yield, which is based on the average of the total production on the farm divided by the planted acres of the crop for crop years 2008-2012 on the farm times 90 percent.

QUESTION ?

Do producers have to file a new AD-1026 if they already had one on file with FSA?

Answer

No, it is not necessary for producers with an existing AD-1026 on file to file a new AD-1026 unless there are changes to the answers on the existing AD-1026 on file.

QUESTION ?

Once I make an election, can I change my mind?

Answer

An election made for a farm can be changed through the end of the election period (which will be March 31, 2015).

QUESTION ?

Can a person with power of attorney (POA) authority make an election for an owner?

Answer

Yes, if the POA has been completed for "All current and future programs" and "All actions."

QUESTION ?

What happens if I reconstitute a farm after the election is made?

Answer

Once an election for a farm is made, the reconstituted farm(s) retain that election through the life of the farm bill.

QUESTION ?

For how many years do the program elections remain in effect?



Answer

The election decision made for the 2014 crop year will remain in effect for that farm through the 2018 crop.

QUESTION ?

What happens if all producers (all owners, operators, and other tenants) with an interest in the farm do not agree and do not sign the election by the deadline?

Answer

All crops on the farm will default to the PLC program for the life of the farm bill. The farm will not earn a payment for the 2014 crop year.

QUESTION ?

Once I've taken action regarding base reallocation and yield updates, can I change my mind?

Answer

Any base reallocation and yield updates can be changed through the end of the ARC/PLC time designated to complete. This date has been announced as February 27, 2015

QUESTION ?

Must a producer carry federal crop insurance in order to be eligible for the ARC/PLC program?

Answer

No.



QUESTION ?

When are payments authorized for the ARC/PLC Programs?

Answer

Payments for the 2014-2018 crops are issued the later of Oct. 1 of the subsequent crop year or when the national average market year price is published by USDA.