ARC/PLC Program
Agricultural Risk Coverage – County Level (ARC-CO)
ARC/PLC Program

ARC/PLC Program Process has three PHASES:

1. **Update**: Owner(s) choice to “reallocate” base acres and/or “update” CC Yields
   ✓ September 29, 2014 through February 27, 2015

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 PHASES:

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

✓ **Mid-April 2015 through Summer 2015**

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Agricultural Risk Coverage

- 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
Agricultural Risk Coverage

- 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

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
Agricultural Risk Coverage (ARC-CO)

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

- 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 Payment Calculation Steps

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td>Calculate Benchmark Revenue</td>
</tr>
<tr>
<td>Step 2</td>
<td>Calculate ARC-CO Guarantee</td>
</tr>
<tr>
<td>Step 3</td>
<td>Calculate Actual Crop Revenue</td>
</tr>
<tr>
<td>Step 4</td>
<td>Determine if a Revenue Loss Occurred</td>
</tr>
<tr>
<td>Step 5</td>
<td>Determine if Revenue Loss EXCEEDS 10% of Benchmark Revenue</td>
</tr>
<tr>
<td>Step 6</td>
<td>Calculate Producer Payment</td>
</tr>
</tbody>
</table>

### ARC-CO Calculations

- **ARC-CO Benchmark Revenue:**

  **IF the benchmark Revenue is being calculated for...**  **THEN the 5 most recent crop years are...**

<table>
<thead>
<tr>
<th>Crop Year</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2009 through 2013</td>
</tr>
<tr>
<td>2015</td>
<td>2010 through 2014</td>
</tr>
<tr>
<td>2016</td>
<td>2011 through 2015</td>
</tr>
<tr>
<td>2017</td>
<td>2012 through 2016</td>
</tr>
<tr>
<td>2018</td>
<td>2013 through 2017</td>
</tr>
</tbody>
</table>
ARC-CO Benchmark Yield Calculation

- 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 years with the highest and lowest county yields (Olympic average)
  - county yields used in the calculation will be obtained using NASS yield data at the COUNTY level by crop

ARC-CO Benchmark Yield Calculation

- 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, which is:
    - 70% of the County Transitional Yield
ARC-CO Benchmark Yield Calculation

Benchmark Yield Example:

<table>
<thead>
<tr>
<th>Year</th>
<th>Corn Yield 2009</th>
<th>Corn Yield 2010</th>
<th>Corn Yield 2011</th>
<th>Corn Yield 2012</th>
<th>Corn Yield 2013</th>
<th>5 Year Olympic Average Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>County Yield</td>
<td>184</td>
<td>163</td>
<td>183</td>
<td>112</td>
<td>155</td>
<td>167</td>
</tr>
<tr>
<td>70% of Transitional Yield</td>
<td>119</td>
<td>119</td>
<td>119</td>
<td>119</td>
<td>119</td>
<td></td>
</tr>
</tbody>
</table>

ARC-CO Benchmark Price Calculation

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 Benchmark Price Calculation

- 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

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
## Reference Prices

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

## ARC-CO Benchmark Price Calculation

**Benchmark Price Example:**

<table>
<thead>
<tr>
<th>Corn</th>
<th>2009</th>
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<th>2013</th>
<th>5 Year Olympic Average Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Year Average Price</td>
<td>3.55</td>
<td>5.18</td>
<td>6.22</td>
<td>6.89</td>
<td>4.50</td>
<td>5.30</td>
</tr>
<tr>
<td>Reference Price</td>
<td>3.70</td>
<td>3.70</td>
<td>3.70</td>
<td>3.70</td>
<td>3.70</td>
<td></td>
</tr>
</tbody>
</table>
ARC-CO Benchmark Revenue Calculation

- 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 Benchmark Revenue Calculation Example

<table>
<thead>
<tr>
<th>Corn</th>
<th>2009</th>
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<tr>
<td>70% of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transitional Yield</td>
<td>119</td>
<td>119</td>
<td>119</td>
<td>119</td>
<td>119</td>
<td></td>
</tr>
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<td>3.70</td>
<td>3.70</td>
<td>3.70</td>
<td></td>
</tr>
</tbody>
</table>

ARC-CO Benchmark Revenue - Corn

- 167 Bu.
- $5.30
- $885.10
ARC-CO Calculations

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

Example:

<table>
<thead>
<tr>
<th>ARC-CO Benchmark Revenue</th>
<th>ARC-CO Guarantee</th>
</tr>
</thead>
<tbody>
<tr>
<td>$885.10</td>
<td>X 86%</td>
</tr>
<tr>
<td></td>
<td>$761.19</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Crop</th>
<th>Actual Average County Yield</th>
<th>MYA Price</th>
<th>National Loan Rate</th>
<th>ARC-CO Actual Crop Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>180 Bu.</td>
<td>$3.90</td>
<td>$1.95</td>
<td>$702</td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th>ARC-CO Guarantee</th>
<th>ARC-CO Actual Crop Revenue/per acre</th>
<th>Crop Revenue Loss 1/</th>
</tr>
</thead>
<tbody>
<tr>
<td>$761.19</td>
<td>$702</td>
<td>$59.19 / ac</td>
</tr>
</tbody>
</table>

1/ Payment rate is lesser of the calculated payment rate above: $59.19/acre OR 10% of the benchmark revenue
(CAP: $885.10 × 10% = $88.51/acre)

<table>
<thead>
<tr>
<th>Corn Base Acres</th>
<th>85% of Base Acres</th>
<th>Share on Contract</th>
<th>Crop Revenue Loss</th>
<th>Producer Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>100.0</td>
<td>85.0</td>
<td>100%</td>
<td>$59.19</td>
<td>$5031</td>
</tr>
</tbody>
</table>

**ARC-CO Payment Calculation**

- **ARC-CO Payment Calculation 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
  - 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 for a crop due to a low county yield, however the neighboring counties may not trigger for 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.

FSA Website – ARC/PLC

Go to: fsa.usda.gov

Under “Popular Topics”, click on:

“Agricultural Risk Coverage / Price Loss Coverage”
Webinars & Recordings

www.uaex.edu/farmbill