





**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**

## ARC/PLC Program

ARC/PLC Program Process has three PHASES:

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**



## 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



## Agricultural Risk Coverage

- ❖ 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

## Agricultural Risk Coverage (ARC-CO)

- ❖ 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	
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 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 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:

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

## 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

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.		

## ARC-CO Benchmark Price Calculation

Benchmark Price Example:

Corn	2009	2010	2011	2012	2013	5 Year Olympic Average Price
Market Year Average Price	<del>3.55</del>	<b><u>5.18</u></b>	<b><u>6.22</u></b>	6.89	<b><u>4.50</u></b>	<b>5.30</b>
Reference Price	3.70	<del>3.70</del>	<del>3.70</del>	<del>3.70</del>	<del>3.70</del>	

## 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

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	
<b>Corn</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>5 Year Olympic Average Price</b>
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	
<b>ARC-CO Benchmark Revenue - Corn</b>						
<b>167 Bu.</b>	<b>\$5.30</b>				<b>\$885.10</b>	

## 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	<del>\$1.95</del>	\$702



## 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 / ac	
1/ Payment rate is lesser of the calculated payment rate above: \$59.19/acre OR 10% of the benchmark revenue (CAP: \$885.10 X 10% = \$88.51/acre)					
Corn Base Acres	85% of Base Acres	Share on Contract	Crop Revenue Loss	Producer Payment	
100.0	85.0	100%	\$59.19	\$5031	

## 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

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 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](http://fsa.usda.gov)

Under “Popular Topics”, click on:

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



# Webinars & Recordings

[www.uaex.edu/farmbill](http://www.uaex.edu/farmbill)

The screenshot shows the Cooperative Extension Service website. The main navigation bar includes categories like Farm & Ranch, Yard & Garden, Business & Communities, Environment & Nature, Health & Living, and 4-H & Youth. A sidebar on the left lists various topics under 'Economics & Marketing', including Farm Planning, Food & Farm Policy, Markets, Market Maker, Sustainability, USDA Reports, and Farm Bill. The main content area features a large graphic for 'The 2014 Farm Bill' with a green arrow pointing to a dropdown menu labeled 'Farm Bill Webinar Dates, Registration, and Recordings'. Below this, there are sections for 'Farm Service Agency (FSA)' and '2014 Farm Service Agency and Division of Agriculture Farm Bill Meeting Presentations', which lists several presentations with speakers and topics.