Understanding the 2014 Farm Bill

University of Arkansas Division of Agriculture Farm Bill Web Site

www.uaex.edu/farmbill
Acronyms

• Price Loss Coverage (PLC)
• Agricultural Risk Coverage (ARC)
• ARC Individual (farm level or whole farm)
• National Average Market Price (NAMP)
• Supplemental Coverage Option (SCO)
• Reference Price (RP)
• Marketing Year (MY)

Note: New programs subject to sequestration reduction annually unless otherwise noted
The Farm Bill:
How to make the best decisions for your operation
Thursday, December 17, 2014
Southeast Arkansas Farm Bill Meeting

Agricultural Act of 2014 (2014 Farm Bill)
Commodity Programs
Agricultural Risk Coverage (ARC), Price Loss Coverage (PLC),
& Crop Insurance Participation For Covered Program Crops

University of Arkansas Division of Agriculture Farm Bill Web Site
www.uaex.edu/farmbill

Robert Coats
Professor - Economics
Department of Agricultural Economics and Agribusiness
Division of Agriculture, University of Arkansas
Producers final enrollment decision should be made using their assumptions & Texas A&M/Missouri FAPRI web-based farm bill decision aid.
Farm Bill Sign-up Timeline

How and When do I make a final program commodity decision?

- By Early January
  - Provide FSA and crop insurance agent with required data and information
    - Verify correctness of information & data
  - Load each FSA Farm No. into the web-based farm bill decision aid
  - Retain or Update payment yields

- After February 1
  - Base decision – Retain or Reallocate base acres
  - Decision - Fairly easy or very challenging
Farm Bill Sign-up Timeline

• Before February 28
  • Working through crop insurance agent complete crop insurance participation decisions
• After March 1
  • PLC/ARC program election decision
• Why the sign-up timeline?
  • FSA sign-up is one time irrevocable decision
  • Market prices outlook challenges
    • Dynamic deflationary and inflationary considerations
  • Web-based farm bill decision aids still in development phase
PLC and ARC
Rice
5 Year Average Payments Per Acre
Select Arkansas Counties
Preliminary
**FAPRI U.S. farm price estimate for Long Grain Rice prices**

Reference Price: $14.00 or $6.30
- 14/15: $12.57 or $5.66
- 15/16: $12.82 or $5.77

Source: FAPRI-MU baselines, Nov. 2014; CME
Potential 5 Year Average PLC and ARC Rice Payments Per Acre

Select Arkansas Counties – Preliminary. Producers final enrollment decision should be made using their assumptions & Texas A&M/Missouri FAPRI web-based farm bill decision aid.

Developed for educational use only. Results will vary with assumptions.
U.S. farm and futures prices for Medium Grain Rice Excluding Japonica

![Graph showing the price trends of Medium Grain Rice Excluding Japonica from 2008/09 to 2022/23. The graph includes a line for FAPRI-Oct and a horizontal line for Reference. The graph is sourced from FAPRI-MU baselines, Nov. 2014; CME.](image-url)
PLC and ARC
Soybean
5 Year Average Payments Per Acre
Arkansas Counties - Preliminary
FAPRI U.S. farm price estimate for U.S. Soybeans

Reference Price $8.40
14/15 - $10.00
15/16 - $9.10

Source: FAPRI-MU baselines, Nov. 2014; CME
Potential 5 Year Average PLC and ARC Soybean Payments Per Acre
Select Arkansas Counties – Preliminary. Producers final enrollment decision should be made using their assumptions & Texas A&M/Missouri FAPRI web-based farm bill decision aid.

Possible Payment Given Assumptions

Developed for educational use only. Results will vary with assumptions.
Potential 5 Year Average PLC and ARC Soybean Payments Per Acre
Select Arkansas Counties – Preliminary. Producers final enrollment decision should be made using their assumptions & Texas A&M/Missouri FAPRI web-based farm bill decision aid.

Possible Payment Given Assumptions
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PLC and ARC
Wheat
5 Year Average Payments Per Acre
Arkansas Counties - Preliminary
FAPRI U.S. farm price estimate for Wheat

Source: FAPRI-MU baselines, Oct. 2014; CME

Reference Price $5.50
14/15 - $5.90
15/16 - $5.36
Potential 5 Year Average PLC and ARC Wheat Payments Per Acre
Select Arkansas Counties – Preliminary. Producers final enrollment decision should be made using their assumptions & Texas A&M/Missouri FAPRI web-based farm bill decision aid.

Developed for educational use only. Results will vary with assumptions.
PLC and ARC
Corn
5 Year Average Payments Per Acre
Arkansas Counties - Preliminary
FAPRI U.S. farm price estimate for US Corn

Reference Price $3.70
14/15 - $3.50
15/16 - $3.89

Source: FAPRI-MU baselines, Oct. 2014; CME
Potential 5 Year Average PLC and ARC Corn Payments Per Acre
Select Arkansas Counties – Preliminary. Producers final enrollment decision should be made using their assumptions & Texas A&M/Missouri FAPRI web-based farm bill decision aid.

Possible Payment Given Assumptions

Developed for educational use only. Results will vary with assumptions.
The Farm Bill Decision Making Process for Commodity Programs

• First Remember,
  – No more direct, countercyclical or ACRE program payments
  – New programs pay farmers
    • when prices (PLC) or revenues (ARC)
      – fall below a trigger
  – Crop Insurance combined with Market Strategies are an important part of your farm bill safety net
The Farm Bill Decision Making Process for Commodity Programs

• **Second**, Visit your local FSA Office,
  – For each FSA Farm -
    • crop by crop (covered commodities)
      – (cotton not covered commodity)
    • verify correctness of counter-cyclical yield,
      – base acres,
      – planted acres from 2009 to 2012, and
    • provide yields for 2008 to 2012
The Farm Bill Decision Making Process for Commodity Programs

- **Third**, by February 27, 2015 (sign-up over)
  - Do I
    - Retain or Update program yields
    - Retain or Reallocate base acres
    - One time choice, for the life of the farm bill
    - Landowner Decision

- **Retain or Update Payment Yields** –
  - Payment yields can be updated to 90% of the 2008-2012 crop year averages
  - *(Landowner Decision)*
- Continued next slide
The Farm Bill Decision Making Process for Commodity Programs

• **Third**, by February 27, 2015

  Retain or Reallocate Base - Producers will also have the opportunity to reallocate their base acres to crops planted on the farm at any time during the 2009 to 2012 crop years (*Landowner Decision*)
  
  – Keep current base or reallocate to the ratio of 2009-2012 plantings
  
  – All farm program crops must be considered;
  
  – Base cannot be increased or decreased total

  • Base can be reallocated

    – Generally look to increase base for crops with larger potential payments

    – Presently, favors Rice over Soybeans or Corn over Soybeans
Base Reallocation

- One time base reallocation
  - Two choices
    - Reallocate (cannot add base acres to a farm)
    - Retain existing base acres
  - Reallocates bases other than cotton that were on the farm as of September 30, 2013
  - Reallocation is in proportion to the ratio of:
    - The 4 year average of planted acres to each crop from 2009 to 2012 plus prevented planting/the 4 year average of all covered commodities planted plus prevent planting
    - Under planting does not affect the amount of base. The planted acres of covered commodities only affects the proportion of base acres that you will reallocate among commodities
### Base Reallocation Example

<table>
<thead>
<tr>
<th>Plantings</th>
<th>Rice</th>
<th>Corn</th>
<th>Soybeans</th>
<th>Wheat</th>
<th>Total</th>
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<td>500</td>
<td>250</td>
<td>250</td>
<td>0</td>
<td>1,000</td>
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<td>500</td>
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<td>1,000</td>
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<td>2011</td>
<td>500</td>
<td>250</td>
<td>250</td>
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<td>1,000</td>
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<tr>
<td>2012</td>
<td>500</td>
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<td>0</td>
<td>1,000</td>
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<td>500/1000</td>
<td>250/1000</td>
<td>250/1000</td>
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<tr>
<td>Share</td>
<td>50%</td>
<td>25%</td>
<td>25%</td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>

- Base: 500, 100, 1,000
- Reallocated Base: 500, 250, 250, 0, 1,000
The Farm Bill Decision Making Process for Commodity Programs

- **Fourth,** Compare the Agricultural Risk Coverage County (ARC-CO) and Price Loss Coverage (PLC),

- **(Decision made by all producers on farm and a crop-by-crop decision by March 31)**
  - ARC was often referred to as a shallow loss revenue protection program and PLC a deep loss price protection program.
  - Regardless of which program is chosen the first payment (if any is due) will not be made until after September 30\(^{th}\) 2015 for the 2014 crop.
  - All producers on the farm share in the decision;
    - Farm-by-farm and Crop-by-crop decision
  - ARC-CO: county revenue program; 5-year Olympic average of MYA Prices & county yields.
  - PLC: deficiency payment when MYA is below reference price.
  - Payments made on base acres vs Crop Insurance payments.
**Operational Comparison**

**ARC-CO**

- 5-year Olympic moving average MYA price (reference price plug)
- 5-year Olympic moving average county yields (70% of T-yield plug)
- Coverage is from 86% down to 76% of county revenue (a 10% max)

**PLC**

- Reference price; does not change
- Payment yield; does not change (after update) – no yield coverage
- Coverage is from reference price down to the loan rate
The Farm Bill Decision Making Process for Commodity Programs

PLC Potential Rice Payments Example

Example uses payment yield of 6,300 pounds per acre and the values shown are payment estimates for an eligible base acre. Amounts would vary depending on farm’s payment yield.
## Price Comparison

### Corn

<table>
<thead>
<tr>
<th>Year</th>
<th>MYA Price</th>
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<tbody>
<tr>
<td>2009</td>
<td>$3.55-($3.70)</td>
</tr>
<tr>
<td>2010</td>
<td>$5.18*</td>
</tr>
<tr>
<td>2011</td>
<td>$6.22*</td>
</tr>
<tr>
<td>2012</td>
<td>$6.89</td>
</tr>
<tr>
<td>2013</td>
<td>$4.45*</td>
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<tr>
<td>5-year Olympic Moving Avg.</td>
<td>$5.28</td>
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### Crop

<table>
<thead>
<tr>
<th>Crop</th>
<th>Ref. Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>$3.70/bu.</td>
</tr>
</tbody>
</table>

### Note:

- 5-year Olympic average price used in ARC-CO benchmark;
- PLC triggers payment if MYA is below the reference price.

(Reference price replaces any MYA that is below it)  
(*Used in the Olympic calculation, which drops highest and lowest)
When Market Year Average (MYA) price is below the Reference Price:

Payment rate = reference minus MYA (or loan rate)

Payment = payment rate X payment yield, on 85% of crop’s base acres

<table>
<thead>
<tr>
<th>Crop</th>
<th>Ref. Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>$3.70/bu.</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$8.40/bu.</td>
</tr>
<tr>
<td>Wheat</td>
<td>$5.50/bu.</td>
</tr>
<tr>
<td>Grain sorghum</td>
<td>$4.95/bu.</td>
</tr>
<tr>
<td>Barley</td>
<td>$4.95/bu.</td>
</tr>
<tr>
<td>Oats</td>
<td>$2.40/bu.</td>
</tr>
<tr>
<td>Other Oilseeds</td>
<td>$20.15/cwt.</td>
</tr>
<tr>
<td>Dry peas</td>
<td>$11.00/cwt.</td>
</tr>
<tr>
<td>Rice</td>
<td>$14.00/cwt.</td>
</tr>
<tr>
<td>Peanuts</td>
<td>$535/ton</td>
</tr>
<tr>
<td>Lentils</td>
<td>$19.97/cwt.</td>
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<tr>
<td>Small chickpeas</td>
<td>$19.04/cwt.</td>
</tr>
<tr>
<td>Large chickpeas</td>
<td>$21.54/cwt.</td>
</tr>
</tbody>
</table>
Illustration of Government Support for Rice Under 2008 Farm Bill

Revenue per bu

- Target Price – $10.50
- Loan Rate – $6.50
- Market Price

CCP

- Direct payment – $0.52

MLG/LDP

Market Receipts

Reflects payments not on full production (payment acres = .85 x base acres)

Decoupled (did not have to produce to receive payment)

Coupled (did have to produce to receive benefits from marketing loans gains or LDPs)
Illustration of Government Support for Rice Under PLC

- Market Receipts
- PLC
- MLG/LDP

Revenue per bu

Reference Price – $14.00

Loan Rate – $6.50

Supplemental Coverage Option

MLG/LDP

Market Receipts

Paid on base acres \times 0.85

Crop insurance coverage
**ARC-CO**

**Benchmark Revenue** = 5-year Olympic average *county* yields X 5-year Olympic average MYA prices (ref. price & 70% of T-yield replace low price & yield)

**Guarantee** = 86% of the Benchmark Revenue

**Actual Revenue** = *County* average yield X MYA price

**Payment Rate** = Guarantee – Actual; not to exceed 10% of the Benchmark

**Payment** = Payment Rate X 85% of the Base Acres for the Crop
Illustration of Government Support for Rice Under ARC-County

Revenue per bu

86%
76%
Loan Rate – $6.50
Market Price

MLG
Market Receipts

Revenue Benchmark
Revenue Guarantee
[paid on base acres x .65 (individual) or .85 (county)]

Crop insurance coverage

Farm base, county yield, and national price
Agriculture Risk Coverage (ARC)

- Covers Losses in Income for a Covered Commodity Relative to a Revenue Guarantee
- ARC can be Selected at the County or Individual Level
- ARC County
  - Payments are made when actual revenue for the covered commodity < ARC revenue guarantee, where:
    - Actual county revenue = actual county yield per planted acre * the higher of {National Marketing Year Price or Marketing Loan Rate}.
    - ARC revenue benchmark is equal to the U.S. Olympic average marketing year price for the most recent 5 years * the Olympic average county yield for the most recent 5 years. If any of the 5 years of prices are lower than Reference Price then replace with the Reference Price. If the actual county yield is < 70% of T-yield replace with the T-yield
    - ARC revenue guarantee = .86 * ARC revenue benchmark
  - Payment = Minimum of (ARC Revenue Guarantee - Actual Revenue) OR 10% of the benchmark * Base Acres * .85
  - ARC county will allow irrigated and non-irrigated to be calculated separately
Agriculture Risk Coverage (ARC) (Cont.)

• 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
Desha County
State: Arkansas; County: Desha; Period: 5 Year Horizon Prices: FAPRI; 60% Coverage of Crop Insurance

Expected Crop Program Payments By Acre For Desha County Arkansas Sample Farm

- **Corn**: ARC, PLC/SCO
- **Soybeans**: ARC, PLC/SCO
- **Cotton**: ARC, PLC/SCO
- **Rice**: ARC, PLC/SCO
### FAPRI Projected Prices 2015-2018

<table>
<thead>
<tr>
<th>Crop</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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</thead>
<tbody>
<tr>
<td>CORN</td>
<td>$4.46</td>
<td>$3.50</td>
<td>$3.89</td>
<td>$4.02</td>
<td>$4.10</td>
<td>$4.10</td>
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<tr>
<td>SOYBEANS</td>
<td>$13.00</td>
<td>$10.00</td>
<td>$9.10</td>
<td>$9.78</td>
<td>$10.08</td>
<td>$10.23</td>
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<tr>
<td>UPLAND COTTON</td>
<td>$0.78</td>
<td>$0.61</td>
<td>$0.61</td>
<td>$0.60</td>
<td>$0.61</td>
<td>$0.62</td>
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### USDA Projected Prices 2015-2018

<table>
<thead>
<tr>
<th>Crop</th>
<th>2013</th>
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<tr>
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<td>$3.50</td>
<td>$3.68</td>
<td>$3.38</td>
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<td>$3.53</td>
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<td>RICE</td>
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<td>$15.60</td>
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<tr>
<td>SOYBEANS</td>
<td>$13.00</td>
<td>$10.00</td>
<td>$8.66</td>
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<tr>
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<td>$0.76</td>
<td>$0.60</td>
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<td>$0.64</td>
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</table>
Arkansas County
State: Arkansas; County: Arkansas; Period: 5 Year Horizon Prices: FAPRI; 60% Coverage of Crop Insurance

Expected Crop Program Payments By Acre For Arkansas County Arkansas Sample Farm

- Corn: ARC (45), PLC/SCO (20)
- Soybeans: ARC (10), PLC/SCO (5)
- Wheat: ARC (15), PLC/SCO (10)
- Rice: ARC (50), PLC/SCO (60)
### FAPRI Projected Prices 2015-2018

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<td>$9.78</td>
<td>$10.08</td>
<td>$10.23</td>
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<tr>
<td>WHEAT</td>
<td>$6.87</td>
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<td>$5.36</td>
<td>$5.50</td>
<td>$5.70</td>
<td>$5.90</td>
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</table>

### USDA Projected Prices 2015-2018

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<tr>
<td>RICE</td>
<td>$16.10</td>
<td>$14.70</td>
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<td>$15.80</td>
<td>$15.90</td>
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<tr>
<td>WHEAT</td>
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<td>$4.38</td>
<td>$4.33</td>
<td>$4.56</td>
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</tbody>
</table>
The Farm Bill Decision Making Process for Commodity Programs

- **Fifth, Consider: 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
**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
Agriculture Risk Coverage (ARC) (Cont.)

**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
Desha County
State: Arkansas; County: Desha; Period: 1 & 5 Year Horizon Prices: FAPRI; 60% Coverage of Crop Insurance

Corn 105  Soybeans 530  Cotton 135  Rice 125

1 year – 5 year average
The Farm Bill Decision Making Process for Commodity Programs

- **Sixth, Consider the Supplemental Crop Insurance Option (SCO)**
  - Supplemental Coverage Option;
    - new crop insurance option
    - purchased through a crop insurance agent
    - requires an underlining policy deductible range
    - county trigger (86%) down to policy trigger
  - Only available for crops in PLC (or no program)
Crop Insurance Expected Revenue

Insurance Price X 10 Year Average (APH) Yield

Deductible 40%

Example: 60% coverage

Example of Price Loss Coverage (PLC) Plus SCO

Loss 14%

SCO Indemnity 26%

Ind. Coverage Indemnity

Actual Price X Actual Yield

+ Any PLC Benefits

Example:

60% coverage

Loss 14%

SCO Indemnity 26%

Ind. Coverage Indemnity

Actual Price X Actual Yield

+ Any PLC Benefits
Major Insurance Provisions

- A new area-wide insurance program (SCO) will be available to all producers to purchase beginning in 2015 that is designed to protect them against losses that would normally fall within their insurance deductible range. Must have individual policy.
  - Up to 86% revenue guarantee. 65% premium subsidy
- Makes enterprise unit discount permanent. Allows enterprise units to be split out for irrigated and non-irrigated crops.
- Adjustment in actual production history to determine insurable yields.
  - A producer may choose to exclude any year from their APH if their yield in that year is less than 50% of the ten year county average. This also applies to contiguous counties and allows for the separation of irrigated and non-irrigated acres.
- Must create a revenue policy for peanuts in time for the 2015 crop
- Requires conservation compliance to receive premium subsidy
## Crop Insurance
**Individual Subsidies**

### Average subsidy rate

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<thead>
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<th>Unit</th>
<th>50%</th>
<th>55%</th>
<th>60%</th>
<th>65%</th>
<th>70%</th>
<th>75%</th>
<th>80%</th>
<th>85%</th>
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<tbody>
<tr>
<td>Basic</td>
<td>67%</td>
<td>64%</td>
<td>64%</td>
<td>59%</td>
<td>59%</td>
<td>55%</td>
<td>48%</td>
<td>38%</td>
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<tr>
<td>Optional</td>
<td>67%</td>
<td>64%</td>
<td>64%</td>
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<td>38%</td>
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<tr>
<td>Enterprise</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>77%</td>
<td>68%</td>
<td>53%</td>
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</table>
Desha County
State: Arkansas; County: Desha; Period: 5 Year Horizon Prices: FAPRI; 60% Coverage of Crop Insurance
The Farm Bill Decision Making Process for Commodity Programs

- **Seventh, DECISIONS & DEADLINES**
  - Retain or update yields and Retain of reallocation of base
    - Sept. 29, 2014 to Feb. 27, 2015
  - One-time, irrevocable per FSA farm at FSA Office

- **Crop Insurance final sales closing dates:**
  - Corn – February 28
  - Cotton - February 28
  - Soybeans – February 28
  - Rice – February 28
  - Grain Sorghum – February 28
  - Peanuts – February 28
  - Annual Decision purchased through crop insurance agent
The Farm Bill Decision Making Process for Commodity Programs

DECISIONS & DEADLINES

• ARC/PLC Election: No cost to participate
  – Nov. 17, 2014 to at least March 31, 2015

  One-time, irrevocable per FSA farm

• Sign contracts:
  – mid-April through Summer 2015
The Farm Bill Decision Making Process for Commodity Programs

Eight, Cotton Safety Net and Generic Base Acres

- Cotton base acres are now generic base acres
- Cotton is no longer a covered commodity
- **STAX** - The primary safety net for cotton producers (available most counties 2015)
  - a new cotton only insurance program
  - **Stacked Income Protection Plan (STAX)**
- **SCO** - Consider SCO as an alternative to **STAX**
  - **Supplemental Coverage Option (SCO)**
    (available most counties 2015)
Covered Commodities

- Long Grain Rice, Medium Grain Rice, Pulse Crops, Soybeans, Wheat, Corn, Grain Sorghum, Oats, Barley, Other Oilseeds and Peanuts
  - Other Oilseeds
    - Sunflower seed, Rapeseed, Canola, Safflower, Flaxseed, Mustard Seed, Crambe, Sesame Seed, or any oilseed designated by the Secretary
  - Pulse Crops
    - Dry peas, Lentils, Small Chickpeas and Large Chickpeas
Stacked Income Protection Plan (STAX) Cotton’s Safety Net Program

- All Cotton base on the farm as of September 30, 2013 was renamed Generic Base
  - Upland cotton no longer receives traditional commodity program payments (other than loan protection against very low prices)
  - In an attempt to resolve longstanding WTO dispute with Brazil, the only income support upland cotton will receive is through purchased insurance
- An area-wide insurance program only available to upland cotton producers to purchase beginning in 2015
- Covers from 90% of revenue guarantee down to 70% or insurance coverage level (whichever is higher)
  - 5% increments
  - 80% premium subsidy
Basic STAX Concept

- Covers from 90% of revenue guarantee down to 70% or insurance coverage level (whichever is higher)
  - 5% increments
  - 80% premium subsidy

Current products needed in the event of deeper losses

More affordable protection for losses in this range

Deductible

County income > 90%, then no STAX indemnity

County income at or below 70%, STAX indemnity at max
Basic STAX Concept

- Covers from 90% of revenue guarantee down to 70% or insurance coverage level (whichever is higher)
  - 5% increments
  - 80% premium subsidy
Insurance Coverage Choices

- Covers from 90% of revenue guarantee down to 70% or insurance coverage level (whichever is higher)
- 5% increments
- 80% premium subsidy

Underlying Coverage

- Maximum STAX
- Uncovered Range
- Deductible

% of Expected Income

Underlying Coverage Level

- None
- 50%
- 55%
- 60%
- 65%
- 70%
- 75%
- 80%
- 85%
Choice of STAX with or without crop insurance or SCO with crop insurance

Can’t have both on same acres

STAX County plan alone or on top of individual or area plan, coverage ≥ 70% to 90%

Crop insurance: Underlying individual or area plan coverage determines STAX lower bound

SCO County plan on top of individual plan only, coverage ≤ 86%

Crop insurance Underlying individual plan coverage level determines SCO lower bound
Desha County
State: Arkansas; County: Desha; Period: 5 Year Horizon Prices: FAPRI; 60% Coverage of Crop Insurance
Cotton Base Becomes Generic Base

- On an annual basis, generic base acres can be assigned to other covered commodities based on the number of acres planted of the other covered commodities and receive ACR or PLC payments.

  - Example: 100 total acres on farm 50 acres of soybean base and 50 acres generic. If farmer plants 50 acres of soybeans and 50 acres of corn they would have 75 acres of base for soybeans and 25 acres of base for corn crops for that year. If planted all soybeans then would have 100 acres of soybean base for that year. If planted all cotton then in Washington terms the generic base is idle for that year. (see following examples)
Generic Base

100 Acre Farm – Base Acres: 50 Soybeans and 50 Generic

If farmer plants 50 acres of soybeans and 50 acres of corn

Farmer has protection on 75 acres of soybeans and 25 acres of corn
Generic Base

100 Acre Farm – Base Acres: 50 Soybeans and 50 Generic

If farmer plants 100 acres of soybeans

Farmer has protection on 100 acres of soybeans
Generic Base

100 Acre Farm – Base Acres: 50 Soybeans and 50 Generic

If farmer plants 100 acres of cotton

Original Soybean Base

Generic Base Idled for Year

Farmer has protection on 50 acres of soybeans
Generic Base

100 Acre Farm – Base Acres: 50 Soybeans and 50 Generic

If farmer plants 50 acres of soybeans and 50 acres of cotton, the farmer has protection on 100 acres of soybeans.
100 Acre Farm – Base Acres: 50 Soybeans and 50 Generic

If farmer plants 1 acre of soybeans and 99 acres of cotton, he has protection on 51 acres of soybeans.
The Farm Bill Decision Making Process for Commodity Programs

• Ninth,
  – What is your near and longer term market price outlook for commodity programs?
• What other market and management considerations?
Reference Prices

- Long Grain Rice - $14.00/cwt
- Medium Grain Rice - $14.00/cwt
- Soybeans - $8.40/bu
- Wheat - $5.50/bu
- Corn - $3.70/bu
- Grain Sorghum - $3.95/bu
- Barley - $4.95/bu
- Oats - $2.40/bu
- Other Oilseeds - $20.15/cwt
- Peanuts - $535/ton
- Dry Peas - $11.00/cwt
- Lentils - $19.97/cwt
- Small Chickpeas - $19.04/cwt
- Large Chickpeas - $21.54/cwt
<table>
<thead>
<tr>
<th>Commodity</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>$2.94/bu</td>
</tr>
<tr>
<td>Corn</td>
<td>$1.95/bu</td>
</tr>
<tr>
<td>Grain Sorghum</td>
<td>$1.95/bu</td>
</tr>
<tr>
<td>Barley</td>
<td>$1.95/bu</td>
</tr>
<tr>
<td>Oats</td>
<td>$1.39/bu</td>
</tr>
<tr>
<td>Long Grain Rice</td>
<td>$6.50/cwt</td>
</tr>
<tr>
<td>Medium Grain Rice</td>
<td>$6.50/cwt</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$5.00/bu</td>
</tr>
<tr>
<td>Other Oilseeds</td>
<td>$10.09/cwt</td>
</tr>
<tr>
<td>Peanuts</td>
<td>$355/ton</td>
</tr>
<tr>
<td>Dry Peas</td>
<td>$5.40/cwt</td>
</tr>
<tr>
<td>Lentils</td>
<td>$11.28/cwt</td>
</tr>
<tr>
<td>Small Chickpeas</td>
<td>$7.43/cwt</td>
</tr>
<tr>
<td>Large Chickpeas</td>
<td>$11.28/cwt</td>
</tr>
<tr>
<td>Honey</td>
<td>$0.69/lb</td>
</tr>
<tr>
<td>Graded Wool</td>
<td>$1.15/lb</td>
</tr>
<tr>
<td>Nongraded Wool</td>
<td>$0.69/lb</td>
</tr>
<tr>
<td>Mohair</td>
<td>$4.20/lb</td>
</tr>
<tr>
<td>Upland Cotton</td>
<td>$0.45 to $0.52/lb</td>
</tr>
</tbody>
</table>
This decision is on a crop by crop basis for each farm unless the producer chooses individual ARC then it is for all the crops on that farm. If all parties cannot agree on a choice then the farm would not be enrolled in ARC or PLC for the 2014 crop and the farm would automatically be enrolled in PLC for the 2015 crop and beyond.
Complexity of the farm bill decisions Requires Decision Aids/Tools

Most Comprehensive Web-Based Decision Aid In Development

- May 29, 2014, USDA announced
- The Agricultural and Food Policy Center (AFPC) at Texas A&M and the Food and Agricultural Policy Research Institute (FAPRI) at the University of Missouri and (co-leads for the National Association of Agricultural and Food Policy [NAAFP]),
- The University of Illinois (lead for the National Coalition for Producer Education [NCPE]),
- Two major University development groups will receive a total of $3 million to develop the new online tools and train state-based extension agents, FSA staff, crop insurance agents, etc. who can in turn help educate farmers.
Complexity of the farm bill decisions
Requires Decision Aids/Tools

Most Comprehensive Web-Based Decision Aid

- Texas A&M University and the Ag and Food Policy Center are in the final stages of development of a web-based farm bill decision tool for:
  - Yield Update
  - Base reallocation
  - PLC/ARC decision
  - Crop insurance
  - Generic base allocation
  - Will incorporate risk
  - Only comprehensive decision aid evaluating collective covered program crops and crop insurance options
    - Available Nationally
• **Texas/FAPRI** model does a good job of evaluating risk and reward
• Greater risk means there is a high probability of more uncertain outcomes
• Annually uncertain outcomes will increase
• Making predicting the future difficult
  • Producers/industry must find ways to improve probabilities of good outcomes
• Why? All will be wrong a significant amount of the time
  • And minimize the risk of a bad decision
Producers and landowners have decisions to make about the best safety-net program for their farms. Here is where to begin the decision-making process.
ARC/PLC Programs

Base Reallocation, Yield Updates, Price Loss Coverage (PLC) & Agricultural Risk Coverage (ARC)

ARC/PLC Timeline
1) Agricultural owners received letters from USDA Farm Service Agency
   (COMPLETED). Owners with base acres have received a letter from USDA FSA providing a summary of covered commodities. For an example of the letter please see page 11 at:
2) Base Acre Reallocation and Yield Updates
   (SEPTEMBER 29, 2014 – FEBRUARY 27, 2015). Owners have a one-time opportunity to reallocate the farm’s base acres or update yields.
3) ARC/PLC Election
   (NOVEMBER 17, 2014 – MARCH 31, 2015). Producers make election which will remain in effect for the 2014-2018 crop years, of the following:
   1. PLC or ARC County on a covered commodity-by-commodity basis; or
   2. ARC Individual for all covered commodities on the farm.
4) ARC/PLC Enrollment

ARC and PLC Producer Webtools
- National Association of Agricultural and Food Policy (NAAFP) led by the Food and Agricultural Policy Research Institute (FAPRI) at the University of Missouri, and the Agricultural and Food Policy Center (AFPC) at Texas A&M University
- National Coalition for Producer Education (NCPE), led by the University of Illinois
ARC and PLC Producer Webtools

- **National Association of Agricultural and Food Policy (NAAFP) led by the Food and Agricultural Policy Research Institute (FAPRI) at the University of Missouri, and the Agricultural and Food Policy Center (AFPC) at Texas A&M University**

- **National Coalition for Producer Education (NCPE), led by the University of Illinois**
What Makes this Farm Bill Different

- 2 Farm Bill eTools Built to Help with Base Reallocation, Yield Updates, Price Loss Coverage (PLC) & Agricultural Risk Coverage (ARC) Decisions
  1. National Association of Agricultural and Food Policy (NAAFP) led by the Agricultural Policy Research Institute (FAPRI) at the University of Missouri, and the Agricultural and Food Policy Center (AFPC) at Texas A&M University
     - Data Collection Form and Instructions
     - Farm Policy Minute
  2. National Coalition for Producer Education (NCPE), led by the University of Illinois

- Base Acre Reallocation, Yield Updates, ARC & PLC (Fact Sheet)

Owners of farms have a one-time opportunity to: (1) maintain the farm’s 2013 base acres of covered commodities through 2018; or (2) reallocate base acres among those covered commodities planted on the farm at any time during the 2009 - 2012 crop years (excluding upland cotton bases).

Click here for a base reallocation tool (Version 2) to compare a farm’s current bases with its reallocated bases. (.ZIP, 25 KB)

To use the tool, producers must know a farm’s 2013 base acres and 2009-2012 planting history. FSA producers received this in the mail in August 2014.

Click here for a Yield Update tool to compare a farm’s current program yields to update yields. (.ZIP, 36 KB)

Note that the file contains substitute yields for covered commodities that are based on data available from the National Agricultural Statistics Service. The file will be updated as additional data becomes available.

- Crop Insurance Rates and Yields Actuarial Information Browser
Welcome to the USDA/NAAFP Decision Aids. Although the look and feel have changed, all your data are still available from the previous site. If you are new to the site, you can start by Registering.

Login

Email Address

Password

Forgot Password?

Login

Register

Welcome to the NAAFP Decision Aids. This suite of integrated tools can help you make the choices required for participation in 2014 Farm Bill and for choices available under crop insurance.

To get started, you'll need to

Register

Disclaimer

This software is intended for educational use. It was developed solely to provide information so producers could better understand the economic implications of their choices under the 2014 Farm Bill. The Decision Aids use the most current NASS, FSA, and RMA information, and these values will be updated from time to time. The Decision Aid answers may differ from those of USDA agencies and insurance providers.
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Create an Account

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By checking "I understand and agree", you acknowledge that projected outcomes generated by the software are for demonstration purposes, are not forecasts of future outcomes, and do not guarantee any future outcomes or results.
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AR Rice & Soybean Farm
This example assumes a farm with only one FSA Farm No. 100 acres of rice base 100 acres of soybean base
Edit Farm Unit

Create one farm unit for each unique FSA number - crop - practice combination on your farming operation. To utilize the crop insurance tools, separate tracks or insurance units within a single FSA number.

<table>
<thead>
<tr>
<th>Farm Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AR Rice Farm 1</td>
<td>FS Soybeans</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FSA #</th>
<th>Crop</th>
<th>Type</th>
<th>Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>1005</td>
<td>Soybeans</td>
<td>Commodity Soybeans</td>
<td>Irrigated</td>
</tr>
</tbody>
</table>
### Historical Yields for AR Rice Farm 1 Soybeans Irrigated FSA # 1005

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Yield / Planted Acre</th>
<th>Planted Acres</th>
<th>Prevented Planted Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>39.9</td>
<td>100.0</td>
<td>100</td>
</tr>
<tr>
<td>2009</td>
<td>45.5</td>
<td>200.0</td>
<td>0</td>
</tr>
<tr>
<td>2010</td>
<td>43.0</td>
<td>200.0</td>
<td>0</td>
</tr>
<tr>
<td>2011</td>
<td>46.3</td>
<td>200.0</td>
<td>0</td>
</tr>
<tr>
<td>2012</td>
<td>55.0</td>
<td>100.0</td>
<td>100</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Your Farm Units

<table>
<thead>
<tr>
<th>FSA #</th>
<th>Farm Name</th>
<th>Crop Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>1005</td>
<td>AR Rice Farm 1</td>
<td>Commodity Soybeans</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Irrigated</td>
</tr>
<tr>
<td>1005</td>
<td>AR Rice Farm 1</td>
<td>Long Grain Rice</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Irrigated</td>
</tr>
</tbody>
</table>

### Available Tools

**Yield Update**

This tool calculates values for PLC yields using yield histories for your units listed on the left.

**Base Acre Reallocation & PLC/ARC Decision Aid**

This tool helps you decide whether to reallocate your base acres and whether to choose PLC, ARC-C, or ARC-I for each farm unit based on your data.
Yield Update Decision Aid
Verify Your Data

Your 2013 CC yields and actual yields per planted acre for 2008 through 2012 for your state-FSA#-crop-practice combinations are presented below. It is important that these data are correct. Please verify the data below, so yield update calculations are correct.

<table>
<thead>
<tr>
<th>Crop</th>
<th>Farm</th>
<th>2013 CC Yield</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Grain Rice</td>
<td>AR Rice Farm 1</td>
<td>5940.0</td>
<td>6970.0</td>
<td></td>
<td></td>
<td></td>
<td>8500.0</td>
</tr>
<tr>
<td>Soybeans</td>
<td>AR Rice Farm 1</td>
<td>36.0</td>
<td>39.9</td>
<td>45.5</td>
<td>43.0</td>
<td>46.3</td>
<td></td>
</tr>
</tbody>
</table>
Yield Update Decision Aid

The Decision Aid has calculated the PLC payment yield given the historical yields provided for each crop. Throughout the rest of the Decision Aid, PLC payments will be calculated assuming the higher of the two yields.

Arkansas FSA# 1005
Soybeans

<table>
<thead>
<tr>
<th>2013 CC Yield</th>
<th>PLC Yield can be updated to</th>
</tr>
</thead>
<tbody>
<tr>
<td>36</td>
<td>39</td>
</tr>
</tbody>
</table>

Arkansas FSA# 1005
Long Grain Rice

<table>
<thead>
<tr>
<th>2013 CC Yield</th>
<th>PLC Yield can be updated to</th>
</tr>
</thead>
<tbody>
<tr>
<td>5940</td>
<td>6962</td>
</tr>
</tbody>
</table>
### Your Farm Units

<table>
<thead>
<tr>
<th>FSA #</th>
<th>Farm Name</th>
<th>Crop Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>1005</td>
<td>AR Rice Farm 1</td>
<td>Commodity Soybeans Irrigated</td>
</tr>
<tr>
<td>1005</td>
<td>AR Rice Farm 1</td>
<td>Long Grain Rice Irrigated</td>
</tr>
</tbody>
</table>

### Available Tools

#### Yield Update

This tool calculates values for PLC yields using yield histories for your units listed on the left.

#### Base Acre Reallocation & PLC/ARC Decision Aid

This tool helps you decide whether to reallocate your base acres and whether to choose PLC, ARC-C, or ARC-I for each farm unit based on your data.
Base Acres and PLC/ARC Decision Aid
### Base Acres and PLC/ARC Decision Aid

Your current base acres, planted acres history, and prevented planting history for 2009 through 2012 are presented below. It is vital that this information is correct and complete, or the reallocated base acres will not be calculated correctly.

#### Arkansas FSA # 1005

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Planted Acres History</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long Grain Rice</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>200.0</td>
</tr>
<tr>
<td>Soybeans</td>
<td>200.0</td>
<td>200.0</td>
<td>200.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Prevented Planting History</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long Grain Rice</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Soybeans</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Table continued on next page
Your current base acres, planted acres history, and prevented planting history for 2009 through 2012 are presented below. It is vital that this information is correct and complete, or the reallocated base acres will not be calculated correctly.

### Base Acres

<table>
<thead>
<tr>
<th></th>
<th>Current Base</th>
<th>Potential Reallocated Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Grain Rice</td>
<td>100.0</td>
<td>50.0</td>
</tr>
<tr>
<td>Soybeans</td>
<td>100.0</td>
<td>150.0</td>
</tr>
</tbody>
</table>

### Verify Data

It is vital that the Current Base Acres and Planting History above is correct and complete, or the reallocated base acres will not be calculated correctly, and the analysis will be invalid.

[Information is correct]
Base Acres and PLC/ARC Decision Aid

Your Price Outlook

FAPRI Prices

Please enter the expected annual commodity prices that you want to use in your analysis. You must complete all spaces in the form below before you can proceed. FAPRI and USDA price projections are provided for your convenience.

<table>
<thead>
<tr>
<th>Year</th>
<th>Long Grain Rice</th>
<th>Soybeans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FAPRI</td>
<td>USDA</td>
</tr>
<tr>
<td>2014</td>
<td>0.1257</td>
<td>0.1270</td>
</tr>
<tr>
<td>2015</td>
<td>0.1282</td>
<td>0.1390</td>
</tr>
<tr>
<td>2016</td>
<td>0.1309</td>
<td>0.1430</td>
</tr>
<tr>
<td>2017</td>
<td>0.1309</td>
<td>0.1470</td>
</tr>
<tr>
<td>2018</td>
<td>0.1313</td>
<td>0.1490</td>
</tr>
</tbody>
</table>
Base Reallocation Considerations

Need help interpreting this information? Try our YouTube video

Total (2014-2018) Expected Payments or Expected Net Indemnity by Farm Program Option

<table>
<thead>
<tr>
<th>Crop</th>
<th>Reallocate Base</th>
<th>ARC-CO</th>
<th>PLC</th>
<th>PLC + SCO</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Long Grain Rice</td>
<td>$7,295</td>
<td>$14,591</td>
<td>$29,098</td>
<td>$32,673</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$14,643</td>
<td>$9,762</td>
<td>$4,505</td>
<td>$4,505</td>
</tr>
</tbody>
</table>

Combinations of ARC-CO, PLC, and PLC+SCO to Maximize Total Payments for the Farm

<table>
<thead>
<tr>
<th>Crop</th>
<th>Reallocate Base</th>
<th>Expected Payment</th>
<th>No Reallocation</th>
<th>Expected Payment</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Program</td>
<td></td>
<td>Program</td>
<td></td>
</tr>
<tr>
<td>Long Grain Rice</td>
<td>PLC + SCO</td>
<td>$32,673</td>
<td>PLC + SCO</td>
<td>$61,771</td>
</tr>
<tr>
<td>Soybeans</td>
<td>ARC-CO</td>
<td>$14,643</td>
<td>ARC-CO</td>
<td>$9,762</td>
</tr>
</tbody>
</table>

Total | $47,316 | Total | $71,533
The following table shows expected payments or SCO net indemnities if you make the same choices across all crops in FSA # 1005.

<table>
<thead>
<tr>
<th>FSA Program</th>
<th>Reallocate Base</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARC-IC</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Expected Payment</strong></td>
<td>$3,450</td>
<td>$4,592</td>
<td>$4,769</td>
<td>$4,344</td>
<td>$3,561</td>
<td>$20,716</td>
</tr>
<tr>
<td>ARC-CO</td>
<td>Yes</td>
<td>$4,569</td>
<td>$6,220</td>
<td>$4,882</td>
<td>$3,685</td>
<td>$2,583</td>
<td>$21,939</td>
</tr>
<tr>
<td>ARC-CO</td>
<td>No</td>
<td>$4,674</td>
<td>$6,112</td>
<td>$5,233</td>
<td>$4,571</td>
<td>$3,764</td>
<td>$24,353</td>
</tr>
<tr>
<td>PLC</td>
<td>Yes</td>
<td>$6,272</td>
<td>$7,954</td>
<td>$6,647</td>
<td>$6,472</td>
<td>$6,257</td>
<td>$33,603</td>
</tr>
<tr>
<td>PLC</td>
<td>No</td>
<td>$12,166</td>
<td>$13,475</td>
<td>$12,005</td>
<td>$11,892</td>
<td>$11,660</td>
<td>$61,199</td>
</tr>
<tr>
<td>SCO Expected Net Indemnity</td>
<td>N/A</td>
<td>$0</td>
<td>$879</td>
<td>$898</td>
<td>$898</td>
<td>$900</td>
<td>$3,575</td>
</tr>
<tr>
<td>PLC + SCO</td>
<td>Yes</td>
<td>$6,272</td>
<td>$8,833</td>
<td>$7,545</td>
<td>$7,370</td>
<td>$7,157</td>
<td>$37,178</td>
</tr>
<tr>
<td>PLC + SCO</td>
<td>No</td>
<td>$12,166</td>
<td>$14,354</td>
<td>$12,903</td>
<td>$12,790</td>
<td>$12,560</td>
<td>$64,774</td>
</tr>
</tbody>
</table>
Rice PLC/ARC/PLC-SCO
The following chart shows annual expected payments for each year (2014-2108). The scenario with the least red and most green will minimize payment risk. The rule is: Red is bad, Green is good.

<table>
<thead>
<tr>
<th>Program</th>
<th>ARC-CO</th>
<th>ARC-CO</th>
<th>PLC + SCO</th>
<th>PLC + SCO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reallocate Base?</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

- Chance that the expected payment is greater than $7,670
- Chance that the expected payment is between $2,301 and $7,670
- Chance that the expected payment is less than $2,301
<table>
<thead>
<tr>
<th>FSA Program</th>
<th>Reallocate Base</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARC-CO</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Long Grain Rice</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Expected Payment</td>
<td>$1,221</td>
<td>$1,474</td>
<td>$1,484</td>
<td>$1,586</td>
<td>$1,532</td>
<td>$7,295</td>
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<tr>
<td>ARC-CO</td>
<td>No</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected Payment</td>
<td>$2,442</td>
<td>$2,947</td>
<td>$2,967</td>
<td>$3,171</td>
<td>$3,063</td>
<td>$14,591</td>
<td></td>
</tr>
<tr>
<td>PLC</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected Payment</td>
<td>$5,989</td>
<td>$6,129</td>
<td>$5,681</td>
<td>$5,683</td>
<td>$5,616</td>
<td>$29,098</td>
<td></td>
</tr>
<tr>
<td>PLC</td>
<td>No</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected Payment</td>
<td>$11,977</td>
<td>$12,258</td>
<td>$11,361</td>
<td>$11,367</td>
<td>$11,232</td>
<td>$58,196</td>
<td></td>
</tr>
<tr>
<td>SCO</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected Net Indemnity</td>
<td>$0</td>
<td>$879</td>
<td>$898</td>
<td>$898</td>
<td>$900</td>
<td>$3,575</td>
<td></td>
</tr>
<tr>
<td>PLC + SCO</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected Payment + Net Indemnity</td>
<td>$5,989</td>
<td>$7,008</td>
<td>$6,579</td>
<td>$6,581</td>
<td>$6,516</td>
<td>$32,673</td>
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<tr>
<td>PLC + SCO</td>
<td>No</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected Payment + Net Indemnity</td>
<td>$11,977</td>
<td>$13,137</td>
<td>$12,259</td>
<td>$12,265</td>
<td>$12,132</td>
<td>$61,771</td>
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</tr>
</tbody>
</table>
### Long Grain Rice

<table>
<thead>
<tr>
<th>FSA Program</th>
<th>Reallocate Base</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLC</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected Payment</td>
<td></td>
<td>$5,989</td>
<td>$6,129</td>
<td>$5,681</td>
<td>$5,683</td>
<td>$5,616</td>
<td>$29,098</td>
</tr>
<tr>
<td>Probability of Payment</td>
<td></td>
<td>77%</td>
<td>68%</td>
<td>65%</td>
<td>65%</td>
<td>65%</td>
<td></td>
</tr>
<tr>
<td>25% of Payments</td>
<td></td>
<td>≤ $624</td>
<td>≤ $0</td>
<td>≤ $0</td>
<td>≤ $0</td>
<td>≤ $0</td>
<td></td>
</tr>
<tr>
<td>25% of Payments</td>
<td></td>
<td>≥ $9,851</td>
<td>≥ $10,772</td>
<td>≥ $10,133</td>
<td>≥ $10,136</td>
<td>≥ $10,078</td>
<td></td>
</tr>
<tr>
<td>5% of Payments</td>
<td></td>
<td>≥ $15,198</td>
<td>≥ $17,760</td>
<td>≥ $17,257</td>
<td>≥ $17,260</td>
<td>≥ $17,196</td>
<td></td>
</tr>
<tr>
<td>PLC</td>
<td>No</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected Payment</td>
<td></td>
<td>$11,977</td>
<td>$12,258</td>
<td>$11,361</td>
<td>$11,367</td>
<td>$11,232</td>
<td>$58,196</td>
</tr>
<tr>
<td>Probability of Payment</td>
<td></td>
<td>77%</td>
<td>68%</td>
<td>65%</td>
<td>65%</td>
<td>65%</td>
<td></td>
</tr>
<tr>
<td>25% of Payments</td>
<td></td>
<td>≤ $1,248</td>
<td>≤ $0</td>
<td>≤ $0</td>
<td>≤ $0</td>
<td>≤ $0</td>
<td></td>
</tr>
<tr>
<td>25% of Payments</td>
<td></td>
<td>≥ $19,701</td>
<td>≥ $21,545</td>
<td>≥ $20,266</td>
<td>≥ $20,271</td>
<td>≥ $20,156</td>
<td></td>
</tr>
<tr>
<td>5% of Payments</td>
<td></td>
<td>≥ $30,395</td>
<td>≥ $35,520</td>
<td>≥ $34,514</td>
<td>≥ $34,520</td>
<td>≥ $34,393</td>
<td></td>
</tr>
</tbody>
</table>
Soybeans PLC/ARC/PLC-SCO
The following chart shows annual expected payments for each year (2014-2018). The scenario with the least red and most green will minimize payment risk. The rule is: Red is bad, Green is good.

<table>
<thead>
<tr>
<th>Program</th>
<th>ARC-CO</th>
<th>ARC-CO</th>
<th>PLC + SCO</th>
<th>PLC + SCO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reallocate Base?</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

- **Green** Chance that the expected payment is greater than $1,417
- **Yellow** Chance that the expected payment is between $425 and $1,417
- **Red** Chance that the expected payment is less than $425
<table>
<thead>
<tr>
<th>FSA Program</th>
<th>Reallocate Base</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARC-CO</td>
<td>Yes</td>
<td>Soybeans</td>
<td>$3,348</td>
<td>$4,746</td>
<td>$3,398</td>
<td>$2,099</td>
<td>$1,052</td>
</tr>
<tr>
<td>ARC-CO</td>
<td>No</td>
<td></td>
<td>$2,232</td>
<td>$3,164</td>
<td>$2,265</td>
<td>$1,399</td>
<td>$701</td>
</tr>
<tr>
<td>PLC</td>
<td>Yes</td>
<td></td>
<td>$284</td>
<td>$1,825</td>
<td>$966</td>
<td>$789</td>
<td>$641</td>
</tr>
<tr>
<td>PLC</td>
<td>No</td>
<td></td>
<td>$189</td>
<td>$1,217</td>
<td>$644</td>
<td>$526</td>
<td>$427</td>
</tr>
<tr>
<td>SCO</td>
<td>N/A</td>
<td></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>PLC + SCO</td>
<td>Yes</td>
<td></td>
<td>$284</td>
<td>$1,825</td>
<td>$966</td>
<td>$789</td>
<td>$641</td>
</tr>
<tr>
<td>PLC + SCO</td>
<td>No</td>
<td></td>
<td>$189</td>
<td>$1,217</td>
<td>$644</td>
<td>$526</td>
<td>$427</td>
</tr>
</tbody>
</table>
Generic Base Allocation Decision Aid

This tool will help you decide whether to choose PLC or ARC for crops that you may grow in the future, to which generic base acres may be allocated. For example, at the time you sign up with FSA for 2014, you must choose PLC or ARC for any lentils that you might grow any time in the next five years. This is true even if you have never grown lentils in the past. There are at least 21 crops for which you must make such a choice.

The analysis that follows makes use of national price histories, county yield histories, and regional cost of production data to calculate expected net returns (ENRs) for relevant commodities. These ENRs reflect expected market receipts, expected program (PLC or ARC) payments, and production costs. The data required to make this choice will not be available for all crops for all counties. In the screens that follow, we will fill in data where suitable historical data are available. You will have the opportunity to fill in data where no historical data are available or where you wish to over-ride the pre-filled values. If a critical data item (i.e., production costs or county yield history) is not available for a particular crop from our database and also not provided by you, we will omit that commodity from the analysis output.

Coming Soon!
ARC/PLC Evaluator for Generic (Cotton) Base

This tool compares expected PLC and ARC-CO payments (the average payment across many possible future realizations of prices and yields) for a county of your choice. In the calculations below, we will use two key assumptions. First, we assume that you would have a PLC Payment Yield equal to the default value assigned by FSA in the absence of a yield history. Second, we assume expected prices equal to the latest FAPRI projections.

**Input**

State

Arkansas

County

Desha

Go
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Irrigated Wheat</td>
<td>$2</td>
<td>$19</td>
<td>$16</td>
<td>$12</td>
<td>$10</td>
<td>$59</td>
<td>$0</td>
<td>$4</td>
<td>$6</td>
<td>$3</td>
<td>$1</td>
<td>$14</td>
</tr>
<tr>
<td></td>
<td>23%</td>
<td>59%</td>
<td>55%</td>
<td>45%</td>
<td>40%</td>
<td>23%</td>
<td>1%</td>
<td>20%</td>
<td>25%</td>
<td>12%</td>
<td>6%</td>
<td>23%</td>
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<tr>
<td>Non-Irrigated Wheat</td>
<td>$2</td>
<td>$19</td>
<td>$16</td>
<td>$12</td>
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<td>$59</td>
<td>$0</td>
<td>$4</td>
<td>$5</td>
<td>$2</td>
<td>$1</td>
<td>$12</td>
</tr>
<tr>
<td></td>
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<td>60%</td>
<td>54%</td>
<td>45%</td>
<td>41%</td>
<td>23%</td>
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<td>19%</td>
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<td>4%</td>
<td>23%</td>
</tr>
<tr>
<td>Long grain rice</td>
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<td>$91</td>
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<td>$85</td>
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<td>$23</td>
<td>$26</td>
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<td>$33</td>
<td>$34</td>
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<td>65%</td>
<td>65%</td>
<td>64%</td>
<td>78%</td>
<td>37%</td>
<td>38%</td>
<td>42%</td>
<td>45%</td>
<td>44%</td>
<td>78%</td>
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<tr>
<td>Grain corn</td>
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<td>$19</td>
<td>$17</td>
<td>$17</td>
<td>$113</td>
<td>$57</td>
<td>$46</td>
<td>$36</td>
<td>$17</td>
<td>$14</td>
<td>$170</td>
</tr>
<tr>
<td></td>
<td>67%</td>
<td>45%</td>
<td>40%</td>
<td>36%</td>
<td>36%</td>
<td>67%</td>
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<td>72%</td>
<td>57%</td>
<td>33%</td>
<td>29%</td>
<td>67%</td>
</tr>
<tr>
<td>Non-Irrigated Grain sorghum</td>
<td>$38</td>
<td>$32</td>
<td>$27</td>
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<td>$22</td>
<td>$141</td>
<td>$27</td>
<td>$19</td>
<td>$18</td>
<td>$11</td>
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<td>$86</td>
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<td>71%</td>
<td>65%</td>
<td>58%</td>
<td>56%</td>
<td>81%</td>
<td>93%</td>
<td>72%</td>
<td>67%</td>
<td>47%</td>
<td>47%</td>
<td>81%</td>
</tr>
<tr>
<td>Irrigated Soybeans</td>
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<td>$6</td>
<td>$4</td>
<td>$3</td>
<td>$2</td>
<td>$16</td>
<td>$17</td>
<td>$27</td>
<td>$22</td>
<td>$15</td>
<td>$7</td>
<td>$88</td>
</tr>
<tr>
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<td>11%</td>
<td>36%</td>
<td>23%</td>
<td>19%</td>
<td>16%</td>
<td>11%</td>
<td>51%</td>
<td>69%</td>
<td>57%</td>
<td>40%</td>
<td>24%</td>
<td>11%</td>
</tr>
<tr>
<td>Non-Irrigated Soybeans</td>
<td>$1</td>
<td>$6</td>
<td>$4</td>
<td>$3</td>
<td>$2</td>
<td>$16</td>
<td>$15</td>
<td>$16</td>
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<td>$11</td>
<td>$9</td>
<td>$66</td>
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<td>37%</td>
<td>23%</td>
<td>19%</td>
<td>17%</td>
<td>12%</td>
<td>56%</td>
<td>60%</td>
<td>57%</td>
<td>45%</td>
<td>36%</td>
<td>12%</td>
</tr>
</tbody>
</table>
## Wheat

<table>
<thead>
<tr>
<th></th>
<th>PLC</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>ARC-CO</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>2014</td>
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<td>23%</td>
<td>59%</td>
<td>55%</td>
<td>46%</td>
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<td>25%</td>
<td>53%</td>
<td>52%</td>
<td>24%</td>
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<td></td>
</tr>
</tbody>
</table>

## Long Grain Rice

<table>
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<tr>
<th></th>
<th>PLC</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>ARC-CO</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
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<td>$81</td>
<td>$81</td>
<td>$417</td>
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<td>68%</td>
<td>66%</td>
<td>65%</td>
<td>65%</td>
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<td>43%</td>
<td>43%</td>
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<td>74%</td>
<td>56%</td>
<td>38%</td>
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</tbody>
</table>
Annual Insurance Decision Aid

This tool characterizes the probabilities of realizing various levels of net revenue given the various choices you might make. Here, net revenue includes your market receipts, crop insurance premiums and indemnities, shallow loss premiums and indemnities, and any FSA program payments. Choices that are considered are

- Crop insurance policy type (YP, RP, RP-HPE)
- Crop insurance unit structure (optional or enterprise)
- Crop insurance coverage level
- Yield trend-adjustment option
- Shallow loss option (SCO for most crops, SCO or STAX for cotton
- FSA program choice (PLC or ARC)

This tool relies upon previously-entered data about your RMA units for a particular state-county-crop-practice combination that you wish to analyze. If you have not yet entered data, you can do so using the data tools.

Coming Soon!
2015 Arkansas

Rice, Soybeans and Corn

Returns to Operating and Fixed Costs
<table>
<thead>
<tr>
<th></th>
<th>Cotton</th>
<th>Corn</th>
<th>Sorghum</th>
<th>Soybean</th>
<th>1/ Rice</th>
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</thead>
<tbody>
<tr>
<td>Yield (cotton-lb,other-bu)</td>
<td>1200</td>
<td>220</td>
<td>110</td>
<td>60</td>
<td>180</td>
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<tr>
<td>Price ($/yield unit)</td>
<td>$0.60</td>
<td>$3.89</td>
<td>$3.60</td>
<td>$9.10</td>
<td>$5.76</td>
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<td>Crop Revenue</td>
<td>$720.00</td>
<td>$855.80</td>
<td>$396.00</td>
<td>$546.00</td>
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<td>Cottonseed Value</td>
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<td>Specified Operating Costs</td>
<td>$502.32</td>
<td>$595.52</td>
<td>$284.86</td>
<td>$296.77</td>
<td>$628.70</td>
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<td>Per Yield Unit</td>
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<td>$2.71</td>
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<td>Fixed Costs</td>
<td>$139.01</td>
<td>$78.24</td>
<td>$73.48</td>
<td>$71.40</td>
<td>$117.22</td>
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<tr>
<td>2/ Total Specified Operating &amp;</td>
<td>$641.33</td>
<td>$673.76</td>
<td>$358.34</td>
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<td>and Fixed Costs</td>
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<td>$3.06</td>
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<td>$4.14</td>
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<tr>
<td>Per Unit Costs</td>
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<tr>
<td>3/ Returns to Specified Costs</td>
<td>$78.67</td>
<td>$182.04</td>
<td>$37.66</td>
<td>$177.83</td>
<td>$290.88</td>
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</table>

Cost Estimates provided by Professor Archie Flanders

1Rice input costs and other operating expenses are weighted averages for conventional, Clearfield, hybrid, and Clearfield hybrid seeds.
2Does not include land costs, management, or other expenses and fees not associated with production.
3Share rent and cash land rent are deducted from crop revenue.
Potential Government Payment

Next Question: What is the potential 5 year average government payments per acre for a given set of assumptions

Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC)

Rice, Soybeans, Corn, and Wheat

Select Arkansas Counties Preliminary
Agricultural Risk Coverage (ARC)
Price Loss Coverage (PLC)
Potential
Per Acre Payments

Arkansas, Desha, Chicot, and Ashley Counties
Arkansas, Chicot, Ashley, and Desha Counties
Potential Rice PLC and ARC Per Acre Payments - Preliminary

Possible Payment

Developed for educational use only. Results will vary with assumptions.
Arkansas, Chicot, Ashley, and Desha Counties
Potential Corn PLC and ARC Per Acre Payments - Preliminary

Possible Payment

Developed for educational use only. Results will vary with assumptions.
Arkansas, Chicot, Ashley, and Desha Counties
Potential Grain Sorghum PLC and ARC Per Acre Payments - Preliminary

Possible Payment

Developed for educational use only. Results will vary with assumptions.
Arkansas, Chicot, Ashley, and Desha Counties

Potential Soybeans PLC and ARC Per Acre Payments - Preliminary

Developed for educational use only. Results will vary with assumptions.
Arkansas, Chicot, Ashley, and Desha Counties
Potential Soybeans PLC and ARC Per Acre Payments - Preliminary

Possible Payment

Developed for educational use only. Results will vary with assumptions.
Thank You!

Robert Coats
rcoats@uaex.edu
501-671-2195
Understanding the 2014 Farm Bill