Understanding the 2014 Farm Bill

For Educational Use Only
March 9, 2015
Medium Grain Rice

A Simple Comparison of Expected PLC (SCO Not Included) and ARC-CO payments

I Recommend
Producers final enrollment decision should be made using their assumptions & Texas A&M/University of Missouri FAPRI web-based farm bill decision aid.

If one (for any number of reasons) is simply not going to use a farm bill decision aid and wants to gain an increased understanding of their farm-by-farm and crop-by-crop options, this presentation and accompanying county tables may provide insight into ARC-CO and PLC (SCO-Not Included) program options.

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

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Assumptions of a simple comparison of expected PLC (SCO Not Included) and ARC-CO payments for all available crops assuming an assigned PLC Payment Yield.

• This is the average payment across many possible future realizations of prices and yields.

The Output Is Generated by Texas A&M/Missouri FAPRI web-based farm bill decision aid ARC/PLC Evaluator for Generic Base

There are 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.
Output

This output reflects expected payments for PLC (SCO-Not Included) and ARC-CO.

Choosing ARC-CO precludes you from purchasing the crop insurance Supplemental Coverage Option (SCO).

Expected net SCO indemnities are not reflected in this output.

If the results for PLC and ARC-CO are similar for any given crop being considered, one may wish to further consider total possible PLC payments plus expected net SCO indemnities will exceed ARC-CO.

Producers final enrollment decision should be made using their assumptions & Texas A&M/University Missouri FAPRI web-based farm bill decision aid.
Medium Grain Rice Price Loss Coverage and Agricultural Risk Coverage Example of Possible Outcomes

5 Year Average Payments Per Acre Select Arkansas Counties Preliminary Educational Use Only!
U.S. farm and futures prices for Medium Grain Rice Excluding Japonica

Reference Price $14.00 or $6.30
14/15 - $14.64 or $6.59
15/16 - $14.15 or $6.37

Source: FAPRI-MU baselines, Feb. 2015; CME
Potential 5 Year Average PLC and ARC MG 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.