ARC or PLC: How to Evaluate Your Farm Program Choices

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FARM BILL OF ANARCHY

ARC PLC

THE BASE-ICS

Reallocate Base Acres

- Reallocate using planted acres from **2009-2012**
- No adding base (same amount as Sept. 30, 2013)
- Cotton has special “generic” base

Update Yield

- Yields bump up to 90% of **2008-2012** averages
- If any yield from 08-12 is below 75% of county yields, then 75% of county average is used
- Must have proof of yields if audited.
- Rule of thumb: Always go with highest average, whether old base yield or new.
- Landowner reallocates base/updates yields
- **Deadline: Feb. 27, 2015**

PROGRAM GROUND RULES

- Choose between Agricultural Risk Coverage or Price Loss Coverage for each commodity on an FSA farm. Producers may enroll one commodities in different programs for ARC-County and PLC.
- ARC-Individual is whole farm.
- **All producers on an FSA farm must agree** on program choice or default to PLC and lose 2014 payments.
- Decision for ARC-PLC for a commodity on a piece of ground is **one-time, irrevocable decision** for remainder of farm bill. Program choice stays with the land.
- Can split ARC/PLC decisions among crops and FSA farms
- Commodity programs have $125,000 individual cap.
- **Deadline for Program Decision**: **March 31, 2015**

PRICE LOSS COVERAGE

- “Reference prices” set in law for commodities:
  - Corn: $3.70
  - Wheat: $5.50
  - Barley: $4.95
  - Peanuts: $535 a ton
  - Soybeans: $8.40
  - Sorghum: $3.95
  - Rice: $14 per ton
- No reference price for cotton because it is no longer in commodity program.
- PLC operates like the Counter-Cyclical program. Payments are made when Reference price is higher than the Market Year Average price or the loan rate.
- PLC plays directly into updated FSA base yields. Payments also are made on 85% of base acres.
- Payments made after Oct. 1 of new marketing year.

AGRICULTURAL RISK COVERAGE

- Agricultural Risk Coverage (ARC-CO and ARC-IC)
- ARC-CO is similar to area insurance.
- ARC-CO pays on 85% of base acres.
- ARC-CO use a five-year Olympic average to determine historic benchmark, throwing out high and low market-year average price. Olympic average also used on county yield.
- Guarantee: 86% of benchmark price X benchmark yield.
- Payments are made when ARC-CO actual revenue (county yield X MYA price) is below the guarantee.
- Payments may not exceed 10% of benchmark county revenue.
- Like PLC, payments after Oct. 1 of new marketing year.

Agricultural Risk Coverage

- Agricultural Risk Coverage-Individual (ARC-IC)
- Benchmark guarantee is Olympic average for each commodity on the farm using average Yield X MYA price – dropping the high and low years for both yield and price.
- Actual revenue is Yield X MYA price
- ARC-IC pays when the actual revenue on the farm, across all commodities, is less than the guarantee.
- ARC-IC pays on 65% of base acres X the difference between actual revenue and guarantee.
- Payments can't exceed 10% of individual guarantee.
- Consider ARC-IC as the average experience on the farm.

SCO

- **Supplemental Coverage Option (SCO):** A county-based insurance to complement individual policy.
- You must buy individual insurance to be eligible to buy SCO
- Cannot buy with ARC, but SCO effectively goes with PLC.
- Like ARC, SCO pays when county revenue falls below 86%. SCO will pay down to level of underlying individual insurance.
- Producers pay 35% of the premium.
- Like other insurance, SCO is an annual purchase.
- Not a value for those who can buy 80-85% enterprise unit policies.
- Available for most spring crops for 2015. SCO coverage expected to expand by 2016.
- 2015 winter wheat penalty free drop date: **Dec. 15.**

STAX

- **Stacked Income Protection Plan (STAX):** Strictly for cotton, which is no longer a commodity program. STAX is similar to SCO, but producers pay 20% of premium.
  - STAX pays if county revenue falls below 90% of expected revenue. Payment is capped at 20% of expected county revenue.
  - Cannot overlap with individual policy. Stops at 70% coverage level.
  - STAX Can be purchased alone w/o individual policy.