

# 2018 Farm Bill

## ARC/PLC

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# 2018 Farm Bill

- **Program changes**
- **Refresher on major ARC & PLC provisions**
- **Decisions**



# ARC/PLC

- **Same programs**
- **With some changes**



## ARC/PLC Changes

- **General Change**
  - Elect ARC or PLC for 2019 and 2020, beginning in 2021 annual decision
  - Most other changes are tweaks that have the potential to increase payments, but some have low odds of making a difference



# PLC

- **PLC program refresher**
  - Price support program
  - Producers receive payment if Marketing Year Average (MYA) price falls below Reference Price



# PLC

- **Provisions**
  - **Payment Rate**  
Reference price – MYA price
  - **Payment**  
Payment rate x payment yield x 85% of crop's base acres



# PLC Example

2018 Kandiyohi County: 3.60 MYA price, 160 bu farm payment yield

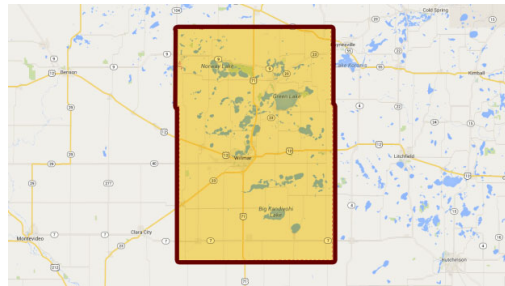
- **Payment per Base Acre = 85% of Reference Price – National MYA Price x farm program yield**

- Price

- $\$3.70 - \$3.60 = \$0.10$

- Payment per base acre

- $\$0.10 \times 160 \text{ bu} \times .85 = \$14$



# PLC Changes

- **Effective reference price**
  - Statutory reference price
  - Up to 115% escalator based on 85% of rolling 5 year Olympic average price
- **Option to update yields for PLC**

# Effective Reference Price

	Statutory Reference Price	Max price 115%	National MYA Price					85% of 5-yr Olympic Ave MYA
			2014	2015	2016	2017	2018	
Corn	\$3.70	\$4.26	\$3.70	\$3.61	\$3.36	\$3.36	\$3.60	\$2.99
Soybean	\$8.40	\$9.66	\$10.10	\$8.95	\$9.47	\$9.33	\$8.50	\$7.86
Wheat	\$5.50	\$6.33	\$5.99	\$4.89	\$3.89	\$4.72	\$5.16	\$4.18



## PLC Changes

- **To increase Reference Price the 5-year Olympic average MYA must be above:**

	Minimum change	15% change
Corn	\$4.35	\$5.01
Soybeans	\$9.88	\$11.36
Wheat	\$6.47	\$7.45

- **Need at least a 2-year price spike above \$5.82 to trigger change**



# PLC or ARC

- **FAPRI Projected Marketing Year Average Prices**

	2019/20	2020/21	2021/22	2022/23	2023/24
Corn	3.81	3.82	3.83	3.77	3.77
Soybeans	8.78	9.11	9.09	9.03	9.04
Wheat	5.31	5.30	5.31	5.21	5.19



# PLC Yield Update

- **One time decision**
  - By farm
  - By commodity
  - Made by landowner



# PLC Yield Update

- **90% x average 2013-2017 farm yield x national yield ratio**
- **National yield ratio = (2008-2012 national average yield) divided by (2013-2017 national average yield)**
  - National yield ratio can not be less than .9 or greater than 1



# PLC Yield Update

- **National yield ratio**

	<b>Actual</b>	<b>Ratio used</b>
– Corn	.868	.9
– Soybeans	.864	.9
– Wheat	.9545	.9545



# PLC Yield Update

- **Corn & Soybeans**

.9 x average 2013-2017 farm yield x .9  
= .81 x average 2013-2017 farm yield

- **Wheat**

= .9 x average 2013-2017 farm yield



# PLC Yield Update

- **Years with zero acres planted excluded from calculation**
- **Updated yields used with 2020 and subsequent crop years**





# ARC - County

- **ARC program refresher**
- **Revenue support program**
  - Payments are made when the Actual County Revenue for a crop falls below the County Revenue Guarantee



# ARC - County

- **Benchmark revenue**
  - 5-year Olympic average county yields x 5-year Olympic average MYA prices
- **Revenue guarantee**
  - 86% of benchmark revenue
  - Changes each year depending on previous 5 years



# ARC - County

- **Actual revenue**
  - Annual county average yield x MYA prices
- **Payment rate**
  - Revenue guarantee – actual revenue
    - Cannot exceed 10% of benchmark revenue
- **Payment**
  - Payment rate x 85% of crop's base acres



# ARC-CO Example

- **Payment rate\* = County Revenue Guarantee - County Actual Revenue**
  - \* capped at 10% of County Benchmark Revenue
- **County Revenue Guarantee = 86% of Olympic Average Price \* County Olympic Average Yield**
- **Payment made on 85% of base acres**



# ARC-CO Example

- **Marketing Year Average Prices**

Marketing Year	Corn	Reference	Soybeans
2014	3.70		<del>10.10</del>
2015	3.61	3.70	8.95
2016	3.36	3.70	9.47
2017	3.36	3.70	9.33
2018	3.55	3.70	<del>8.60</del>
5 Year Olympic Average for 2019	3.70		9.25



# ARC-CO Example

- **County Yield (MN example)**

Year	Corn	Soybeans
2014	150	41
2015	<b>185</b>	<b>54</b>
2016	<b>196</b>	<b>53</b>
2017	201	<b>47</b>
2018	<b>197</b>	56
5 Year Olympic Average for 2019	193	51



# ARC-CO Example

2019 actual: 3.60 MYA price, 190 bu county yield

- County benchmark revenue
  - $\$3.70 \times 193 \text{ bu} = \$714$  (10% max pay rate \$71)
- County revenue guarantee
  - $\$714 \times .86 = \$614$
- 2019 Actual revenue
  - $\$3.6 \times 190 \text{ bu} = \$684$
- Payment rate
  - $\$614 - \$684 = \$0$
- Payment per base acre
  - $\$0 \times .85 = \$0$



# ARC-CO Example Lower Yield

2019, 3.60 MYA price, 170 bu county yield

- County benchmark revenue
  - $\$3.70 \times 193 \text{ bu} = \$714$  (10% max pay rate \$71)
- County revenue guarantee
  - $\$714 \times .86 = \$614$
- 2019 Actual revenue
  - $\$3.6 \times 170 \text{ bu} = \$612$
- Payment rate
  - $\$614 - \$612 = \$2$
- Payment per base acre
  - $\$2 \times .85 = \$1.70$



# ARC Changes

- **Trend adjusted yield for determining ARC revenue benchmark**
- **Increases plug yield from 70% to 80% of t-yield to replace low yield years**



# ARC Changes

- **Prioritizes use of RMA data for calculating county yields**
- **Payments based on county in which farm located**



# Three Decisions

## 1. Sign up

## 2. Evaluate payment yields

## 3. Choose:

- Price Loss Coverage (PLC)
- Agricultural Revenue Coverage – County (ARC-CO)



# Sign Up for 2019/20

## • If you do not sign up

- Remain in program selected for 2014 farm bill
- Receive no payment for 2019



# Sign Up for 2019/20

- **Sign up dates**

- 2019            Sept. 1, 2019 to March 15, 2020
- 2020            Oct. 1, 2019 to June 30, 2020
- Yield  
  update         ?



## Update Payment Yields

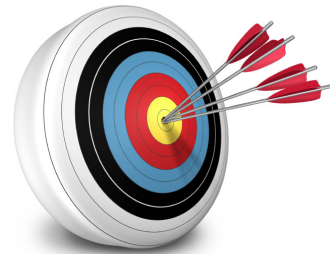
- **Evaluate existing vs updated PLC yields**

- Select higher yield
- Landowner decision
- By        ?



# PLC or ARC

- **Decision choices**
  - Price Loss Coverage (PLC)
  - Agricultural Risk Coverage –county (ARC-CO)



# PLC or ARC

- **Run payment calculator**
  - <https://fd-tools.ncsa.illinois.edu/#/>
  - Alpha version
- **By March 15, 2020**





# PLC or ARC

- **Other thoughts**
  - With ARC benchmark price equal to reference price, PLC generally more advantageous
  - If have low PLC yields relative to county average, may consider ARC
  - If have low 2019 yields, may consider ARC, but remember signing up for 2020 also



# PLC or ARC

- **Supplemental Coverage Option – SCO**
  - Available only with PLC
  - Covers losses from 86% down to the coverage level of underlying policy



# PLC Statutory Reference Prices

<b>Commodity</b>	<b>Statutory Reference Price</b>	<b>Unit</b>	<b>Commodity</b>	<b>Statutory Reference Price</b>	<b>Unit</b>
Wheat	\$5.50	bu	Sunflower Seed	\$0.2015	lb.
Barley	\$4.95	bu	Flaxseed	\$11.284	bu
Oats	\$2.40	bu	Mustard Seed	\$0.2015	lb.
Peanuts	\$0.2675	lb.	Rapeseed	\$0.2015	lb.
Corn	\$3.70	bu	Safflower	\$0.2015	lb.
Grain Sorghum	\$3.95	bu	Crambe	\$0.2015	lb.
Soybeans	\$8.40	bu	Sesame Seed	\$0.2015	lb.
Dry Peas	\$0.1100	lb.	Seed cotton	\$0.3670	lb.
Lentils	\$0.1997	lb.	Rice (long grain)	\$0.1400	lb.
Canola	\$0.2015	lb.	Rice (med/short grain)	\$0.1400	lb.
Large Chickpeas	\$0.2154	lb.	Rice (temperate japonica)	\$0.1610	lb.
Small Chickpeas	\$0.1904	lb.			

