

# The Agricultural Act of 2014

## Farm Bill Workshop

Marginal Protection Program (MPP)

Agricultural Risk Coverage (ARC)

Price Loss Coverage (PLC)



# Margin Protection Program for Dairy Producers (MPP-Dairy) Overview



# Introduction

- ❖ Risk management program that replaces MILC program
- ❖ Offers protection against low margins
- ❖ Provides a payment when “the margin” falls below a specified level.
- ❖ Runs through 2018 (when current Farm Bill Expires)

# Introduction

## \* What is the Margin?

- \* The Margin is the difference between:
  - National All-Milk price
    - *Determined from the average price received per cwt of milk*
  - National Average Feed Cost
    - *Determined from the cost of feed used to produce a cwt of milk*

# Introduction

- \* MPP-Dairy offers dairy producers:
  - Catastrophic coverage, at no cost, except annual administrative fee
  - Greater coverage at various levels for a premium, in addition to, the annual administrative fee.

# CAT vs. Buy-Up Coverage

CAT

- \$100 – Admin fee
- 90% - Covered Production History (PH)
- \$4.00 - Trigger

Premium

- \$100 – Admin Fee
- 25%-90% - Covered PH
- \$4.50 - \$8.00 – Trigger
- Buy-Up Fees

# Eligibility

## \* Dairy Operation **MUST**:

- Have Production History Established
- Register during election period
- Pay \$100 annual administrative fee
- Select coverage level (\$4.00 - \$8.00)
- Select coverage % (25%-90%)

# Production History

\* To be considered an **EXISTING** dairy you must:

Milk  
Marketings

2011  
2012  
2013

12 Mos. Of  
Milk  
Production

As of  
Feb. 7,  
2014

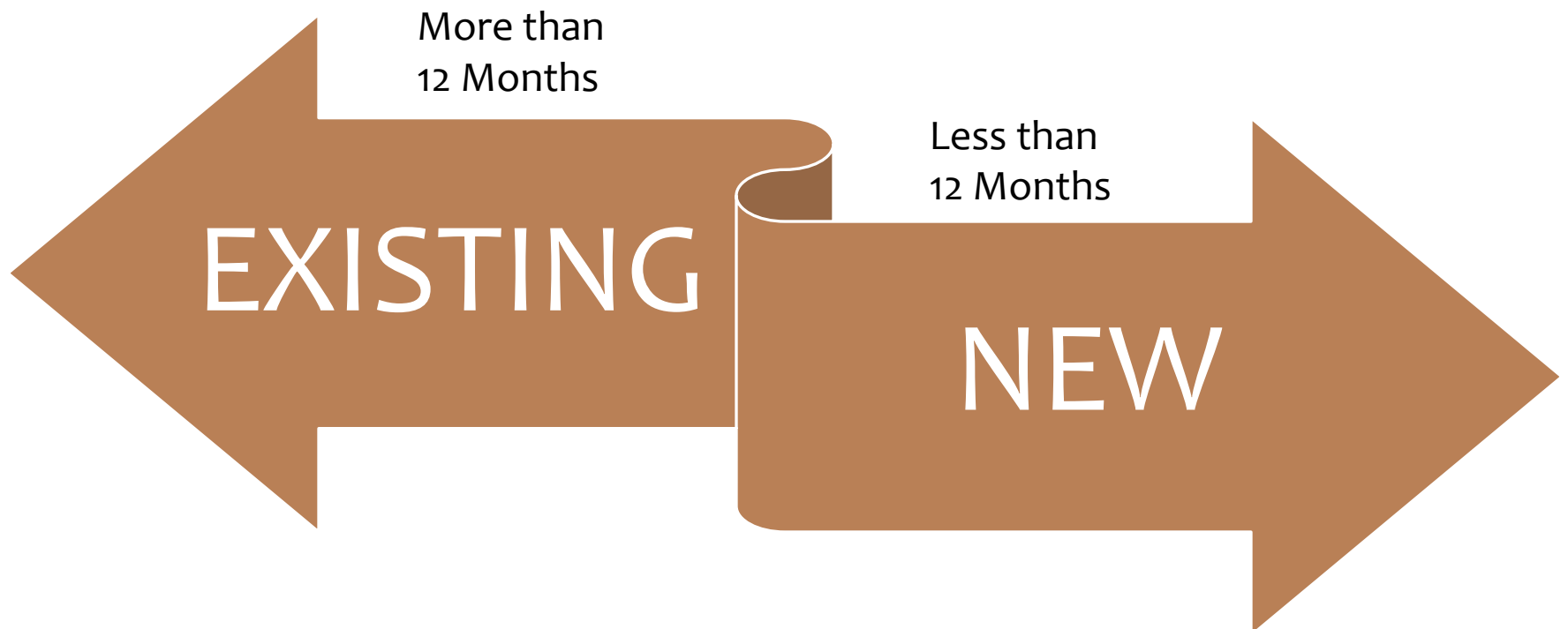


# Production History

## \* New Dairy Operation

- ❖ Less than 12 full months of commercial milk marketings as of Feb. 7, 2014

# Importance of February 7, 2014



# Establishing Production History

## \*Existing Dairy Operation:

HIGHEST of:

➤ 2011

➤ 2012

➤ 2013

# Establishing Production History Existing Operation Example

- \* ABC Dairy Operation starts marketing milk 2/2/2013.
- Since the dairy has been marketing milk for more than 12 months as of 2/7/2014, they are considered to be an “existing” dairy operation
- FSA will use actual marketings from 2/2/2013 thru 12/31/2013 to establish production history

# Example: Existing Dairy

## \*Cold Cows LLC

- Production for 2011 is 1,510,110
- Production for 2012 is 1,679,100
- Production for 2013 is 1,747,110

# Establishing Production History New Dairy Operation

- \* For purposes of establishing production history, a dairy operation:
  - Is considered new if they began marketing milk **after** February 7, 2013
  - Can choose from 2 options to establish production history

# Establishing Production History

- \* ***New Dairy Operation can select either option:***
  - Volume of milk marketings for the months in operation extrapolated to a yearly amount based on a *seasonal index (Option I)*
  - Estimate of actual marketings based on herd size of the dairy relative to the *National rolling herd average (Option II)*

# Seasonal Index

\* Based on monthly milk production data from 2009 thru 2013

Month	Index	Month	Index	Month	Index
January	.0844	May	.0883	September	.0795
February	.0782	June	.0841	October	.0820
March	.0872	July	.0840	November	.0800
April	.0854	August	.0831	December	.0838



# Example (Extrapolation Method)

ABC Dairy Operation began marketing milk September 15, 2013, and has chosen the *extrapolation method* to establish production history.

	Oct	Nov	Dec	SUM
Marketings	256,500	250,000	259,000	765,500
Index	.0820%	.0800%	.0838%	.2458%
Annual PH	--	--	--	3,114,321

$$765,500 \div .2458 = 3,114,321 \text{ lbs.}$$

# National Rolling Herd Average

- Announced every February
- Based on the number of cows in dairy operation times
- 21,822 pounds per cow
  - 2014
  - 2015

# Example (Rolling Herd Method)

- \* ABC Dairy Operation, a 150 cow dairy, began marketing milk September 15, 2013, and has chosen the *national rolling herd average method* to establish production history.

$$150 \times 21,822 = 3,273,300 \text{ lbs.}$$

# The “Bump”

- ❖ Calculated by FSA
- ❖ Announced each year in May
- ❖ Will not retroactively apply
- ❖ First “**Bump**” will apply to all applicants registering for 2015 coverage
  - factor of 1.0087%

# Example of the “Bump”

\* FSA has approved and established a production history for ABC Dairy Operation at 3 million pounds. The “**bump**” for 2015 is 1.008711.

\*  $3,000,000 \times 1.0087 = \underline{3,026,100}$



Adjusted  
Production  
History

# IMPORTANT!

- \* If you want to receive the production bump in 2015, you must sign up by December 5, 2014
- \* Keep in mind the bump is cumulative so any production bumped in 2015 will also be bumped in 2016, 2017, and 2018
- \* So the sooner you bump, the more production you will be credited for

# Registration/Election Period

➤ **2014 and 2015:**

\* September 2 – December 5, 2014

➤ **2016:**

\* July 1 – September 30, 2015

➤ **2017:**

\* July 1 – September 30, 2016

➤ **2018:**

July 1 – September 30, 2017

# Initial Registration

- One-time registration on CCC-782
- Registered through December 31, 2018
- Must pay \$100 Administrative Fee
- Must make coverage elections on CCC-782
- Must pay applicable premium above CAT level election



# Once Registered

- Cannot cancel participation after registration has been finalized
- Must pay \$100 Administrative fee annually for coverage through 2018

# Coverage Elections

- Choice of CAT Level or Buy-Up coverage
- Only one coverage level threshold (“*margin trigger*”) and percentage may be selected
- Once election ends, the coverage election cannot be changed until next calendar year during next election period
- Must be agreed upon by all producers in the participating dairy operation.

# CAT Level Coverage

- \$4.00 per cwt “*margin trigger*”
- Only pay \$100 Administrative fee
- No premium is applicable
- Covers 90% of production history
- Lowest level of margin protection
- Maximum amount of production coverage

# Buy-Up Coverage

- “**Margin triggers**” between \$4.50 - \$8.00
- Production history coverage between 25%-90%
- Must pay premium applicable to “**margin trigger**” level elected
- 2-tiered premium schedule applicable to percentage of covered production history:
  - 4 million pounds and below (Tier 1)
  - Above 4 million pounds (Tier 2)

# Premium Buy-Up Coverage

- \* Based on the following:
  - Producer selected “margin trigger”
    - (\$4.00 - \$8.00, in \$0.50 increments)
  - Producer selected coverage level percentage
    - (25% - 90%, in 5% increments)
  - Covered production history
  - Applicable premium rate

Coverage Level	Tier 1 Premium per cwt in 2014 and 2015 for covered production history at 4 mil lbs or less	Tier 1 Premium per cwt for 2016-2018 for covered production history at 4 mil lbs or less	Tier 2 Premium per cwt, all years for covered production history over 4 mil lbs
\$4.00	None	None	None
\$4.50	\$0.008	\$0.010	\$0.020
\$5.00	\$0.019	\$0.025	\$0.040
\$5.50	\$0.030	\$0.040	\$0.100
\$6.00	\$0.041	\$0.055	\$0.155
\$6.50	\$0.068	\$0.090	\$0.290
\$7.00	\$0.163	\$0.217	\$0.830
\$7.50	\$0.225	\$0.300	\$1.060
\$8.00	\$0.475	\$0.475	\$1.360

# Premium Calculation Example

- \* ABC Dairy Operation has established history at 4.4 million lbs and has elected 90% coverage at a \$6.00 coverage level during the 2016 coverage election period.
- $4,400,000 \times 90\% = 3,960,000$  lbs  
( $3,960,000/100 = 39,600$  cwt)
- $39,600 \times \$0.055 = \mathbf{\$2,178}$

# The “Margin”

- \* Determined based on the difference between:
  - National all-milk price
  - National average feed cost



# Margin Calculation

- \* Calculated based on:
  - All-milk and feed cost determined for each consecutive 2-month period
  - When the full month prices are available  
*(full month data is available at the end of the following month)*

# Margin Calculation Example

Month/Year	All-Milk Price	Calculated Average Feed Cost
March 2014	\$25.20	\$11.10
April 2014	\$25.30	\$11.65

- Average prices for both months
  - $\$25.20 + \$25.30 = \$50.50/2 = \$25.25$
  - $\$11.10 + \$11.65 = \$22.75/2 = \$11.38$
- Determine difference:
  - $\$25.25 - \$11.38 = \$13.87$
- Margin = \$13.87

# MPP-Dairy Payment

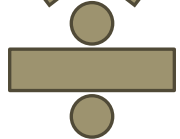
- \* An MPP-Dairy payment will be issued to a participating dairy operation whenever the average actual dairy production margin for a consecutive 2-month period is less than the “margin trigger” elected by the dairy operation.

# MPP-Dairy Payment Calculation

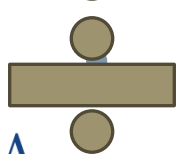
- Determine the amount that the “margin trigger” elected by the operation exceeds the average actual dairy margin for a consecutive 2-month period



result by covered production history



result by 100 to determine cwt



result by 6 to determine payment

# MPP-Dairy Payment Calculation Example

\* ABC Dairy Operation has an established production history of 4.4 million lbs. and has elected a \$6.00 margin trigger at a 90% coverage level. The Sep/Oct margin is \$5.67.

- $\$6.00 - \$5.67 = \$0.33$
- $\$0.33 \times 3,960,000 = 1,306,800$
- $1,306,800/100 = 13,068$
- $13,068/6 = \$2,178$

# MPP-Dairy Payment Schedule

## MPP-Dairy Payment Determination

2-Month Pair	Margin Calculated for Paired Months	If Margin Below \$4/cwt or between \$4 and \$8/cwt in 2-month Period	If Margin Above \$8 per cwt in 2-month Period
Jan / Feb	March	Pay all participants in April	No payments
Mar / Apr	May	Pay all participants in June	No payments
May / Jun	July	Pay all participants in August	No payments
Jul / Aug	September	Pay all participants in October	No payments
Sep / Oct	November	Pay all participants in December	No payments
Nov / Dec	January	Pay all participants in February	No payments





## Making the Tool User Friendly

- Built with dairy farmers in mind
- **Easy to use**
- Only one data point needed from farmers:  
**Production History**

**4** **CLICKS**  
TO GET THE INFORMATION YOU  
NEED FOR MPP ENROLLMENT

# Agricultural Risk Coverage and Price Loss Coverage



# Adjusted Gross Income

Adjusted gross income (AGI) provisions have been simplified and modified. Producers whose average AGI exceeds **\$900,000** during a crop, fiscal, or program year are not eligible to participate in most programs administered by FSA and the Natural Resources Conservation Service (NRCS). Previous AGI provisions distinguished between on-farm and nonfarm AGI.

# Payment Limitations

- \* The **total amount of payments received, directly and indirectly, by a person or legal entity** (except joint ventures or general partnerships) for Price Loss Coverage, Agricultural Risk Coverage, marketing loan gains, and loan deficiency payment **may not exceed \$125,000 per crop year.**
- \* For the livestock disaster programs, a total **\$125,000** annual limitation applies for payments under the Livestock Indemnity Program, the Livestock Forage Program, and the Emergency Assistance for Livestock, Honey Bees and Farm-Raised Fish program.
- \* A separate **\$125,000** annual limitation applies to payments under the Tree Assistance Program.

# Actively Engaged in Farming

Producers who participate in the **Price Loss Coverage (PLC)** or **Agricultural Risk Coverage (ARC)** programs are required to provide significant contributions to the farming operation to be considered as “**actively engaged in farming.**”

# Compliance

The Act continues to **require an acreage report for all cropland on the farm**. The acreage report is required to be eligible for Price Loss Coverage; Agriculture Risk Coverage; transition assistance for producers of upland cotton; marketing assistance loans; and loan deficiency payments.

# Compliance

Compliance with **Highly Erodible Land Conservation (HELC)** and **Wetland Conservation (WC)** provisions **continues to be required** for participation in most FSA and NRCS programs. These provisions place restrictions on the planting of an agricultural commodity on highly erodible land or wetlands. Further, they prohibit the conversion of a wetland to make possible the production of an ag commodity.

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

**Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC)** replace the Direct and Counter Cyclical Programs – Eliminates Direct payments

**PLC** - provides price loss coverage for selected covered commodities on a farm.

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

- ARC** - provides revenue loss coverage at 2 different levels
- \* **ARC- County (CO)** – provides revenue loss coverage at the county level for selected covered commodities on a farm
  - \* **ARC-Individual (IC)** – provides revenue loss coverage at the farm level, which is considered the sum of the producer's interest in all of the producer's ARC-IC farms in the state

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

## Base Acres

- \* In effect on September 30, 2013, will be in effect for 2014 ARC/PLC Programs
- \* Covered Commodities:
  - \* wheat, oats, barley, corn, grain sorghum, rice, soybeans, sunflower seed, chick
- \* Crop bases can be reallocated

*(Crop Acreage Base represents the average of actual planted/considered planted acres of a covered commodity over an identified period)*



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

## Base Reallocation and Yield Update

One-time opportunity to:

- \* Maintain the farm's 2013 bases through 2018; **OR**  
Reallocate base acres
- \* Cannot increase crop acreage base (SEPT 30, 2013)
- \* Planted Considered Planted (P&CP) for 2009 – 2012

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

## Base Reallocation and Yield Update (cont.)

- \* One-time opportunity to update program payment yield
  - \* 90% of farm's 2008-2012 average yield per planted acre

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

## Base Reallocation and Yield Update (cont.)

- \* Reallocation of bases will result in the farm's base acres being **recalculated in the same proportion** to the 4 year average of acres that were P&CP to covered commodity bases during the 2009 – 2012 crop years
- \* Reallocation of bases allows for a “**Subsequent**” crop provision - “**initial covered commodity crop**” is followed by “**subsequent covered commodity**”- crops do not meet the double cropping definition - owner of farm may select EITHER crop for base reallocation calculations.

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

## EXAMPLE of Subsequent Crop Eligibility

- \* 2010: Farm #100, Tract #1000
  - \* 60 acres of Corn – Initial Prevent Plant
  - \* 60 acres of Soybeans – Subsequent ('J', 'JP', or 'JF')

Producer must select which crop to include in the Reallocation of base decision, 60 acres of corn or 60 acres of soybeans in this example

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

## EXAMPLE of a base acre reallocation

The producer has acreage devoted to covered commodities in the 2009 through 2012 base period. **Wheat** was planted in 2009 and changed to a **corn and soybean** rotation in the years 2010 through 2012.

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

Farm Number: 1000

Farm Effective DCP Cropland: 300.00



**PRINT**

Crop	2013 Base Acres	2009	2010	2011	2012	Average Planting	Reallocation Percentage	2014 Reallocated
Barley	100.00					0.00	0%	0.00
Corn			300.00		300.00	150.00	50%	150.00
Crambe						0.00	0%	0.00
Dry Peas						0.00	0%	0.00
Flaxseed						0.00	0%	0.00
Grain Sorghum						0.00	0%	0.00
Large Chickpeas						0.00	0%	0.00
Lentils						0.00	0%	0.00
Mustard Seed						0.00	0%	0.00
Oats						0.00	0%	0.00
Peanuts						0.00	0%	0.00
Rapeseed						0.00	0%	0.00
Rice (Long Grain)						0.00	0%	0.00
Rice (Medium/Short Grain)						0.00	0%	0.00
Safflower						0.00	0%	0.00
Sesame Seed						0.00	0%	0.00
Small Chickpeas						0.00	0%	0.00
Soybeans				300.00		75.00	25%	75.00
Summer Seed Cane						0.00	0%	0.00
Wheat	200.00	300.00				75.00	25%	75.00
Upland Cotton (Generic)							0%	0.00
<b>Totals</b>	<b>300.00</b>	<b>300.00</b>	<b>300.00</b>	<b>300.00</b>	<b>300.00</b>	<b>300.00</b>	<b>100%</b>	<b>300.00</b>

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

## Base Reallocation Example (cont.)

The owner's base reallocation options are **either of the following:**

- \* Retain 100.00 base acres of barley and 200.00 base acres of wheat
- \* Reallocate base acres to 150.00 base acres of corn, 75.00 base acres of soybeans, and 75 base acres of wheat.

**Note:** The sum of the reallocated bases **must** equal 300.00 acres.

# Base Reallocation

Lets look at an example.

\* Producer has two options

Crop	2013 Base Acres	2009	2010	2011	2012	Average Planting	Reallocation	2014 Reallocation
							Percent	
Corn	100	300		300				
Wheat	100							
Soybeans	100		300		200			
Grain Sorghum					100			
<b>TOTALS</b>	<b>300</b>							



# Base Reallocation

Lets look at an example.

\* Producer has two options

Crop	2013 Base Acres	2009	2010	2011	2012	Average Planting	Reallocation	2014 Reallocation
							Percent	
Corn	100	300		300		150		
Wheat	100							
Soybeans	100		300		200	125		
Grain Sorghum					100	25		
TOTALS	300					300		

# Base Reallocation

Crop	2013 Base Acres	2009	2010	2011	2012	Average Planting	Reallocation	2014 Reallocation
							Percent	
Corn	100	300		300		150	50%	
Wheat	100					0	0%	
Soybeans	100		300		200	125	42%	
Grain Sorghum					100	25	8%	
<b>TOTALS</b>	300					300	100%	

# Base Reallocation

Crop	2013 Base Acres	2009	2010	2011	2012	Average Planting	Reallocation	2014 Reallocation
							Percent	
Corn	100	300		300		150	50%	150
Wheat	100					0	0%	0
Soybeans	100		300		200	125	42%	126
Grain Sorghum					100	25	8%	24
<b>TOTALS</b>	<b>300</b>					<b>300</b>	<b>100%</b>	<b>300</b>

# Base Reallocation

## OPTION

1

## OPTION

2

Crop	2013 Base Acres	2009	2010	2011	2012	Average Planting	Reallocation	2014 Reallocation
							Percent	
Corn	100	300		300		150	50%	150
Wheat	100					0	0%	0
Soybeans	100		300		200	125	42%	126
Grain Sorghum					100	25	8%	24
<b>TOTALS</b>	<b>300</b>					<b>300</b>	<b>100%</b>	<b>300</b>

# Yield Updates

## PLC Payment Yields

- \* Retain the covered commodity's Counter-cyclical (CC) yield OR
- \* Farm **owner** has the opportunity to update PLC program yield for each covered commodity
  - \* Based on 90% of farm's 2008-2012 average yield per planted acre, excluding years of zero or PP
  - \* If yield in any year is less than 75% of county yield; low yield will be replaced with 75% of the county yield (T yield)
  - \* [..\..\..\MYFY2014File\FARM PROGRAMS\NEW BILL\OFFICIAL PLC\\_ARC\SUB\\_YLDS\\_BY CO.pdf](..\..\..\MYFY2014File\FARM PROGRAMS\NEW BILL\OFFICIAL PLC_ARC\SUB_YLDS_BY CO.pdf)

# Yield Updates

## Payment Yield Update Option Example 1

5-year Average with Planted acreage

	CORN CC Yield : 142 bu/ac							
Crop Corn	2008	2009	2010	2011	2012	Total	Average Yield	PLC Yield (90%)
	151	165	155	180	49	773	155	139
Average CO Yield (75%)	122	122	122	122	122			

# Yield Updates

## Payment Yield Update Option Example 2

3-year Average with Planted acreage

	CORN CC Yield : 142 bu/ac							
Crop Corn	2008	2009	2010	2011	2012	Total	Average Yield	PLC Yield (90%)
	Zero Plant	Zero Plant	178	180	449	480	160	144
Average CO Yield (75%)	122	122	122	122	122			

# Yield Updates

## Payment Yield Update Option Example 3

4-year Average with Planted acreage

	CORN CC Yield : 142 bu/ac							
Crop Corn	2008	2009	2010	2011	2012	Total	Average Yield	PLC Yield (90%)
	Zero Plant	Planted No evidence	175	185	176	658	165	148
Average CO Yield (75%)	122	122	122	122	122			



# Payment Acres

The 2014 Farm Bill provides for the following percentages to compute payment acres:

Year	Percentage of Base Acres Used to Calculate PLC or ARC-CO Payments*	Percentage of Base Acres Used to Calculate ARC-IC Payments**
2014-2018	85 Percent	65 Percent

\*PLC /ARC-CO payment **NOT** required to plant the covered commodity

\*\*ARC-IC payment amount **IS** based on the covered commodities actually planted and considered planted, Therefore requires covered commodities to be planted.

# Price Loss Coverage (PLC)

## Price Loss Coverage

- \* Payments are issued when **effective price** of a covered commodity is less than the **reference price** established by the Farm Bill
- \* The payment is equal to 85% of the base acres of the covered commodity times the difference between the **reference price** and the **effective price** times the program payment yield for the covered commodity
- \* Made after OCT 1 - completion of the marketing year for the covered commodity

# Price Loss Coverage (PLC)

PLC calculation:

Payment = 85% x Base Acres X (Reference Price-  
Effective price) x program payment yield

Effective price means the higher of the **market year average (MYA)** price during the 12-month marketing year for the covered commodity or the **national average loan rate** for the covered commodity.

# Price Loss Coverage (PLC)

## COVERED COMMODITY REFERENCE PRICE AND NATIONAL LOAN RATE TABLE

Crop	Reference Prices	National Loan Rates	Max PLC Rate
Corn	\$3.70/bu	\$1.95/bu	\$1.75/bu
Grain Sorghum	\$3.95/bu	\$1.95/bu	\$2.00/bu
Oats	\$2.40/bu	\$1.39/bu	\$1.001/bu
Soybeans	\$8.40/bu	\$5.00/bu	\$3.40/bu
Wheat	\$5.50/bu	\$2.94/bu	\$2.56/bu

# Price Loss Coverage (PLC)

## Example:

**Farm:** 900

**Corn Base :** 100 acres

**REFERENCE Price:** Corn \$3.70/bu.

**MYA price:** \$3.50/bu.

**PLC Yield:** 142 bu.

**Loan Rate:** Corn \$1.95/bu.

**PLC payment Rate:** \$.20/bu.

## PLC PAYMENT CALCULATION:

100 acres X 85% X \$0.20/bu X 142/bu = **\$2,414.00**

# Price Loss Coverage (PLC)

## Example:

- \* Farm #345
- \* Corn Base of 200 acres
- \* Loan Rate of \$1.95
- \* Reference Price of \$3.70
- \* MYA Price \$3.35
- \* PLC Rate (Reference – MYA =) \_\_\_\_\_  
$$\$3.70 - 3.35 = .35$$
- \* Yield of 142
- \* Base Acres x 85% x Payment Rate x Yield = \_\_\_\_\_  
$$200 \times .85 \times .35 \times 142 = \$8449$$

# Price Loss Coverage (PLC)

Whole farm example:

**Producer has 100% interest in this farm and all the crops on the farm are enrolled in PLC.**

Crop	Base Acres	Planted Acres	PLC Yield
Wheat	100.00	0.00	30 bu.
Corn	100.00	110.00	80 bu.
Soybeans	100.00	25.00	30 bu.
Alfalfa	0.00	165.00	N/A
<b>Total</b>	<b>300.00</b>	<b>300.00</b>	

# Price Loss Coverage (PLC)

## Payment Rate Calculation for the Example

Crop	Reference Price	Effective Price		PLC Payment Rate
		MYA Price <sup>1/</sup>	Loan Rate	
Wheat	\$5.50	\$5.00	<del>\$2.94</del>	\$0.50
Com	\$3.70	\$4.00	<del>\$1.95</del>	\$0.00
Soybeans	\$8.40	\$8.00	<del>\$5.00</del>	\$0.40

<sup>1/</sup> Hypothetical MYA price

\*Obviously the MYA is a made up figure for the point of illustrating the payment



# Price Loss Coverage (PLC)

## Payment Calculation for the Example

Crop	Base Acres	Payment Percentage	Payment Rate	PLC Yield	PLC Payment
Wheat	100.00	85	\$0.50	30 bu.	\$1,275 <u>1/</u>
Com	100.00	85	\$0.00	80 bu.	\$0
Soybeans	100.00	85	\$0.40	30 bu.	\$1,020

Please note wheat earned a payment even though zero acres of wheat were planted

# Agricultural Risk Coverage County (ARC-CO)

## Agricultural Risk Coverage - County **ARC-CO**

- \* Payments are issued when the covered commodity's
  - \* **actual county crop revenue < county ARC guarantee**
  - \* based on county data, not farm data
- \* Payment is equal to:
  - \* 85% of the base acres of the covered commodity X (county guarantee-actual county crop revenue for the covered commodity)
    - \* using base acres, not planted acres
    - \*  $\text{ARC-CO Guarantee} = 86\% \text{ of ARC Guarantee Price} \times \text{ARC County Guarantee Yield}$

# Agricultural Risk Coverage County (ARC-CO)

## ARC-CO Payment Calculation:

Payment = 85% of the Base Acres X  
(County Guarantee - Actual Revenue)

Payments may not exceed 10 percent of the benchmark county revenue (ARC guarantee price times ARC county guarantee yield)

# Agricultural Risk Coverage County (ARC-CO)

## Producer's Example:

Crop	Base Acres	Planted Acres
Wheat	100.00	0.00
Corn	100.00	110.00
Soybeans	100.00	25.00
Grain Sorghum	0.00	165.00
<b>Total</b>	<b>300.00</b>	<b>300.00</b>

# Agricultural Risk Coverage County (ARC-CO)

	2009	2010	2011	2012	2013
<b>Wheat</b>					
Yield <u>1/</u>	44	51	65	31	46
70 Percent of T-yield <u>2/</u>	32	32	32	32	32
MYA Price <u>3/</u>	\$6.78	\$4.87	\$5.70	\$7.24	\$7.77
Reference Price <u>4/</u>	\$5.50	\$5.50	\$5.50	\$5.50	\$5.50
<b>Corn</b>					
Yield <u>1/</u>	125	100	165	110	95
70 Percent of T-yield <u>2/</u>	84	84	84	84	84
MYA Price <u>3/</u>	\$3.55	\$5.18	\$6.22	\$6.89	\$4.50
Reference Price <u>4/</u>	\$3.70	\$3.70	\$3.70	\$3.70	\$3.70
<b>Soybeans</b>					
Yield <u>1/</u>	38	41	29	48	33
70 Percent of T-yield <u>2/</u>	29	29	29	29	29
MYA Price <u>3/</u>	\$9.59	\$11.30	\$12.50	\$14.40	\$12.95
Reference Price <u>4/</u>	\$8.40	\$8.40	\$8.40	\$8.40	\$8.40
<b>Grain Sorghum</b>					
Yield <u>1/</u>	90	40	75	80	99
70 Percent of T-yield <u>2/</u>	60	60	60	60	60
MYA Price <u>3/</u>	\$3.22	\$5.02	\$5.99	\$6.33	\$4.25
Reference Price <u>4/</u>	\$3.95	\$3.95	\$3.95	\$3.95	\$3.95

1/ The actual yield for the county for the year specified.

2/ 70 percent of the RMA-established T-yield for the county.

3/ Hypothetical MYA price.

4/ Reference price is statutory and listed in subparagraph 2 K of this notice.

# ARC-CO Average Historical Benchmark Yield

The average historical benchmark yield is computed by calculating the Olympic average of the yield data in CO DATA slide

Crop	Selected Yields 1/			Average
Wheat	44	51	46	47.00
Corn	125	100	110	111.67
Soybeans	38	41	33	37.33
Grain Sorghum	90	75	80	81.67

Olympic Average is the average of 5 years throwing out the highest and lowest number and averaging the remaining 3

# ARC-CO Average Historical Benchmark Price

The average historical benchmark price is computed by calculating the Olympic average of the price data in the CO DATA slide

Crop	Selected Prices $\bar{I}$			Average
Wheat	\$6.78	\$5.70	\$7.24	\$6.57
Corn	\$5.18	\$6.22	\$4.50	\$5.30
Soybeans	\$11.30	\$12.50	\$12.95	\$12.25
Grain Sorghum	\$5.02	\$5.99	\$4.25	\$5.09

# ARC-CO Guarantee Calculation

This table provides calculates : ARC-CO Benchmark Revenue, 10% of the Benchmark Revenue and Guarantee

<b>Crop</b>	<b>Average Benchmark Yield</b>	<b>Average Benchmark Price</b>	<b>ARC-CO Benchmark Revenue <u>1/</u></b>	<b>10 Percent of ARC-CO Benchmark Revenue</b>	<b>ARC-CO Guarantee</b>
Wheat	47.00	\$6.57	\$308.79	\$30.88	\$265.56
Corn	111.67	\$5.30	\$591.85	\$59.19	\$508.99
Soybeans	37.33	\$12.25	\$457.29	\$45.73	\$393.27
Grain Sorghum	81.67	\$5.09	\$415.70	\$41.57	\$357.50

The average benchmark yield X average benchmark price = benchmark revenue  
X 86% = ARC-CO Guarantee



# ARC-CO Actual Revenue Calculation

Table provides how the ARC-CO actual revenue is calculated

Crop	County Actual Per Acre Yield	2014 MYA Price <u>1/</u>	National Average Loan Rate	Actual Revenue <u>2/</u>
Wheat	29	\$6.80	\$2.94	\$197.20
Corn	140	\$5.25	\$1.95	\$735.00
Soybeans	27	\$8.50	\$5.00	\$229.50
Grain Sorghum	63	\$4.98	\$1.95	\$313.74

1/ Hypothetical MYA price.

2/ County yield times higher of 2014 price or national average loan rate.

# ARC-CO Payment Rate Calculation

Table provides an

Example of how the ARC-CO payment rate is calculated

Crop	ARC-CO Guarantee	ARC-CO Actual Revenue	Shortfall, If Any <u>1/</u>	10 Percent of Benchmark Revenue	ARC-CO Payment Rate <u>2/</u>
Wheat	\$265.56	\$197.20	\$68.36	\$30.88	\$30.88
Corn	\$508.99	\$735.00	\$0.00	\$59.19	\$0.00
Soybeans	\$393.27	\$229.50	\$163.77	\$45.73	\$45.73
Grain Sorghum	\$357.50	\$313.74	\$43.76	\$41.57	\$41.57

1/ ARC-CO guarantee minus ARC-CO actual revenue (must be a positive number to receive payment).

2/ Smaller of shortfall or 10 percent of ARC-CO benchmark revenue.

# ARC-CO Payment Calculation

Table provides an  
Example of how the ARC-CO payment is calculated

Crop	Base Acres	Payment Percentage	Payment Rate	ARC-CO Payment <sup>1/</sup>
Wheat	100.00	85	\$30.88	\$2,624.80
Corn	100.00	85	\$0.00	\$0.00
Soybeans	100.00	85	\$45.73	\$3,887.05
Grain Sorghum	0.00	85	\$41.57	\$0.00

<sup>1/</sup> Wheat triggered a payment even though wheat was not planted. Corn did not trigger a payment. Soybeans triggered a payment even though only 25.00 acres were planted. Grain sorghum was planted and triggered a payment; however, there are zero grain sorghum base acres; therefore, an ARC-CO payment cannot be made on grain sorghum.

# Agricultural Risk Coverage Individual (ARC-IC)

## Agricultural Risk Coverage - Individual **ARC-IC**

- \* Payments are issued when the covered commodities
  - \* **actual Individual crop revenue < Individual ARC guarantee**
  - \* based on farm data (producer's interest in all farms in the state)
  - \* Payment is equal to
    - \* 65% of the base acres of the covered commodity X (**individual guarantee revenue - actual individual crop revenue** for the covered commodities)
    - \* using **planted acres** for both the individual guarantee and actual revenues
    - \* Individual ARC Guarantee = 86% of the farm's ARC Individual benchmark Guarantee [**ARC Guarantee price X ARC Individual Yield**]

# Agricultural Risk Coverage Individual (ARC-IC)

## Individual ARC Payment Calculation:

Payment = 65% of all the Base Acres X

(Individual Guarantee Revenue - Actual Individual  
crop revenue)

Payments may not exceed 10 percent of the individual benchmark  
revenue (ARC guarantee price times ARC individual yield)

# 2014 ARC-IC Farm Example

## Back to Producer's Example

Crop	Base Acres	Planted Acres	Percentage of Covered Commodity Planted <sup>1/</sup>
Corn	100.00	110.00	36.67
Soybeans	100.00	25.00	8.33
Grain Sorghum	0.00	165.00	55.00
<b>Total</b>	<b>200.00</b>	<b>300.00</b>	<b>100.00</b>

<sup>1/</sup> Percentage of covered commodity for each crop are the P&CP acres divided by the total acres of covered commodities P&CP on the ARC-IC farm in the current year.

For example Corn is  $110 \text{ Planted Acres} / \text{Total planted acres of } 300 = .3667$

# ARC-IC Benchmark Revenue Calculation

Example of how the **ARC-IC** benchmark revenue and ARC-IC guarantee are calculated.

**NOTE:** ARC-IC benchmark revenue is weighted based on the number of covered commodities planted.

TABLE ON NEXT SLIDE

	2009	2010	2011	2012	2013	5-Year Olympic Average Revenue <u>1/</u>	% Planted from Above	Weighted 5-Year Olympic Average <u>2/</u>
<b>Corn</b>								
Yield	125	100	165	110	95			
70 percent of T-yield	<del>85</del>	85	85	85	85			
MYA Price <u>3/</u>	<del>\$3.55</del>	\$5.18	\$6.22	\$6.89	\$4.50			
Reference Price <u>4/</u>	\$3.70	<del>\$3.70</del>	<del>\$3.70</del>	<del>\$3.70</del>	<del>\$3.70</del>			
Revenue <u>5/</u>	\$462.50	\$518.00	<del>\$1,026.30</del>	\$757.90	\$427.50	\$579.47	36.67%	\$212.4
<b>Soybeans</b>								
Yield	38	41	29	48	33			
70 percent of T-yield	<del>27</del>	27	27	27	27			
MYA Price <u>3/</u>	\$9.59	\$11.30	\$12.50	\$14.40	\$12.95			
Reference Price <u>4/</u>	<del>\$8.40</del>	<del>\$8.40</del>	<del>\$8.40</del>	<del>\$8.40</del>	<del>\$8.40</del>			
Revenue <u>5/</u>	\$364.42	\$463.30	<del>\$362.50</del>	<del>\$691.20</del>	\$427.35	\$418.36	8.33%	\$34.8
<b>Grain Sorghum</b>								
Yield	90	40	75	80	99			
70 percent of T-yield	<del>65</del>	65	65	65	65			
MYA Price <u>3/</u>	<del>\$3.22</del>	5.02	\$5.99	\$6.33	\$4.25			
Reference Price <u>4/</u>	\$3.95	<del>3.95</del>	<del>\$3.95</del>	<del>\$3.95</del>	<del>\$3.95</del>			
Revenue <u>5/</u>	\$355.50	<del>326.30</del>	\$449.25	<del>\$506.40</del>	\$420.75	\$408.50	55.00%	\$224.6
<b>ARC-IC Benchmark Revenue (Total of Weighted 5-Year Olympic Average For Each Crop)</b>								\$472.0
<b>10 Percent of ARC-IC Benchmark Revenue (Maximum Per Acre Payment Rate)</b>								\$47.2
<b>ARC-IC Guarantee (Benchmark Revenue times 86 Percent)</b>								\$405.9

- 1/ 5-Year Olympic average revenue is the average of the revenue for each crop dropping the high and low revenue.
- 2/ Weighted 5-year Olympic average is the 5-year Olympic average revenue multiplied by the percentage planted.
- 3/ Actual MYA price or estimate, depending on availability.
- 4/ Reference price is statutory and listed in subparagraph 2 K of this notice.
- 5/ Revenue for each crop and year are the higher of that year's yield or 70 percent of T-yield times the higher of the price or reference price.



# ARC-IC Actual Revenue Calculation

Crop	2014 Total Production	2014 Price <u>1/</u>	National Average Loan Rate	ARC-IC Total Revenue <u>2/</u>
Corn	11,550	\$5.25	\$1.95	\$60,637.50
Soybeans	1,000	\$8.50	\$5.00	\$8,500.00
Grain Sorghum	9,900	\$4.98	\$1.95	\$49,302.00
<b>Total Revenue</b>				<b>\$118,439.50</b>
<b>ARC-IC Actual Revenue (118,439.50/300 Planted Acres)</b>				<b>\$394.80</b>

1/ Estimated MYA price.

2/ ARC-IC total revenue is total production times the higher of the 2014 MYA price or the national average loan rate.

# ARC-IC Payment Calculation

ARC-IC Calculation Component	Amount
ARC-IC benchmark revenue from subparagraph C.	\$472.02
ARC-IC guarantee from subparagraph C.	\$405.94
ARC-IC actual revenue from s subparagraph C.	\$394.80
Shortfall (ARC-IC guarantee-ARC-IC actual revenue).	\$11.14
10 Percent of ARC-IC benchmark from subparagraph C.	\$47.20
Smaller of shortfall or 10 percent of ARC-IC benchmark.	\$11.14
2014 base acres from subparagraph B.	200.00
ARC-IC payment percentage.	65
ARC-IC payment (rate x base acres x payment percentage).	\$1,448.20

# Planting Flexibility

Planting of any commodity other than FAV's are allowed on base acres of ARC/PLC farms.

- \* FAV Farm and Producer exceptions are no longer needed
- \* Planting and Harvesting FAV's is subject to an “**acre for acre**” payment reduction when:
  - \* More than 15% of base acres of the farm enrolled in ARC-CO or PLC are planted to FAV
  - \* More than 35% of base acres of a farm enrolled in ARC-IC are planted to FAV

# Election Requirement

All of the producers on a farm must make a one-time, unanimous election of:

- \* PLC/ARC-CO on a covered-commodity-by-covered-commodity basis
- \* ARC-IC for all covered commodities on the farm.

*If the producers on the farm elect PLC/ARC-CO, the producers must also make a one-time election to select which base acres on the farm are enrolled in PLC and which are enrolled in ARC-CO*

# Election Requirement

- \* The election between ARC and PLC is made in 2014/2015 and is in effect through the 2018 crop year
- \* If an **election is not made in 2014/2015**, the farm may not participate in either PLC or ARC for 2014 and the producers on the farm are **deemed to have elected PLC** for subsequent crop years
  - \* But must still enroll their farm to receive coverage

# Election Requirement

- \* If the sum of the base acres on a farm is 10 acres or less, the producer on that farm may not receive PLC or ARC payments, unless the producer is a socially disadvantaged farmer or rancher or is a limited resource farmer

# Election Requirement

- \* In 2015 producers in PLC have an additional option
- \* Producers enrolling in PLC, and who also participate in the federal crop insurance program may, beginning in the 2015 crop season, make the annual choice of whether to purchase additional crop insurance coverage called **Supplemental Coverage Option (SCO)**

# Election Requirement

- \* Supplemental Coverage Option (SCO) provides the producer the option of covering a portion of his or her crop insurance deductible and is based on expected county yields or revenue
- \* The cost of SCO is subsidized and indemnities are determined by the yield or revenue loss for the county or area
- \* Crops that were elected for ARC are not eligible for SCO



# ARC/PLC Timeline

**September 29, 2014 - February 27, 2015**

**\* Base Acre Reallocation and Yield Updates**

- \* 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

# ARC/PLC Timeline

**November 17, 2014 – March 31, 2015**

**\* ARC/PLC Election Required**

- \* All producers/owners with share of production on farm must make a one-time, unanimous and irrevocable election of the following coverage that remains in effect from 2014-2018:
  - \* 1. PLC or ARC County on a covered commodity-by-commodity basis
  - \* 2. ARC Individual for all covered commodities on the farm.

# ARC/PLC Timeline

## Mid-April 2015 – Summer 2015

### \* **ARC/PLC Enrollment**

- \* Election is not enrollment. Producers must still enroll their farm (sign a contract) to receive program benefits. Producers sign contracts to participate in ARC/PLC for 2014 and 2015 crop years.

# Questions

## Additional Information

- \* [www.usda.gov](http://www.usda.gov)
- \* [www.fsa.usda.gov](http://www.fsa.usda.gov)
  - \* Select programs and services tab
  - \* In the drop down select ARC/PLC (charts on the right-side)

## Contact:

County FSA Offices