



Farm Service Agency

Agriculture Risk Coverage (ARC) / Price Loss Coverage (PLC)

October 30, 2015

For more information: www.fsa.usda.gov/arc-plc

- **In General:** These programs provide assistance only when there are market downturns -- unlike the old direct payments program, which issued payments regardless of good times or bad.

Payments will begin flowing on October 26th and will reach producers' accounts close to the end of the month for many of the major program commodities. For commodities such as other oilseeds and chickpeas, any payments will be made later in the year as market year average price data become available. Payments will be sequestered at the FY 2016 rate of 6.8 percent as required by the Budget Control Act of 2011 enacted by Congress.

- **Price Loss Coverage (PLC):** PLC is very similar to the counter-cyclical program; payments are made when market year average prices are below reference prices. For 2014, most of the PLC payments are expected to be issued to producers with peanut, long grain rice, or canola base or who planted peanuts, long grain rice, or canola on generic base acres. The PLC payment rate for long grain rice will be announced the first week in November and for canola the first week of December. For all other program commodities, the market year average price exceeded the reference price set in the 2014 Farm Bill.
- **Agricultural Risk Coverage (ARC)-County:** ARC is county-based program whereby a formula, established by the 2014 Farm Bill, can create differing payment rates across the counties. That may result in one county receiving a payment and its neighboring counties may not.

ARC-county payment rates are determined by a statutory formula for each county. This formula involves comparing guaranteed crop revenues (the average of historical county yields *times* the average of historical national prices) to 2014 actual crop revenues (actual county yields *times* the national market year average price).

The key component explaining differences in ARC-CO payment rates between neighboring counties is yields. County average yields are based on the highest precision national statistics from the USDA National Agricultural Statistics Service (NASS). (Where that data does not exist, then the next strongest data is used, as follows: Risk Management Agency county; NASS district; or State Committee determined yields).

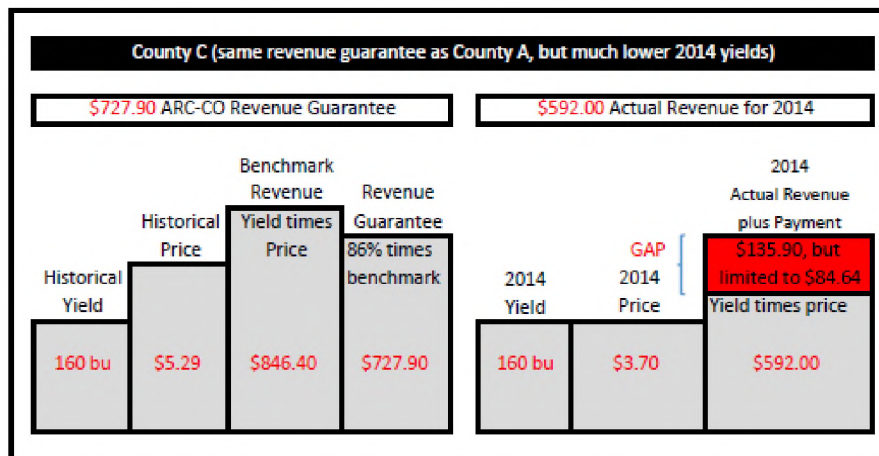
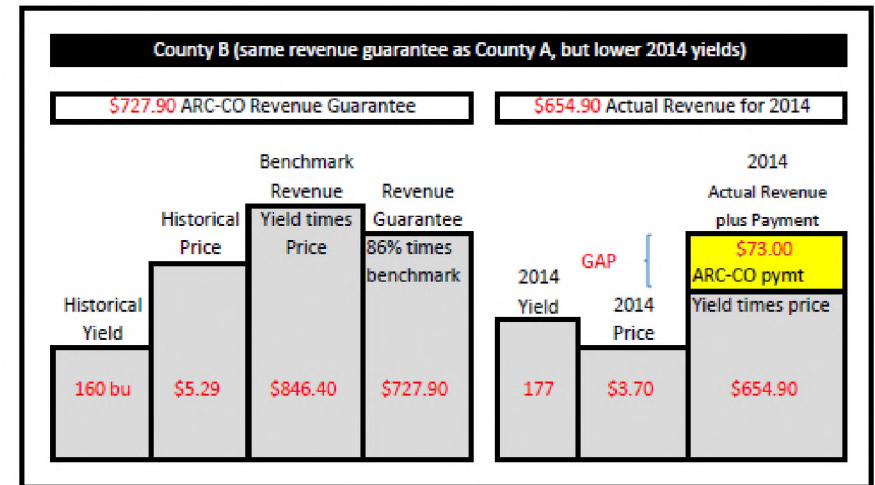
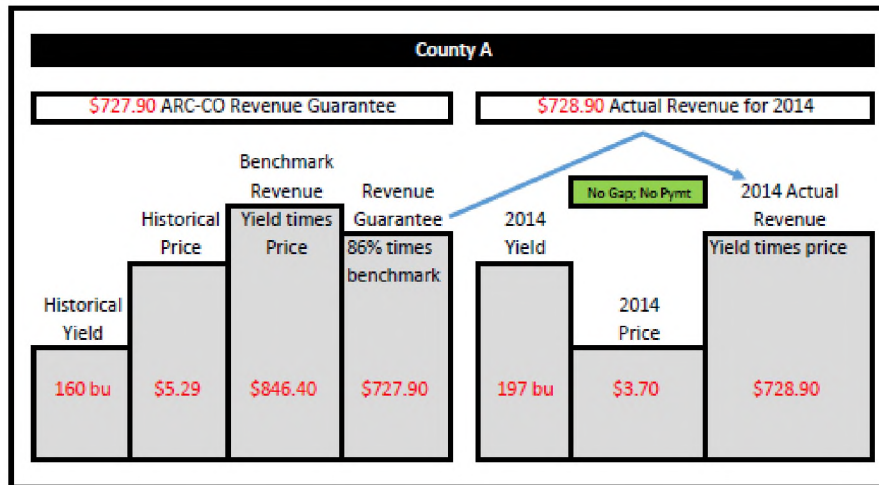
The chart on the next page illustrates potential differences in ARC-CO payment rates among neighboring counties. County A receives no payment because the 2014 actual revenue exceeds the revenue guarantee. County B receives \$73 per payment acre with just a 10-percent lower yield than County A. County C receives a payment rate of \$84.64 with a 19-percent lower yield than County A. Note that County C illustrates a situation where the payment is limited by the farm bill's "10-percent-of-benchmark" maximum payment rule. It is also important to note that the 2014 actual revenue in County A is larger than the other two counties, despite not receiving an ARC-CO payment.

- **Administrative County:** ARC-County payments are based on the administrative county of the farm. If a farm is located in one county but administered in another county, the ARC-CO payment rate in the administrative county will determine the payment rate. Farm Service Agency (FSA) will be providing further information soon to address concerns where payments based on the administrative county may differ from payments based on geographic location of farms.



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Chart I: Comparison of ARC-CO Payments for Corn for 3 Different Yields in 2014



All counties experience a 30% drop in price in 2014, from \$5.29 to \$3.70.

County A

Despite the drop in price, the 23% increase in 2014 yields (from 160 bu to 197 bu) means the 2014 actual income of \$728.90 an acre exceeds the revenue guarantee of \$727.90. Therefore, no one in the county gets an ARC-CO payment.

County B

The drop in price and a 10% decrease in 2014 yields from County A causes the 2014 actual income of \$654.90 to be less than the revenue guarantee of \$727.90. Therefore, every participant in the county gets a \$73.00 ARC-CO payment.

County C

The drop in price and a 19% decrease in 2014 yields from County A causes the 2014 actual income of \$592.00 to be \$135.90 less than the revenue guarantee of \$727.90. However, the ARC-CO payment is limited to 10% of the benchmark revenue or \$84.64 an acre.