



Ag Risk Coverage/Price Loss Coverage: 2021 Election & Enrollment Period

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

- Main commodity crop safety net programs
- Implemented as part of 2018 Farm Bill for 2019-2023
- Annual election and enrollment period open for 2021 production season

**Deadline for election and enrollment:
March 15, 2021**

ARC/PLC Election & Enrollment Period for 2021

- ARC-County (ARC-CO) or PLC may be elected on a crop-by-crop basis on the farm

Example: Farm 100 wheat base – PLC

corn base – ARC-CO

- If ARC-Individual (ARC-IC) is elected, it applies to all covered commodities on the farm
- Program election is made on the same form as annual contract enrollment

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- If you previously signed a multi-year contract, no action is needed UNLESS you want to make an election change or UNLESS something has changed on the farm (shares, added land, et cetera)
- In all cases (regardless of MY contract status), if you do NOT make an election for 2021, the elections in place for the 2019/2020 crop seasons roll over
- **Regardless of whether you make a new election, a new contract (enrollment) must be completed by the deadline**
- Must be unanimous election decision by all 2021 producers on the farm

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22 Covered Commodities		
Barley	Canola	Corn
Chickpeas, Large	Chickpeas, Small	Crambe
Flax	Grain Sorghum	Lentils
Mustard	Oats	Peanuts
Peas, Dry	Rapeseed	Rice, Long Grain
Rice, Medium Grain	Safflower	Seed Cotton
Sesame Seed	Soybeans	Sunflower
Wheat		

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What is Price Loss Coverage (PLC)?

- Price protection program (No yield loss coverage)
- Payments are triggered when the *Effective Price* for a crop year is less than the *Effective Reference Price*
- Payments issued after October 1 of following year
- May be elected on a crop-by-crop basis

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Crop	Reference Prices	Crop	Reference Prices
Barley <u>1/</u>	\$4.95 per bu.	Mustard	\$20.15 per cwt.
Chickpeas, Large (Garbanzo Bean, Kabuli)	\$21.54 per cwt.	Rapeseed	\$20.15 per cwt.
Chickpeas, Small (Garbanzo Bean, Desi)	\$19.004 per cwt.	Safflower	\$20.15 per cwt.
Corn	\$3.70 per bu.	Sesame Seed	\$20.15 per cwt.
Dry Peas	\$11.00 per cwt.	Sunflower	\$20.15 per cwt.
Grain Sorghum	\$3.95 per bu.	Peanuts	\$535.00 per ton
Lentils	\$19.97 per cwt.	Rice, Long Grain	\$14.00 per cwt.
Oats	\$2.40 per bu.	Rice, Medium Grain <u>2/</u>	\$14.00 per cwt.
Canola	\$20.15 per cwt.	Soybeans	\$8.40 per bu.
Crambe	\$20.15 per cwt.	Wheat	\$5.50 per bu.
Flaxseed	\$11.28 per bu.	Seed Cotton	\$0.367 per lb.

PLC Reference Prices

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PLC Effective Price -

- Represents price received for crop in a specific year
- Compared to Effective Reference Price to determine if there's a price loss that triggers PLC payments

Effective Price

- The higher of:
 - The Market Year Average (MYA) Price
- OR
- National Loan Rate

Market Year Average (MYA) Price

- National weighted average of all prices received during the marketing year following harvest
 - Example: September 1 – August 31 for corn
- Determined for each crop year

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Price Loss Coverage – Payment Rate Formula

$$\begin{array}{rclcl} \text{Effective} & & & & \text{PLC} \\ \text{Reference} & - & \text{Effective} & = & \text{Payment} \\ \text{Price} & & \text{Price} & & \text{Rate} \end{array}$$

PLC Payment Rates for 2019

Corn: \$.14/bushel
Soybeans: did not earn a payment
Wheat: \$.92/bushel
G. Sorghum: \$.61/bushel

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$$\text{PLC Payment Rate} \times \text{Farm PLC Yield} \times \text{Payment Acres} = \text{PLC Payment}$$

Payment acres = Base Acres x 85%

PLC Yield exists for each base crop on a farm

NOTE: PLC payments are not dependent on the planting of the crop

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PLC Payment Rate Calculation – Corn example

Effective Reference Price = \$3.70/bu.

Effective Price = \$3.57/bu.

PLC Payment Rate = \$.13/bu.

Farm 100 – 425.0 ac. corn base

PLC Yield = 165

Farm Level Payment

425.0 ac. X 85% x 165 x \$0.13 = \$7749

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Agriculture Risk Coverage (ARC)

Two options – County or Individual Level

ARC-County (ARC-CO)

- An income support program based on a benchmark (expected) county level crop revenue - guaranteed at 86%
- Uses county level yields and national average prices to determine benchmark and actual revenues by crop
- ARC-CO payments for a crop are triggered when the actual county revenue falls below the 86% guarantee

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ARC-County (ARC-CO)

- Revenue losses determined for a crop independent of other crops on the farm
- Covered crop does not have to be planted on the farm
- If revenue loss occurs, payments issued on 85% of farm's base acres
- No requirement to report production

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ARC-County (ARC-CO)

Benchmark revenue is determined for a crop by multiplying the following:

- 5-year Olympic County Average Yield
 - Source – RMA Data (primary), NASS Data (secondary)
 - Substitute yield used if the county yield in a benchmark year is below 80% of the county T-Yield
- 5-year Olympic Average National Price
 - Source – Higher of Market Year Average (MYA) or the Effective Reference Price

5-year average – based on 5 years prior to the preceding year of the program year

Example: for 2020, use 2018-2014

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ARC-County (ARC-CO)

County level *actual* revenue is determined for a crop by multiplying the following:

- Actual average county yield for the crop
 - Source – RMA Data (primary), NASS Data (secondary)
- Higher of Market Year Average (MYA) price or National Loan Rate

Payments are triggered when the actual county revenue for a crop is less than the *guarantee* (86% of the benchmark revenue)

- Important: the ARC-CO payment rate is capped at 10% of the ARC-CO benchmark

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ARC-County (ARC-CO)

Payment Example:

Crop	Actual Average County Yield	MYA Price	National Loan Rate	ARC-CO Actual Crop Revenue
Corn	135 Bu	\$3.80	\$2.20	\$513/ac

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ARC-County (ARC-CO) Payment Example:

ARC-CO Guarantee 1/	ARC-CO Actual Crop Revenue/per acre	Crop Revenue Loss 2/
\$531.39	\$513.00	\$18.39/acre
<p>1/ Guarantee is 86% of Benchmark Revenue (\$617.90)</p> <p>2/ Payment rate is lesser of the calculated payment rate above - \$18.39/acre OR the CAP (10% of the benchmark revenue)</p> <p style="text-align: center;">(CAP: $\\$617.90 \times 10\% = \\$61.79/\text{acre}$).</p>		

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ARC-County (ARC-CO)

Payment Example:

Corn Base Acres	85% of Base Acres	Share on Contract	Crop Loss	Producer Payment
100	85	100%	\$18.39/ac.	\$1563

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ARC-County (ARC-CO)

Irrigated/Non-irrigated Yields

- ARC-County has criteria for using separate irrigated (IR) and non-irrigated (NI) county yields to determine revenues and payment rates
- Determined on a crop-by-crop basis
- Referred to as “HIP” crops
(HIP = Historical Irrigated Percentage)
- Crops that do not qualify use a blended county average yield

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ARC-County (ARC-CO) Irrigated/Non-irrigated Yields

- A HIP (Historical Irrigated Percentage) will be determined for applicable crops on each farm in the county, based upon FSA IR/NI acreage report data from 2013 through 2017
- HIP used to determine the number of base acres used in the IR revenue calculation, and the number of base acres used in the NI revenue calculation
- HIP payment factor remains on the farm for 2019-2023

Important Change– IR and NI benchmark revenues, guarantees, and actual revenues will be weighted and summarized to the farm level, to determine one overall payment rate for the farm

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ARC-County (ARC-CO): Physical Location

- The 2018 Farm Bill requires ARC-CO revenue calculations be based on a farm's "*physical location*" determined by tracts within the farm
- The farm's *benchmarks, guarantees, and actual revenues* are based on the *physical location* of tract(s) within a farm, as determined by FSA, and *weighted* by each tract's base acres of the covered commodity
- *Weighted* revenues will be *summarized* to the farm level to determine overall revenue for each covered commodity on the administrative farm that is enrolled in ARC-CO

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Agriculture Risk Coverage (ARC) Two Options: ARC-CO & ARC-Individual Coverage

ARC – Individual Coverage (ARC-IC)

Whole farm revenue coverage – revenues weighted for all covered crops that are planted to determine farm's overall gain/loss

- Farm must have at least .01 acre of a covered commodity actually planted to determine revenue gain/loss for ARC-IC crops
 - *Exception for farms with 100% approved prevented planting*
- If revenue loss occurs, payments issued on 65% of farm's base acres
- Production must be reported

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ARC–Individual Coverage (ARC-IC)

- Income support is provided to producers who plant any of the 22 covered commodities, regardless of whether base acres exist on the farm for that commodity
- Producers on an ARC-IC enrolled farm who do not share in the farm's planted covered commodities are ineligible for ARC-IC payments
- Producers on an ARC-IC enrolled farm who do share but do not enroll, are also ineligible for ARC-IC payments
 - FSA will compute benchmark revenues for each covered commodity that is planted in the current year

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ARC–Individual Coverage (ARC-IC)

- Only initially planted covered commodities are included in the revenue calculations
- Prevent Plant (PP) acres are only included in cases where 100% of the farm's initial planted covered commodities are approved PP ***
- Production must be certified for the current year and the benchmark (five) years; yields are subject to spot check
- Production reporting deadline is July 15 in year following the crop year

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ARC–Individual Coverage (ARC-IC)

Special Note on ARC-IC and Prevented Plant in 2019

- A number of Nebraska farms took this option due to planting conditions in 2019
- This coverage will roll over for the 2021 production season unless the producer makes a new election

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ARC–Individual Coverage (ARC-IC)

- ARC-IC yields are certified as a blended yield to include production from both IR and NI acres
- ARC-IC yields must include production from all ARC-IC eligible types of the covered commodity planted
 - Example: Producer has winter wheat and spring wheat
- Production from acres of covered commodities that are hayed, grazed, etc. must have a conversion factor applied to determine production
- Payment acres are 65% of the total base acres on the farm, regardless of what type or how many acres of covered commodities are planted

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ARC–Individual Coverage (ARC-IC)

ARC-IC payments trigger when the current year revenue from all planted covered commodities on the producer’s “ARC-IC farm” falls below the guaranteed revenue for the ARC-IC farm

- ARC-IC farm is defined as the producer’s share of all planted covered commodities from all ARC-IC enrolled farms in the state
- Revenue from ARC-IC farms that are not enrolled in the current year is not included in the revenue calculations
- The farm’s revenue does not include crop insurance indemnities

Note: Revenue from one farm or crop can potentially eliminate the revenue loss from another farm or crop

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ARC–Individual Coverage (ARC-IC)

- Each producer will have a unique benchmark revenue calculated across all planted covered commodities, based on their share on all ARC-IC enrolled farms in the state
- A weighted average of the benchmark revenues is guaranteed at 86%
- An actual revenue is calculated across all planted covered commodities and compared to the guarantee to determine if there was a loss

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ARC-IC Example: Weighted Benchmark

Covered Commodities on ARC-IC Farm	Planted Acres	Planted/Total Planted Covered Commodities	% of Planted Covered Commodities
Wheat	1000	1000/1600	62.50%
Barley	600	600/1600	37.50%
Total	1600		

Wheat BM Revenue: (\$258.32 X 62.50%) = \$161.45
Barley BM Revenue: (\$291.00 X 37.50%) = \$ 109.13
Weighted Farm Benchmark Revenue = \$270.58/Acre
 Guarantee = \$270.58 x 86% = \$232.70/Ac.

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ARC-IC Example: Actual Revenue & Loss Calculation

Crop	Certified Yield per Acre for 2019	MYA Price *	Acres Planted	Revenue	Revenue per Acre	Producer Share of Crop	Producer's Revenue per Acre
Wheat	35	\$5.20	1000	\$182,000		100%	
Barley	48	\$4.60	600	\$132,480		100%	
Totals			1600	\$314,480	\$196.55	100%	\$196.55

Guarantee = \$232.70

Payment rate = \$27.06/ac.*

Actual Revenue = \$196.55

Loss = \$36.15/ac.

***Note: Payment cap (10% benchmark) applies**

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ARC-IC: Payment Calculation

- Farm 225, 100% Share to Operator
 - 500 base acres of barley
 - 200 base acres of corn
 - 50 base acres of oats

65% total base acres X producer's share of planted covered commodities X producer's calculated payment rate per acre

750 acres X 65% = 487.5 (payment acres) X 100% share to operator X \$27.06 (Payment Rate per Acre) = \$13,192

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ARC and PLC Recap

	Coverage Type	Price	Yield	Payment Acres	Required Planting
PLC	Price Only	National MYA	N/A	85% Crop Base Acres	No
ARC-CO	Price and Yield	National MYA	County Average Yields	85% Crop Base Acres	No
ARC-IC	Price and Yield	National MYA	Individual (ARC-IC Farm) Yields	65% Total Base Acres	Yes – (Exception - 100% PP)

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2019 Covered Commodity Contract Base Acres: % of Acres Enrolled by Program By Commodity *(National Figures)*

	PLC	ARC-CO	ARC-IC
Corn	75.5%	18.6%	5.9%
Soybeans	14.1%	79.7%	6.2%
Wheat	93%	5.9%	1%
G. Sorghum	93.4%	5.9%	.7%

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2019 ARC-CO/PLC Payments for Nebraska

Total dollars paid out: \$232,687,869 (as of Oct. 6, 2020)

PLC: \$228,418,333

ARC – CO: \$4,269,536

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REMINDERS:

- **Deadline is March 15, 2021**
- **If no new election is made, 2019 elections roll over for 2021**
- **Regardless of whether a new election is made, a new contract (enrollment) IS required**