

2018 Farm Bill Decision Update

**FSA & UMN EXTENSION WEBINAR:
MARCH 5, 2020**



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2018 Farm Bill Online Education:
<http://farmbill.umn.edu>

ARC/PLC Program Overview
FSA and
University of MN Extension Producer
Meetings

October 2019 – February 2020



2018
FARM
BILL

ARCPLC Program Comparisons

PLC	ARC-CO	ARC-IC
Uses effective reference price and the PLC yield established on the farm.	Uses MYA price plus county yield.	Uses MYA price plus the producer's yield from the farm.
Payments determined by individual covered commodity base acres.	Payments determined by individual covered commodity base acres.	Payments determined by all covered commodities combined planted on the farm.
Payments made on 85 percent of base acres by crop base acreage.	Payments made on 85 percent of base acres by crop base acreage.	Payments made on 65 percent of total base acres.
Production report not required.	Production report not required.	Must report annual production of covered commodities.
May elect PLC or ARC-CO on the same farm on a covered commodity by covered commodity basis.	May elect ARC-CO or PLC on the same farm on a covered commodity by covered commodity basis.	Planted acres used to attribute base acres. ARC-IC election applies to entire farm and all 22 covered commodities.

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ARCPLC Timeline

	2019				2020									
	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
2019 Enrollment/Election (September 3, 2019 - March 15, 2020)														
2018 ARCPLC Payments														
2020 Enrollment (October 15, 2019 – June 30, 2020)														
2020 Yield Update (October 2019 – September 30, 2020)														
2019 ARCPLC Payments														

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Payment Acres

- **ARCPLC payment acres:**
 - **PLC & ARC-CO:** Covered Commodity Base Acres X 85%
 - **ARC-IC:** TOTAL Base Acres of ALL Covered Commodities on the farm X 65%

2018
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PLC, ARC-CO, ARC-IC Election

- **2018 Farm Bill allows “producers” on a farm, the opportunity to elect PLC, ARC-CO or ARC-IC.**
 - all producers on the farm make the unanimous decision
 - owners do not make the election decision, unless they are considered a “producer”, receiving a share of a crop on the farm.
- **Election made for 2019 will also be effective for 2020.**
- **Each year 2021-2023, producers will have the opportunity to “Change” the election on the farm.**

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PLC, ARC-CO, ARC-IC Election

- **Elections of PLC or ARC-CO are made on a covered commodity by covered commodity basis on the farm.**
- **Election of ARC-IC, covers all commodity base acres on the farm.**

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PLC, ARC-CO, ARC-IC Election

- Failure to make an election in 2019 results in a “default” of the current election on the farm from the 2014-2018 program years AND prohibits any 2019 payments on the farm.
- Producers have the option to change the “default” election starting with the 2021 crop year through 2023.

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Price Loss Coverage

- Payments are earned:
 - for a covered commodity when the “effective price” is less than the “effective reference price” for the covered commodity for the crop year.
 - *(Effective Reference Price cannot be lower than the National Loan Rate)*
- Payments made on 85% of the farm’s base acres of the covered commodity
- Payments are not dependent on the planting of the applicable base crop on the farm.
- **NOTE:** The reference price & national loan rate for each crop was set by statute and remains the same for all years of the farm bill.

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Agriculture Risk Coverage - County

- **Payments are earned:**
 - When the **Actual County Crop Revenue** of a covered commodity is *less than* the **ARC County Guarantee** for the covered commodity
 - ARC-County payment rates are “Capped” at 10% of the benchmark revenue.
- **Payments made on 85% of the farm’s base acres of the covered commodity**
- **Payments are not dependent on the planting of the applicable base crop on the farm.**
- **Yields are based on county data, not individual farm data.**

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Agriculture Risk Coverage - County

“NEW” under 2018 Farm Bill:

- **ARC-CO Benchmark Revenue and Guarantee** will be based on “**PHYSICAL LOCATION**” of the tract and farm
- **ARC-CO Actual Crop Revenue** will also be based on “**PHYSICAL LOCATION**” of the tract and farm

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Agriculture Risk Coverage – Individual

- Payments are made when the **ARC-IC Actual Revenue** is ***less than*** the **ARC-IC Guarantee (86% Benchmark)** for ALL covered commodities on ALL farms enrolled in ARC-IC in the state for the producer.
 - The payment rate is the difference in the ARC-IC Guarantee and the ARC-IC Actual Revenue, but can be ***no higher than*** 10% of the ARC-IC Benchmark Revenue for all covered commodities on the farm
 - Payments made on 65% of base acres of all covered commodities on the farm.
 - Payments are dependent upon the planting of covered commodities on the farm

Note: ARC-IC enrolled farms can use approved prevented planted acres when 100 percent of the intended planted acres of covered commodities are approved for prevented planting by FSA on the farm.

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Agriculture Risk Coverage – Individual

- **ARC individual benchmark revenue is the 5-year Olympic average revenue:**
 - MYA price times individual's yield for each year
 - Calculated for each planted covered commodity on the ARC-IC farm in the current year, weighed and summed across all covered commodities on the farm.
- **ARC individual guarantee equals 86% of the farm's "individual" weighted benchmark revenue.**

NOTE: 2018 Farm Bill ARC-IC *benchmark revenues are calculated using an average of the actual individual yields and MYA prices from the five preceding years that immediately precede the previous year. Example: 2019 Benchmark is calculated using the 2013 through 2017 individual yields and MYA prices.*

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Payment Schedule

- Payments for PLC, ARC-CO and ARC-IC, if triggered, will be issued after October 1 of the year following the program year.

Program Year	Payments Issued After
2019	October 1, 2020
2020	October 1, 2021
2021	October 1, 2022
2022	October 1, 2023
2023	October 1, 2024

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2018 Farm Bill

Decision Update

Type of Coverage

- **ARC-CO**
 - **Revenue coverage** based on national price and county yield
- **PLC**
 - **Price coverage** based only on national price and the reference price



Prices

	PLC	ARC-CO		2019 MYA Price Estimates		
	Reference Price	2019 5 Yr OA	2020 5 Yr OA	University of Illinois	Iowa State University	Kansas State University
Corn	\$3.70	3.70	3.70	3.85	\$3.72	\$3.77
Soybeans	\$8.40	9.63	9.25	8.75	\$8.59	\$8.66
Wheat	\$5.50	5.66	5.50	4.55		\$4.59



Kandiyohi 2019 Corn

- **ARC-CO yield 194 PLC yield 154**

		Yield				
		158	175	194	213	233
MYA	PLC	ARC				
Price	Payment	Payment				
\$4.20	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$4.10	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$4.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$3.90	\$0.00	\$2.11	\$0.00	\$0.00	\$0.00	\$0.00
\$3.80	\$0.00	\$15.54	\$0.00	\$0.00	\$0.00	\$0.00
\$3.70	\$0.00	\$28.97	\$0.00	\$0.00	\$0.00	\$0.00
\$3.60	\$13.09	\$42.40	\$0.00	\$0.00	\$0.00	\$0.00
\$3.50	\$26.18	\$55.83	\$5.25	\$0.00	\$0.00	\$0.00
\$3.40	\$39.27	\$61.15	\$20.13	\$0.00	\$0.00	\$0.00
\$3.30	\$52.36	\$61.15	\$35.00	\$0.00	\$0.00	\$0.00
\$3.20	\$65.45	\$61.15	\$49.88	\$0.00	\$0.00	\$0.00
\$3.10	\$78.54	\$61.15	\$61.15	\$14.69	\$0.00	\$0.00

Average yields

Projected
2019 MYA
3.80

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Kandiyohi 2019 Corn

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Lower yields

162 bu county
yield produces
an ARC pymt

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Estimated ARC-CO Payments

- **NASS released the county yields for corn & soybeans on Feb 19**
- **University of Illinois farmdoc estimated the ARC-CO yield and payments using NASS data**
- **They assumed a \$3.85 MYA price for corn and \$8.75 for soybeans**



Corn

County	Type	Estimated 2019 FSA Yield	Estimated 2019 ARC-CO Payment
Cottonwood	Non-irrigated	160.4	35.56
Hennepin	All	144.1	25.91
Jackson	All	158	27.48
Lincoln	All	147.5	10.37
Murray	All	152.6	50.67
Nobles	All	155.8	31.08
Pipestone	Irrigated	157.3	69.76
Rock	Non-irrigated	153.8	65.57



Kandiyohi 2019 Soybeans

- **ARC-CO yield 50 PLC yield 42**

		Yield				
		41	45	50	55	60
MYA	PLC	ARC				
Price	Payment	Payment				
\$9.20	\$0.00	\$33.61	\$2.33	\$0.00	\$0.00	\$0.00
\$9.10	\$0.00	\$37.09	\$6.15	\$0.00	\$0.00	\$0.00
\$9.00	\$0.00	\$40.58	\$9.98	\$0.00	\$0.00	\$0.00
\$8.90	\$0.00	\$41.19	\$13.80	\$0.00	\$0.00	\$0.00
\$8.80	\$0.00	\$41.19	\$17.63	\$0.00	\$0.00	\$0.00
\$8.70	\$0.00	\$41.19	\$21.45	\$0.00	\$0.00	\$0.00
\$8.60	\$0.00	\$41.19	\$25.28	\$0.00	\$0.00	\$0.00
\$8.50	\$0.00	\$41.19	\$29.10	\$0.00	\$0.00	\$0.00
\$8.40	\$0.00	\$41.19	\$32.93	\$0.00	\$0.00	\$0.00
\$8.30	\$3.57	\$41.19	\$36.75	\$1.48	\$0.00	\$0.00
\$8.20	\$7.14	\$41.19	\$40.58	\$5.73	\$0.00	\$0.00
\$8.10	\$10.71	\$41.19	\$41.19	\$9.98	\$0.00	\$0.00
\$8.00	\$14.28	\$41.19	\$41.19	\$14.23	\$0.00	\$0.00

Average yields

Projected
2019 MYA
9.00

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Kandiyohi 2019 Soybeans

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		41	45	50	55	60
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\$8.10	\$10.71	\$41.19	\$41.19	\$9.98	\$0.00	\$0.00
\$8.00	\$14.28	\$41.19	\$41.19	\$14.23	\$0.00	\$0.00

Lower yields

46 bu county
yield produces
an ARC pymt

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Soybeans

County	Type	Estimated 2019 FSA Yield	Estimated 2019 ARC- CO Payment
Becker	Non-irrigated	35.325	13.78
Big Stone	Non-irrigated	42.84	12.66
Blue Earth	Non-irrigated	52.68	23.45
Brown	Non-irrigated	48.32	27.16
Chippewa	All	48.38	12.28
Chisago	All	35.44	6.31
Clay	Irrigated	38.76	3.51
Cottonwood	Non-irrigated	48.28	45.13
Dodge	All	50.34	40.15
Faribault	All	55.96	4.97
Fillmore	All	51.64	7.75

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Soybeans

County	Type	Estimated 2019 FSA Yield	Estimated 2019 ARC- CO Payment
Freeborn	Non-irrigated	49.34	26.83
Goodhue	Non-irrigated	53.86	5.60
Grant	Non-irrigated	44.66	0.32
Hennepin	All	41.72	40.98
Isanti	All	30.38	23.04
Jackson	All	47.26	39.20
Kittson	All	28.26	27.72
Lincoln	All	42.775	36.02
Lyon	All	50.16	5.59
Martin	All	54.9	10.67
Mille Lacs	All	32.22	25.12

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Soybeans

County	Type	Estimated 2019 FSA Yield	Estimated 2019 ARC- CO Payment
Morrison	Non-irrigated	38.34	7.69
Mower	Non-irrigated	50.66	19.47
Murray	All	42.5	45.59
Nicollet	All	54.16	13.29
Nobles	All	46.48	46.04
Norman	All	35.88	8.18
Pine	All	31.63	30.26
Pipestone	All	46.57	45.35
Polk	Non-irrigated	34.64	2.55
Redwood	All	50.62	12.45
Renville	All	50.92	5.85

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Soybeans

County	Type	Estimated 2019 FSA Yield	Estimated 2019 ARC- CO Payment
Rock	All	49.14	48.92
Sibley	All	51.6	10.58
Stearns	Non-irrigated	43.68	3.10
Steele	All	47.08	46.08
Stevens	Non-irrigated	43.44	22.63
Swift	Non-irrigated	44.36	19.80
Traverse	All	39.9	27.55
Wadena	Non-irrigated	17.2	21.03
Waseca	All	53.84	10.25
Watsonwan	Non-irrigated	48.72	48.79
Yellow Medicine	All	46.24	42.35

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Norman 2019 Wheat

- **ARC-CO yield 72** **PLC yield 60**

		Yield				
		59	65	72	79	86
MYA	PLC	ARC				
Price	Payment	Payment				
\$5.90	\$0.00	\$3.59	\$0.00	\$0.00	\$0.00	\$0.00
\$5.80	\$0.00	\$8.60	\$0.00	\$0.00	\$0.00	\$0.00
\$5.70	\$0.00	\$13.62	\$0.00	\$0.00	\$0.00	\$0.00
\$5.60	\$0.00	\$18.63	\$0.00	\$0.00	\$0.00	\$0.00
\$5.50	\$0.00	\$23.65	\$0.00	\$0.00	\$0.00	\$0.00
\$5.40	\$5.10	\$28.66	\$1.12	\$0.00	\$0.00	\$0.00
\$5.30	\$10.20	\$33.68	\$6.65	\$0.00	\$0.00	\$0.00
\$5.20	\$15.30	\$34.82	\$12.17	\$0.00	\$0.00	\$0.00
\$5.10	\$20.40	\$34.82	\$17.70	\$0.00	\$0.00	\$0.00
\$5.00	\$25.50	\$34.82	\$23.22	\$0.00	\$0.00	\$0.00
\$4.90	\$30.60	\$34.82	\$28.75	\$0.00	\$0.00	\$0.00
\$4.80	\$35.70	\$34.82	\$34.27	\$5.71	\$0.00	\$0.00
\$4.70	\$40.80	\$34.82	\$34.82	\$11.83	\$0.00	\$0.00

Average yields

Projected
2019 MYA
4.70

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Norman 2019 Wheat

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\$4.80	\$35.70	\$34.82	\$34.27	\$5.71	\$0.00	\$0.00
\$4.70	\$40.80	\$34.82	\$34.82	\$11.83	\$0.00	\$0.00

Lower yields

64 bu county
yield produces
an ARC pymt
larger than PLC

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Payment Maximum

- **PLC**

- Max payment is reference price – loan rate
- Corn $3.70 - 2.20 = \$1.50/\text{bu}$
- Soybeans $8.40 - 6.20 = \$2.20/\text{bu}$
- Wheat $5.50 - 3.38 = \$2.12/\text{bu}$



Payment Maximum

- **ARC-CO**

- Max is 10% of benchmark revenue
- Typical maximum county benchmark revenues are \$50 - \$65 per acre in MN for corn



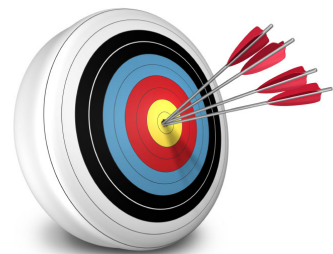
Payment Maximum

- **ARC-CO vs PLC**
 - Potential PLC maximum payment per acre is much higher than ARC-CO if very low prices
 - Only matters if prices are very low
 - \$125,000 payment limit



PLC or ARC

- **Resources at <http://farmbill.umn.edu>**
 - Farm Bill Calculator (Illinois)
 - Estimated ARC-CO Payments
 - County-specific Handouts
 - Watch 2018 ARC/PLC Presentations



Kandiyohi Non-Irrigated Corn

State	Minnesota
County	Kandiyohi
Crop	Corn
Practice	Non-irrigated
PLC Yield	154

Use Defaults

Help

Print



View 2014 Farm Bill
Payments

Calculation of PLC and ARC-CO Payments

Year	County Yield ¹	MYA Price ²	Payment ^{3,4}		ARC-CO Calculations			
					Benchmark		County Revenue ⁸	
			PLC	ARC-CO	Yield ⁵	Price ⁶		Guarantee ⁷
2018	195		\$ / base acre		Bu.	\$ / Bu	\$ per base acre	
2019	190	3.80	\$0	\$0	194.4	3.70	618.68	721.96
2020	192	3.80	\$0	\$0	202.9	3.70	645.69	730.63

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Nobles Corn

Input

State	Minnesota
County	Nobles
Crop	Corn
Practice	All
PLC Yield	158

Use Defaults

Help

Print

Menu



View 2014 Farm Bill
Payments

Calculation of PLC and ARC-CO Payments

			Payment ^{3,4}		ARC-CO Calculations			
Year	County Yield ¹	MYA Price ²			Benchmark		County 3	
			PLC	ARC-CO	Yield ⁵	Price ⁶		Guarantee ⁷
	Bu	\$/Bu			Bu	\$/Bu		
2018	173		\$/base acre				\$ per base acre	
2019	150	3.72	\$0	\$63	200.0	3.70	636.40 559.49	
2020	194	3.85	\$0	\$0	200.4	3.70	637.61 745.24	

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Sign Up for 2019/20

- **If you do not sign up**
 - **Receive no payment for 2019**
 - Remain in program selected for 2014 farm bill



Type of Coverage

- **ARC-Individual**
 - More complex
 - Only pays on 65% of base acres
 - ARC-CO and PLC pay on 85% of base acres



Type of Coverage

- **ARC-IC**
 - Whole farm program
 - All crops planted by each FSA farm number must be ARC-IC
 - Payment based on commodities planted



Type of Coverage

- **ARC-IC may be advantageous if:**
 - ALL of farm was approved prevent plant – ZERO production of covered commodities
 - If anything planted, payment based on planted acres
 - Low yield compared to farm average
 - 20% lower yield may generate a payment



Type of Coverage

- **ARC-IC is calculated by FSA Farm #**
- **If multiple farms elect ARC-IC a weighted average is calculated for all ARC-IC farms.**
- **If you have one farm 100% PP, you may want to look at electing ARC-IC on one or more farms along with the 100% PP farm.**



Case Farm

- **Farm number 1234 (Lyon Co. Minnesota)**
- **160 Base Acres**
- **Intention was to plant to corn in 2019**
- **100% prevent plant in 2019**



FSA FARM 1

FSA farm number	FSA 1234		Enter 100% of base acres and yield for the FSA farm, even if share is less than 100%.					
County of farm	Lyon							
Base acres in farm	160							
		Yield					Crop Benchmark	
		2013	2014	2015	2016	2017	2019	Revenue
Corn	Bushel		166		226			\$755
Soybeans	Bushel	49		58		54		\$547
(blanks indicate not planted, any entry indicates planted that year)								
2019								
2019 Prevent								
Planted Plant								
	Acre	Acres	Single Farm ARC-IC Payment					
Corn		160	Benchmark Revenue \$755 per base acre					
Soybeans			Guarantee \$649 per base acre					
			Farm Revenue \$0 per base acre					
			ARC-IC Payment \$49 per base acre					
			ARC-IC Payment \$7,852 per farm					
	0	160	ARC-IC is capped at max payment					

Case Farm (Part II)

- Farm number 5678 (Lyon Co. Minnesota)
- 160 Base Acres
- Planted to Soybeans in 2019
- Yield = 55 bu.

FSA FARM 2

FSA farm number	FSA 5678		Enter 100% of base acres and yield for the FSA farm, even if share is less than 100%.	
County of farm	Lyon			
Base acres in farm	160			

		Yield					Crop Benchmark Revenue	
		2013	2014	2015	2016	2017		2019
Corn	Bushel	168		210		200		\$755
Soybeans	Bushel		50		65		55	\$547

(blanks indicate not planted, any entry indicates planted that year)

2019		Prevent		Planted		Single Farm ARC-IC Payment	
Acre	Acres						
Corn						Benchmark Revenue	\$547 per base acre
Soybeans	160					Guarantee	\$470 per base acre
						Farm Revenue	\$481 per base acre
						ARC-IC Payment	\$0 per base acre
						ARC-IC Payment	\$0 per farm
	160		0				

Case Farm (Part III)

- If you elect ARC-IC on the 100% PP plus another farm that may have done well, you may get a blended calculation.
 - Less payment per acre, but over more acres.

Estimated 2019 Payments for All Farms Enrolled in ARC-IC

			Enroll in ARC-IC	Share of Production	Results When Each Farm Is Enrolled Singly			
					Base Acres	Benchmark Revenue	Farm Revenue	ARC-IC Payment
1	FSA 1234	***	yes	100%	160	\$755	\$0	\$49
2	FSA 5678		No	100%	160	\$547	\$481	\$0

*** Indicate that this farm would generate a maximum ARC-IC payment if enrolled singly.
Combining these farms with other farms could increase average base acre ARC-IC payments.

Estimated 2019 Payments for All Farms Enrolled in ARC-IC

Total Base Acres ¹	160	acres (weighted by share of production)
Benchmark Revenue ²	\$755	per base acre
Guarantee ³	\$649	per base acre
2019 Revenue ⁴	\$0	per base acre
2019 ARC-IC Payment ⁵	\$49	per base acre
2019 ARC-IC Payment ⁶	\$7,840	total all farms enrolled in ARC-IC

Estimated 2019 Payments for All Farms Enrolled in ARC-IC

			Enroll in ARC-IC	Share of Production	Results When Each Farm Is Enrolled Singly			
					Base Acres	Benchmark Revenue	Farm Revenue	ARC-IC Payment
1	FSA 1234	***	Yes	100%	160	\$755	\$0	\$49
2	FSA 5678		Yes	100%	160	\$547	\$481	\$0

*** Indicate that this farm would generate a maximum ARC-IC payment if enrolled singly.
Combining these farms with other farms could increase average base acre ARC-IC payments.

Estimated 2019 Payments for All Farms Enrolled in ARC-IC

Total Base Acres ¹	320	acres (weighted by share of production)
Benchmark Revenue ²	\$651	per base acre
Guarantee ³	\$560	per base acre
2019 Revenue ⁴	\$241	per base acre
2019 ARC-IC Payment ⁵	\$42	per base acre
2019 ARC-IC Payment ⁶	\$13,440	total all farms enrolled in ARC-IC

ARC-IC Summary

- **Electing ARC-IC for both farms in this case increased the total payment**
- **FSA Farm #1234 payment is limited**
 - Payment for farm #1234 is limited by the 10% cap. The payment from farm #1234 can be captured by spreading the payment over the additional base acres of farm #5678.



ARC-IC Summary

- **Strategy**
 - Enroll 100% Prevent Plant farms in ARC-IC
 - Prioritize ALL farms using FarmDoc ARC-IC tool
 - Start blending farms with the highest ARC-IC payments (go highest to lowest).
 - See what combinations result in the highest 2019 payment



Questions?

Resources at <http://farmbill.umn.edu>



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