ARC-CO/PLC Decision Aid
Texas A&M University

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Agricultural and Applied Economics

February 19, 2021
Agent Training: USDA Programs Update for Your Clientele
Today’s Topic

ARC and PLC Programs

Texas A&M ARC and PLC Decision Aid

Deadline for ARC/PLC election and enrollment: **March 15, 2021**
Producer Election of ARC and PLC

The 2018 Farm Bill

Initial election is for 2019-2020 crop years.

Beginning in the 2021 crop year, the farmer can change the ARC/PLC election each year until 2023.
Timeline for ARC and PLC Election and Enrollment

Although the election between ARC and PLC are optional beginning in 2021, *enrollment* of the program is required in order to be eligible for the payments.

The deadline for re-election and enrollment between ARC and PLC is **March 15, 2021**.
The timeline illustrates the key dates for the 2021/2022 Marketing Year for cotton and peanuts:

- **March 15, 2021**: ARC/PLC election and enrollment for 2021
- **2021/2022 Marketing Year Begin**: Operator makes planting decision
- **2022**: Marketing year for cotton and peanuts begins during growing season on August 1
- **2021/2022 Marketing Year Data Released**: MYA Price and County Yield Data Released following close of the Marketing Year
- **2021/2022 Payment**: ARC/PLC Payment is made after October 1 of Year 2

ARC and PLC Programs

1. **ARC - Agriculture Risk Coverage**
   - ARC – CO (ARC – County)
   - ARC – IC (ARC – Individual)

2. **PLC – Price Loss Coverage**
ARC – CO Program

**BENCHMARK** County Revenue = 5-Yr Olympic Average Yield Per Planted Acre \( \times \) 5-Yr Olympic Average Market Price

**ARC Guarantee** = 86\% \times \text{Benchmark County Revenue}

**ACTUAL** County Revenue = Actual County Yield Per Planted Acre \( \times \) Higher of Avg Market Price or Loan Rate

**ARC Payment** = ARC Guarantee - Actual County Revenue
*Or 10\% of Benchmark Revenue, whichever is less

ARC payments are made on 85\% of base acres.

If the Average Market Price for any given year is lower than the Effective Reference Price, the Effective Reference Price will be used to calculate the 5-Year Olympic Average Market Price.
PLC Payment Calculation

PLC Payment Rate = Effective Reference Price - Higher of MYA\(^1\) Price or Loan Rate

Total PLC Payment = PLC Payment Rate \times PLC Payment Yield \times 85\% \text{ of Base Acres}^{2}

\(^1\)MYA – Marketing Year Average
\(^2\)Base Acres for a specific covered commodity
## 2021 Effective Reference Prices

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Reference Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>$5.50 Bushel</td>
</tr>
<tr>
<td>Corn</td>
<td>$3.70 Bushel</td>
</tr>
<tr>
<td>Grain Sorghum</td>
<td>$3.95 Bushel</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$8.40 Bushel</td>
</tr>
<tr>
<td>Peanuts</td>
<td>$535 Ton</td>
</tr>
<tr>
<td>Seed Cotton</td>
<td>$0.367 Pound</td>
</tr>
</tbody>
</table>
Implications for STAX

Beginning with the 2019 crop year, those who participate in PLC/ARC for the Seed Cotton Base Acres will be ineligible for STAX.

- **Scenario**: plant 160 acres of cotton on a farm with 80 acres of soybean base and 80 acres of peanut base.

- **One Option**: producer can purchase STAX on 160 acres of cotton and enroll all 160 acres of soybean/peanut base in ARC/PLC.
ARC or PLC, Which one is Better?

• Deciding between the ARC and PLC is a farm by farm decision.

• Depends on:
  – Your farm’s PLC payment yield
  – Your county’s historical yield (past five years)
  – Historical marketing year average prices (past five years)
  – Current year’s county yield
  – Current year’s marketing year average price
ARC-CO/PLC Decision Aid

https://www.afpc.tamu.edu/

Our mission
To provide unbiased and objective economic analysis of the impacts for policy alternatives on stakeholders.

Current Projects
ARC-CO / PLC Decision Aid
(Updated for 2021!)

Recent Publications
- Working Paper: Representative Farms Economic Outlook for the Preliminary 2021 FAPRI/AFPC Baseline
- Briefing Paper: Representative Farms Economic Outlook for the Preliminary 2021 FAPRI/AFPC Baseline
- Working Paper: Representative Farms Economic Outlook for the August 2020 FAPRI/AFPC Baseline

Agricultural Policy Specialist Dr. Joe Outlaw and colleagues from the Agricultural and Food Policy Center provide brief weekly updates on current agricultural policy issues. See the recent podcasts available now.
ARC-CO/PLC Decision Aid

https://www.afpc.tamu.edu/tools/farm/farmbill/2018/
2018 Farm Bill Decision Aid

Disclaimer

This is an educational tool to help you understand how your choices under the 2018 Farm Bill may affect your FSA payments. The calculations are based on our understanding of the new programs as described by the USDA regulations.

By using this tool, you 1) agree that the results are for educational purposes only; 2) agree that the results are not a guarantee of your future FSA program parameters or payments, and 3) acknowledge that this tool is provided with absolutely no warranty, without even the implied warranty of fitness for a particular purpose.

☑️ I accept
2018 Farm Bill Decision Aid

To retrieve your saved farms, you must first

Login

To create an account, just enter an email address and password.

Email Address

Password

Login
To get started, let's create a farm unit.

+ New Farm
2018 Farm Bill Decision Aid

Edit Farm Unit

FSA Farm Number
1234

State
Georgia

County
Jenkins

Crop
Seed Cotton

Save
2018 Farm Bill Decision Aid

Farm Unit

FSN 1234
State Georgia
County Jenkins
Crop Seed Cotton

Edit this farm unit

Create another farm unit, starting with this farm's information.

Delete this farm unit and all its data.

Decision Aids

Expected Payments Tool

This decision aid characterizes probabilities of different levels of expected FSA payments for 2021.
2018 Farm Bill Decision Aid

Edit Farm Unit

FSA Farm Number
1234

State
Georgia

County
Jenkins

Crop
Peanuts

Save
<table>
<thead>
<tr>
<th>FSN</th>
<th>State</th>
<th>County</th>
<th>Crop</th>
</tr>
</thead>
<tbody>
<tr>
<td>1234</td>
<td>Georgia</td>
<td>Jenkins</td>
<td>Seed Cotton</td>
</tr>
<tr>
<td>1234</td>
<td>Georgia</td>
<td>Jenkins</td>
<td>Peanuts</td>
</tr>
<tr>
<td>1234</td>
<td>Georgia</td>
<td>Jenkins</td>
<td>Corn</td>
</tr>
</tbody>
</table>
2018 Farm Bill Decision Aid

Farm Unit

- **FSN**: 1234
- **State**: Georgia
- **County**: Jenkins
- **Crop**: Seed Cotton

Edit this farm unit

Create another farm unit, starting with this farm's information.

Delete this farm unit and all its data.

Decision Aids

- **Expected Payments Tool**

This decision aid characterizes probabilities of different levels of expected FSA payments for 2021.
# Expected Payments

This decision aid characterizes probabilities of different levels of expected FSA payments. These characterizations are based on 500 possible future realizations of market prices and county yields. The expected payments are an average across these many possibilities. Values displayed in the results will not match the payments you might calculate using single specific price and yield realizations. To see the likelihoods of different levels of payments, click on an individual expected payment in the results table.

**FSN** 1234  
**State** Georgia  
**County** Jenkins  
**Crop** Seed Cotton

⚠️ **WARNING:** Historical Yields for 2013-2017 and 2014 Farm Bill PLC Payment Yield units must be in lbs of **SEED COTTON** per acre. If using crop insurance records or other sources reflecting historical lint yields, you must convert these historical lint yields to historical seed cotton yields by multiplying the lint yield (lbs/Acre) by 2.4 to get your seed cotton yield (lbs/Acre). If you are obtaining your 2014 PLC Payment Yield from FSA forms, this figure should already reflect a seed cotton yield.

<table>
<thead>
<tr>
<th>Base Acres</th>
<th>25</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>PLC Payment Yield</th>
<th>Historical lint Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>lbs/AC</td>
</tr>
<tr>
<td>2500</td>
<td>50</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Your Seed Cotton Expectations</th>
<th>Projected Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$/lb</td>
</tr>
<tr>
<td>0.8457</td>
<td>0.8534</td>
</tr>
</tbody>
</table>

**Advanced Settings** (Not recommended for most users)

If you have experienced exceptional circumstances in your county or would like to customize your analysis, check here to enable additional settings.

<table>
<thead>
<tr>
<th>Crop</th>
<th>Program</th>
<th>2021</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seed Cotton</td>
<td>PLC</td>
<td>$1,990</td>
<td>$1,990</td>
</tr>
<tr>
<td>Irrigated Seed Cotton</td>
<td>ARC</td>
<td>$383</td>
<td>$383</td>
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<tr>
<td>Non-Irrigated Seed Cotton</td>
<td></td>
<td>$229</td>
<td>$229</td>
</tr>
</tbody>
</table>

[Survey]
Using the Decision Aid

If you need help for any reason with the Decision Aid call:

Texas A&M University Agricultural and Food Policy Center

979-845-5913
Do You have any Questions?

Feel free to contact me:

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