

The 2018 Farm Bill PLC and ARC Decision: Implications for Georgia Producers

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Agricultural producers with base acres need to decide between Price Loss Coverage (PLC) and Agriculture Risk Coverage (ARC). This publication provides guidance on that decision process with implications for Georgia producers. Additional publications, AGECON-19-12PR and AGECON-19-13PR, focusing on eligibility, payments, and implications of the ARC and PLC programs are available at <https://agecon.uga.edu/extension/policy.html>.

ARC and PLC Election and Enrollment

Under the 2014 Farm Bill, producers were able to make a one-time election between ARC and PLC for each Title I covered commodity for which the farm has base acres. One of the fundamental changes in the 2018 Farm Bill is a new election between ARC and PLC for 2019 and 2020 and then annual elections starting in 2021.

1. The first decision facing producers is the program choice between ARC and PLC for the 2019 and 2020 crop years. All producers of the farm must make a unanimous election.
2. After such election, producers must also enroll in the elected program for 2019 and 2020.
3. Producers will have a yearly option of re-electing between ARC and PLC and enrolling in the elected program for each of the crop years from 2021 to 2023.

Table 1. Timeline for ARC and PLC election and enrollment.

	Begin	End
ARC/PLC Election for 2019 and 2020	September 3, 2019	March 15, 2020
ARC/PLC Enrollment for 2019	September 3, 2019	March 15, 2020
ARC/PLC Enrollment for 2020	October 7, 2019	June 30, 2020
ARC/PLC Election and Enrollment for 2021	October 2020	March 15, 2021
ARC/PLC Election and Enrollment for 2022	October 2021	March 15, 2022
ARC/PLC Election and Enrollment for 2023	October 2022	March 15, 2023

In the event that producers of a farm do not make a unanimous election for 2019, then the farm will default to the ARC/PLC election of the crops on the farm established under the 2014 Farm

Bill. If the election defaults, producers will not be eligible for payments for the 2019 marketing year. Under the default election, payments will begin for the 2020 marketing year.

FSA does not mandate producers to make a re-election in the crop year 2021 or each subsequent crop year. The re-election option is to be exercised solely at the discretion of the producers on the farm and is not a mandatory decision. Annual enrollment of the ARC/PLC program, however, is required.

The ARC/PLC election option in the 2018 Farm Bill provides producers with greater flexibility in choosing the risk management strategy that best meets the short-term goals of the farm. To this point, producers will know their 2019 production and yields prior to the deadline for the 2019 enrollment. This provides an opportunity for producers to make a decision based on increased information for 2019 and expectations for 2020.

Choosing Between ARC and PLC

To decide between ARC and PLC, it is recommended that producers use a decision aid that projects future payments. One such tool has been developed by the Texas A&M Agricultural and Food Policy Center and is available at <https://www.afpc.tamu.edu/tools/farm/farmbill/2018/>. In using the decision aid, producers need the following information:

- Farm location (county and state)
- Crop
- Number of base acres
- 2014 PLC Payment Yield
- Historical Irrigated Percentage (2019 HIP is on 2019 form FSA-156EZ)
- If also interested in a PLC Yield Update, then historical planted or prevented planted acres and yields from 2013-2017 for irrigated and non-irrigated lands.

With this information, the decision aid will calculate the expected payments for 2019 and 2020 for both ARC and PLC using 500 possible future realizations of market prices and county yields. With the information obtained from the decision aid, the producer is then in a better position to make their election between ARC and PLC for each covered commodity of which they have base acres.

STAX and the ARC and PLC Enrollment Decision for Seed Cotton

A provision in the 2018 Farm Bill stipulates that **producers who enroll seed cotton base acres in ARC or PLC for any given year become ineligible for Stacked Income Protection Plan (STAX) coverage for upland cotton for that year.** Enrolling a farm in seed cotton ARC/PLC makes all upland cotton acreage on that farm ineligible for STAX coverage. As long as the farm does not have seed cotton base acres enrolled in an annual ARC/PLC contract, the farm's upland cotton remains eligible for STAX. Enrolling commodities other than seed cotton in ARC/PLC will not make

the farm’s upland cotton ineligible for STAX coverage. The ARC/PLC and STAX decision for seed cotton does not impact the enrollment of ARC or PLC for other commodities on the farm.

For crop year 2018, a total of 491,289 cotton acres in Georgia were enrolled in STAX, which represents 55 percent of the total 2018 seed cotton base acres. It is very important that producers consider the expected benefits of the ARC/PLC program for seed cotton versus the costs and potential benefits of purchasing STAX coverage.

Implications for Georgia Producers

Producers in Georgia are faced with a choice between choosing ARC or PLC for each of the Title I covered commodities for which their farm has base acres. Alternatively, the default option can be chosen, which would be the ARC and PLC election from the 2014 Farm Bill, although in this case no payment would be made for the 2019 crop year. Table 1 shows the percent of base acres that were allocated to each program (ARC-County, ARC-Individual, and PLC) for the covered commodities in Georgia. Unassigned base, totaling 4.3% of Georgia base acres, is also shown; however, unassigned base acres are not eligible for any payments.

Table 1. ARC and PLC Base Acre Election in Georgia for 2018-19 Marketing Year

Crop	ARC-County	ARC-Individual	PLC	Unassigned
Barley	46.7%	0%	53.3%	-
Canola	51.0%	0%	49.0%	-
Corn	74.1%	0%	25.9%	-
Oats	70.8%	0.003%	29.2%	-
Peanuts	0.04%	0%	99.96%	-
Peas	100.0%	0%	0%	-
Seed Cotton	26.7%	0%	73.3%	-
Sesame	0%	0%	100.0%	-
Sorghum	56.7%	0.1%	43.2%	-
Soybeans	82.9%	0.02%	17.1%	-
Sunflowers	66.3%	0%	33.7%	-
Unassigned Generic Base	-	-	-	100.0%
Wheat	56.9%	0.1%	43.0%	-
Total	33.2%	0.01%	62.4%	4.3%

Source: Author's Calculation from data provided by USDA Farm Service Agency

One-third of the base acres were allocated to the ARC-County program. Depending on the crop, this ranged from 0% for sesame acres to as much as 100% for peas. In the case of peanuts and seed cotton, the two crops with the largest total number of base acres in Georgia, the election for ARC-County was 0.04% for peanuts and 26.7% for seed cotton.

ARC-Individual coverage was selected by very few producers in Georgia. In fact, only 0.01% of all base acres in Georgia elected ARC-Individual coverage. When ARC-Individual coverage is selected,

all of the base acres available on the farm are covered under the ARC-Individual program. Only farms with oats, sorghum, soybeans, and wheat base acres selected ARC-Individual coverage, and no cotton or peanut base acres in Georgia were covered by the ARC-Individual program during the 2018-19 marketing year.

PLC was elected for the majority of the base acres in Georgia at 62.4%. For peanuts, almost all base acres were allocated to PLC while seed cotton allocated just under three-quarters of the base acres to this program. In the case of some of the other crops with significant base acres in Georgia, corn was allocated mostly to ARC-County with only 25.9% electing PLC. Soybean acres were even more heavily allocated toward ARC-County with 17.1% electing PLC. Wheat acres were split somewhat more evenly between the ARC-County and PLC program with a 56.9% and 43% election, respectively.

The implication of the 2018-19 marketing year ARC/PLC election depends on whether the previous decision, and thus the default option, is relevant moving forward. It's important to highlight that the default option of not making an election for 2019 means that no payments will be made for the 2019 crop year. This would be a significant loss to producers with base acres and must be avoided at all costs. Therefore, the more reasonable consideration would be to consider how to best choose between ARC and PLC moving forward and to make the specific election.

References

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