FARM BILL FACTS & POLICY DETAILS

MAKING ECONOMIC DECISIONS

ARC and PLC Program Sign-Up

The Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) programs authorized in the 2018 Farm Bill are now open for enrollment through March 15, 2020 Producers have to make a decision between the programs for the 2019 and 2020 crop years, but will then face a new decision every year starting in 2021.

The programs are largely consistent with how they were implemented in the 2014 Farm Bill, but a few program changes and a definite change in ag outlook could substantially change the decision ahead for producers.

ARC Changes

The changes to the county-level ARC program (ARC-CO) include a shift to using crop insurance data reported to the USDA Risk Management Agency as the primary source for yield calculations. Another change will expand the availability of ARC-CO coverage by irrigated and nonirrigated practices to more counties. And, perhaps the biggest change will be adjusting the ARC-CO yield guarantee for trend yields to produce a yield benchmark more closely related to potential yield than historical yield. ARC-IC continues to be available as well and may become more relevant given the shorter time commitment for each enrollment decision.

PLC Changes

The PLC program changes include a formula that could eventually increase the effective reference price and a payment yield update. The reference price formula will calculate a higher reference price if the Olympic average price for a commodity multiplied by 85% exceeds the established reference price. While that may take some time to happen, producers will have an opportunity now to update their payment yields for the PLC program (regardless of whether they enroll in the ARC or PLC program). The updated yield would equal 90% of the 2013-2017 average yield per planted acre multiplied by a factor equal to the 2008-2012 national average yield per planted acre divided by the 2013-2017 national average yield per planted acre, subject to the factor being between 90% and 100%. Given a factor for each crop shown in Table 1, the updated payment yield would equal 90% of the farm's 2013-2017 average yield per planted acre multiplied by the factor in the table.

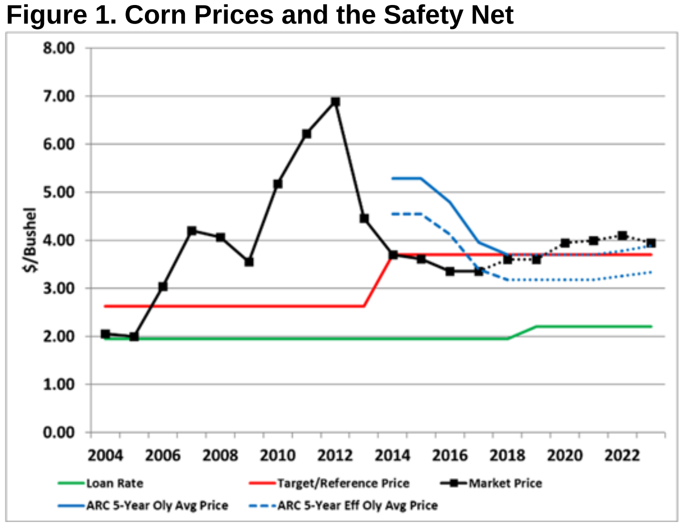
Table 1. National Average Yield Factor for Payment Yield Update for Selected Crops (Preliminary Data)

Commodity	2008-12 Yield	2013-17 Yield	Adjusted Factor
Barley	68	70	0.9714
Corn	145	167	0.9000
Grain Sorghum	56	67	0.9000
Oats	60	62	0.9677
Soybeans	41	48	0.9000
Sunflower	1,401	1,494	0.9378
Wheat	42	43	0.9767

ARC/PLC Decisions

When producers faced a one-time decision in 2014, prices levels for many commodities favored the revenue-based support in the ARC program tied to moving average prices and yields over the fixed reference price support levels in PLC. Figure 1 shows the price signals for corn as an example, with the ARC benchmark price (5-year Olympic average) and the ARC effective price based on 86% of the benchmark (the price level where the revenue guarantee triggers assuming benchmark yields) compared to the fixed PLC reference price.

Figure 1. Corn Prices and the Safety Net



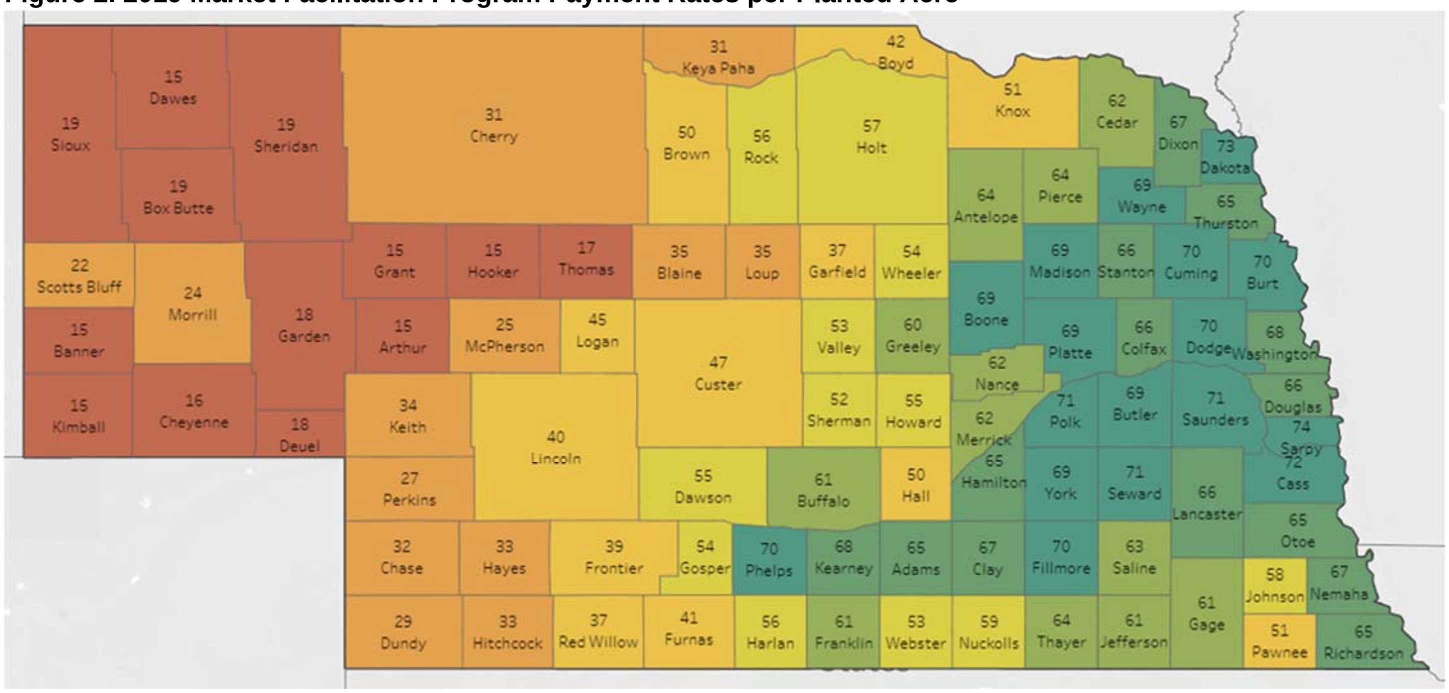
Producers now face a new decision under different market circumstances. Lower prices since 2014 have brought down the moving average price and ultimately the effective price in the ARC program relative to the fixed support of PLC. Projections of lower to only modestly improving prices over time (based on USDA long-run baseline projections as of March 2019) could limit potential support looking forward for ARC relative to PLC for most commodities (not just corn as illustrated). Given the uncertainty, producers should carefully consider the ARC v. PLC decision, utilize online decision tools at https://www.afpc.tamu.edu/ or https://fd-tools.ncsa.illinois.edu/ to analyze program choices, and attend planned farm bill education programs delivered by UNL Extension and the USDA Farm Service Agency.

Market Facilitation Program

Amid continuing trade conflicts, USDA announced a second round of ag trade assistance in 2019, including payments to producers, commodity purchases for food distribution programs, and additional funding for trade promotion. The producer payments come through the Market Facilitation Program (MFP). In 2018, the crop payments were calculated on a per bushel basis and paid on actual production. In 2019, the losses were calculated by crop and then weighted based on production by crop across counties to determine a flat county payment rate per planted acre. With substantial prevented planting in 2019, a nominal $15 payment was also announced for prevented planting acres. Additional payments are available for hogs, milk, and some specialty crops.

Producers are currently able to apply for and receive initial payments equal to 50% of the announced payment rate or $15 per acre, whichever is more. A second and third installment of payments could come later if trade losses and lower price conditions continue.

Figure 2. 2019 Market Facilitation Program Payment Rates per Planted Acre



Agricultural Disaster Assistance

With the extreme weather events and agricultural disaster losses of the past year, the availability of assistance through a number of standing disaster assistance programs has been important, including:

- Livestock Indemnity Program (LIP) for death losses due to weather events
- Emergency Livestock Assistance Program (ELAP) for disaster losses including some feed losses
- Emergency Conservation Program (ECP) for disaster recovery and farmland rehabilitation

In addition to these and other existing programs, new agricultural disaster assistance will provide coverage for losses on the 2018 and 2019 crops due to disaster conditions. The assistance will cover a portion of crop losses based on a sliding scale from 70% to 90% depending on the level of crop insurance the producer purchased. The assistance will also provide some support for prevented planting losses and losses of stored grain due to disaster events. The details should be forthcoming from USDA soon and will provide some support to producers in the coming months.

For more information from UNL Extension, visit http://farmbill.unl.edu or your local Extension office.