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## 2014 Farm Bill Commodity Programs ARC

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## Agricultural Risk Coverage (ARC)

- Provides revenue protection (price or yield losses)
- Option to choose individual farm (ARC-IC) or county level (ARC-CO) coverage
- ARC-IC covers farm revenue shortfalls across all covered commodities planted on the **farm** level across all farms enrolled in ARC-IC in the state
- ARC-CO protects against revenue shortfalls at the **county** level



## Agricultural Risk Coverage (ARC)

- Similar to ACRE in 2008 farm bill
  - Key differences:
    - County level trigger (ACRE had a STATE/farm trigger)
    - Payment limited to 10% of the benchmark revenue (ACRE payment limited to 25% of benchmark)
      - Huge difference for OK wheat (\$45-\$60 ACRE payment compared to \$16-\$20 ARC payment)



## ARC in more detail

- Payments if per-acre revenues fall below 86% of benchmark
  
- Benchmark:
  - County: 5-yr. Olympic avg. national price \* 5-yr. Olympic avg. county yield
  - Farm: 5-yr Olympic average of the weighted per-acre revenues
  - Prices used to compute averages are higher of farm price or reference price
  
- Maximum payment: **10%** of benchmark (covers 76-86%)



## How much Coverage Does ARC Provide

- ARC-CO paid on 85% of base acres
  - Good option if your yields are similar to the county average.
  - Does not matter if you plant a covered commodity.
- ARC-IC paid on 65% of base acres
  - Are your individual yields significantly higher than the county average?
  - Will you always be planting a covered commodity?



# Alfalfa County ARC-CO Yields for 2014

Crop Name	Unit	Yield Type	Crop Year 2009	Crop Year 2010	Crop Year 2011	Crop Year 2012	Crop Year 2013	5 yr Olympic Average	2014 ARC-CO Price	2014 ARC-CO Benchmark Revenue	Maximum ARC-CO Payment
Canola	Pounds	All	1,326.0	1,432.0	909.0	955.0	909.0	1063.33	\$0.22	\$234	\$23
Corn	Bushels	All	52.0	93.0	37.0	80.0	37.0	56.33	\$5.29	\$298	\$30
Grain Sorgh	Bushels	All	62.0	70.0	25.0	32.0	87.0	54.67	\$5.10	\$279	\$28
Soybeans	Bushels	All	32.0	25.0	11.0	11.0	23.0	19.67	\$12.27	\$241	\$24
Wheat	Bushels	All	28.0	35.0	31.0	41.0	33.0	33.00	\$6.60	\$218	\$22

### 2014 Benchmark Revenue

Canola:  $\$0.22 * 1063 = \$234$   
 Corn:  $\$5.29 * 56 = \$298$   
 Sorghum:  $\$5.10 * 55 = \$279$   
 Soybeans:  $\$12.27 * 20 = \$241$   
 Wheat:  $\$6.60 * 33 = \$218$

### Maximum ARC-CO Payment

10% \* \$234 = \$23  
 10% \* \$298 = \$30  
 10% \* \$279 = \$28  
 10% \* \$241 = \$24  
 10% \* \$218 = \$22



Wheat ARC Payments vs. PLC Payments Under Different Yields and Prices for 2014/15 Marketing Year

		ARC-CO			PLC					
5 Yr. Olympic Avg. County Yield		33			CC Yield			35		
5 Yr. Oly. Avg. MYA Price		\$6.60			Ref. Price			\$5.50		
Benchmark Revenue		\$218								
		Yield								
		19	22	24	27	30	33	36	40	
MYA Price	PLC Payment	ARC-CO Payment								
\$7.92	\$0.00	\$21.78	\$15.83	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$7.26	\$0.00	\$21.78	\$21.78	\$12.65	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$6.60	\$0.00	\$21.78	\$21.78	\$21.78	\$10.89	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$6.44	\$0.00	\$21.78	\$21.78	\$21.78	\$15.30	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$6.27	\$0.00	\$21.78	\$21.78	\$21.78	\$19.60	\$0.97	\$0.00	\$0.00	\$0.00	\$0.00
\$6.12	\$0.00	\$21.78	\$21.78	\$21.78	\$21.78	\$5.63	\$0.00	\$0.00	\$0.00	\$0.00
<b>\$5.68</b>	\$0.00	\$21.78	\$21.78	\$21.78	\$21.78	\$18.73	\$0.00	\$0.00	\$0.00	\$0.00
\$5.42	\$2.80	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$8.45	\$0.00	\$0.00	\$0.00
\$5.18	\$11.20	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$16.37	\$0.00	\$0.00
<b>\$4.97</b>	\$18.55	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$6.90	\$0.00
\$4.72	\$27.30	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$15.97	\$0.40
\$4.51	\$34.65	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$8.71
\$4.31	\$41.65	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$16.63
\$4.11	\$48.65	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78
\$3.93	\$54.95	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78	\$21.78

Source: Art Barnaby, KSU



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## Considerations for producers enrolled in ARC

- Base acres can receive an ARC payment even if they are not planted to the enrolled commodity
- ARC is a shallow loss safety-net program that may pay more often than PLC, but cannot cover major losses due to large decreases in price





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## References

- **Price Loss Coverage/ Agriculture Risk Coverage**
  - ([http://www.fsa.usda.gov/programs-and-services/arcplc\\_program/index](http://www.fsa.usda.gov/programs-and-services/arcplc_program/index))
  
- **Oklahoma State University Farm Bill Web Page**
  - (<http://agecon.okstate.edu/agpolicy/farmbill.asp>)
  
- **Kansas State University Farm Bill Web Page**
  - (<https://www.agmanager.info/ag-policy/farm-bill>)

