

The Last Chance: Final ARC/PLC Information before the March 16 Deadline

Presented by Gary Schnitkey, Jonathan Coppess, and Nick Paulson

February 27, 2020

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Gardner Agriculture Policy Program

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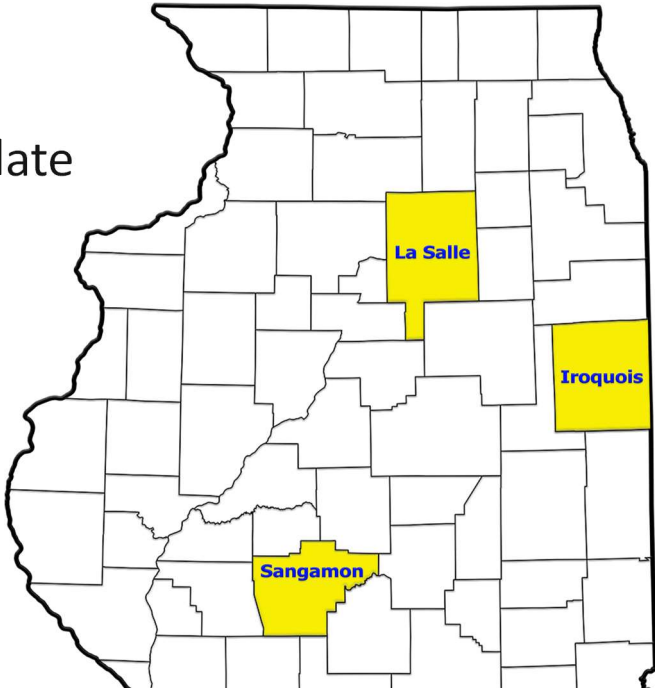
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Gary Schnitkey **Jonathan Coppess** **Nick Paulson**

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Topics

- Price and Yield Update
- Examples from
 - Sangamon County
 - LaSalle County
 - Iroquois County



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Housekeeping

- Handout is available via GoToWebinar control panel
- Webinar will be archived and available on farmdoc
- Submit questions during the webinar and we will answer them at the end of the webinar



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Deadlines

	Decision
March 15, 2020	1. Make the choice between ARC and PLC for 2019 & 2020 year 2. Enroll for 2019 program year
June 30, 2020	Enrolling for 2020 program year
September 30, 2020	Deadline for updating farm PLC yields for 2020 and future program years (Can do this now)
March 15, 2021	Enroll and change ARC/PLC for 2021 year
March 15, 2022	Enroll and change ARC/PLC for 2022 year
March 15, 2023	Enroll and change ARC/PLC for 2023 year

Spend most of our time today on ARC/PLC choice due March 15

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New Price Information for 2019 MYA Price

February WASDE report had projections

Corn	Soybeans	Wheat
\$3.85 per bushel	\$8.75 per bushel	\$4.55 per bushel
Above the effective reference price of \$3.70	<ul style="list-style-type: none">Down from \$9.00 per bushel in JanuaryMakes ARC-CO more likely to pay (\$9.63 benchmark price for ARC-CO)	<ul style="list-style-type: none">No change for JanuaryWell below \$5.50 effective reference price

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PLC

PLC makes payments of

$$.85 \times \left(\text{effective reference price} - \text{higher of MYA price or loan rate} \right) \times \text{PLC yield}$$

(National loan rate: Corn: \$2.20, SB: \$6.20, Wheat: \$3.38)

MYA (market year average) price

- This is a national, cash price
- Sept to August for corn and soybeans
- June to May for wheat

Reference Prices	
Corn	\$3.70
Soybeans	\$8.40
Wheat	\$5.50

Eligible for Supplemental Coverage Option (SCO) insurance

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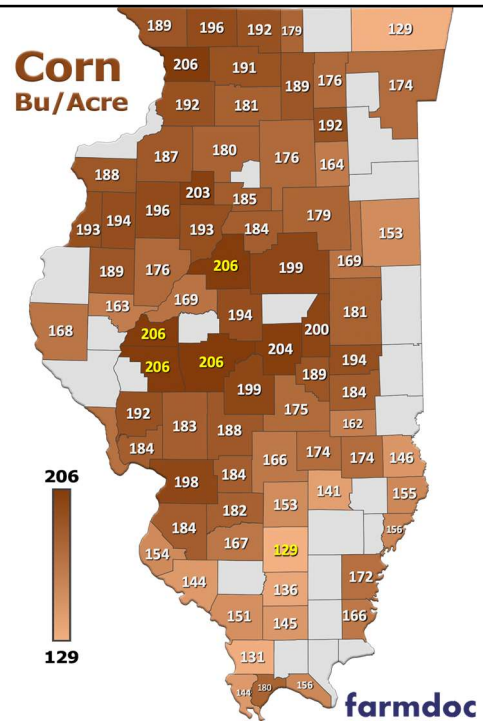
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Yield Information - Corn

- NASS released county yields on February 20th
- FSA will use RMA data, not NASS yields
- Adjusted yields used to project 2019 ARC-CO payments
- Still uncertainty about projections

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ARC-CO Payments

ARC payments occur when county revenue is below
.86 x benchmark revenue (benchmark yield x benchmark price)

**Not eligible for Supplemental Coverage Option (SCO)
insurance**

Both ARC-CO and PLC make payments on base acres in crop
which will not change.

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Not many County With Projected Payment for Corn in Illinois

- Few counties with projected payments
- Still uncertainty, particularly for irrigated series and areas with failed acres

Projected Payments per base acre

County	All or Non-irrigated	Irrigated
Grundy	\$34	
Iroquois	\$13	\$21
Lake	\$5	
Mason		\$8
Union	\$9	
Wabash		\$15

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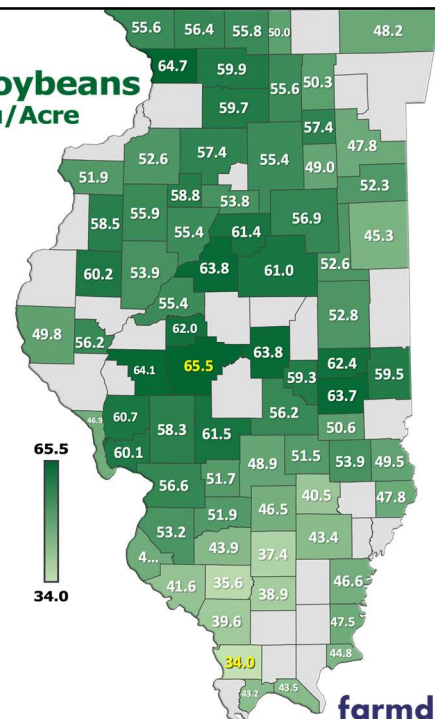
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Yield Information - Soybeans

- NASS released county yields on February 20th (see Figure)
- FSA will use RMA data, not NASS yields
- Adjusted yields used to project 2019 ARC-CO payments
- Still uncertainty about projections

Soybeans
Bu/Acre



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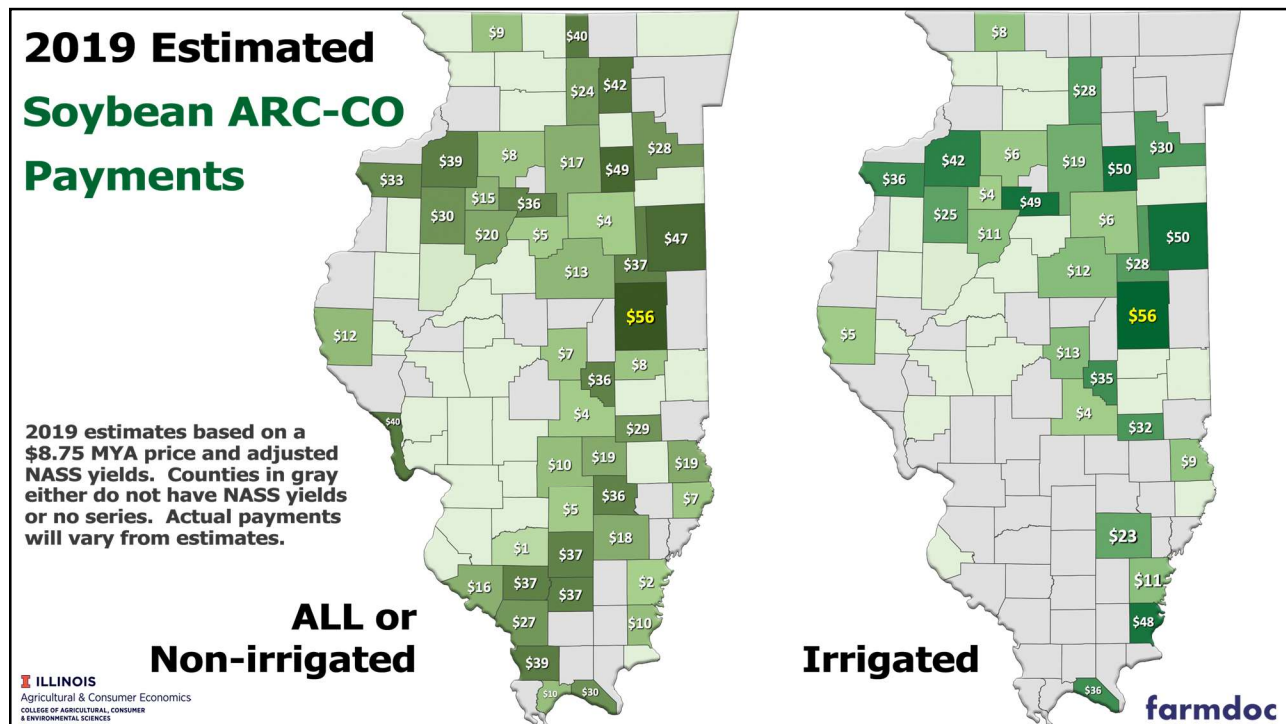
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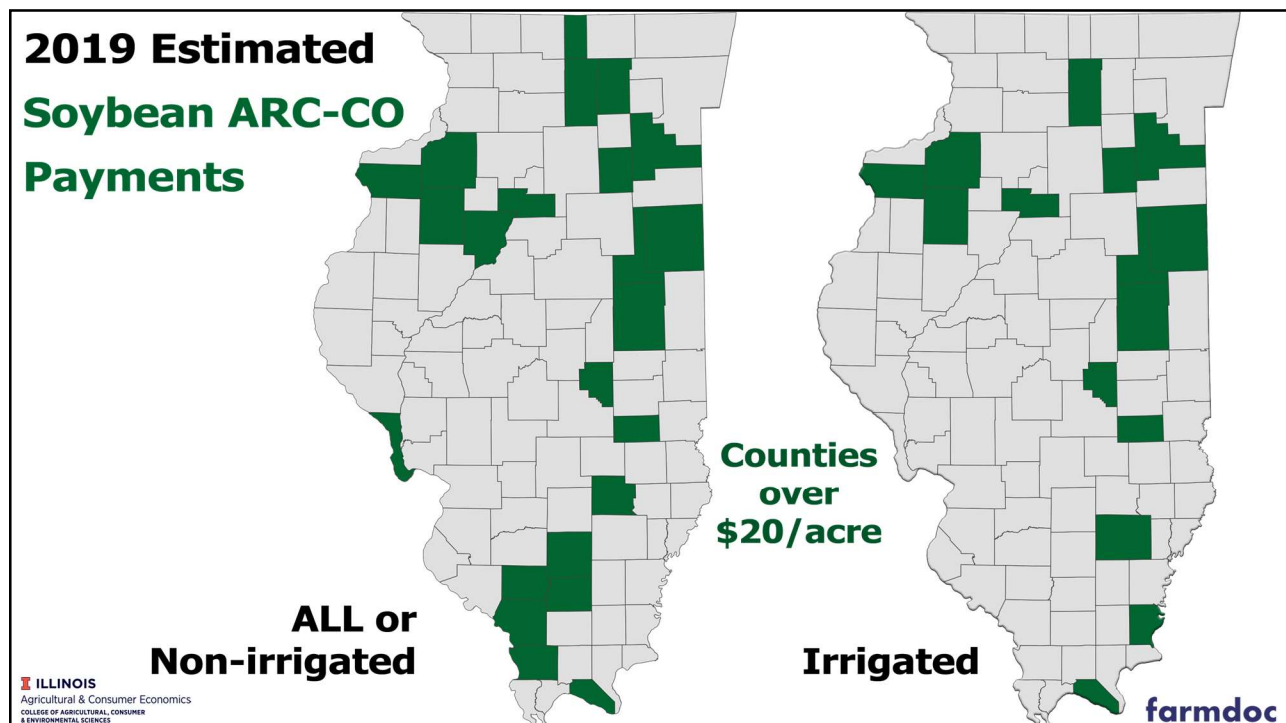
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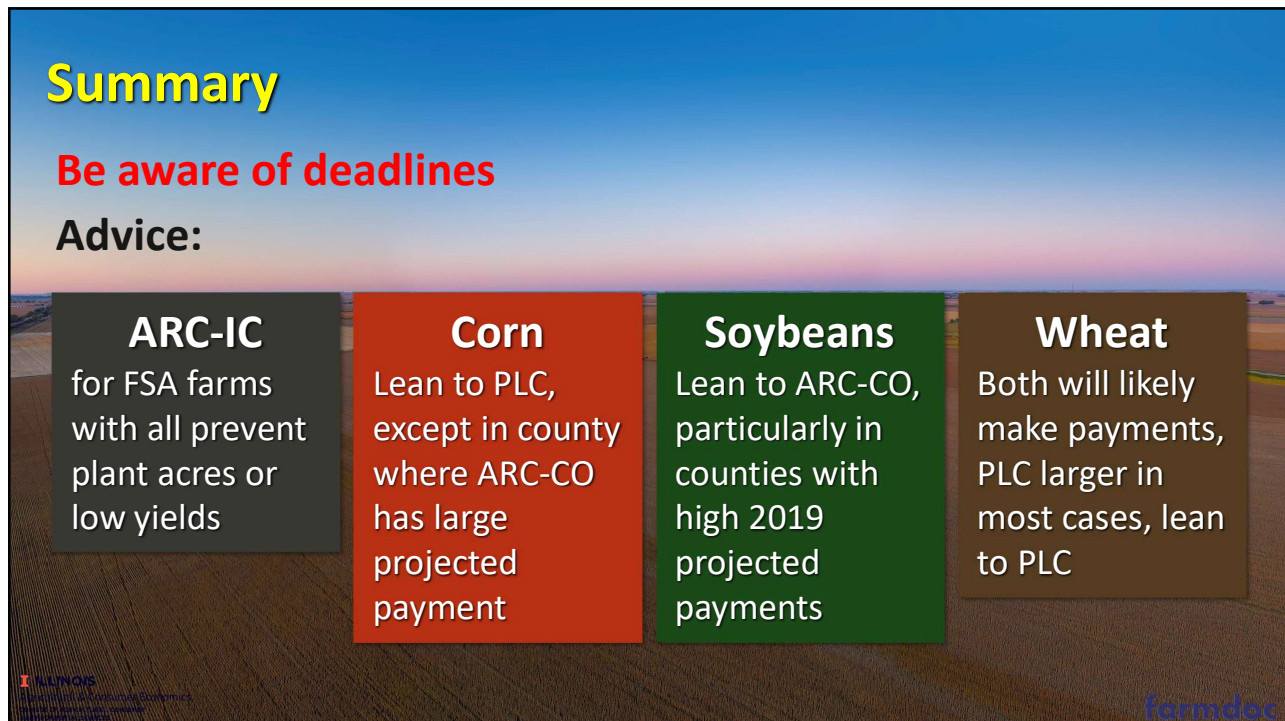
Soybeans

- **Very** sensitive to yields
One-bushel change in yield can change payment by **\$7.40 per base acre**
- Lowering 2019 price will increase payments

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Summary

Be aware of deadlines

Advice:

ARC-IC	Corn	Soybeans	Wheat
for FSA farms with all prevent plant acres or low yields	Lean to PLC, except in county where ARC-CO has large projected payment	Lean to ARC-CO, particularly in counties with high 2019 projected payments	Both will likely make payments, PLC larger in most cases, lean to PLC

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ARC/PLC Choice

- On a FSA farm basis, allows a choice between:
 - Price Loss Coverage (PLC)
 - Agricultural Risk Coverage – County Level (ARC-CO)
 - ARC – Individual Coverage (ARC-IC) ← All FSA farm, whole farm guarantee
- Can vary decisions by FSA farm
- Choice will initially be made for 2019 and 2020 **(March 15, 2020)**
- Make a yearly choice after that: 2021, 2022, 2023
- Base acres will not change, PLC and ARC-CO will pay on base acres

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Process

- Collect information from Farm Service Agency (FSA) farms
 - Current Price Loss Coverage (PLC) yields – from FSA for 2019 PLC calculations
 - 2013 to 2017 yields – for PLC yield updating (2020 and beyond) and 2019 ARC-IC calculations
 - 2019 yields and acres – for 2019 ARC-IC calculations
- Run ARC-IC tools in 2019 Farm Bill What-IF tool
See if ARC-IC will make payments in 2019
 - ARC-IC Tool (single farm): more detail on calculations
 - ARC-IC Tool (multi-farm): evaluate combination of farms for ARC-IC
- Run Gardner ARC/PLC Calculator
to evaluate probabilities of ARC-CO
and PLC payments for 2019



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2018 Farm Bill Toolbox

Found at <http://farmdoc.illinois.edu/2018-farm-bill>

2018 Farm Bill Online and Spreadsheet Tools

Gardner Program Payment Calculator (ARC/PLC)

The Gardner Payment Calculator provides estimates of expected payments and likelihood of payments for ARC-CO and PLC. Payment estimates are provided for the program years from 2019 to 2023. Users can select the state, county, and crop combination that they wish to consider.

If you are having trouble registering please [view the FAQ](#) or watch the video below.

Go to Payment Calculator

State

Illinois

County

Champaign

Crop

Corn

Reference Price

\$ 3.7

Forecast

105 bushels/acre

ARC/PLC Program Inputs

ARC Coverage Level

84 %

ARC Coverage Range

10 %

Payment Acres

85 %

RUN MODEL

2018 Farm Bill What If Tool

This program calculates Agricultural Risk Coverage for County Coverage (ARC-CO), Price Loss Coverage (PLC) payments, and ARC at the Individual Level (ARC-IC). County yields and market year average (MYA) prices are brought in for a user-specified state-county-crop combination. Users then can change 2018 through 2020 county yields and prices to see ARC-CO and PLC payments under those yields and prices.

As an alternative to the executable tool you can [download the spreadsheet here](#).

Download FAST Tool

For Mac Users

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ARC/PLC CALCULATOR

Last Updated: Feb 25, 2020

The Gardner ARC/PLC Calculator shows the likelihood of ARC-CO and PLC making payments in each year from 2019 to 2023. Expected payment levels also are given for user-selected counties and crops.

Year	ARC-CO Payments	PLC Payments	Expected Payment (\$)	Likelihood of Payment (%)	MYA Price (\$)	Expected Yield (bushels/acre)
2019	\$13.98	\$0.85	\$14.83	42%	\$3.85	114.3
2020	\$17.64	\$23.25	\$40.89	51%	\$3.71	116.0
2021	\$14.97	\$27.96	\$42.93	46%	\$3.65	117.6
2022	\$11.63	\$11.63	\$23.26	35%	\$3.62	119.3

INSURANCE PREMIUMS

Last Updated: Jan 22, 2020


The Insurance Premiums tool shows per acre insurance premiums that farmers will pay for Federally-subsidized crop Insurance products. These per acre premiums are given for customized entries made by users that reflect individual farm cases.

Coverage Level	Revenue Protection				Revenue Protection With Harvest Price Exclusion				Yield Protection			
	Electron	Basic	Individual	MYA Revenue Exclusion	Electron	Basic	Individual	Revenue Exclusion	Electron	Basic	Individual	Yield Guarantee (bushels)
60%	1.44	2.44	3.79	330	1.40	2.44	3.79	330	1.25	2.06	3.16	82
65%	2.03	3.66	5.43	360	2.03	3.66	5.43	360	1.70	3.06	4.76	91
70%	2.61	4.85	7.61	396	2.61	4.85	7.61	396	2.23	4.01	5.90	99
75%	3.40	7.25	10.36	429	3.40	7.25	10.36	429	2.88	5.11	8.57	107
80%	4.75	10.04	13.89	462	4.75	10.04	13.89	462	3.82	7.03	11.12	116
85%	7.12	14.34	19.18	495	7.12	14.34	19.18	495	5.55	10.67	16.30	124
90%	12.63	22.04	30.81	528	12.63	22.04	30.81	528	9.19	16.62	25.87	132
95%	20.84	35.72	47.67	561	20.84	35.72	47.67	561	16.38	28.93	45.62	140

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ARC-IC

- Is a FSA farm by farm choice
- ARC-IC farm equals the sum of a producer's share in all FSA farms enrolled in ARC-IC in a state
- Combines all program crops
- Based on farm yields
- Pays on 65% of base acres rather than 85%
- Will pay maximum payment (10% of benchmark) if all acres on FSA farm are prevent plant
- ARC-IC calculator for one farm in 2018 Farm Bill Tool

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2019 ARC-IC Payment Calculator

(Calculates ARC-IC Payments for a single FSA farm for 2019)

Input

State	Illinois
County	Sangamon
No of Crops	2

Number	Crop
1	Corn
2	Soybeans



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Corn Benchmark Calculation

Yield Calculation						Price Calculation		
Year	Planted	Farm Yield	80% of T-Yield	County Yield	Used Yield ¹	MYA Price	Effective Price	Used Price ²
		Bushel/acre				\$ per Bu		
2013	Yes	226.0	148.8	217.1	226.0	4.46	3.70	4.46
2014	No		148.8	253.2	253.2	3.70	3.70	3.70
2015	Yes	237.0	148.8	194.4	237.0	3.61	3.70	3.70
2016	No		148.8	231.5	231.5	3.36	3.70	3.70
2017	Yes	250.0	151.2	231.0	250.0	3.36	3.70	3.70

Benchmark Revenue Calculation				Effective Reference Price Calculation	MYA	
Year	Used Yield ¹	Used Price ²	Revenue		Year	Price
2013	226.0	4.46	1007.96		2013	4.46
2014	253.2	3.70	936.77		2014	3.70
2015	237.0	3.70	876.90		2015	3.61
2016	231.5	3.70	856.37	2016	3.36	
2017	250.0	3.70	925.00	2017	3.36	
			\$ per acre	85% of Olympic Average		3.02
				Statutory Reference Price		3.70
				Effective Reference Price ³		3.70
Benchmark Revenue ⁴			912.89			

¹ If the crop is planted, the higher of farm yield or 80% of T-yield. If not planted, the county yield is used. **In the near future, T-yields will be updated.**

² The higher of the MYA price or effective reference price.

³ Higher of 85% of Olympic average or statutory reference price, capped at 1.15 time reference price

⁴ Olympic average of five previous revenues.

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Soybeans Benchmark Calculation

Yield Calculation						Price Calculation		
		Farm	80% of	County	Used	MYA	Effective	Used
Year	Planted	Yield	T-Yield	Yield	Yield ¹	Price	Price	Price ²
		Bushel/acre				\$ per Bu		
2013	No		41.6	61.8	61.8	13.00	8.40	13.00
2014	yes	78.0	41.6	70.4	78.0	10.10	8.40	10.10
2015	No		41.6	65.1	65.1	8.95	8.40	8.95
2016	yes	72.0	41.6	68.9	72.0	9.47	8.40	9.47
2017	No		41.6	69.9	69.9	9.33	8.40	9.33
Benchmark Revenue Calculation				Effective Reference Price Calculation		MYA		
	Used	Used	Year			Price		
Year	Yield ¹	Price ²	Revenue					
2013	61.8	13.00	803.14					
2014	78.0	10.10	787.80					
2015	65.1	8.95	582.82					
2016	72.0	9.47	681.84					
2017	69.9	9.33	651.79					
			\$ per acre	85% of Olympic Average		8.19		
				Statutory Reference Price		8.40		
				Effective Reference Price ³		8.40		
Benchmark Revenue ⁴			707.14					

¹ If the crop is planted, the higher of farm yield or 80% of T-yield. If not planted, the county yield is used. **In the near future, T-yields will be updated.**

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2019 ARC-IC Payment (Payment Assumes One FSA Farm Enrolled in ARC)

Crop	2019 Acres		2019		Loan Rate	Revenue ¹	Benchmark Revenue
	Planted	Prevent Plant	Farm Yield	MYA Price			
	acres	acres					
Corn	50		215	3.85	2.20	827.75	912.89
Soybeans	50		65	8.75	6.20	568.75	707.14
Total	100	0					
Benchmark Revenue ²				810.02 (\$ per base acre)			
Guarantee ³				696.62 (\$ per base acre)			
Farm Revenue ⁴				698.25 (\$ per base acre)			
ARC-IC Payment ⁵				0.00 (\$ per base acre)			

No payment, move on to next analysis

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205 corn yield
55 soybean yield as a \$40 ARC-IC payment

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Gardner ARC/PLC Tool Updating with county yields fd-tools.ncsa.illinois.edu

	Sangamon Yields in bu/acre				ARC-CO payment
	2019 Farm Actual	PLC	2019 NASS County	FSA*	
Corn	215.0	190	206.0	212.6	No
Soybeans	65.0	50	65.5	67.1	Very low probability

State

Illinois

County

Sangamon

Crop

Corn

Reference Price

\$ 3.7

Forecast Model

Forecast

PLC Payment Yield *

190 bushels/acre

ARC Trend Yield *

1.95 bushels/acre

ARC/PLC Program Inputs

ARC Coverage Level 86 %

ARC Coverage Range 10 %

Payment Acres 85 %

RUN MODEL

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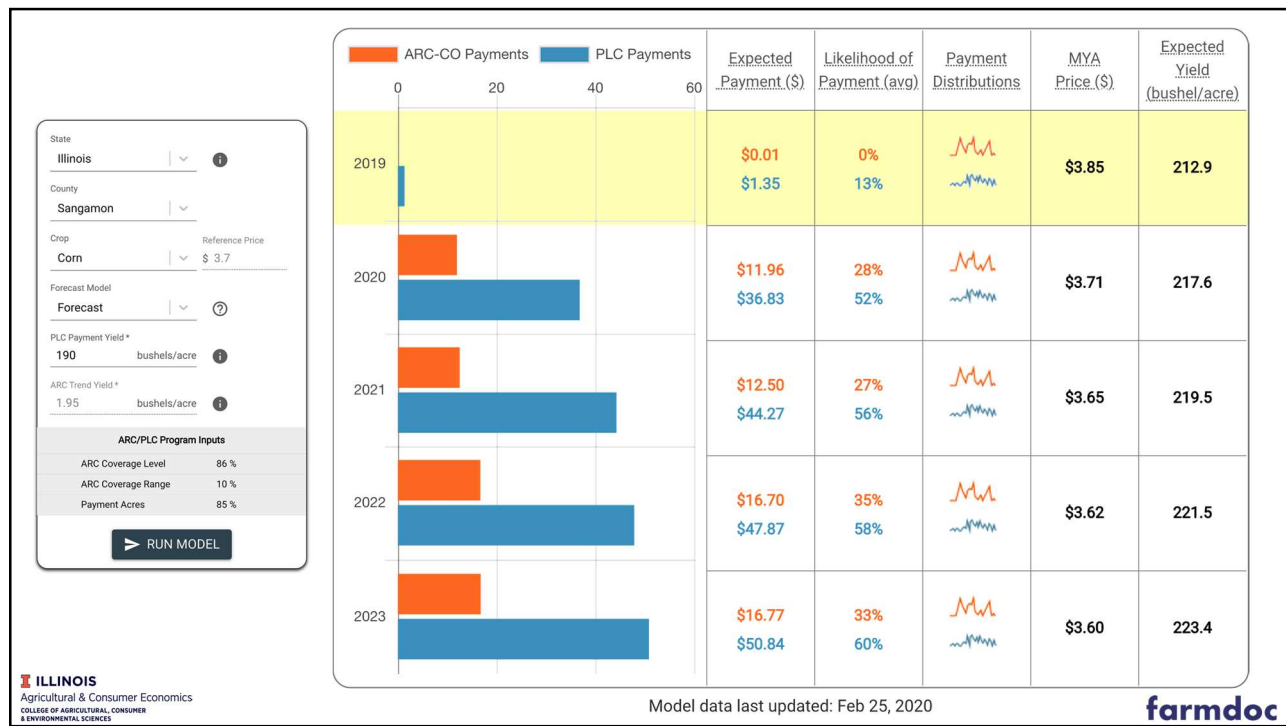
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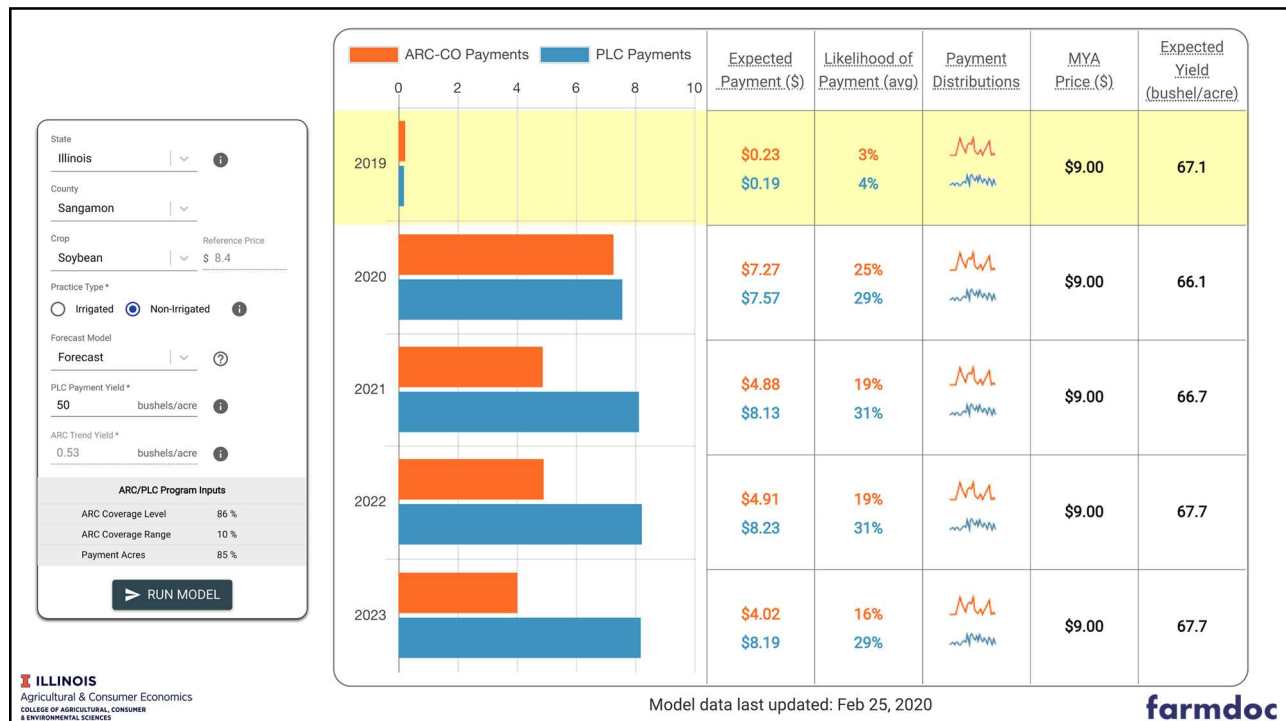
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LaSalle County

LaSalle Yields in bu/acre					
	2019 Farm Actual	PLC	2019 NASS County	FSA*	ARC-CO payment
Corn	PP 220 220	180	176.0	190.5	No
Soybeans	PP 65 65	60	55.4	57.5	\$19

Field 1: 100 acres
Field 2: 300 acres
Field 3: 300 acres

*Adjusted up due to 2013-2017 comparison



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2019 ARC-IC Payment Calculator

(Calculates ARC-IC Payments for Multiple FSA Farms for 2019)

State:

No of farms:

No of crops:

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Crop		Higher of MYA or Effective Reference Price					2019 MYA Price
		2013	2014	2015	2016	2017	
Corn	Price/Bu	4.46	3.70	3.70	3.70	3.70	4 4.00
Soybeans	Price/Bu	13.00	10.10	8.95	9.47	9.33	9.00

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FSA FARM 1

FSA farm number: Enter 100% of base acres and yield for the FSA farm, even if share is less than 100%.

County of farm:

Base acres in farm:

		Yield						Crop Benchmark Revenue
		2013	2014	2015	2016	2017	2019	
Corn	Bushel	226		192		247	0	\$860
Soybeans	Bushel		65		65		0	\$617

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

2019
Prevent
Planted Plant
Acre Acres

Corn	100
Soybeans	
0	100

Single Farm ARC-IC Payment

Benchmark Revenue	\$860	per base acre
Guarantee	\$740	per base acre
Farm Revenue	\$0	per base acre
ARC-IC Payment	\$56	per base acre
ARC-IC Payment	\$5,590	per farm

ARC-IC is capped at max payment

* See ARC-IC calculator (one farm) for notes on calculation methods

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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: Prevent Plant	***	yes 100%	100	\$860	\$0	\$56
2: F-2: Good Yields, No Pay		No 100%	300	\$705	\$733	\$0
3: F-3: Same as Farm 2		No 100%	300	\$705	\$733	\$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	100	acres (weighted by share of production)
Benchmark Revenue ²	\$860	per base acre
Guarantee ³	\$740	per base acre
2019 Revenue ⁴	\$0	per base acre
2019 ARC-IC Payment ⁵	\$56	per base acre
2019 ARC-IC Payment ⁶	\$5,600	total all farms enrolled in ARC-IC

FSA FARM 1

FSA farm number: Enter 100% of base acres and yield for the FSA farm, even if share is less than 100%.

County of farm:

Base acres in farm:

		Yield						Crop Benchmark Revenue
		2013	2014	2015	2016	2017	2019	
Corn	Bushel	226		192		247	0	\$860
Soybeans	Bushel		65		65		0	\$617

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

2019
Prevent
Planted Plant
Acre Acres

Corn	100
Soybeans	
0	100

Single Farm ARC-IC Payment

Benchmark Revenue	\$860	per base acre
Guarantee	\$740	per base acre
Farm Revenue	\$0	per base acre
ARC-IC Payment	\$56	per base acre
ARC-IC Payment	\$5,590	per farm

ARC-IC is capped at max payment

FSA FARM 2

FSA farm number: Enter 100% of base acres and yield for the FSA farm, even if share is less than 100%.

County of farm:

Base acres in farm:

		Yield						Crop Benchmark Revenue
		2013	2014	2015	2016	2017	2019	
Corn	Bushel	226		192		147	220	\$792
Soybeans	Bushel		65		65		65	\$617

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

2019
Prevent
Planted Plant
Acre Acres

Corn	150
Soybeans	150
300	0

Single Farm ARC-IC Payment

Benchmark Revenue	\$705	per base acre
Guarantee	\$606	per base acre
Farm Revenue	\$733	per base acre
ARC-IC Payment	\$0	per base acre
ARC-IC Payment	\$0	per farm

FSA FARM 3

FSA farm number: Enter 100% of base acres and yield for the FSA farm, even if share is less than 100%.

County of farm:

Base acres in farm:

		Yield						Crop Benchmark Revenue
		2013	2014	2015	2016	2017	2019	
Corn	Bushel	226		192		147	220	\$792
Soybeans	Bushel		65		65		65	\$617

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

2019
Prevent
Planted Plant
Acre Acres

Corn	150
Soybeans	150
300	0

Single Farm ARC-IC Payment

Benchmark Revenue	\$705	per base acre
Guarantee	\$606	per base acre
Farm Revenue	\$733	per base acre
ARC-IC Payment	\$0	per base acre
ARC-IC Payment	\$0	per farm

* See ARC-IC calculator (one farm) for notes on calculation methods.

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Estimated 2019 Payments for All Farms Enrolled in ARC-IC

Farm 1: Prevent Plant	Yes	Yes	Yes	
Farm 2: Good Yields, No Pay	No	Yes	Yes	
Farm 2a: No Payment	No	No	yes	
Total Base Acres ¹	100	400	700	acres (weighted by share of production)
Benchmark Revenue ²	\$860	\$743	\$727	per base acre
Guarantee ³	\$740	\$639	\$625	
2019 Revenue ⁴	\$0	\$549	\$628	
2019 ARC-IC Payment ⁵	\$56	\$48	\$0	
2019 ARC-IC Payment ⁶	\$5,600	\$19,200	\$0	total all farms enrolled in ARC-IC

Results When Each Farm Is Enrolled Singly			
Base Acres	Benchmark Revenue	Farm Revenue	ARC-IC Payment
100	\$813	\$0	\$53
300	\$708	\$708	\$0
300	\$708	\$708	\$0

Results When Each Farm Is Enrolled Singly			
Base Acres	Benchmark Revenue	Farm Revenue	ARC-IC Payment
100	\$813	\$0	\$53
300	\$708	\$708	\$0
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Combining farms

- **Be careful**
- Adding a non-paying farm with a max ARC-IC paying farm can **increase** payments
- But, adding too many non-paying farms can **eliminate** payments
- USE ARC-IC Tool (2018 Farm Bill What-If tool) with date **after 2/21/20** to evaluate

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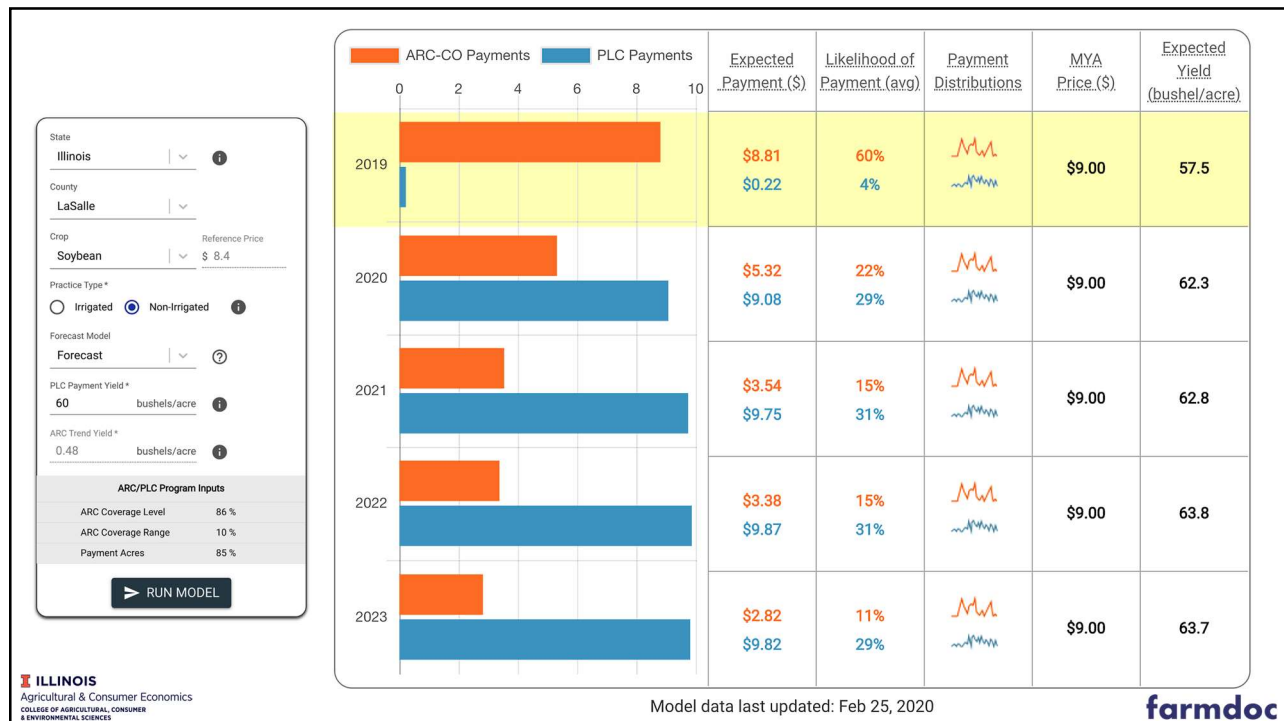
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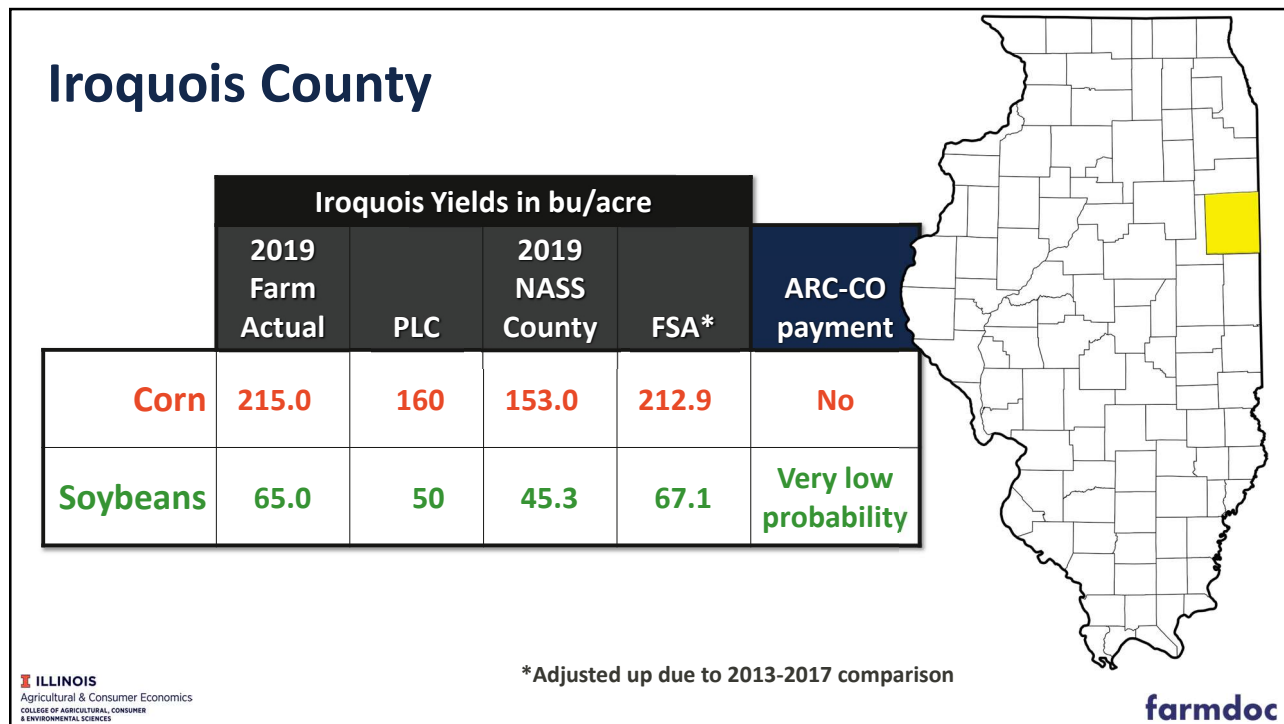
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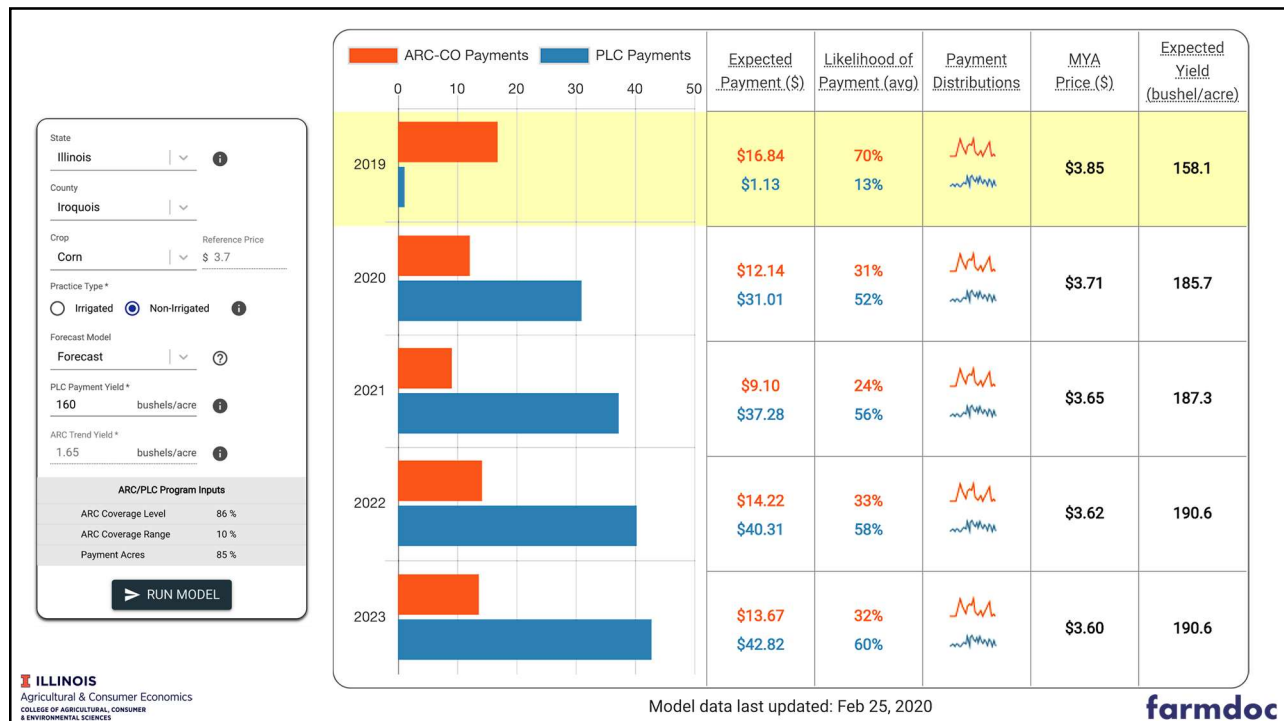
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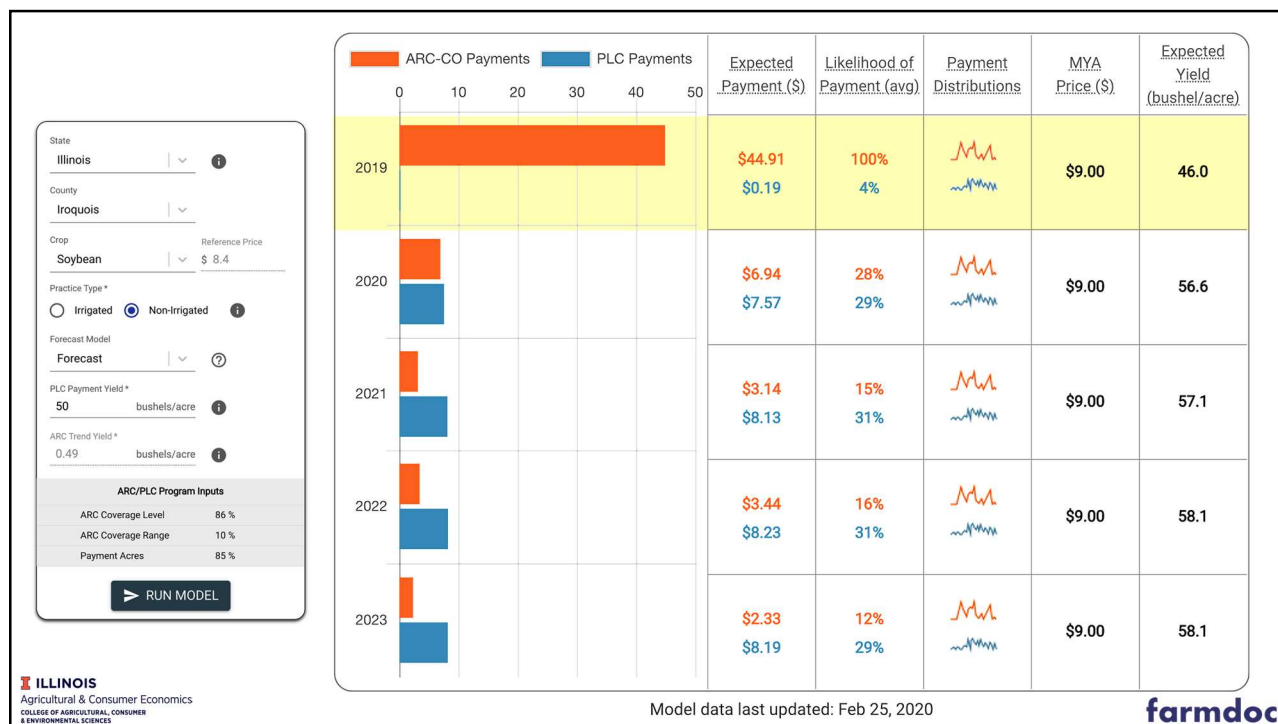
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Check out our resources on YouTube

[YouTube.com/farmdocVideo](https://www.youtube.com/farmdocVideo)

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12 videos • 203 views • Last updated on Feb 16, 2020

What is ARC-IC?

Who Should Use ARC-IC?

What Yields Should I Enter for 2019 in ARC-IC?

ARC-IC Benchmark Revenue Calculations

Selecting Farms to Enroll in ARC IC

ARC-IC Multi FSA Farm Tool

Using ARC-IC Calculator - Three Scenarios

Yields Below Which ARC-CO Will Make Payments

2020-01-17: Wheat's Chance of ARC-CO and PLC Payments

2020-01-17: Soybean's Chance of ARC-CO and PLC Payments

2020-01-17: Corn's Chance of ARC-CO and PLC Payments

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2018 Farm Bill Resources

- **FSA Website**

https://www.fsa.usda.gov/programs-and-services/arcplc_program/

- **Farm Bill Toolbox (Including 2018 Farm Bill What if Tool)**

<https://farmdoc.illinois.edu/2018-farm-bill>

- **Gardner ARC/PLC tool**

<https://fd-tools.ncsa.illinois.edu/>

- **FarmdocDaily**

- ☐ PLC Description, farmdocDaily, September 24, 2019
- ☐ ARC-CO Description, farmdocDaily, September 17, 2019
- ☐ Choosing Between ARC-CO and PLC, farmdocDaily, October 1, 2019
- ☐ ARC-IC, farmdocDaily, October 29, 2019

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Thank You for joining us! Please submit your questions

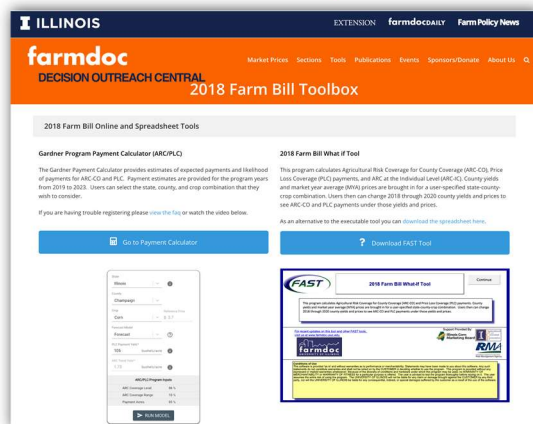
farmdoc.Illinois.edu/2018-farm-bill



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