



# 2014 Farm Bill—Farm Program Decisions

Gary Schnitkey, Jonathan Coppess & Nick  
Paulson  
University of Illinois





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# Farm Bill Toolbox

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Start with the Farm Bill Toolbox

**Making the ARC-PLC Decision**  
Tool Release Date: September 25, 2014  
This tool aids in yield updating, acre reallocation and the ARC-PLC decision.  
[Start ARC-PLC Decision Steps](#)

**Making the MPP Decision**  
Tool Release Date: August 28, 2014  
This program includes Margin Protection Program (MPP) for Dairy Producers.  
[Start MPP Decision Steps](#)

- Seven steps to help with the decisions required by the 2014 Farm Bill
- One-stop resource available: <http://farmbilltoolbox.farmdoc.illinois.edu>
- Or search: “Farm Bill Toolbox”

## Farm Bill Toolbox

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## ARC-PLC Decision Steps

The following 7 steps are designed to help guide you through the decisions required for each FSA farm.

<b>Start</b> Overview	<b>1</b> Collect Information	<b>2</b> Keep or Update Yields	<b>3</b> Retain or Reallocate Base Acres	<b>4</b> Compare ARC-CO and PLC	<b>5</b> Consider ARC-IC	<b>6</b> Consider SCO	<b>7</b> Signup
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**1. Retain or update payment yields (Feb. 27, 2015)**

**2. Retain or reallocate base acres (Feb. 27, 2015)**

**3. Programs: ARC-CO; PLC; ARC-IC (Mar. 31, 2015)**

**Each decision made by FSA farm; one-time and irrevocable**

## ARC-PLC Decision Steps

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## Collect Information.—

- ✓ **FSA Letter from August: existing payment yields and base acres for each FSA farm**
- ✓ **FSA letter also provides record of acres planted on the FSA farm for 2008 to 2013 crop years**
- ✓ **Also need crop yield history for 2008 to 2012; crop insurance records will be accepted**

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## Keep or Update Yields.—

- Keep current payment (CC) yields as listed on FSA letter
- Update to 90% of the average yields from 2008 to 2012 crop years
- Payment yields only used for PLC; independent of program choice; decision for **landowners only**

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## Retain or Reallocate Base Acres.—

- Keep current base acre distribution as listed on FSA letter
- Reallocate base to ratio of planted acres for program crops in 2009 to 2012 crop years; FSA letter determines
- All programs pay on base acres; decision covers all program crops; decision for **landowners only**

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## Compare ARC-CO and PLC.—

- Decision for all **producers** on the farm (not landowners in a cash lease); a crop-by-crop decision; 85% of base
- ARC-CO: **revenue**-based assistance using county average yields and national average prices
- PLC: **fixed-price**, deficiency payment program when national average price is below statutory reference price





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## OPERATIONAL COMPARISON

ARC-CO	PLC
5-year Olympic <b>moving</b> average marketing year average (MYA) price (reference price plug)	Reference price <b>fixed</b> in statute; does not change
5-year Olympic moving average of county yields (70% of T-yield plug)	Payment yield used to calculate payments; does not change (after update)—no yield coverage provided
Coverage is from 86% down to 76% of county revenue (i.e. a 10% maximum)	Coverage is for prices below the reference price and down to the loan rate



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## OPERATIONAL COMPARISON: PRICES USED

ARC-CO			PLC	
Year	MYA Price & 5-year Olympic		Corn	Soybeans
	Corn	Soybeans		
2009	<del>\$3.55</del> (\$3.70)	\$9.59	\$3.70	\$8.40
2010	\$5.18*	\$11.30*		
2011	\$6.22*	\$12.50*		
2012	\$6.89	\$14.40		
2013	<u>\$4.46*</u>	<u>\$13.00*</u>		
Olympic	\$5.29	\$12.27		
(Ref. price replaces MYA below it) (*Used in the Olympic calculation)				



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## Compare ARC-CO and PLC.—

- **Download ARC-CO/PLC Comparison tool on farmdoc:  
[farmdoc.illinois.edu](http://farmdoc.illinois.edu)**
- **Go to Agriculture Policy Analysis System (APAS):  
[fsa.usapas.com](http://fsa.usapas.com)**




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### Agriculture Policy Analysis System (APAS)

<p><b>APAS Sample Farm</b></p> <p>Five Minute Review of Analytics for Your County</p> <p>Quick program payment comparison using data for your state and county</p>	<p><b>APAS Custom Farm</b></p> <p>Build Your Own Farm</p> <p>Enter your own farm's information for detailed program and risk management analysis</p>	<p><b>NAP Crops</b></p> <p>Coming Soon</p>
<p> University of Illinois at Urbana-Champaign</p> <p>Start Here for Program &amp; Tool Explanation</p>	<p><b>Payment Yield Update</b></p> <p>Quick Calculator</p>	<p><b>Dairy</b></p>
	<p><b>APAS FAQ</b></p> <p>Coming Soon</p>	<p><b>Base Acre Reallocation</b></p> <p>Quick Calculator</p>
		<p><b>YouTube Channel</b></p>

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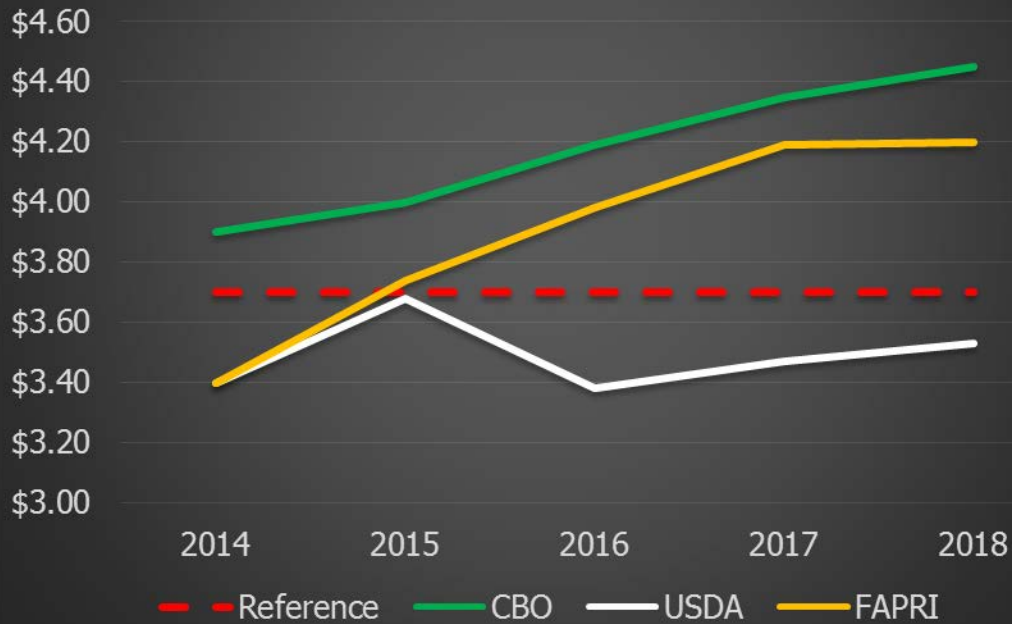


## ARC-PLC Decision Steps

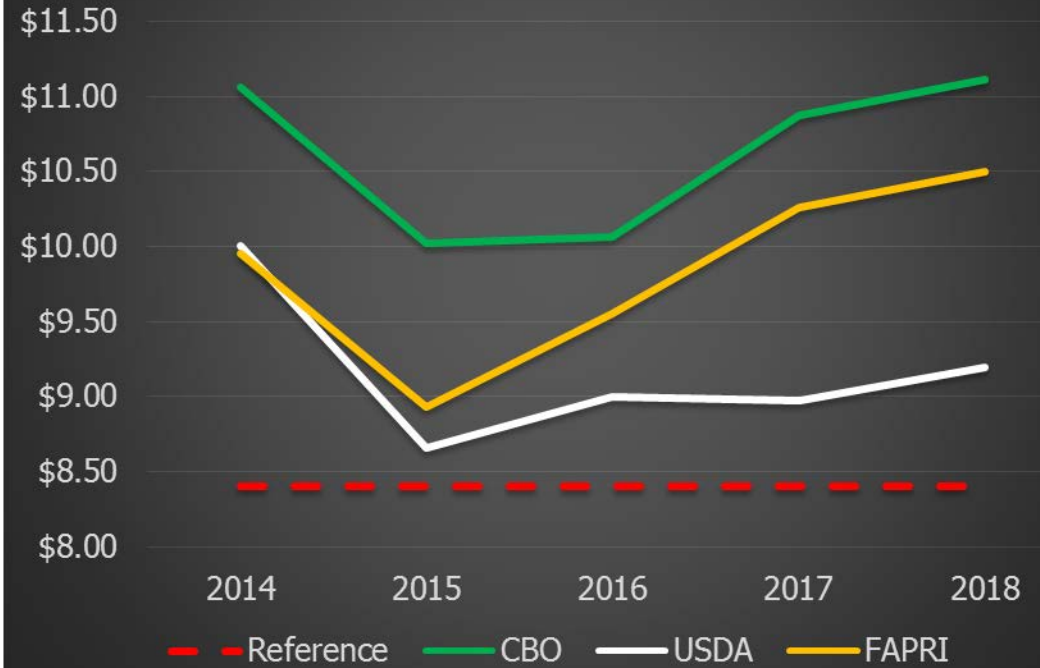
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## Corn Price Forecasts (\$ per Bushel)



## Soybean Price Forecasts (\$ per Bushel)

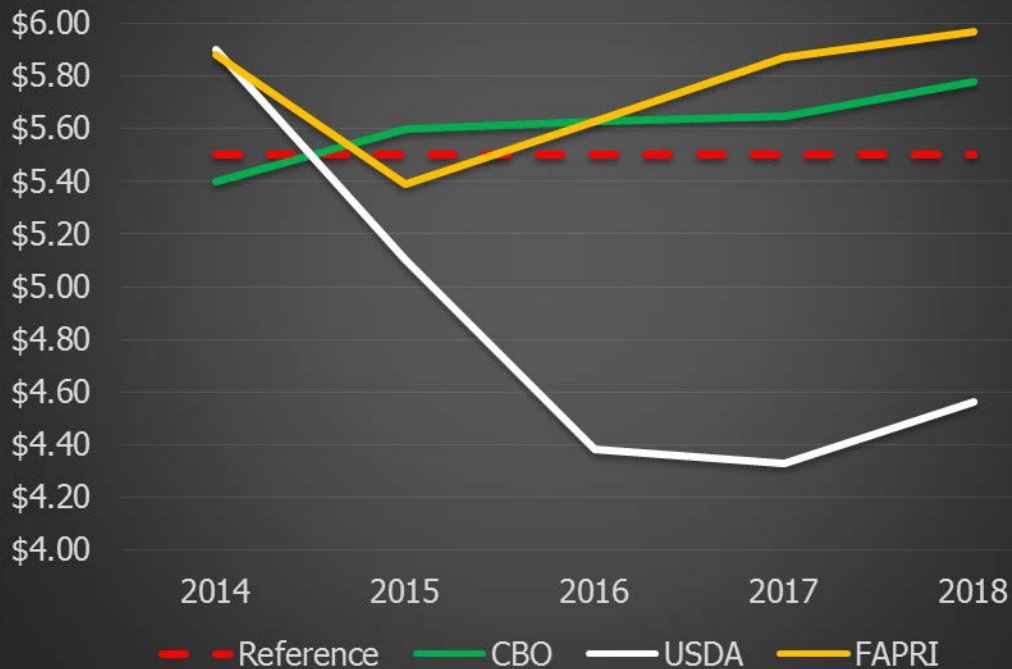


## ARC-PLC Decision Steps

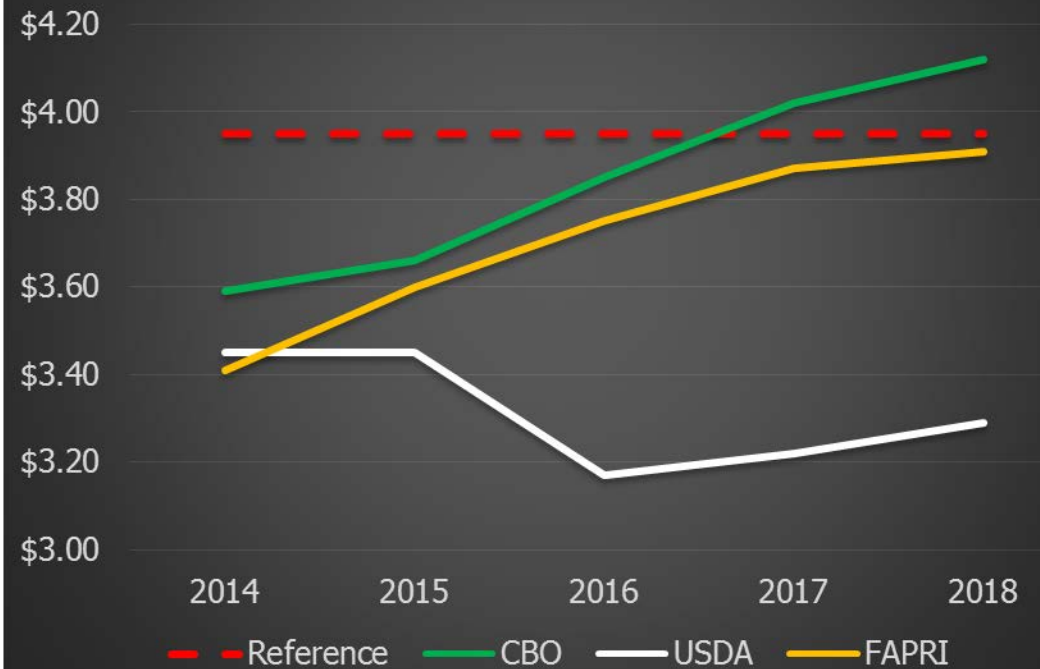
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## Wheat Price Forecasts (\$ per Bushel)



## Sorghum Price Forecasts (\$ per Bushel)



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## Compare ARC-CO and PLC.—

- Much of this decision depends on your price expectations for 2014 through 2018
- Type of risk coverage factors in as well: ARC-CO for lower prices and yields; PLC for very low prices
- Other considerations include the 10% maximum payment on ARC-CO and availability of SCO for PLC



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## Compare ARC-CO and PLC.—

- **Soybeans:** all forecasts have prices above reference; difficult for PLC to be effective
- **Corn:** close call, how low on price expectations (USDA?); keep in mind impact of big yields in 2014
- **Wheat:** even closer call on price expectations; SCO may also be a significant factor





# 5

## ARC-PLC Decision Steps

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### Consider ARC-IC.—

- Uses the **sum** of all program crops on the farm **weighted** by actual planted acres
- All farms in the state enrolled in ARC-IC; producer's share
- Payments made on **65%** of total base acres for the farm (all program crop base)



# 5

## ARC-PLC Decision Steps

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## ARC-IC Example Calculations

	Corn			Soybeans		
Year	Yield	Price	Revenue	Yield	Price	Revenue
2009	173	<del>\$3.55</del> (\$3.70)	\$640	51	\$9.59	\$489
2010	157	\$5.18	<b>\$813*</b>	46	\$11.30	<b>\$520*</b>
2011	143	\$6.22	\$889	47	\$12.50	<b>\$588*</b>
2012	104	\$6.89	<b>\$717*</b>	47	\$14.40	\$677
2013	171	\$4.46	<b>\$763*</b>	51	\$13.00	<b>\$663*</b>
5-year Olympic Average Revenue			\$764			\$590

(\*Used in the Olympic calculation)



# 5

## ARC-PLC Decision Steps

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## ARC-IC Example Calculations

	Corn: 60 acres planted			Soybeans: 40 acres planted		
Year	Yield	Price	Revenue	Yield	Price	Revenue
2014	180	\$3.50	\$630	51	\$10.00	\$510
Benchmark (Max.)	$(0.6 \times \$764) + (0.4 \times \$590) = \$695 \quad (\times 10\% = \$69.50)$					
Guarantee	86% of \$695 = \$597					
Actual	$(0.6 \times \$630) + (0.4 \times \$510) = \$582$					
Difference	$\$597 - \$582 = \$15$					
<b>Estimated Payment</b>	$\$15 \times 100 \times 65\% = \$995 \quad (\$9.95 \text{ per base acre})$					



# 6

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### Consider Supplemental Coverage Option (SCO).—

- **A Crop Insurance Policy:** planted acres, APH and actual yields, RMA prices, premium (65% subsidy)
- **Uses a county-based trigger** at 86%; coverage down to underlying COMBO insurance trigger
- **Applied to deductible range of your underlying policy; cannot be mixed** with ARC-CO or ARC-IC



# 6

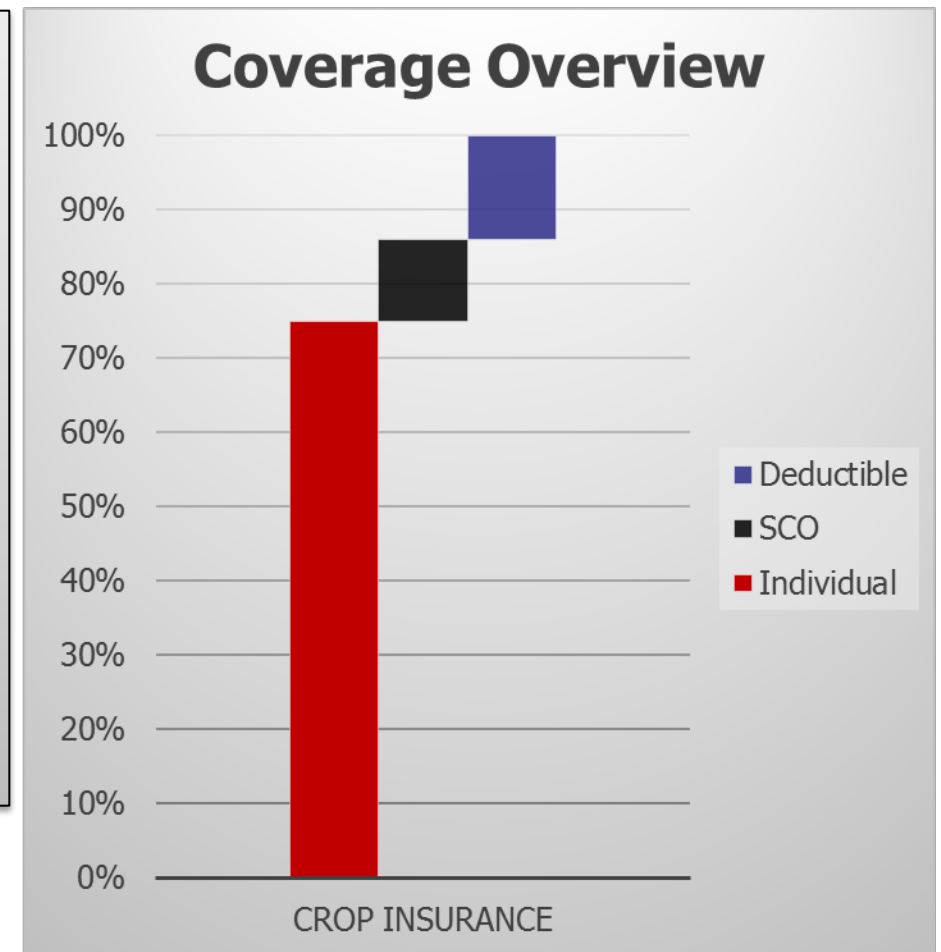
## ARC-PLC Decision Steps

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### Consider Supplemental Coverage Option (SCO).—

- ✓ Example with 75% Revenue Protection (RP) individual policy
- ✓ SCO covers 86% down to 75%; county trigger applied to RP deductible
- ✓ Available in 2015; only those counties RMA has enough data to rate it



# 6

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### Consider SCO: Wheat Example (75% RP)

#### County Calculations

Base Price	County Trend Yield	Revenue	County Trigger	Revenue Limit
\$6.00	65	\$390	$86\% \times \$390 = \$335$	$75\% \times \$390 = \$293$

#### Farm Calculations

Base Price	Farm APH	Revenue	RP Trigger	Max. Payment
\$6.00	60	\$360	$75\% \times \$360 = \$270$	$(86\% - 75\%) \times \$360 = \$40$

#### SCO Coverage and Expected Payment

Harvest Price	County Yield	County Rev.	Shortfall Factor
\$5.50	55	\$303	$(\$335 - \$303) / (\$335 - \$293) = 0.76$
Expected Payment	$0.76 \times \$40 = \$30.48$		



# 6

## ARC-PLC Decision Steps

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### Consider Supplemental Coverage Option (SCO).—

- **A Crop Insurance Policy:** planted acres, APH and within year prices; no payment limits or AGI requirements
- Purchasing a **county-based trigger** using farm yields; effectiveness compared to individual buy-up
- Comparing PLC + SCO + COMBO vs. ARC-CO + COMBO vs. ARC-IC + COMBO



# 7 ARC-PLC Decision Steps

The following 7 steps are designed to help guide you through the decisions required for each FSA farm.



## Make Your Decisions.—

- **Update Payment Yields (Landowner): February 27, 2015**
- **Reallocate Base Acres (Landowner): February 27, 2015**
- **Program Election (Producers): March 31, 2015**



# 7 ARC-PLC Decision Steps

The following 7 steps are designed to help guide you through the decisions required for each FSA farm.



## Make Your Decisions.—

- **Agriculture Policy Analysis System (APAS):**  
<http://fsa.usapas.com> for program payment estimates
- **Farm Bill Toolbox** for decision steps, background information, analysis, webinars and more





## Agriculture Policy Analysis System (APAS)

### APAS Sample Farm

Five Minute Review of  
Analytics for Your County

Quick program payment  
comparison using data for  
your state and county

### APAS Custom Farm

Build Your Own Farm

Enter your own farm's  
information for detailed  
program and risk  
management analysis

### NAP Crops

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### Dairy



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### Payment Yield

Update

Quick Calculator

### Base Acre

Reallocation

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### APAS FAQ

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# QUESTIONS?

Thank you,

Jonathan Coppess

[jwcoppes@illinois.edu](mailto:jwcoppes@illinois.edu)

