Overview of Commodity Program Changes

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OKLAHOMA STATE UNIVERSITY EXTENSION

Policy changes for commodity producers

- Elimination of direct, counter-cyclical payments, and ACRE payments
- One time opportunity:
  - Update yields based on 2008-12 yield history (owners)
  - Reallocate base to crops planted on the farm in 2009-2012 (owners)
  - Choose between ARC or PLC (producers)
- A new crop insurance option (SCO) for PLC participants
- A new crop insurance option (STAX) for cotton producers
  - No ARC or PLC program for cotton
  - Cotton is no longer a covered commodity – cotton base acreage is now generic base
  - Cotton producers can get ARC/PLC for other crops grown on the farm

FSA ARC/PLC Website

- www.fsa.usda.gov/arc-plc

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August 1, 2014 - Present

EXAMINE your paperwork to make sure it's in order.

FSA encourages producers to begin reviewing information on their agricultural operation, gathering up their necessary documents, and reading about ARC/PLC basics, in preparation for exploring your options under ARC/PLC.

Agricultural producers have plenty of time to prepare and learn about options with ARC/PLC before making a decision. This website is designed to help.

What is ARC/PLC?

The 2014 Farm Bill authorized a new safety net approach for farm commodities, known as the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs. These programs combine provisions from previous programs delivered by the Farm Service Agency (FSA), which were the counter-cyclical portion of the Direct and Counter-Cyclical Program, the Supplemental Revenue Assistance Payments Program, and the Average Crop Revenue Election Program) with revenue insurance delivered by the Risk Management Agency.

- **Access the ARC/PLC fact sheet**
- **Access the ARC/PLC Frequently Asked Questions**

What is PLC?

Payments are issued when the effective price of a covered commodity is less than the respective reference price for that commodity established in the statute for 2014-2018 crops. The effective price equals the higher of the market year average price or the national average loan rate. The PLC payment is equal to 85 percent of the base acres of the covered commodity times the difference between the reference price and the effective price times the PLC payment yield for the covered commodity. **Click here for projected effective prices and PLC payment rates, based on current USDA market year average price projections**. (**PDF**, 84 KB Sep 16, 2014| **XLS**, 35 KB Sep 16, 2014)

What is County ARC (ARC-CO)?

Payments are issued when the actual county crop revenue of a covered commodity is less than the ARC-CO guarantee for the covered commodity. The ARC-CO guarantee equals 86 percent of the previous five-year market year average price, excluding the years with the highest and lowest price (the ARC guarantee price), times the five-year average county yield, excluding the years with the highest and lowest yield (the ARC county guarantee yield). The payment is equal to 85 percent of the base acres of the covered commodity times the difference between the county guarantee and the actual county crop revenue for the covered commodity. **Click here to see USDA's current projections of benchmark prices (used in calculating the county guarantee) and 2014-crop projected "actual" prices (used in calculating actual county revenue) (PDF**, 90 KB Sep 16, 2014 | **XLS**, 45 KB Sep 16, 2014)
Payments may not exceed 10 percent of the ARC guarantee price times the ARC county guarantee yield.

What is Individual ARC (ARC-IC)?

Payments are issued when actual ARC-IC revenue, summed across all covered commodities on the farm, is less than the associated ARC-IC guarantee. The farm for ARC-IC purposes is the sum of the producer's interest in all ARC-IC farms in the state. The farm's ARC individual guarantee equals 86 percent of the farm's individual benchmark guarantee, defined as the five-year average of a producer's annual benchmark revenue for each commodity, excluding the high and low annual revenues. The resulting revenues are averaged across all crops on the farm, based on plantings, to obtain the revenue guarantee. Actual revenue is computed similarly. The ARC-IC payment equals: 65 percent of the sum of the base acres of all covered commodities on the farm, times the difference between the individual guarantee revenue and the actual individual crop revenue across all covered commodities planted on the farm. Payments may not exceed 10 percent of the individual benchmark revenue. **Click here to see USDA's current projected prices (used in calculating the ARC-IC guarantee) and 2014-crop projected "actual" prices (used in calculating actual ARC-IC revenue). (PDF**, 80 KB Sep 16, 2014| **XLS**, 46 KB Sep 16, 2014)

You received an Important Letter from USDA Farm Service Agency

Owners with base acres received a letter from FSA providing a summary of their current base acres, yields and 2009-2012 planting history. The written updates are an important part of preparing agricultural producers for the new safety net programs established by the 2014 Farm Bill. Verifying the accuracy of data on a farm's acreage history is an important step for producers enrolling in the upcoming Agriculture Risk Coverage (ARC) program and the Price Loss Coverage (PLC) program.

For an example of the letter please see page 11 of this FSA Notice

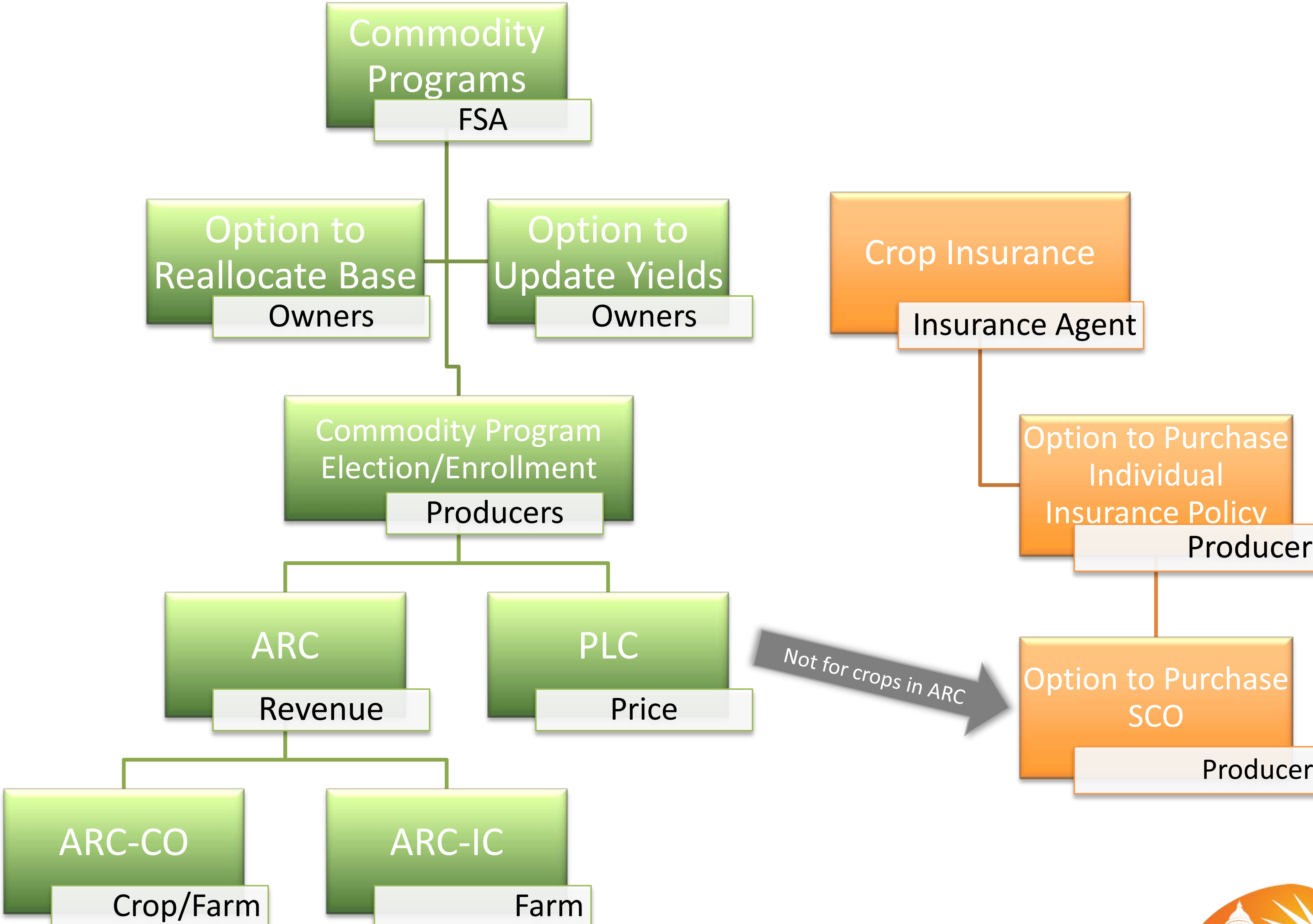
If the information contained in this letter is correct, you do not need to do anything. If you have questions or concerns about the information in this letter, or if you did not receive this letter, please contact your local FSA office and schedule a time to discuss with your local FSA field staff. To find your local FSA office, please click here.

Why This Letter Matters

This letter provides you with information that FSA has on file regarding your operation. Based on this information, owners of farms have a one-time opportunity to: (1) maintain the farm's 2013 base acres of covered commodities through 2018; or (2) reallocate base acres among those covered commodities planted on the farm at any time during the 2009 - 2012 crop years (excluding upland cotton bases). *Owners and operators will have this opportunity to reallocate base or update yields from Sept. 29, 2014 until February 27, 2015.*

Other Important Documents

If the following documents are not already on file at your local FSA office, please ensure that you have the following documents completed or updated:


Commodity Programs
FSA
Option to Reallocate Base
Owners
Option to Update Yields
Owners
Commodity Program Election/Enrollment
Producers
ARC
Revenue
PLC
Price
ARC-CO
Crop/Farm
ARC-IC
Farm
Crop Insurance
Insurance Agent
Option to Purchase Individual Insurance Policy
Producer
Not for crops in ARC
Option to Purchase SCO
Producer

Deadlines

- Owners choose to update yields and/or reallocate bases (one-time decision)
  - **September 29, 2014 - February 27, 2015**

- Producers decide to elect ARC or PLC (one-time decision)
  - **November 17, 2014 – March 31, 2015**

- Producers enroll on an annual basis in ARC or PLC (must enroll in the elected program – cannot change from year to year)
  - **Mid-April 2015 – Summer 2015**

- Producers choose to purchase an individual crop insurance policy and SCO (if the crop is not enrolled in ARC)
  - **Annually in Spring or Fall (depending on the crop)**

Covered Commodities

21 Covered Commodities		
Barley	Canola	Corn
Crambe	Flaxseed	Garbanzo, Large
Garbanzo, Small	Grain Sorghum	Lentils
Mustard Seed	Oats	Peanuts
Peas, Dry	Rapeseed	Rice, Long Grain
Rice, Medium Grain	Safflowers	Sesame Seed
Soybeans	Sunflower Seed	Wheat

- For 2014 and subsequent crop years, **cotton** is not a covered commodity
- Cotton base become GENERIC base acres

Covered Commodity	Subcategory	Units	Marketing Year	2014-2018 Reference Price	2014-2018 Loan Rate
Wheat		Bu	June 1 – May 31	$5.50	$2.94
Barley		Bu	June 1 – May 31	$4.95	$1.95
Oats		Bu	June 1 – May 31	$2.40	$1.39
Corn		Bu	Sept 1 – Aug 31	$3.70	$1.95
Grain Sorghum		Bu	Sept 1 – Aug 31	$3.95	$1.95
Rice	Medium/Long Grain	Cwt	Aug 1 – July 31	$14.00	$6.50
	Tapioca	Cwt	Aug 1 – July 31	$16.10	$6.50
Other Oilseeds	Canola	Cwt	July 1 – June 30	$20.15	$10.09
	Flaxseed	Cwt	July 1 – June 30	$20.15	$10.09
	Rapeseed	Cwt	July 1 – June 30	$20.15	$10.09
	Sunflower	Cwt	Sept 1 – Aug 31	$20.15	$10.09
	Mustard Seed	Cwt	Sept 1 – Aug 31	$20.15	$10.09
	Safflower	Cwt	Sept 1 – Aug 31	$20.15	$10.09
	Crambe	Cwt	Sept 1 – Aug 31	$20.15	$10.09
	Sesame	Cwt	Sept 1 – Aug 31	$20.15	$10.09
Soybeans		Bu	Sept 1 – Aug 31	$8.40	$5.00
Peanuts		Ton	Aug 1 – July 31	$535	$355
Pulse Crops	Dry Peas	Cwt	July 1 – June 30	$11.00	$5.40
	Lentils	Cwt	July 1 – June 30	$19.97	$11.28
	Small Chickpeas	Cwt	Sept 1 – Aug 31	$19.04	$7.43
	Large Chickpeas	Cwt	Sept 1 – Aug 31	$21.54	$11.28

Yield Update

- Retain current CC yields or update yields
  - Current farm "CC" yield was included on July letter from Farm Service Agency
  - 2008-2012 yield history for planted crops
    - Simple average of certified yields for 2008-2012 crop years
    - If any year is < 75% of 2008-12 county average, substitute 75% of the county average
    - Exclude zero planted years
- Yield update option is available per crop/farm for owners regardless of the PLC/ARC election

Yield Update – Wheat Example

- Retain current CC yields or update yields
- Example 1-3: 2013 CC yield = 30

Example 1	2008	2009	2010	2011	2012	Avg	90% of Avg	Update?
Yield	**37**	18	**36**	15	**33**			
County Substitute Yield	21	**21**	21	**21**	21			
Yield Used	37	21	36	21	33	29.6	26.6	No

Example 2	2008	2009	2010	2011	2012	Avg	90% of Avg	Update?
Yield	**37**	NP	**36**	NP	**33**			
County Substitute Yield	21	21	21	21	21			
Yield Used	37		36		33	35.3	31.8	Yes

Example 3	2008	2009	2010	2011	2012	Avg	90% of Avg	Update?
Yield	NR	NR	NR	**28**	**33**			
County Substitute Yield	**21**	**21**	**21**	21	21			
Yield Used	21	21	21	28	33	24.8	22	No

Base Reallocation

- Can retain existing base acres or reallocate
- Cannot change total, but can reallocate existing
- Cannot reallocate generic (cotton) base acres
- Based on 2009-2012 planted + prevented planted
- Proration of 2009-2012 average planted/prevented planted acres of covered commodities compared to total planted acres of all covered commodities on the farm

Base Reallocation

Crop	Current Base	2009-2012 Avg Planted	Reallocation %	Reallocated Base
Corn	100	50	14.29%	64.31
Sorghum	50	0	0	0
Wheat	300	300	85.71%	385.69
Total	450	350	100%	450

Planted History

Crop	2009	2010	2011	2012	2009-12 Avg	Reallocation %
Corn	100	0	100	0	200/4 = 50	50/350 = 14.29%
Sorghum	0	0	0	0	0	0
Wheat	300	300	300	300	1200/4 = 300	300/350 = 85.71%
Total	400	300	400	300	350	100%

Base Reallocation

	Corn	Sorghum	Soybeans	Wheat	Total
Base	0	0	0	1,000	1,000
Plantings					
2009	500	250	250	0	1,000
2010	500	250	250	0	1,000
2011	500	250	250	0	1,000
2012	500	250	250	0	1,000
Average	500	250	250	0	1,000
Share	50%	25%	25%	0%	
Reallocated Base	500	250	250	0	1,000

Source: House Agriculture Committee Staff

Base Reallocation with a Non-Program Crop

	Corn	Sorghum	Soybeans	Wheat	Alfalfa	Total
Base	0	0	0	1,000	n/a	1,000
Plantings						
2009	600	100	100	0	200	1,000
2010	600	100	100	0	200	1,000
2011	600	100	100	0	200	1,000
2012	600	100	100	0	200	1,000
Average	600	100	100	0	200	1,000
Share	75%	12.5%	12.5%	0%	n/a	
Reallocated Base	750	125	125	0		1,000

Source: House Agriculture Committee Staff

Base Reallocation with Generic Base

	Cotton	Corn	Sorghum	Soybeans	Wheat	Total
Base	500	0	0	0	500	1,000
Plantings						
2009	200	600	100	100	0	1,000
2010	200	600	100	100	0	1,000
2011	200	600	100	100	0	1,000
2012	200	600	100	100	0	1,000
Average	200	600	100	100	0	1,000
Generic Base	500					500
Share		75%	12.5%	12.5%	0%	
Reallocated Base		375	62.5	62.5	0	500

Source: House Agriculture Committee Staff

Covered Commodities Planted on a farm with Generic Base

Crop	Base Acres	2014 Planted Acres
Wheat	150	200
Corn	100	0
Peanuts	250	250
Generic (Cotton)	75	0
Total	575	450

Prorate planted acres in each year 2014-2018 to base acres:

- 200 planted wheat / 450 total planted = 44.4%
- 250 planted peanuts / 450 total planted = 55.6%

- 75 generic * 44.4% = 33.3 wheat (150 + 33.3 = 183.3 total wheat base)
- 75 generic * 55.6% = 41.7 peanuts (250 + 41.7 = 291. total peanut base)

ARC/PLC Choice

- Producers on each farm can choose
  - ARC-IC for all crops on the farm OR
  - For each crop on a farm, choose between ARC-CO or PLC
- Choice is made once for the life of the farm bill
- Choice stays with the farm even if producer doesn’t
- If producers on a farm do not agree on a choice
  - No ARC or PLC benefits are available in 2014
  - PLC is only remaining option for 2015 and beyond

ARC/PLC Choice

Program	PLC	ARC-CO	ARC-IC
Price	MYA Price	MYA Price	MYA Price
Yield	PLC yield	County yield	Farm yield
Payment	Determined by individual covered commodity base acres	Determined by individual covered commodity base acres	Determined by all crops planted of covered commodities combined on the farm(s) in the State
Acres	Paid on 85% of base acres of each covered commodity	Paid on 85% of base acres of each covered commodity	Paid on 65% of total base acres on the farm
Planting required?	No	No	Yes, must plant covered commodities

Price Loss Coverage (PLC)

- Provides an income safety net when prices of covered commodities are below "reference" prices set in the farm bill
  - Payment if actual price < reference price
    - PLC Payment Rate = Reference Price – Higher of {National Average Marketing Year Price or Marketing Loan Rate}
    - PLC Payment = PLC Payment Rate * CC Payment Yield * Base Acres X .85
  - No payment for yield losses
  - Similar to CCP in 2008 farm bill
    - Key difference: Higher reference prices
- Payments tied to **base** acreage and **program yields**
- These generally do **NOT** depend on current production choices
    - Except for those with cotton base or with fruits and vegetables, planting more or less of a given crop will have NO effect on payments

Agriculture Risk Coverage (ARC)

- 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%)

- Paid on 85% (county yield option) or 65% (farm yield option) of base acres (not planted)

Payment Limitations

- $125,000 per person payment limits for (ARC, PLC, LDPs and marketing loan gains) combined
  - Peanuts maintain a separate limit
  - No limit on marketing loan forfeitures

- $900,000 3 year average adjusted gross income (AGI) on commodity and conservation programs

- Actively Engaged Provisions
  - Directs the USDA Secretary to conduct a rulemaking to define the term “significant contribution of active personal management” and determine if a limit on the number of individuals in an entity qualifying using “management” is necessary.
  - Potential changes will not apply to individuals or to entities that are made up solely of family members.