Farm Bill Details and Decisions

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Commodity Program Overview

- **ARC and PLC**
  - Reauthorization of programs implemented in 2014 Farm Bill
  - ARC
    - Yield data
    - Expanded coverage by practice
    - Coverage by physical county
    - Trend yield adjustment
  - PLC
    - Payment yield update
    - Effective reference price
  - Decision in 2019 for 2019-2020, annually beginning in 2021

- **Commodity Marketing Loan Program**
  - Reauthorization of existing programs
  - Increased loan rates

- **Payment limits and eligibility rules**
  - Elimination of payment limits on commodity marketing loan program benefits
  - Family member definition expanded for active engagement eligibility test

ARC, PLC, and Other Issues Overview

- **PLC**
  - Yield update
  - Effective reference price
  - Calculations
  - Economics

- **ARC-CO**
  - Trend yield adjustment
  - Irrigated/nonirrigated practice expansion
  - Calculations
  - Economics

- **ARC-CO v. PLC decision**

- **ARC-IC**
  - Details
  - Special circumstance

- **Crop Insurance - SCO**
  - Review under PLC enrollment

- **Ad Hoc Assistance**
  - Trade assistance
  - Agricultural disaster assistance
ARC and PLC Decisions

- **PLC Yield Update**
  - By crop by farm (FSA farm number)
  - Update available regardless of whether farm is enrolled in ARC or PLC

- **ARC v. PLC**
  - ARC-CO v. PLC by crop by farm (FSA farm number)
  - ARC-IC by farm (FSA farm number)
    - If enrolled in ARC-IC, producer's interest in all farms enrolled in ARC-IC counts toward single ARC-IC calculation

Price Loss Coverage (PLC) Details

- Existing PLC program implemented in 2014 reauthorized
  - Follows model of Counter-Cyclical Payment and Deficiency Payment of programs before
- Payment on 85% of base acres
- New effective reference price based on higher of reference price or 85% of 5-year average price
  - History lagged 2 years from current year – 2019 calculation based on 2013-2017 prices
- Opportunity to update payment yields
- Impact
  - Provides income support and risk management support when price is near or below effective reference price
Price Loss Coverage (PLC)
Yield Update

- Yield update equal to
  - 90% of the 2013-2017 farm average yield
  - Substitute yield equal to 75% of the county average for low farm yields
  - Multiplied by national yield factor
    - 2008-2012 national average yield divided by 2013-2017 national average yield
    - Minimum factor of 0.9 - Maximum factor of 1.0

- Yield factor allows yield updates nationally, but detrends results based on average national yield changes
  - Yield update originally proposed just for counties with multiple years of low yields during last yield update in 2014 (based on 90% of 2008-2012 yields)

Source: farmdoc daily, October 2, 2018
Price Loss Coverage (PLC) Yield Update

PLC Payment Yield = Max of

\[
\text{Max of } \left[ 90\% \times \text{5-Year Average} \middle| \text{Max of } \left[ \text{Actual Yield} \times \text{County Yield Factor} \middle| \text{Max of } \left[ \text{Existing PLC Payment Yield} \right] \right] \right]
\]

where

National Yield Factor = \(\frac{2008-2012 \text{ National Average Yield}}{2013-2017 \text{ National Average Yield}}\)

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Price Loss Coverage (PLC) Yield Update National Factor

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Factor</th>
<th>Commodity</th>
<th>Factor</th>
<th>Commodity</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barley</td>
<td>0.9437</td>
<td>Lentils</td>
<td>1.0000</td>
<td>Rice, Temp Japonica</td>
<td>0.9591</td>
</tr>
<tr>
<td>Canola</td>
<td>0.9634</td>
<td>Mustard Seed</td>
<td>0.9460</td>
<td>Safflower</td>
<td>1.0000</td>
</tr>
<tr>
<td>Chickpeas, Large</td>
<td>1.0000</td>
<td>Oats</td>
<td>0.9524</td>
<td>Seed Cotton</td>
<td>0.9000</td>
</tr>
<tr>
<td>Chickpeas, Small</td>
<td>0.9760</td>
<td>Peanuts</td>
<td>0.9273</td>
<td>Sesame Seed</td>
<td>0.9673</td>
</tr>
<tr>
<td>Corn</td>
<td>0.9000</td>
<td>Peas, Dry</td>
<td>0.9988</td>
<td>Soybeans</td>
<td>0.9000</td>
</tr>
<tr>
<td>Crambe</td>
<td>1.0000</td>
<td>Rapeseed</td>
<td>1.0000</td>
<td>Sunflower Seed</td>
<td>0.9396</td>
</tr>
<tr>
<td>Flaxseed</td>
<td>1.0000</td>
<td>Rice, Long</td>
<td>0.9330</td>
<td>Wheat</td>
<td>0.9545</td>
</tr>
<tr>
<td>Grain Sorghum</td>
<td>0.9077</td>
<td>Rice, Medium</td>
<td>0.9887</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Price Loss Coverage (PLC) Yield Update

**Updated Payment Yield** = \( \text{Max of} \left[ 0.9 \times \frac{5 \text{ - Year Average}}{\text{Max of} \left[ 0.75 \times \text{County Average Yield} \right]} \times \text{National Yield Factor} \right] \)

Existing PLC Payment Yield

<table>
<thead>
<tr>
<th>Crop</th>
<th>Existing PLC Yield</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Average Yield</th>
<th>90% of Average Yield</th>
<th>National Yield Factor</th>
<th>Updated PLC Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saunders County</td>
<td>142 136</td>
<td>176 436</td>
<td>187 436</td>
<td>190 436</td>
<td>201 436</td>
<td>201</td>
<td>178</td>
<td>160</td>
<td>0.90</td>
<td>144</td>
</tr>
<tr>
<td>75% County Yield</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lincoln County</td>
<td>149 129</td>
<td>129 429</td>
<td>164 429</td>
<td>186 429</td>
<td>204 429</td>
<td>182</td>
<td>173</td>
<td>155</td>
<td>0.90</td>
<td>140</td>
</tr>
<tr>
<td>75% County Yield</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Price Loss Coverage (PLC) Yield Update Analysis and Comparison**

- **Yield update a choice between**
  - Existing PLC program payment yield
  - Farm’s 2013-2017 average yield multiplied by adjusted factor

<table>
<thead>
<tr>
<th>Crop</th>
<th>Adjusted Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>81%</td>
</tr>
<tr>
<td>Soybeans</td>
<td>81%</td>
</tr>
<tr>
<td>Grain Sorghum</td>
<td>81.7%</td>
</tr>
<tr>
<td>Wheat</td>
<td>85.9%</td>
</tr>
<tr>
<td>Other Program Crops</td>
<td>Multiply national yield factor times 90%</td>
</tr>
</tbody>
</table>
**Price Loss Coverage (PLC)**

**Effective Reference Price**

- Effective Reference Price equal to the higher of
  - Reference Price
  - 85% of the 5-year Olympic average price (lagged 2 years)
- But, not higher than 115% of the reference price

\[
\text{Effective Reference Price} = \min \left[ \max \left[ \text{Reference Price}, 85\% \times 5\text{-year Olympic Average Price} \right], 115\% \times \text{Reference Price} \right]
\]

### Commodity Reference Price (MIN) vs. Marketing Year Average Price

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Reference Price (MIN)</th>
<th>Marketing Year Average Price</th>
<th>Olympic Average Price</th>
<th>85% of Olympic Average Price</th>
<th>115% of Reference Price (MAX)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>$3.70</td>
<td>$4.46  $3.70  $3.61  $3.36  $3.36</td>
<td>$3.56</td>
<td>$3.02</td>
<td>$4.26</td>
</tr>
<tr>
<td>Grain Sorghum</td>
<td>3.95</td>
<td>4.28  4.03  3.31  2.79  3.22</td>
<td>3.52</td>
<td>2.99</td>
<td>4.54</td>
</tr>
<tr>
<td>Soybean</td>
<td>8.40</td>
<td>43.90 10.10 8.95 9.47 9.33</td>
<td>9.63</td>
<td>8.19</td>
<td>9.66</td>
</tr>
<tr>
<td>Wheat</td>
<td>5.50</td>
<td>6.87  5.99  4.89  3.89  4.72</td>
<td>5.20</td>
<td>4.42</td>
<td>6.33</td>
</tr>
</tbody>
</table>
Price Loss Coverage (PLC) Payment Rate

PLC Payment Rate = Max of \[
\frac{\text{Effective Reference Price} - \text{Effective Price}}{0}
\]

where

Effective Price = Max of \[
\frac{\text{National Marketing Year Average Price}}{\text{National Average Marketing Loan Rate}}
\]
# Price Loss Coverage (PLC) Payment Rate

PLC Payment Rate = Max of \[
\frac{\text{Effective Reference Price} - \text{Effective Price}}{\text{Effective Reference Price}} \times 0
\]

PLC Payment = PLC Payment Rate \times PLC Payment Yield \times \text{Base Acres} \times 85\%

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Effective Reference Price</th>
<th>Marketing Loan Rate</th>
<th>Marketing Year Average Price*</th>
<th>PLC Payment Rate</th>
<th>PLC Payment Yield*</th>
<th>PLC Payment per Paid Acre***</th>
<th>PLC Payment per Base Acre***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>$3.70</td>
<td>$2.20</td>
<td>$3.85</td>
<td>$0.00</td>
<td>150</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Grain Sorghum</td>
<td>3.95</td>
<td>2.20</td>
<td>3.40</td>
<td>0.55</td>
<td>77</td>
<td>42.35</td>
<td>36.00</td>
</tr>
<tr>
<td>Soybean</td>
<td>8.40</td>
<td>6.20</td>
<td>9.00</td>
<td>0.00</td>
<td>45</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Wheat</td>
<td>5.50</td>
<td>3.38</td>
<td>4.60</td>
<td>0.90</td>
<td>41</td>
<td>36.90</td>
<td>31.37</td>
</tr>
</tbody>
</table>

* Price forecast from USDA-WAOB as of November 2019 for illustration only. ** Average PLC payment yield in Nebraska (before yield update). *** Payment per paid acre and payment per base acre (accounting for 85% paid acre factor) subject to budget sequestration and payment limits.

# Price Loss Coverage (PLC) Payment Rate over Range of Corn Prices

PLC Payment Rate = Max of \[
\frac{\text{Effective Reference Price} - \text{Effective Price}}{\text{Effective Reference Price}} \times 0
\]

PLC Payment = PLC Payment Rate \times PLC Payment Yield \times \text{Base Acres} \times 85\%

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Effective Reference Price</th>
<th>Marketing Loan Rate</th>
<th>Marketing Year Average Price*</th>
<th>PLC Payment Rate</th>
<th>PLC Payment Yield*</th>
<th>PLC Payment per Paid Acre***</th>
<th>PLC Payment per Base Acre***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>$3.70</td>
<td>$2.20</td>
<td>$3.85</td>
<td>$0.00</td>
<td>150</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Corn</td>
<td>3.70</td>
<td>2.20</td>
<td>3.75</td>
<td>0.00</td>
<td>150</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Corn</td>
<td>3.70</td>
<td>2.20</td>
<td>3.65</td>
<td>0.05</td>
<td>150</td>
<td>7.50</td>
<td>6.38</td>
</tr>
<tr>
<td>Corn</td>
<td>3.70</td>
<td>2.20</td>
<td>3.55</td>
<td>0.15</td>
<td>150</td>
<td>22.50</td>
<td>19.13</td>
</tr>
</tbody>
</table>

* Price forecast from USDA-WAOB as of November 2019 and range below for illustration only. ** Average PLC payment yield in Nebraska (before yield update). *** Payment per paid acre and payment per base acre (accounting for 85% paid acre factor) subject to budget sequestration and payment limits.
Price Loss Coverage (PLC)

Outlook

Corn Prices and the Safety Net

$/Bushel


Loan Rate  Target/Reference Price  Market Price

- 5-Year Oly Avg Price  - 85% 5-Year Oly Avg Price

85% of 5-year Olympic average price shown to illustrate where effective reference price could move (if higher than legislated reference price).

Price Loss Coverage (PLC)

Outlook

Sorghum Prices and the Safety Net

$/Bushel


Loan Rate  Target/Reference Price  Market Price

- 5-Year Oly Avg Price  - 85% 5-Year Oly Avg Price

85% of 5-year Olympic average price shown to illustrate where effective reference price could move (if higher than legislated reference price).
**Price Loss Coverage (PLC) Outlook**

Soybean Prices and the Safety Net

- **Loan Rate**
- **Target/Reference Price**
- **Market Price**
- **5-Year Oly Avg Price**
- **85% 5-Year Oly Avg Price**

* Price projections for 2019 from USDA-WAOB and USDA-FSA as of November 2019. Price projections for 2020-2023 from USDA-OCE as of November 2019. 85% of 5-year Olympic average price shown to illustrate where effective reference price could move (if higher than legislated reference price).

**Price Loss Coverage (PLC) Outlook**

Wheat Prices and the Safety Net

- **Loan Rate**
- **Target/Reference Price**
- **Market Price**
- **5-Year Oly Avg Price**
- **85% 5-Year Oly Avg Price**

* Price projections for 2019 from USDA-WAOB and USDA-FSA as of November 2019. Price projections for 2020-2023 from USDA-OCE as of November 2019. 85% of 5-year Olympic average price shown to illustrate where effective reference price could move (if higher than legislated reference price).
Agriculture Risk Coverage (ARC) Details

- Existing ARC program implemented in 2014 reauthorized
  - Follows model of Agricultural Risk Coverage Election (state-level guarantee) program of 2008 Farm Bill with county or farm-level protection
- Support
  - County-level coverage (ARC-CO) choice by crop by farm
    - Payments by crop paid on 85% of base acres
  - Individual (farm-level) coverage (ARC-IC) choice by farm
    - Payments across all of a producer’s farm interests enrolled in ARC-IC paid on 65% of base acres
- Impact
  - Provides income support and risk management support when price is near or below effective Olympic average price and/or yield is below trend-adjusted Olympic average yield

Agriculture Risk Coverage – ARC-CO Details

- Yield data based first on RMA yield data, then NASS and other sources
- Benchmark calculations
  - History lagged 2 years from current year – 2019 benchmark based on 2013-2017 yields and prices
  - Benchmark yields for each year of yield history adjusted for trend
  - Benchmark price for each year equal to higher of national marketing year average price or new effective reference price
Agriculture Risk Coverage – ARC-CO
Trend-Adjusted Olympic Average Yield

- Trend yield adjustment
  - Yield history adjusted by same factor used for crop insurance trend yield adjusted APH

Saunders County Irrigated Corn - 2019

2019 Yield Adjustment Factor = 2.2

Actual Yield  Trend Yield Adjustment  ···· 5-Year Olympic Average  —·— 5-Year Trend-Adjusted Olympic Average
Agriculture Risk Coverage – ARC-CO

Trend-Adjusted Olympic Average Yield Comparison

Lincoln County Irrigated Corn - 2019

2019 Yield Adjustment Factor = 1.9

Actual Yield
Trend Yield Adjustment
-----5-Year Olympic Average
-----5-Year Trend-Adjusted Olympic Average

Agriculture Risk Coverage – ARC-CO

Benchmark

\[
\text{ARC – CO Benchmark} = 5 - \text{Year Olympic Average} \left[ \max \left( \text{Trend – Adjusted County Yield}, 80\% \times \text{County Average Yield} \right) \right]
\]

\[
\text{ARC – CO Benchmark} = 5 - \text{Year Olympic Average} \left[ \max \left( \text{National Marketing Year Average Price}, \text{Effective Reference Price} \right) \right]
\]
### Agriculture Risk Coverage – ARC-CO Benchmark

**ARC – CO Benchmark =**  
5 – Year Olympic Average \[ \text{Max of} \left( \frac{\text{Trend – Adjusted County Yield}}{80\% \text{ x County Average Yield}} \right) \]

<table>
<thead>
<tr>
<th>Irrigated Corn</th>
<th>2013-2017 Trend-Adjusted Yield History</th>
<th>Olympic Average Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saunders County</td>
<td></td>
<td></td>
</tr>
<tr>
<td>80% County Yield</td>
<td>229.94</td>
<td>224.41</td>
</tr>
<tr>
<td></td>
<td>142.4</td>
<td>142.4</td>
</tr>
<tr>
<td>Lincoln County</td>
<td></td>
<td></td>
</tr>
<tr>
<td>80% County Yield</td>
<td>198.42</td>
<td>200.76</td>
</tr>
<tr>
<td></td>
<td>140.8</td>
<td>140.8</td>
</tr>
</tbody>
</table>

### Agriculture Risk Coverage – ARC-CO Benchmark

**ARC – CO Benchmark =**  
5 – Year Olympic Average \[ \text{Max of} \left( \frac{\text{National Marketing Year Average Price}}{\text{Effective Reference Price}} \right) \]

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>National Marketing Year Average Price</td>
<td>4.46</td>
<td>3.70</td>
<td>3.64</td>
<td>3.36</td>
<td>3.36</td>
<td></td>
</tr>
<tr>
<td>Effective Reference Price</td>
<td>3.70</td>
<td>3.70</td>
<td>3.70</td>
<td>3.70</td>
<td>3.70</td>
<td>3.70</td>
</tr>
</tbody>
</table>
Agriculture Risk Coverage – ARC-CO Benchmark and Guarantee

\[
\text{ARC – CO Benchmark} = \text{ARC – CO Benchmark} \times \text{ARC – CO Benchmark}
\]

\[
\text{ARC – CO Guarantee} = \text{ARC – CO Benchmark} \times 86\% \times \text{ARC – CO Benchmark}
\]

### Irrigated Corn Benchmark and Guarantee

<table>
<thead>
<tr>
<th>Irrigated Corn</th>
<th>Benchmark Yield</th>
<th>Benchmark Price</th>
<th>Benchmark Revenue</th>
<th>Guarantee</th>
<th>MAX Payment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saunders County</td>
<td>219.10</td>
<td>$3.70</td>
<td>$810.67</td>
<td>$697.18</td>
<td>$81.07</td>
</tr>
<tr>
<td>Lincoln County</td>
<td>202.68</td>
<td>3.70</td>
<td>749.92</td>
<td>644.93</td>
<td>75.00</td>
</tr>
</tbody>
</table>
**Agriculture Risk Coverage – ARC-CO**

**Revenue and Payment**

\[
\text{ARC – CO Payment Rate} = \text{Actual County \times Min of Yield} \left[ \text{Max of} \left( \frac{\text{ARC – CO Guarantee} - \text{ARC – CO Actual Revenue}}{\text{ARC – CO Benchmark Revenue} \times 10\%} \right) \right]
\]

\[
\text{ARC – CO Payment} = \text{ARC – CO Payment Rate \times Base Acres \times 85\%}
\]

---

**Agriculture Risk Coverage – ARC-CO**

**Revenue and Payment**

<table>
<thead>
<tr>
<th>Irrigated Corn</th>
<th>Benchmark Revenue</th>
<th>Guarantee</th>
<th>MAX Payment Rate</th>
<th>Actual Yield*</th>
<th>Effective Price**</th>
<th>Actual Revenue</th>
<th>ARC-CO Payment Per Paid Acre***</th>
<th>ARC-CO Payment Per Base Acre***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saunders County</td>
<td>$810.67</td>
<td>$697.18</td>
<td>$81.07</td>
<td>180</td>
<td>$3.85</td>
<td>$693.00</td>
<td>$4.18</td>
<td>$3.55</td>
</tr>
<tr>
<td>Lincoln County</td>
<td>749.92</td>
<td>644.93</td>
<td>75.00</td>
<td>160</td>
<td>3.85</td>
<td>616.00</td>
<td>28.93</td>
<td>24.59</td>
</tr>
</tbody>
</table>

* Assumed actual yield for illustration only. ** Price forecast from USDA-WACB as of October 2019 for illustration only. *** Payment per paid acre and payment per base acre (accounting for 85% paid acre factor) subject to budget sequestration and payment limits.
Agriculture Risk Coverage – ARC-CO Outlook

Corn Prices and the Safety Net

- Loan Rate
- Target/Reference Price
- Market Price
- ARC 5-Year Oly Avg Price
- ARC 5-Year Eff Oly Avg Price

Sorghum Prices and the Safety Net

- Loan Rate
- Target/Reference Price
- Market Price
- ARC 5-Year Oly Avg Price
- ARC 5-Year Eff Oly Avg Price

* Price projections for 2019 from USDA-WAOB and USDA-FSA as of November 2019. Price projections for 2020-2023 from USDA-OCE as of November 2019. ARC 5-year effective Olympic average price based on 86% of ARC 5-Year Olympic average price for illustration only as ARC protection is tied to revenue.
Agriculture Risk Coverage – ARC-CO Outlook

Soybean Prices and the Safety Net

- Loan Rate
- Target/Reference Price
- Market Price
- ARC 5-Year Oly Avg Price
- ARC 5-Year Eff Oly Avg Price

* Price projections for 2019 from USDA-WAOB and USDA-FSA as of November 2019. Price projections for 2020-2023 from USDA-OCE as of November 2019. ARC 5-year effective Olympic average price based on 86% of ARC 5-Year Olympic average price for illustration only as ARC protection is tied to revenue.

Agriculture Risk Coverage – ARC-CO Outlook

Wheat Prices and the Safety Net

- Loan Rate
- Target/Reference Price
- Market Price
- ARC 5-Year Oly Avg Price
- ARC 5-Year Eff Oly Avg Price

* Price projections for 2019 from USDA-WAOB and USDA-FSA as of November 2019. Price projections for 2020-2023 from USDA-OCE as of November 2019. ARC 5-year effective Olympic average price based on 86% of ARC 5-Year Olympic average price for illustration only as ARC protection is tied to revenue.
Agriculture Risk Coverage – ARC-IC

Details

• Calculations based on farm-level yields and national prices
  • Weighted for current year plantings

• Revenue calculations based on planted acres
  • Exception in the case of 100% prevent plant acres on a farm (FSA farm number)

• Payments
  • Based on producer’s interest in all farms enrolled in ARC-IC
  • Paid on 65% of base acres

2018 Farm Bill Program Decisions
Crop Insurance/Risk Management Considerations

• ARC provides shallow-loss revenue protection that may substitute for higher levels of crop insurance coverage

  • ARC protects revenue risk from 86% down to 76% of the ARC benchmark that may be in the producer’s crop insurance deductible range, but...
    • ARC-CO protection is tied to county-level risk of crops in the farm’s base and pays on just 85% of base acres
    • ARC-IC protection is tied to farm-level risk of planted crops on the farm, but pays on just 65% of base acres
2018 Farm Bill Program Decisions
Crop Insurance/Risk Management Considerations

- PLC provides price protection that may substitute for price risk management at price levels near or below reference prices
  - PLC may complement crop insurance purchases, particularly YP, but PLC protection is limited to program yields and base acres
  - PLC enrollment (technically, not enrolling in ARC) allows the producer to also consider the Supplemental Coverage Option (SCO)

Crop Insurance
Supplemental Coverage Option (SCO)

- County-based crop insurance policy
  - Available to cover gap between 86% and insurance protection level selected
  - Coverage tied to type of personal coverage selected (YP, RP, RP-HPE, etc.)

- Available if farm/crop not enrolled in ARC
  - May be more relevant given potential shift in enrollment toward PLC
  - Separate from the farm program decision – contact crop insurance agent

- Analysis to be weighed between purchasing SCO and lower levels of crop insurance vs. higher levels of crop insurance
  - SCO may reduce premium cost relative to higher levels of individual coverage, but also shifts protection to county-level results as opposed to farm-level results
2018 Farm Bill Program Decisions

ARC v. PLC Decisions

- Under stable, lower price levels, PLC support will kick in before ARC support for downward price movement.
- Under modestly increasing price levels, ARC and PLC support may quickly disappear.
- Under substantially higher prices, moving average price in ARC benchmark and moving average price in PLC effective reference price could ratchet up support to near equivalent levels.
- On a year-by-year basis, ARC-IC may be an important consideration.
- Any analysis of potential payments based on price projections must consider risk and uncertainty.

Decisions and Outlook

Prices and Long-Run Projections

Decisions and Outlook
Prices and Long-Run Projections

Corn Prices and Baseline Projections

- Market Price
- USDA Nov 2019
- FAPRI Nov 2019
- CBO June 2019


ARC-CO/PLC Decision Tools

www.fsa.usda.gov/programs-and-services/arcplc_program/index
ARC-CO/PLC Decision Tools

www.afpc.tamu.edu/tools/farm/farmbill/2018/  fd-tools.ncsa.illinois.edu/

2018 Farm Bill Decision Aid

To retrieve your saved farms, you must first

Login

ARC-CO/PLC Decision Tools
Texas A&M AFPC 2018 Farm Bill Decision Aid

Details

Com PLC 2019

Mean Payment $19
10th percentile $0
25th percentile $0
50th percentile $0
75th percentile $26
90th percentile $75

Details

Com ARC 2019

Expected Yield 169 bu/ac
Mean Payment $7
10th percentile $0
25th percentile $0
50th percentile $0
75th percentile $0
90th percentile $37
ARC-CO/PLC Decision Tools
University of Illinois Gardner Program Payment Calculator

Agricultural Policies and Programs
Other Issues

• Ad Hoc Trade Assistance

• Ad Hoc Agricultural Disaster Assistance
Trade Assistance
Market Facilitation Program (MFP)

- $14.5 billion in MFP payments
- Single payment rate per county per planted acre of MFP eligible commodity
  - $15-150 per acre nationally
  - $15-74 per acre in Nebraska
  - $15 per acre on prevented planting acres planted to approved cover crop by August 1
- Signup began July 29 and runs through December 6
- 1st installment equal to higher of 50% of payment rate or $15 per acre
- 2nd installment announced on November 15
  - Additional 25% payment (75% of total payment rate less first installment)*
- 3rd installment could come in January depending on trade situation
- Additional MFP payments
  - $0.20/hundredweight for milk (1st)
  - $0.10/hundredweight for milk (2nd)*
  - $11.00/head for pork (1st)
  - $5.50/head for pork (2nd)*
  - Additional payment rates for selected specialty crops
- Additional trade aid
  - $1.4 billion for commodity purchases
  - $100 million for trade promotion

* Assumed 2nd installment payment details based on USDA announcement of November 15, 2019.

Trade Assistance
MFP Payment Rates*

* Payment rate per planted acre of MFP eligible commodity. Prevented planting acres eligible for minimum $15 per acre if planted to approved cover crop by August 1. First installment equal to higher of 50% of payment rate or $15 per acre. Source: USDA-FSA.
Trade Assistance
MFP Payment Rates – 2nd Installment*

* Payment rate per planted acre of MFP eligible commodity. Second installment equal to 75% of total announced payment rate less initial payment rate. Source: USDA-FSA.

Trade Assistance
MFP Payment Rates

- 2018 MFP rates
  - Calculated from estimated damages from retaliatory tariffs against 2017 base period by commodity
- 2019 MFP rates
  - Same approach as 2018 but against 2009-2018 base period
  - Rates by commodity based on 2015-2017 production
  - County level payment rates
    - Rates by commodity multiplied by historical average acres and yields
    - Total losses by county based on sum of commodity-specific losses
    - County payment rate based on total losses divided by total acreage in the county

Market Facilitation Program Payment

<table>
<thead>
<tr>
<th>Commodity</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alfalfa</td>
<td>--</td>
<td>$2.81/ton</td>
</tr>
<tr>
<td>Chickpeas</td>
<td>--</td>
<td>$1.48/cwt</td>
</tr>
<tr>
<td>Corn</td>
<td>$0.01/bu</td>
<td>$0.14/bu</td>
</tr>
<tr>
<td>Cotton</td>
<td>$0.06/lb</td>
<td>$0.26/lb</td>
</tr>
<tr>
<td>Cranberries</td>
<td>--</td>
<td>$0.03/lb</td>
</tr>
<tr>
<td>Dairy</td>
<td>$0.12/cwt</td>
<td>$0.20/cwt</td>
</tr>
<tr>
<td>Dried Beans</td>
<td>--</td>
<td>$8.22/cwt</td>
</tr>
<tr>
<td>Ginseng</td>
<td>--</td>
<td>$2.85/lb</td>
</tr>
<tr>
<td>Grapes (fresh)</td>
<td>--</td>
<td>$0.03/lb</td>
</tr>
<tr>
<td>Lentils</td>
<td>--</td>
<td>$3.99/cwt</td>
</tr>
<tr>
<td>Peanuts</td>
<td>--</td>
<td>$0.01/lb</td>
</tr>
<tr>
<td>Peas</td>
<td>--</td>
<td>$0.85/cwt</td>
</tr>
<tr>
<td>Pork</td>
<td>$8.00/head</td>
<td>$11.00/head</td>
</tr>
<tr>
<td>Rice</td>
<td>--</td>
<td>$0.63/cwt</td>
</tr>
<tr>
<td>Sorghum</td>
<td>$0.86/bu</td>
<td>$1.89/bu</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$1.65/bu</td>
<td>$2.05/bu</td>
</tr>
<tr>
<td>Sweet Cherries (fresh)</td>
<td>--</td>
<td>$0.17/bu</td>
</tr>
<tr>
<td>Tree Nuts*</td>
<td>--</td>
<td>146.00/acre</td>
</tr>
<tr>
<td>Wheat</td>
<td>$0.14/bu</td>
<td>$0.41/bu</td>
</tr>
</tbody>
</table>

*Pistachios, Almonds, Walnuts, Pecans, Hazelnuts, Macadamia Nuts Source: USDA-OCF data reported by Agri-Pulse
Agricultural Disaster Assistance
2018-2019 (WHIP+)

- Assistance for producers in disaster counties
  - Crop losses
    - Losses below expected revenue x payment factor (70-95%)
    - Adjustment for limited disaster budget
      - 100% on 2018 losses
      - Initial 50% payment on 2019 losses
  - Prevented planting losses – top up payment for crop insurance prevented planting coverage
  - Stored commodities (75% factor) – coverage for lost commodities in private storage facilities
- Additional ag assistance

<table>
<thead>
<tr>
<th>Insurance Coverage Level Purchased</th>
<th>WHIP+ Payment Factor (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Crop Insurance</td>
<td>70</td>
</tr>
<tr>
<td>CAT/NAP Basic 50/55</td>
<td>75</td>
</tr>
<tr>
<td>50% ≤ Coverage &lt; 55%</td>
<td>77.5</td>
</tr>
<tr>
<td>55% ≤ Coverage &lt; 60%</td>
<td>80</td>
</tr>
<tr>
<td>60% ≤ Coverage &lt; 65%</td>
<td>82.5</td>
</tr>
<tr>
<td>65% ≤ Coverage &lt; 70%</td>
<td>85</td>
</tr>
<tr>
<td>70% ≤ Coverage &lt; 75%</td>
<td>87.5</td>
</tr>
<tr>
<td>75% ≤ Coverage &lt; 80%</td>
<td>92.5</td>
</tr>
<tr>
<td>80% ≤ Coverage</td>
<td>95</td>
</tr>
</tbody>
</table>
## Agricultural Disaster Assistance

### WHIP+ Coverage for Stored Grain

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Unit</th>
<th>FSA Price</th>
<th>75% Factored Payment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barley</td>
<td>Bushel</td>
<td>$4.62</td>
<td>$3.465</td>
</tr>
<tr>
<td>Canola</td>
<td>Pound</td>
<td>0.158</td>
<td>0.1185</td>
</tr>
<tr>
<td>Corn</td>
<td>Bushel</td>
<td>3.6</td>
<td>2.70</td>
</tr>
<tr>
<td>Crambe</td>
<td>Pound</td>
<td>0.221</td>
<td>0.16575</td>
</tr>
<tr>
<td>Dry Peas</td>
<td>Pound</td>
<td>0.105</td>
<td>0.07875</td>
</tr>
<tr>
<td>Flaxseed</td>
<td>Bushel</td>
<td>9.81</td>
<td>7.3575</td>
</tr>
<tr>
<td>Grain Sorghum</td>
<td>Bushel</td>
<td>3.2</td>
<td>2.40</td>
</tr>
<tr>
<td>Large Chickpeas</td>
<td>Pound</td>
<td>0.21</td>
<td>0.1575</td>
</tr>
<tr>
<td>Lentils</td>
<td>Pound</td>
<td>0.178</td>
<td>0.1335</td>
</tr>
<tr>
<td>Mustard Seed</td>
<td>Pound</td>
<td>0.286</td>
<td>0.2145</td>
</tr>
<tr>
<td>Oats</td>
<td>Pound</td>
<td>2.66</td>
<td>1.995</td>
</tr>
<tr>
<td>Peanuts</td>
<td>Pound</td>
<td>0.215</td>
<td>0.16125</td>
</tr>
<tr>
<td>Rapeseed</td>
<td>Pound</td>
<td>0.184</td>
<td>0.138</td>
</tr>
<tr>
<td>Rice (long grain)</td>
<td>Pound</td>
<td>0.108</td>
<td>0.081</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Unit</th>
<th>FSA Price</th>
<th>75% Factored Payment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice (med/short grain)</td>
<td>Pound</td>
<td>$0.122</td>
<td>$0.0915</td>
</tr>
<tr>
<td>Safflower</td>
<td>Pound</td>
<td>0.203</td>
<td>0.15225</td>
</tr>
<tr>
<td>Seed Cotton (all types)</td>
<td>Pound</td>
<td>0.3432</td>
<td>0.25737</td>
</tr>
<tr>
<td>Sesame Seed</td>
<td>Pound</td>
<td>0.35</td>
<td>0.2625</td>
</tr>
<tr>
<td>Small Chickpeas</td>
<td>Pound</td>
<td>0.215</td>
<td>0.16125</td>
</tr>
<tr>
<td>Soybeans</td>
<td>Bushel</td>
<td>8.5</td>
<td>6.375</td>
</tr>
<tr>
<td>Sunflower Seed/Oil</td>
<td>Pound</td>
<td>0.1665</td>
<td>0.129</td>
</tr>
<tr>
<td>Sunflower Seed/Non-oil</td>
<td>Pound</td>
<td>0.0224</td>
<td>0.168</td>
</tr>
<tr>
<td>Wheat: Durum</td>
<td>Bushel</td>
<td>5.33</td>
<td>3.9975</td>
</tr>
<tr>
<td>Hard Red Spring</td>
<td>Bushel</td>
<td>5.32</td>
<td>3.99</td>
</tr>
<tr>
<td>Hard White Wheat</td>
<td>Bushel</td>
<td>5.35</td>
<td>4.0125</td>
</tr>
<tr>
<td>Soft Red Winter</td>
<td>Bushel</td>
<td>4.9</td>
<td>3.675</td>
</tr>
<tr>
<td>Soft White Spring</td>
<td>Bushel</td>
<td>5.35</td>
<td>4.0125</td>
</tr>
<tr>
<td>Hay – All Hay</td>
<td>Ton</td>
<td>166</td>
<td>124.50</td>
</tr>
</tbody>
</table>

### Questions?

For further information, please visit:

- [farmbill.unl.edu](http://farmbill.unl.edu)
- [fsa.usda.gov/ne](http://fsa.usda.gov/ne)