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ARC vs PLC – The Basics

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The 2014 Farm Bill developed two programs to provide income support for specified row crops. -- the Agricultural Risk Coverage (ARC) and the Price Loss Coverage (PLC) programs. These risk management programs were reauthorized in the 2018 Farm Bill with slight modifications and remain in effect for the 2019-2023 crop years. The ARC program provides payments when actual crop revenues fall below a specified guaranteed level, while the PLC program provides payments when the national marketing year average price (MYA) (or the loan rate if higher) for a given covered commodity falls below a specified effective reference price for that commodity. Farmers will be required to make an election of ARC vs PLC for the 2021 eligible crops at their local Farm Service Agency (FSA) office by March 15, 2021. This article will provide the basics of the two programs and a follow-up article in next month's *Economic and Policy Update* newsletter will analyze scenarios and important issues for farmers to consider under the two programs to assist farmers in their selection for 2021.

Eligible Crops – The following crops are eligible for ARC/PLC coverage -- barley, canola, large and small chickpeas, corn, crambe, flaxseed, grain sorghum, lentils, mustard seed, oats, peanuts, dry peas, rapeseed, long grain rice, medium and short-grain rice, safflower seed, seed cotton, sesame, soybeans, sunflower seed and wheat.

Program Selection – Program selection can vary on a crop by crop basis (by FSA farm number) and can vary across FSA farms. All owners/landlords for each farm must make a joint (i.e., same) decision on which option to select. If one fails to make an election of covered crops by March 15, 2021, the election for that crop defaults to the program enrolled in 2020. Producers will have the option to change programs at a later date for the 2022 and 2023 crop years.

Payments – Payments will be made on the current base acres assigned to the farm by USDA, not 2021 planted acres, to insure that the program does not influence current production. There is a \$125,000 annual limit per payment entity on all ARC and PLC payments. If triggered, 2021 ARC and PLC payments will be made on October 1, 2022.

ARC vs PLC Specifics

For the ARC option:

Producers selecting the ARC option will have to decide between county or individual (whole-farm) level revenue protection.

For the ARC County Option (ARC-CO)

- The decision on ARC-CO is made on a program crop-by-crop basis, which allows producers to select the ARC-CO option for some crops and PLC option for other crops.
- Producers selecting the ARC-CO option will receive payments when the actual county revenue (defined as the applicable county yield multiplied by the national marketing year average price) is below the county revenue guarantee (defined as 86% of the previous five-year Olympic average revenue for the county, excluding the highest and lowest MYA prices and county trend-adjusted yields for the most recent five year period).
- Payments will be made on 85% of base acres
- Payments will be capped at 10% of the ARC-CO benchmark revenue

For the ARC Individual Option (ARC-IC)

- Payments will be based on whole-farm revenues (across all program crops and all FSA farms) enrolled in ARC-IC.
- Producers selecting the ARC-IC option will receive payments when the farm's actual revenue for all covered crops planted on ARC-IC farms in the current year (defined as the MYA price multiplied by the individual's certified yield for each crop, weighted by the share of the current year acres planted of that crop, and summed across all covered crops for that year) is below the farm's ARC-IC benchmark revenue (defined as 86% of the previous five-year Olympic average revenue, which excludes the highest and lowest years for prices and certified yields, weighted by the share of the current year acres planted of that crop, and summed across all covered crops for the most recent five year period).
- Payments will be made on 65% of base acres for ARC-IC vs 85% of base acres for ARC-CO.
- Payments will be capped at 10% of an individual's weighted benchmark revenue

For the PLC option:

- Producers selecting the PLC option for an individual commodity will receive payments if the U.S. MYA price (or the loan rate if higher) is less than the crop's effective reference price. For the 2021 crop, the effective reference prices will be \$3.70/bu for corn, \$5.50/bu for wheat, and \$8.40/bu for soybeans. Effective reference prices for other crops can be found by clicking [here](#).
- Payments, if triggered under the PLC option, will be made on 85% of base acres.

Additional information and details can be found on the following USDA sites:

Enrollment Information: www.fsa.usda.gov/news-room/news-releases/2020/enrollment-begins-for-agriculture-risk-coverage-and-price-loss-coverage-programs-for-2021

ARC/PLC Program Information: www.fsa.usda.gov/programs-and-services/arcplc_program/index

ARC/PLC Overview Fact Sheet: www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/FactSheets/2019/arc-plc_overview_fact_sheet-aug_2019.pdf

ARC/PLC Program Website: www.farmers.gov/arc-plc

ARC/PLC Program Data: www.fsa.usda.gov/programs-and-services/arcplc_program/arcplc-program-data/index

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