



## **Farm Bill Update: 2021**

*Information and Options*

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# Agenda

- Farm Bill Basic Overview
- Key Dates
- Major Changes from 2014 to 2018
- Program Options
  - Price Loss Coverage (PLC)
  - Agriculture Risk Coverage-County (ARC-CO)
  - Agriculture Risk Coverage-Individual (ARC-IC)
- Program Yield Update Opportunity
- Loan Rates Increasing
- Payment Limits and Eligibility

# Basic Information

1. Initial ARC/PLC election was for the 2019 and 2020 crop years
2. Annual election after that: 2021, 2022, & 2023
  - Significantly more flexible
3. Modifications to ARC & PLC calculations
4. No Change in Base Acres
  - Base acreage updates and reallocations were not offered in the 2018 Farm Bill
5. Yield Update Opportunity in 2020
  - Good for PLC only – but recommended for all
6. Loan Rate Increases
7. Payment Limits Unchanged

# US 2019 ARC/PLC Election Results

	In Million Acres			
	Total US Base Acres	US Corn Base	US Soybean Base	US Wheat Base
PLC	177.0	72.0	7.6	59.0
ARC-CO	66.5	17.7	43.0	3.7
ARC-IC	9.8	5.6	3.3	.7
Total	253.3	95.3	53.9	63.4

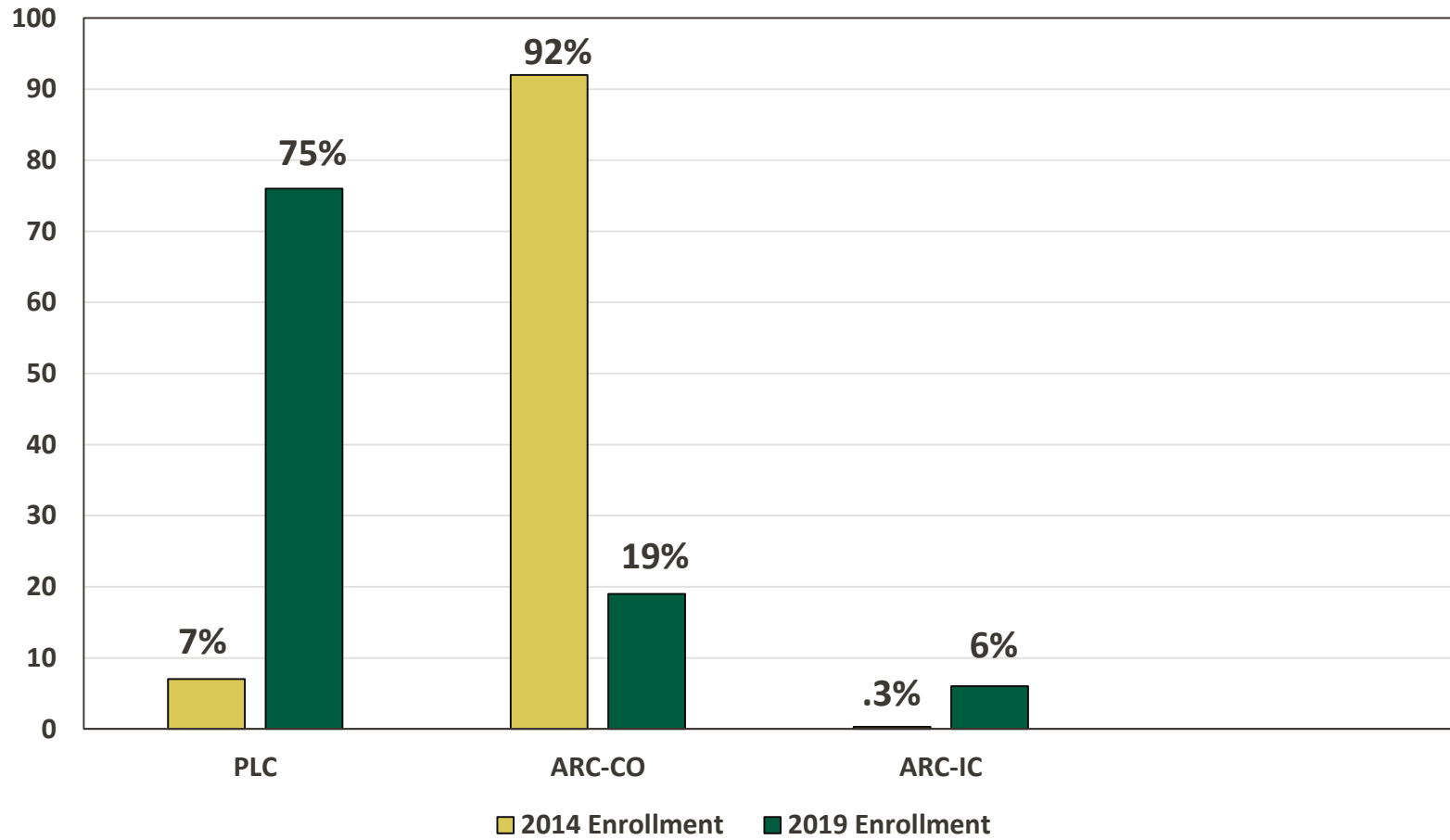
	Total US Base Acres	US Corn Base	US Soybean Base	US Wheat Base
PLC	70%	75%	14%	93%
ARC-CO	26%	19%	80%	6%
ARC-IC	4%	6%	6%	1%

# IL 2014 ARC/PLC Election Results

	Total IL Base Acres	IL Corn Base	IL Soybean Base	IL Wheat Base
PLC	16.4%	2%	2.3%	35.2%
ARC-CO	83.6%	97.9%	97.6%	64.7%
ARC-IC	0%	0.2%	0.2%	0%

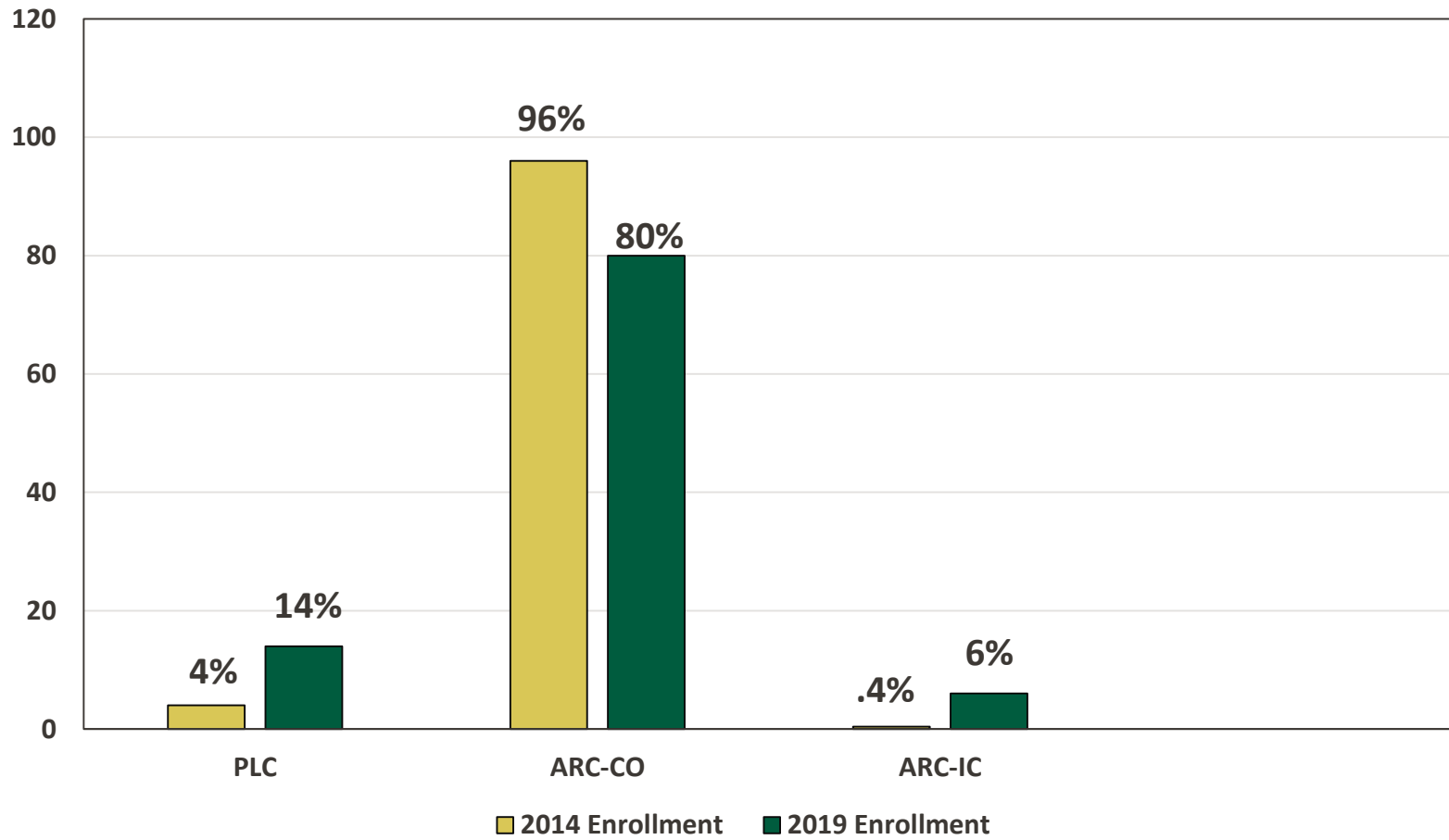
# US ARC/PLC Election Results

**Corn Enrollment in 2014 FB vs. 2019 Enrollment**



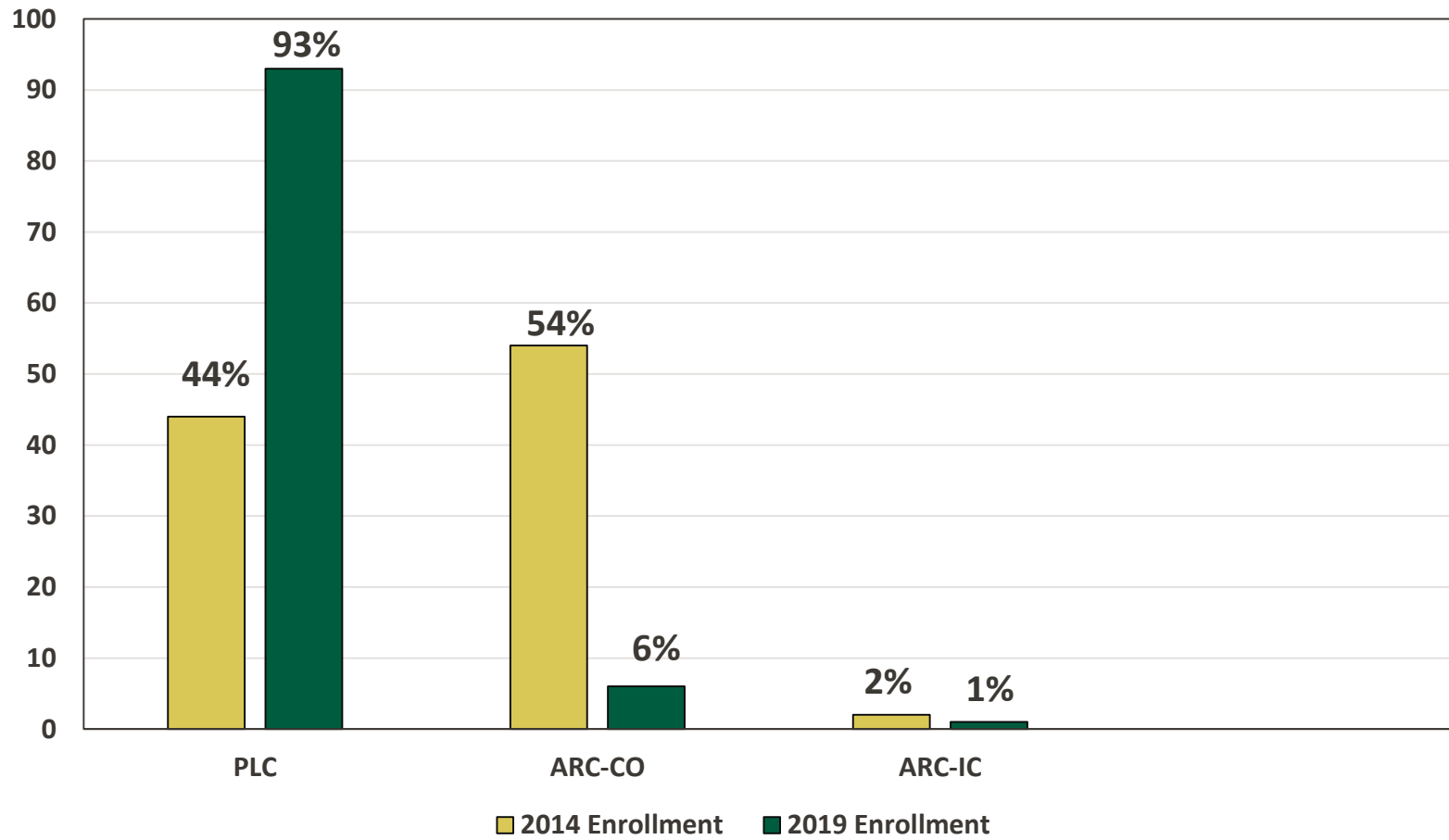
# US ARC/PLC Election Results

## Soybean Enrollment in 2014 FB vs. 2019 Enrollment



# US ARC/PLC Election Results

**Wheat Enrollment in 2014 FB vs. 2019 Enrollment**





# Key Dates

## **March 15, 2021:**

- ARC/PLC election deadline for 2021 crop year
- If an election is not submitted to FSA by March 15, that farm will automatically default to the previous election on that farm from the prior crop year

Enrollment, signing of the contract, is required each year

- If a producer has a multiyear contract and makes an election change for 2021, signing a new contract will be necessary

# Major Changes from 2014 to 2018

## 1. PLC:

- Effective Reference Price; new price escalator

## 2. ARC-CO:

- Protection and payments will now be calculated using the county the land is physically located in
- RMA yields rather than NASS survey yields
- Trend-Adjusted Yields will be used
- Effective Reference Price; new price escalator

# Major Changes from 2014 to 2018

## 3. Ten Acre Rule:

- Farms can now be added together to meet the Ten Acre Rule

## 4. T-Yield: Plug yields are now 80% of county t-yield, rather than 70% in 2014 farm bill

## 5. Benchmark Revenue:

- Benchmark yield and prices used to construct county benchmark revenue will lag one year
- Since you are now allowed to change program election yearly, this change will allow you to know the ARC-CO guarantee when you make your election

# ARC/PLC Decision

## Who Makes the ARC/PLC Decision

- All *Producers* on a farm must make a unanimous election of the ARC/PLC decision

## Definition:

The term “*producer*” means an owner, operator, landlord, tenant, or sharecropper that shares in the risk of producing a crop and is entitled to share in the crop available for marketing from the farm or would have shared had the crop been produced

# Price Loss Coverage (PLC)

## **PLC:** Target Price Program

- Payments occur when the crop year's Effective Price is below the Effective Reference Price for that commodity
- Effective Price equals the higher of:
  - Market Year Average Price (MYA); or the,
  - Loan Rate for that crop
- MYA = average price received by producers during 12-month marketing year for that crop
  - September 1 – August 31 for corn & beans
  - June 1 – May 31 for wheat

# Price Loss Coverage (PLC)

## Effective Reference Price

Greater of:

- 85% of 5-Year Olympic Moving Average of MYA prices; or,
- Reference Price in 2018 Farm Bill (same as 2014 FB)
  - Corn: \$3.70
  - Soybeans: \$8.40
  - Wheat: \$5.50
- Cannot exceed 115% of Reference Price (CAP)
- Addition of 85% of 5-year Olympic average:
  - Allows effective reference price to go up if MYA average prices are higher than established reference prices;
  - Not likely to be come into play with current price levels

# Effective Reference Prices for ARC & PLC

Crop Years 2019, 2020, and 2021

	<b>2019</b>	<b>2020</b>	<b>2021*</b>
<b>Corn</b>	\$3.70	\$3.70	\$3.70
<b>Soybeans</b>	\$8.40	\$8.40	\$8.40
<b>Wheat</b>	\$5.50	\$5.50	\$5.50

\*Projected as of November 5, 2020

# Price Loss Coverage (PLC) Payments

- PLC payments, if any,
  - Will be paid on 85% of base acres
  - Are not dependent on planting of the base crop
  - Are not dependent of planting of a covered commodity
  - Will be issued after the end of the crop year, but not before October 1 of the next year
- **2019 PLC Payment Rates-Final**
  - Corn: \$.14/bu
  - Soybeans: \$0
  - Wheat: \$.92
- Reminder: PLC is the only option that allows eligibility to purchase Supplemental Coverage Option (SCO)



# Agriculture Risk Coverage-County (ARC-CO)

## ARC-CO - Changes

- A new Trend Adjustment will be used – similar to Trend Adjusted Yield option in crop insurance
  - Should increase guarantees and thus increase the potential for payments and size of payments
- Will use the Effective Reference Price (the higher of reference price or 85% of the 5-year Olympic moving average price)
- Plug yields going from 70% to 80%
- ARC-CO payments will now be based on physical location of county, weighted if in more than one county
- Pilot program – USDA can subdivide up to 25 large counties for ARC-CO payment rates
- USDA will use more RMA crop insurance data for ARC-CO calculations

# ARC-CO Refresher

- County level revenue protection
- Benchmark revenue guarantee = 86% of:
  - Yield = 5-year Olympic rolling average of Trend-Adjusted county yield
  - Price = Effective Reference Price
    - Higher of 85% of 5-year Olympic rolling average of MYA or reference price (used to be loan rate)
    - Up to 115% of Reference Price (Cap)
- Actual county revenue:
  - Final county yield, times
  - MYA for that crop year

# ARC-CO Refresher

- Payment rate: Revenue Guarantee – Actual Revenue
- ARC-CO payments, if any,
  - Maximum payment = 10% of benchmark revenue
  - Will be paid on 85% of base acres
  - Are not dependent on planting of the base crop
  - Are not dependent of planting of a covered commodity
  - Will be issued after the end of the crop year, but not before October 1 of the next year

# 2019 ARC-CO Payments; IL counties

	Corn Non-Irrigated	Corn Irrigated	Soybeans Non-Irrigated	Soybeans Irrigated	Wheat Non-Irrigated	Wheat Irrigated
# of Counties Receiving Payment	41	22	77	37	95	3
Average Cty Payment	\$11.22	\$27.63	\$24.55	\$20.53	\$31.81	\$20.77
Largest Cty Payment	\$60.30	\$81.20	\$65.35	\$67.16	\$45.68	\$40.74

\*Source: USDA/FSA

ARC-CO payments will be issued on 85% of base acres per FSA farm enrolled in ARC-CO for 2019

## 2019 ARC-CO Payments; IL

	Corn	Corn	Soybeans	Soybeans	Wheat	Wheat
County	Non-Irrigated	Irrigated	Non-Irrigated	Irrigated	Non-Irrigated	Irrigated
<b>Adams</b>	\$0.00	\$0.00	\$0.00	\$0.00	\$25.10	N/A
<b>Alexander</b>	\$0.00	N/A	\$44.31	\$49.62	\$28.56	N/A
<b>Bond</b>	\$0.00	N/A	\$29.85	N/A	\$39.90	N/A
<b>Boone</b>	\$0.00	N/A	\$29.62	N/A	\$43.24	N/A
<b>Brown</b>	\$0.00	N/A	\$0.00	\$0.00	\$31.01	N/A
<b>Bureau</b>	\$36.05	\$70.01	\$23.40	\$0.00	\$0.00	N/A
<b>Calhoun</b>	\$0.00	N/A	\$22.39	N/A	\$14.33	N/A
<b>Carroll</b>	\$0.00	\$0.00	\$0.00	\$0.00	\$44.00	N/A
<b>Cass</b>	\$0.00	\$0.00	\$0.00	\$0.00	\$32.83	N/A
<b>Champaign</b>	\$15.46	\$0.00	\$65.35	\$56.86	\$43.33	N/A
<b>Christian</b>	\$0.00	N/A	\$24.89	\$0.00	\$41.60	N/A
<b>Clark</b>	\$0.00	\$7.77	\$47.80	\$32.56	\$39.40	N/A
<b>Clay</b>	\$0.00	N/A	\$30.54	N/A	\$41.18	N/A
<b>Clinton</b>	\$0.00	N/A	\$0.00	N/A	\$42.29	N/A
<b>Coles</b>	\$0.00	N/A	\$61.48	\$7.58	\$33.68	N/A
<b>Cook</b>	\$0.00	N/A	\$40.41	N/A	\$40.51	N/A
<b>Crawford</b>	\$0.00	\$0.00	\$36.93	\$0.00	\$38.17	\$38.17
<b>Cumberland</b>	\$0.00	N/A	\$31.39	\$55.64	\$40.26	N/A
<b>DeKalb</b>	\$0.00	N/A	\$42.50	\$8.96	\$44.68	N/A
<b>DeWitt</b>	\$0.00	N/A	\$0.47	\$24.26	\$14.19	N/A
<b>Douglas</b>	\$0.00	N/A	\$18.98	\$0.00	\$41.39	N/A
<b>DuPage</b>	\$0.00	N/A	\$0.00	N/A	\$41.32	N/A
<b>Edgar</b>	\$0.00	N/A	\$0.00	\$28.29	\$44.58	N/A
<b>Edwards</b>	\$12.60	N/A	\$50.50	N/A	\$38.67	N/A
<b>Effingham</b>	\$0.00	N/A	\$12.97	N/A	\$39.48	N/A

\*Source: USDA/FSA

ARC-CO payments will be issued on 85% of base acres per FSA farm enrolled in ARC-CO for 2019

## 2019 ARC-CO Payments; IL

County	Corn	Corn	Soybeans	Soybeans	Wheat	Wheat
	Non-Irrigated	Irrigated	Non-Irrigated	Irrigated	Non-Irrigated	Irrigated
Fayette	\$0.00	N/A	\$2.65	N/A	\$38.60	N/A
Ford	\$33.49	\$68.10	\$59.50	\$61.35	\$39.54	N/A
Franklin	\$5.26	N/A	\$45.16	N/A	\$43.28	N/A
Fulton	\$37.22	N/A	\$13.51	\$10.94	\$30.57	N/A
Gallatin	\$0.00	\$75.03	\$43.07	\$57.99	\$0.00	\$0.00
Greene	\$0.00	\$79.95	\$0.00	\$0.00	\$0.00	N/A
Grundy	\$37.80	N/A	\$32.28	\$44.79	\$0.00	N/A
Hamilton	\$0.00	N/A	\$43.73	N/A	\$43.50	N/A
Hancock	\$48.16	\$0.00	\$0.00	\$0.00	\$35.22	N/A
Hardin	\$0.00	N/A	\$0.00	N/A	\$39.43	N/A
Henderson	\$0.00	\$13.21	\$0.00	\$37.96	\$30.64	N/A
Henry	\$36.43	\$57.74	\$33.41	\$61.09	\$15.23	N/A
Iroquois	\$40.74	\$3.81	\$55.41	\$57.57	\$38.46	N/A
Jackson	\$15.63	N/A	\$45.53	N/A	\$43.21	N/A
Jasper	\$0.00	N/A	\$30.15	N/A	\$39.41	N/A
Jefferson	\$0.00	N/A	\$43.22	N/A	\$38.74	N/A
Jersey	\$0.00	N/A	\$0.00	N/A	\$4.15	N/A
Jo Daviess	\$0.00	N/A	\$32.25	N/A	\$38.50	N/A
Johnson	\$55.36	N/A	\$41.57	N/A	\$25.45	N/A
Kane	\$0.20	N/A	\$40.73	N/A	\$43.51	N/A
Kankakee	\$0.00	\$15.35	\$10.58	\$0.00	\$10.84	N/A
Kendall	\$22.70	N/A	\$53.00	N/A	\$7.89	N/A
Knox	\$36.24	N/A	\$43.84	\$10.57	\$25.59	N/A
Lake	\$60.17	N/A	\$45.18	N/A	\$35.64	N/A
Lasalle	\$39.21	N/A	\$44.43	\$14.65	\$27.52	N/A

\*Source: USDA/FSA

ARC-CO payments will be issued on 85% of base acres per FSA farm enrolled in ARC-CO for 2019

## 2019 ARC-CO Payments; IL

	Corn	Corn	Soybeans	Soybeans	Wheat	Wheat
County	Non-Irrigated	Irrigated	Non-Irrigated	Irrigated	Non-Irrigated	Irrigated
<b>Lawrence</b>	\$0.00	\$7.24	\$10.19	\$0.00	\$40.18	\$4.16
<b>Lee</b>	\$50.42	\$63.22	\$39.75	\$5.07	\$37.10	N/A
<b>Livingston</b>	\$42.03	N/A	\$43.22	\$53.59	\$37.05	N/A
<b>Logan</b>	\$0.00	\$0.00	\$0.00	\$0.00	\$20.31	N/A
<b>McDonough</b>	\$40.87	N/A	\$0.00	\$0.00	\$27.76	N/A
<b>McHenry</b>	\$0.00	\$0.00	\$23.50	\$58.99	\$40.18	N/A
<b>McLean</b>	\$0.00	N/A	\$19.62	\$16.11	\$41.30	N/A
<b>Macon</b>	\$0.00	N/A	\$33.32	\$34.41	\$33.99	N/A
<b>Macoupin</b>	\$0.00	N/A	\$0.00	N/A	\$14.85	N/A
<b>Madison</b>	\$0.00	N/A	\$0.00	N/A	\$40.92	N/A
<b>Marion</b>	\$0.00	N/A	\$27.39	N/A	\$40.08	N/A
<b>Marshall</b>	\$25.93	\$0.00	\$45.96	\$23.70	\$0.00	N/A
<b>Mason</b>	\$44.38	\$79.52	\$12.96	\$0.00	\$35.52	\$40.74
<b>Massac</b>	\$9.37	\$34.52	\$43.06	\$52.21	\$34.57	N/A
<b>Menard</b>	\$0.00	\$0.00	\$0.00	\$8.30	\$44.33	N/A
<b>Mercer</b>	\$30.63	\$0.00	\$31.04	\$43.87	\$1.05	N/A
<b>Monroe</b>	\$0.00	\$0.00	\$0.00	\$0.00	\$40.35	N/A
<b>Montgomery</b>	\$0.00	N/A	\$0.00	N/A	\$38.81	N/A
<b>Morgan</b>	\$0.00	\$80.18	\$0.00	\$0.00	\$37.93	N/A
<b>Moultrie</b>	\$10.50	N/A	\$60.32	\$67.16	\$19.56	N/A
<b>Ogle</b>	\$0.00	N/A	\$17.61	\$0.00	\$45.68	N/A
<b>Peoria</b>	\$18.98	\$21.58	\$36.90	\$0.00	\$33.34	N/A
<b>Perry</b>	\$13.94	N/A	\$43.53	N/A	\$28.70	N/A
<b>Piatt</b>	\$0.00	N/A	\$12.84	\$9.03	\$35.75	N/A
<b>Pike</b>	\$0.00	\$38.26	\$0.00	\$0.00	\$7.94	N/A

\*Source: USDA/FSA

ARC-CO payments will be issued on 85% of base acres per FSA farm enrolled in ARC-CO for 2019

## 2019 ARC-CO Payments; IL

County	Corn	Corn	Soybeans	Soybeans	Wheat	Wheat
	Non-Irrigated	Irrigated	Non-Irrigated	Irrigated	Non-Irrigated	Irrigated
Pope	\$6.01	N/A	\$41.39	N/A	\$11.46	N/A
Pulaski	\$0.32	N/A	\$48.61	N/A	\$26.80	N/A
Putnam	\$28.06	N/A	\$30.19	N/A	\$0.00	N/A
Randolph	\$0.00	N/A	\$0.00	N/A	\$43.37	N/A
Richland	\$0.00	N/A	\$36.24	N/A	\$42.05	N/A
Rock Island	\$23.25	\$2.61	\$22.57	\$0.00	\$34.98	N/A
St. Clair	\$0.00	N/A	\$0.00	N/A	\$44.49	N/A
Saline	\$10.69	N/A	\$25.42	N/A	\$19.35	N/A
Sangamon	\$0.00	N/A	\$10.16	\$66.23	\$40.94	N/A
Schuyler	\$60.30	\$81.20	\$25.09	\$61.93	\$26.00	N/A
Scott	\$0.00	\$78.39	\$0.00	\$0.00	\$0.00	N/A
Shelby	\$0.00	N/A	\$29.87	\$0.00	\$38.94	N/A
Stark	\$19.00	N/A	\$19.35	\$32.59	\$19.04	N/A
Stephenson	\$0.00	N/A	\$5.26	\$24.48	\$43.01	N/A
Tazewell	\$0.00	\$0.00	\$0.00	\$0.00	\$28.28	N/A
Union	\$0.00	N/A	\$46.04	N/A	\$33.12	N/A
Vermilion	\$49.47	\$0.00	\$62.45	\$63.39	\$43.46	N/A
Wabash	\$10.28	\$70.63	\$39.38	\$7.46	\$38.43	N/A
Warren	\$6.37	N/A	\$1.55	\$23.49	\$34.34	N/A
Washington	\$0.00	N/A	\$9.80	N/A	\$42.30	N/A
Wayne	\$55.21	\$0.00	\$42.88	\$0.00	\$40.48	N/A
White	\$0.00	\$19.16	\$19.38	\$0.00	\$45.06	N/A
Whiteside	\$11.11	\$54.77	\$2.11	\$0.00	\$36.57	N/A
Will	\$0.00	N/A	\$20.00	\$23.89	\$41.86	N/A
Williamson	\$29.61	N/A	\$42.32	N/A	\$37.54	N/A
Winnebago	\$0.00	N/A	\$29.66	N/A	\$38.55	N/A
Woodford	\$14.74	N/A	\$20.21	\$17.03	\$38.19	N/A

\*Source: USDA/FSA

ARC-CO payments will be issued on 85% of base acres per FSA farm enrolled in ARC-CO for 2019



# ARC – Individual (ARC-IC)

- Whole farm level revenue protection
  - Provides farm level revenue loss coverage, weighted to the producer's share of the covered commodities planted, across **ALL** farms enrolled in ARC-IC in the state
  - Must plant at least 1 covered commodity to be eligible that year
  - Planted acres determine weighting in benchmark revenue
- Payment rate: 65% of base acres
  - PLC and ARC-CO pay on 85% of base acres

# ARC – Individual (ARC-IC)

- ARC-IC applies to all base acres of all covered commodities on an ARC-IC farm
  - It is not elected on a commodity-by-commodity basis
- All payment entities on an FSA farm must elect to enroll in ARC-IC-must be unanimous

# ARC – Individual (ARC-IC)

- ARC-IC will make payments when a farm's actual revenue falls below 86% of benchmark revenue
- Benchmark revenue equals sum of the 5-year Olympic average revenue/acre (farm yield x higher of US market year price or reference price) for each covered commodity weighted by current year acres planted to a covered commodity
- Actual revenue equals sum of each crops' revenue (farm yield x MYA) weighted base of planted acres
- Maximum payment = 10% of benchmark revenue

# ARC – Individual (ARC-IC)

- Prevent plant acres are included in ARC-IC revenue calculations ONLY IF 100% of an ARC-IC farms initially reported covered commodities are approved as prevent plant
- ARC-IC will pay maximum payment (10% of benchmark revenue) if 100% of acres on FSA farm was prevent plant
- Only initially planted covered commodity and approved double crop acres are included in the revenue calculations
- Any subsequently planted crops are not included in the calculations

# ARC-IC: When to Consider

1. Production is highly variable from year to year
  - High variability increases the likelihood of ARC-IC payment, most likely when only one crop is grown on FSA farm
2. ARC-IC benchmark yield is significantly higher than ARC-CO benchmark yield and PLC farm payment yield

# ARC-IC: When to Consider

3. Fruits and vegetables or wild rice are planted on a FSA farm
  - ARC-CO & PLC payments are reduced if F & V are planted
  - Since ARC-IC only pays on 65% of base, it has 35% non-payment acres allowing more F & V to be planted
4. FSA farm had very low yields in 2019
5. FSA farm had 100% of acres Prevented Plant in 2019

# Summary of Choices

## Price Loss Coverage

- Fixed reference target price program
- Max payment rate: Effective Reference Price (ERP) – national loan rate
- Payments on 85% of a crop's base acres
- Only option that will utilize updated payment yields
- Only option eligible for SCO

## ARC-CO

- Revenue program: 5-year Olympic avg. of county yields & ERP
- Separate guarantee for each crop
- Guarantee = 86% of benchmark revenue
- Max payment = 10% of benchmark revenue
- Payments on 85% of crop's base acres
- Not eligible for SCO

## ARC-IC

- Revenue program: 5-year Olympic average of farm revenues
- Whole farm program for covered crops
- Max payment: 10% of benchmark revenue
- Payment on 65% of total base acres
- Not eligible for SCO

# Payment Limits, Eligibility

## **Payment Limits**

- Remains \$125,000 per person or per entity
- But now only ARC-CO and PLC payments count towards this limit
- In the past, Load Deficiency Payments (LDPs) and Marketing Loan Gains (MLGs) also counted towards the limit

## **Adjusted Gross Income (AGI) Limitation**

- Remains \$900,000



# 2018 Farm Bill Resources

## **FSA:**

- [https://www.fsa.usda.gov/programs-and-services/arcplc\\_program/index](https://www.fsa.usda.gov/programs-and-services/arcplc_program/index)

## **Farmdoc:**

- ARC/PLC Tool: <https://fd-tools.ncsa.illinois.edu/>
- 2018 Farm Bill Tool (Excel spreadsheet) at:  
<https://farmdoc.illinois.edu/fast-tools/arc-co-plc-model>

# Questions?

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