

Additional Thoughts on Farm Program Payments:

Base Acres and the Price Loss Coverage (PLC) and Agriculture Risk Coverage (ARC) Programs

Food, Farming, & Sustainability

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Understanding even the main concepts associated with federal farm programs can be challenging. And, determining how the current programs impact current farming decision-making can also be complex. Some farm program payments are still coupled with current production and some are “decoupled,” i.e., they have no link to current plantings.

This supplemental reading works through the new Price Loss Coverage (PLC) and Agriculture Risk Coverage (ARC) Programs providing an overview and explaining their connection or disconnection from current planting decisions. A second memo will do the same with regard to the Marketing Loan Assistance Program.

Price Loss Coverage (PLC) and Agriculture Risk Coverage (ARC) Programs and the Concept of Base Acres

The two major new programs created by the 2014 Farm Bill are the Price Loss Coverage (PLC) and Agriculture Risk Coverage (ARC) programs. These programs replaced the prior “Direct Payments” program. Farmers had to elect whether to sign their farms up for ARC or PLC. That decision will apply to the farm throughout the term of this farm bill, 2014-18.

- Under the Agriculture Loss Coverage-County (ARC-CO) revenue loss coverage is determined at the county level. 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.
- Under the Price Loss Coverage (PLC) program, payments are issued when the effective price of a covered commodity is less than the respective reference price for that commodity. The effective price equals the higher of the market year average price (MYA) or the national average loan rate for the covered commodity.

See, [USDA FSA ARC/PLC Program](#).

USDA Farm Service Agency (FSA) now has data on farmers’ decisions on this election. FSA reports that:

Nationwide, 96 percent of soybean farms, 91 percent of corn farms, and 66 percent of wheat farms elected ARC-County. Seventy-six percent of all base elected ARC-

County. Over 90 percent of long grain rice, medium grain rice, and peanut farms elected PLC. Few farms, regardless of the commodity mix, elected ARC-Individual. Election results can vary significantly across states.

[USDA FSA ARC/PLC Program.](#)

Payments under either ARC or PLC are considered to be “partially decoupled.” They are not affected by the farmer’s current planting but made solely on the “base acres” attributed to the farm. There is some connection to the current crop year, because the payment rate is connected to current market prices, hence the program is only “partially” decoupled. But, note that this connection only relates to market prices not to the actual prices that a farmer may receive for a crop.

Thus, under either ARC or PLC, what crop the farmer plants in any given year, this year or going forward, will be irrelevant to the payments that the farmer receives. Payments will be based on the “base acres” for “covered commodities” assigned to the farm and the terms of the program s/he signed up for. Similarly, what yield the farmer gets, how much profit or loss s/he actually experiences will all be irrelevant.

Two concepts that are critical to understanding these programs are “covered commodities” and “base acres.” Covered commodities have expanded to now include “wheat, oats, and barley (including wheat, oats, and barley used for haying and grazing); corn, grain sorghum, long grain rice, medium grain rice, and pulse crops (dry peas, lentils, small chickpeas, and large chickpeas); soybeans, other oilseeds (including sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe, and sesame seed), and peanuts.”

“Base acres,” sometimes referred to as Crop Acreage Base (CAB) is a multi-year average that may go back to the 1980s reflecting how many acres on the farm were planted to a specific covered commodity. The concept of “base” is an important and longstanding element of federal farm programs. Historically, it is closely connected to the transition in American agriculture from multi-crop rotation to the continuous production of one or two crops. Farmers had a financial incentive to increase their base, i.e., acres planted to a commodity crop each year.

The concept of base is now a frozen multi-year average from the past. Current year planting does not factor in. However, periodically, the farm programs will allow a farmer to update their base. For example, the 2014 Farm Bill allowed a one-time adjustment of base. Farmers could either stay with their base as it was on September 2013 or opt for a one time adjustment to factor in more recent data.

USDA FSA reports that, “[t]he base reallocation results indicate that corn and soybean base increased the most relative to 2013 enrolled base—by 12.8 million and 4.7 million acres, respectively. Wheat base declined by nearly 9.9 million acres.” Clearly, many farmers are still choosing to increase corn and soybean production, despite decoupling. And, they are rewarded for it when they have the opportunity to adjust their base accordingly.

Note that base is calculated for each covered commodity and stays with the farm. In the event that the land is sold, the base transfers to the new owner, making him or her eligible for farm programs at the rate reflected in the farm's base.

Determining the payment rates under either the ALC or the PFC involves complex data analysis by USDA. A spread sheet on yields, prices, revenue & payment rates is available on the [USDA FSA ARC / PLC webpage](#). There is also a helpful FAQ that works through producer questions posted. [USDA FSA ARC / PLC webpage](#).

USDA FSA data on payments that have been made under these programs is now available. Attached to this memo are attachments downloaded from the FSA website detailing payments by state, commodity, and number of farms paid.

ARC/PLC PAYMENTS AS OF MAY 20, 2016

Table 1: ARC/PLC Payments by State

Row Labels	PLC	ARC-CO	Grand Total
Alabama	\$37,715,617	\$5,091,586	\$42,807,203
Arizona	\$43,973	\$7,628	\$51,601
Arkansas	\$197,254,683	\$16,584,522	\$213,839,205
California	\$256,829	\$10,481,474	\$10,738,303
Colorado	\$94,797	\$53,578,943	\$53,673,740
Connecticut		\$623,778	\$623,778
Florida	\$20,323,795	\$1,178,775	\$21,502,570
Georgia	\$142,151,076	\$23,518,734	\$165,669,810
Idaho	\$947,174	\$9,785,933	\$10,733,107
Illinois	\$84,201	\$232,041,085	\$232,125,286
Indiana	\$18	\$149,944,468	\$149,944,486
Iowa		\$902,769,218	\$902,769,218
Kansas	\$142,603	\$296,872,204	\$297,014,807
Kentucky	\$12,674	\$52,716,109	\$52,728,783
Louisiana	\$71,847,846	\$14,490,868	\$86,338,713
Maine	\$10,738	\$1,550,867	\$1,561,605
Maryland		\$2,020,806	\$2,020,806
Massachusetts		\$866,330	\$866,330
Michigan		\$147,420,155	\$147,420,155
Minnesota	\$1,192,491	\$673,590,536	\$674,783,027
Mississippi	\$46,180,639	\$3,621,415	\$49,802,054
Missouri	\$29,210,769	\$7,540,600	\$36,751,369
Montana	\$580,237	\$5,385,300	\$5,965,537
Nebraska	\$333	\$612,293,261	\$612,293,594
Nevada		\$90,485	\$90,485
New Hampshire		\$572,719	\$572,719
New Jersey		\$1,134,293	\$1,134,293
New Mexico	\$2,311,492	\$5,334,835	\$7,646,327
New York		\$44,963,126	\$44,963,126
North Carolina	\$24,613,641	\$17,180,011	\$41,793,652
North Dakota	\$51,229,997	\$137,706,277	\$188,936,274
Ohio		\$236,610,367	\$236,610,367
Oklahoma	\$10,108,273	\$63,155,995	\$73,264,268
Oregon	\$214,100	\$18,253,342	\$18,467,442
Pennsylvania	\$954	\$15,050,693	\$15,051,647
Rhode Island		\$33,772	\$33,772
South Carolina	\$14,766,346	\$13,360,999	\$28,127,345
South Dakota	\$36,786	\$238,241,115	\$238,277,901
Tennessee	\$224,926	\$6,973,262	\$7,198,188
Texas	\$114,039,143	\$80,007,087	\$194,046,230
Utah	\$115	\$2,936,703	\$2,936,818
Vermont		\$2,788,624	\$2,788,624
Virginia	\$10,395,397	\$11,047,920	\$21,443,317
Washington	\$220,991	\$87,215,843	\$87,436,834
West Virginia		\$1,185,070	\$1,185,070
Wisconsin	\$178	\$226,388,519	\$226,388,697
Wyoming	\$177	\$1,909,571	\$1,909,748
Grand Total	\$776,213,009	\$4,436,115,223	\$5,212,328,232

Table 2: Payments by Crop

Row Labels	PLC	ARC-CO	Grand Total
BARLEY		\$7,253,797	\$7,253,797
CANOLA	\$55,237,846	\$380,100	\$55,617,946
CORN		\$3,711,511,190	\$3,711,511,190
CRAMBE		\$355	\$355
FLAXSEED		\$323,461	\$323,461
LENTILS		\$294,784	\$294,784
MUSTARD		\$31,836	\$31,836
OATS		\$2,204,623	\$2,204,623
PEANUTS	\$321,484,428	\$96,212	\$321,580,640
RAPESEED		\$28	\$28
SAFFLWR		\$184,946	\$184,946
SORGHUM		\$35,787,391	\$35,787,391
SOYBEANS		\$317,282,485	\$317,282,485
SUNFLR		\$8,303,205	\$8,303,205
WHEAT		\$349,118,913	\$349,118,913
RICELG	\$399,490,735	\$13,256	\$399,503,991
CKPEASLG		\$1,831,288	\$1,831,288
PEASDRY		\$1,373,610	\$1,373,610
CKPEASSM		\$123,742	\$123,742
Grand Total	\$776,213,009	\$4,436,115,223	\$5,212,328,232

Table 3: Number of PLC Farms Paid

	Sum of Farms Paid
Alabama	5,930
Arizona	6
Arkansas	14,147
California	42
Colorado	30
Florida	2,473
Georgia	17,018
Idaho	405
Illinois	9
Indiana	1
Kansas	70
Kentucky	9
Louisiana	6,186
Maine	13
Minnesota	578
Mississippi	3,007
Missouri	2,672
Montana	318
Nebraska	1
New Mexico	122
North Carolina	7,810
North Dakota	13,626
Oklahoma	1,587
Oregon	70
Pennsylvania	3
South Carolina	3,710
South Dakota	18
Tennessee	31
Texas	7,003
Utah	3
Virginia	2,783
Washington	70
Wisconsin	1
Wyoming	1
Grand Total	89,753

Table 4: Number of ARC-CO Farms Paid

Row Labels	Sum of Farms Paid
Alabama	4,683
Arizona	7
Arkansas	6,070
California	1,405
Colorado	6,005
Connecticut	293
Florida	1,087
Georgia	10,878
Idaho	2,355
Illinois	59,659
Indiana	60,685
Iowa	119,461
Kansas	63,738
Kentucky	23,004
Louisiana	5,147
Maine	751
Maryland	2,791
Massachusetts	458
Michigan	41,390
Minnesota	87,253
Mississippi	3,152
Missouri	9,469
Montana	1,369
Nebraska	71,304
Nevada	41
New Hampshire	262
New Jersey	829
New Mexico	307
New York	15,127
North Carolina	16,868
North Dakota	32,254
Ohio	75,022
Oklahoma	24,687
Oregon	2,919
Pennsylvania	13,618
Rhode Island	26
South Carolina	9,822
South Dakota	42,729
Tennessee	7,621
Texas	8,605
Utah	1,230
Vermont	1,699
Virginia	9,930
Washington	7,277
West Virginia	928
Wisconsin	64,101
Wyoming	824
Grand Total	919,140