

ARC/PLC and Commodity Insurance

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AGRICULTURE AND
BUSINESS MANAGEMENT
COLORADO STATE UNIVERSITY
EXTENSION

The Farm Bill More than Just the Farm

- **Commodities**
- Conservation
- Trade
- **Nutrition 82%**
- Credit
- Rural Development
- Research, Extension, and Related Matters
- Forestry
- Energy
- Horticulture
- **Crop Insurance**
- Miscellaneous



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Title 1 Commodity Support



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Disclaimer

- The following Farm Bill Title 1 program recommendations are based on general assumptions for each commodity. The results for individual farms and producers may vary. Individuals are encouraged to utilize the various online decision aids to make decisions based on their unique circumstances. Any results provided in this presentation are not a guarantee of a future FSA payments.*

Important Dates...

- March 15, 2023
 - ARC/PLC for 2023 crop year only
 - 2023 MY still ~3 months away – wheat, barley, oats
 - 2023 MY still ~6 months away – corn, sorghum
 - Last Sales Date for Commodity Insurance
 - Spring planted crops
 - WFRP & Micro Insurance
 - Fall planted crops September 15th

Covered Commodities

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

Top Covered Commodities in Colorado

- Wheat – 2,067,098 acres
 - Corn – 1,306,283 acres
 - Grain Sorghum – 346,142 acres
 - Sunflowers – 80,863 acres
 - Barley – 65,346 acres
- U.S. Census of Ag 2017

Three Commodity Price Support Programs

- Price Loss Coverage (PLC)
- Agriculture Risk Coverage – County (ARC-CO)
- Agriculture Risk Coverage – Individual (ARC-IC)

PLC Overview

- Price Protection Program or Income Loss Program
- Payments are triggered when the Market Year Average (MYA) price of a commodity falls below the Reference Price

2023 Colorado PLC Forecast

Crop	Reference Price	MYA	Payment
Wheat	\$5.50	\$9.21	0.00
Corn	\$3.70	\$6.75	0.00
Grain Sorghum	\$3.95	\$6.65	0.00
Sunflowers	\$0.2015	\$0.2951	0.00
Barley	\$4.95	\$5.75	0.00

ARC-CO Overview

- Revenue Guarantee Program = Price x Yield
- National Price – MYA
 - Olympic Average = Guaranteed Price
- County Average Yield
 - Olympic Average = Guaranteed Yield
- Guaranteed Price x Guaranteed Yield = Guaranteed Revenue
- 2023 MYA x 2023 County Yield = Actual Revenue
- When Actual Revenue is less than Guaranteed Revenue a payment is triggered

2023 Colorado ARC-CO Forecast

Crop	Benchmark Price	MYA	Payment
Wheat	\$5.50	\$9.21	0.00
Corn	\$3.98	\$6.75	0.00
Grain Sorghum	\$4.31	\$6.65	0.00
Sunflowers	\$0.2065	\$0.2951	0.00
Barley	\$4.95	\$5.75	0.00

ARC-IC Overview

- Revenue Guarantee Program = Price + Yield
- National Price – MYA
 - Olympic Average = Guaranteed Price
- **Individual Farm Average Yield**
 - Olympic Average = Guaranteed Yield
- Guaranteed Price x Guaranteed Yield = Guaranteed Revenue
- 2023 MYA x 2023 **Individual Farm Yield** = Actual Revenue
- When Actual Revenue is less than Guaranteed Revenue a payment is triggered

The Case for Considering ARC-IC

- All of an ARC-IC farm's initially planted covered commodities are approved as prevent plant.
- Production is highly variable from year to year on the ARC-IC farm.
 - **Producers who have yields significantly higher or lower than county average**
 - **If large prevent plant acres are anticipated**
- ARC-IC benchmark yield is (much) higher than ARC-CO benchmark yield and PLC farm payment yield.
- Fruits and vegetables (other than mung beans and pulse crops) or wild rice are planted on a FSA farm.

ARC/PLC Program

[Home](#) > [Programs and Services](#) > [ARC/PLC Program](#)

The Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs were authorized by the 2014 and 2018 Farm Bills.

Agriculture Risk Coverage-County (ARC-CO)

The ARC-CO program provides income support tied to historical base acres, not current production, of covered commodities. 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.

Price Loss Coverage (PLC)

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.

About the Program

What's Changed

Resources

Program Data

ARC/PLC Library

Program Payment Maps

FAQs

ARC/PLC Program

[Home](#) > [Programs and Services](#) > [ARC/PLC Program](#)

The Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs were authorized by the 2014 and 2018 Farm Bills.

If you received a post card from FSA about ARC/PLC enrollment, contact your tenant if you have one or contact your local FSA Office if you don't have a tenant.

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The Program Data section provides data on PLC substitute yields and other data as well as ARC/PLC payment rates, reference prices, and other program year specific data. [Click here to review the Program Data](#)

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What's Changed



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Program Data

Program Definitions

Frequently Asked Questions

Yield Update Calculator (2020 Crop Year) and CCC-867 Generator

Web Tools

The Agricultural and Food Policy Center (AFPC) at Texas A&M University, in conjunction with the Food and Agricultural Policy Institute (FAPRI) at the University of Missouri. <https://www.afpc.tamu.edu/tools/farmbill/2018/>

National Coalition for Producer Education (NCPE), led by the University of Illinois. fd-tools.ncsa.illinois.edu

Web Tools

- Agricultural and Food Policy Center with Food and Policy Institute (Texas A&M)
 - <https://www.afpc.tamu.edu/tools/farm/farmbill/2018/>
- National Coalition for Producer Education (University of Illinois)
 - <https://fd-tools.ncsa.illinois.edu/#/>

TAMU –vs- U of I

- TAMU
 - Program Decision
 - 2023 (to be updated)
 - Crops
 - All Program Crops
 - Price Selection
 - FAPRI or your choice
 - Payment Data
 - One estimated payment rate
 - Total payment per FSA farm
- U of I
 - Program Decision
 - 2019-2023
 - Crops
 - Corn, Soybeans, Wheat
 - Price Selection
 - Four pre determined levels
 - Payment Data
 - Provides a payment distribution
 - Payment per acre

Title 11 Commodity Insurance



Types of Crop Insurance

- Multi-peril Commodity Insurance (MPIC)
 - Premiums federally subsidized
 - Revenue Protection (RP)
 - Yield Protection (YP)
- Non Insured Crop Disaster Program
 - Administered by FSA
 - Covers crops not eligible for MPIC
- Single-peril Commodity Insurance
 - Premiums not subsidized (example hail insurance)

Types of Livestock Insurance

- Dairy Revenue Protection
- Livestock Gross Margin
- Livestock Risk Protection
- Pasture Range Forage
- Rainfall Index

Types of Whole Farm/Ranch Insurance

- Whole Farm Revenue Protection (WFRP)
- Micro Farm (MC)

Providing Coverage for Diversified Producers

- **WFRP** - first offered in 2015 to provide coverage for all crops under one crop insurance policy for diversified producers including specialty and organic crops.
- **Micro Farm** - first offered in 2022 as a streamlined approach to WFRP - specifically for small producers.

WFRP

- Covers up to \$17 million of revenue
- Post-production costs are not included
- Expected value are primarily based on third-party sources
- Expected yields are based on underlying policies or insured's four-year average
- May purchase additional individual crop policies
 - Must be at buy-up coverage levels
 - Any indemnities from these policies will count as revenue earned under WFRP

Micro Farm

- Less paperwork requirements
- Insures farm operations with approved revenue up to \$350,000 for the initial year of insurance & \$400,000 for carry-over policies
- Post-production and value-added costs may be included in approved revenue
- Expected value are based on the insured's past three-year average of total revenue and acres
- No individual crop policies allowed

What does WFRP & Micro Farm cover?

- Revenue from all commodities produced on the farm:
 - Including Hemp
 - Animals and animal products
 - Commodities purchased for resale (up to 50% of total)
 - Excluding timber, forest, forest products, and animals for sport, show, or pets
- Replant costs (with approval)
 - Not available under Micro Farm

What is Micro Farm?

- **A streamlined/more accessible version of WFRP**
 - Insures farm operations with approved revenue up to \$350,000 for the initial year of insurance & \$400,000 for carry-over policies
 - Post-production and value-added costs may be included in approved revenue
 - For example: jams, jellies, or pies made from fruit produced on farm operation
 - Expected value is based on the insured's past three-year average of total revenue and acres

How is the amount of insured revenue determined?

WFRP and Micro Farm insured revenue is the lower of:

- Current year's expected revenue (determined on the farm plan) at the selected coverage level, or
- The adjusted historic revenue at the selected coverage level



WFRP & Micro Farm Coverage Options

- Flexible coverage levels to tailor to your need
 - 50-85%, in 5% increments
 - Diversification of 3 commodities (commodity count) required for 80% and 85% (WFRP)
 - **Micro Farm automatically qualifies for 80 & 85% coverage**
 - No catastrophic level available



Does diversification matter for WFRP & Micro Farm?

Yes!

The diversification measure also determines:

- The amount of the diversification discount to the premium rate
 - **Micro Farm is a set discount**
- Whole-farm premium subsidy for farms with two or more commodities
 - **Automatic for Micro Farm**



WFRP & Micro Farm Premium Subsidy

WFRP Subsidy: Percentage of Total Premium Paid by Government

Coverage Level	50%	55%	60%	65%	70%	75%	80%	85%
Basic Subsidy Qualifying Commodity Count: 1	67%	64%	64%	59%	59%	55%	N/A	N/A
Whole-Farm Subsidy Qualifying Commodity Count: 2	80%	80%	80%	80%	80%	80%	N/A	N/A
Whole-Farm Subsidy Qualifying Commodity Count: 3 or more	80%	80%	80%	80%	80%	80%	71%	56%

RMA Cost Estimator

USDA Risk Management Agency
United States Department of Agriculture

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Popular Topics

- ▶ Appendix III/M-13
- ▶ Bulletins and Memos
- ▶ Crop Policies and Pilots
- ▶ Federal Crop Insurance Corp
- ▶ Field Offices: ROs | COs
- ▶ Frequently Asked Questions
- ▶ Information Browser
 - ▼ Cost Estimator
 - ▶ Main Menu
 - ▶ Plan Comparison
 - ▶ Personalized Estimate
 - ▶ Saved Estimates
 - ▶ Laws and Regulations
 - ▶ Livestock Policies
 - ▶ Reinsurance Agreements

Cost Estimator

Use this tool to estimate your Federal crop insurance premium costs. Please contact your crop insurance agent for an actual crop insurance quote and to obtain coverage.

Please disable your **pop-up blocker** before using this application or add this application to your list of safe sites.

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Questions?

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Thank you



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