..... STRAIGHT FROM THE HORSES MOUTH

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I am certain that most farmers know that the USDA enrollment period for ARC/PLC in 2017 is underway, but it is probably best to send out a reminder. Producers on farms with base acres under the safety net programs established by the 2014 Farm Bill, known as the Agriculture Risk Coverage (ARC) or Price Loss Coverage (PLC) programs, can begin visiting FSA county offices to sign contracts and enroll for the 2017 crop year. Since shares and ownership of a farm can change year-to-year, producers on the farm must enroll by signing a contract each program year. If a farm is not enrolled during the 2017 enrollment period, the producers on that farm will not be eligible for financial assistance from the ARC or PLC programs for the 2017 crop should crop prices or farm revenues fall below the historical price or revenue benchmarks established by the program. Producers who made their elections in 2015 must still enroll during the 2017 enrollment period. It should be pointed out that producers are encouraged to call their local FSA office to schedule an appointment to ensure maximum use of their time and to make sure FSA staff is available to tend to their important business needs.

Speaking of the Farm Bill, there was a good article written by Dr. Brad Lubben at the UNL Cornhusker Economics web site that gives a pretty good explanation of what farmers can expect from ARC/PLC Program this year. You can find the entire piece and charts at: http://agecon.unl.edu/cornhusker-economics/2016/farm-program-payments-projections. He points out that the federal farm program support comes from commodity programs created in the 2014 Farm Bill. The legislation gave producers a choice of enrollment by commodity and by county in either a price-based program called Price Loss Coverage (PLC) or a revenue-based program called Agriculture Risk Coverage (ARC) at either the county level (ARC-CO) or the farm level called ARC-IC for "individual coverage". As commodity prices have declined, both ARC and PLC have become important components of the farm income safety net and also substantial infusions of cash flow for producers. An analysis of programs and payments provides insight on the protection offered to producers and the outlook ahead.

Program Payments: The ARC program incorporates both national price and county or individual farm yield results from each crop year into the calculation of payments while the PLC program incorporates only national price results. Any payments are due to producers in October of the year following harvest after the marketing year is complete. Thus, program payments for the 2014 crop year were paid to producers in late 2015, 2015 crop year payments were paid to producers in late 2016, any payments on the 2016 crop will be due in late 2017, and so on. Both the PLC and ARC programs rely on national marketing year average prices. Thus, a look at past, current, and projected prices helps set the stage for analysis. National marketing year average prices for the 2015 crop were finalized in late 2016 while prices for 2016 through 2018 are projected for analysis purposes from USDA and Food & Ag Policy Research Institute at the University of Missouri (FAPRI) price projections. The multi-year decline in prices has translated into increases in farm program payments and projected payments. However, the differing objectives and mechanics of ARC and PLC create very different payment levels and projections.

PLC payment rates are directly tied to the difference between the legislated reference price and the national marketing year average price for each commodity, with a maximum payment rate equal to the difference between the reference price and the national average marketing loan rate. PLC payments for each crop are based on the calculated payment rate multiplied by the producer's program yield and 85% of the producer's base acreage. The total payment is limited by producer payment limit and eligibility rules and is reduced according to the rules of budget sequestration. From a timing standpoint, PLC payments were negligible in Nebraska for the 2014 crop year, but have quickly become important as prices for wheat, grain sorghum, and even corn dropped below reference price levels. Based on current price projections for 2016-2018, PLC payments could expand greatly. When the 2014 Farm Bill was developed and then implemented, the PLC program was not projected to provide much support or payments to producers given that commodity prices were substantially above reference price levels. That held true for most commodities in 2014, but the continued decline in market prices has moved most commodities below reference price levels, generating substantial PLC payments. So PLC participants – hang on!

While the PLC program started small, it is becoming more significant over the life of the 2014 Farm Bill. Conversely, the ARC program started off with substantial payments to producers, but is expected to shrink quickly through 2018. Unlike PLC payments that are tied to a fixed reference price set in legislation, ARC-CO payments are tied to revenue (price times yield) results for the crop year compared to a benchmark revenue based on the five-year Olympic average price and yield for each crop by county and by practice for those crops where county-level irrigated and non-irrigated yields are calculated separately. The ARC program protects producers when revenue drops below a guarantee equal to 86% of the benchmark revenue based on the average prices and yields. ARC payments are based on the same national marketing year average prices as used with PLC. ARC-CO payments are additionally based on county-level crop yields per harvested acre estimated by the USDA NASS and adjusted by FSA for unharvested acreage to generate yields per planted acre. It is just as important to remember that the bottom line is also affected by all of the other risk management decisions, including production, insurance, and marketing decisions that all contribute to a portfolio approach to risk management. Detailed payment estimates and analysis are available on the Nebraska Extension farm bill website at http://farmbill.unl.edu.