

Difficult Decisions: ARC or PLC?

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While depressed commodity markets continue to cause concerns for farm balance sheets, there are still opportunities to capture additional revenue and reduce risk. One of those opportunities is open now through March 2020, with new election windows open for the current 2018 farm bill.

The Background: The Agricultural Act of 2014 (2014 Farm Bill) was launched and ended the era of direct payments by replacing them with the Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC) programs administered by the United States Department of Agriculture (USDA). These programs are still part of the most recent 2018 Farm Bill and protect operators from suppressed commodity prices and poor yields beyond their individual crop insurance coverage. From now until 2023, operators will have the option for ARC and PLC program flexibility as well as yield updates that were not offered in the 2014 Farm Bill. Base acres will remain unchanged.

What's New: Owners and operators will have the one-time opportunity to update their PLC Yields for their Base-Acre crops found on the FSA-156EZ.

- The updated yields will take affect for the 2020 crop year through the life of the current farm bill but will not influence 2019 ARC or PLC payments.

- The updated yield will be equal to 90% of each covered commodity's average yield from 2013 to 2017. If the yield in any case slips below 75% of the county yield for a given year, 75% of the 2013 through 2017 yield will be submitted for that year.
- The yields reported to an Operator's Risk Management Agency (RMA) via their crop insurance agent and Approved Insurance Provider (AIP) are the preferred form of yield verification to be used for crop years 2013 – 2017.

PLC Considerations: While landowners and operators have the option of whether they want to update PLC yields, it will likely be beneficial. If the updated PLC yield is less than the current PLC yield, participants can keep the current yields. Ultimately, higher PLC yields will equate to higher payments, should a payment be triggered. This is an opportunity for landowners and operators to leverage existing programs to reduce risk and offset lost revenue. Owners can update their PLC yields now through September 30, 2020 at their local USDA Service Center.

In addition to the updated PLC yields, Landowners and Operators will have the opportunity to update their previous election from the 2014 Farm Bill of ARC-CO, ARC-IC, and PLC programs. Both ARC and PLC are income support programs.

ARC Considerations: ARC payments are triggered when the actual county crop revenue falls below a specific guaranteed level while PLC payments are triggered when the effective price for a covered commodity falls below its effective reference price. ARC-CO uses county level data, and ARC-IC uses operator level data specific to the operator who wishes to enroll in ARC-IC. A one-time election can be made on or before March 15th, 2020 for crop years 2019-2020, and participants will have the opportunity to make an annual selection for crop years 2021 through 2023. Elections can be made on a crop-by-crop basis, and payments are based off the base-acre crops stated on the FSA-156EZ for both ARC-CO and PLC, not the actual crop planted on the tract. ARC-IC however is on an operator level and payments are dependent on the crop planted on that farm for that year.

How to learn more: While program elections can be difficult decisions for operators and landowners to make, there are plenty of resources available. Iowa State University Extension and Outreach is traveling the state hosting seminars to help operators understand their options, and similar programs are available in other states. In addition to State Universities, the USDA Farm Service Agency has decision making tools and spreadsheets where operators can plug in their historic yields for 2013 – 2017 to see what their updated PLC yields will be.

For more information on ARC/PLC decisions for crop years 2019 – 2023, click [here](#) or contact a Peoples Company Land Manager to learn more about how these decisions can affect your farm.