USDA United States Department of Agriculture

Farm Service Agency

UNDERSTANDING ARC/PLC Oct. 4, 2016

- **In General:** These programs provide assistance only when there are market downturns and/or yield declines - - unlike the old direct payments program, which issued payments regardless of good times or bad.

  Payments will begin flowing on October 6, 2016, for wheat, barley, oats, peanuts, corn, grain sorghum, soybeans, dry peas, and lentils and will reach most producers' accounts within days or weeks. Rice, other oilseeds and chickpea payments will be made later in the year as market year average price data become available. All payments will be sequestered at the FY 2016 rate of 6.8%.

- **PLC:** PLC payments are made when market year average prices are below reference prices. For 2015, most of the PLC payments will be issued to producers with peanut, long grain rice, sorghum, wheat, or canola base. The PLC payment rate for long grain rice will be announced the first week in November and for canola the first week of December. Other crops receiving PLC payments include corn, medium/short grain rice,

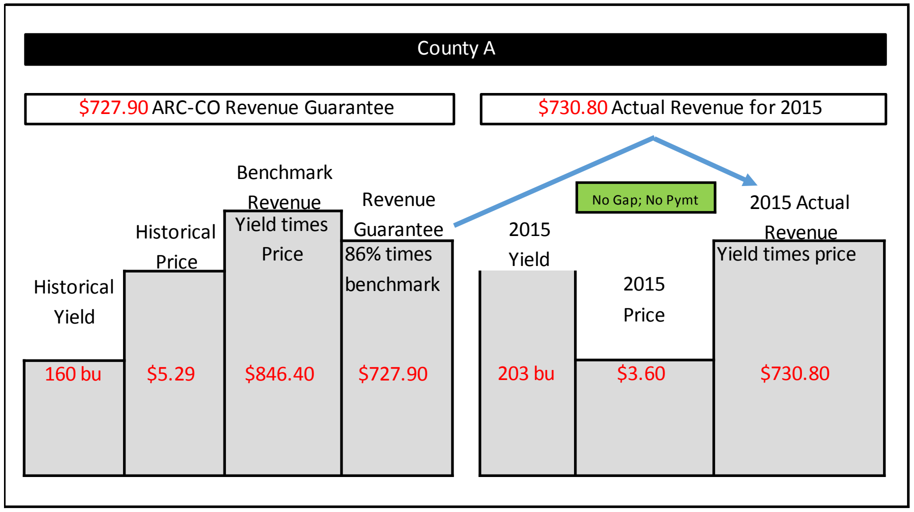
- **ARC-County:** ARC is a county-based program that allows for disparate payment rates across counties. This may result in one county receiving a payment and its neighboring counties may not.

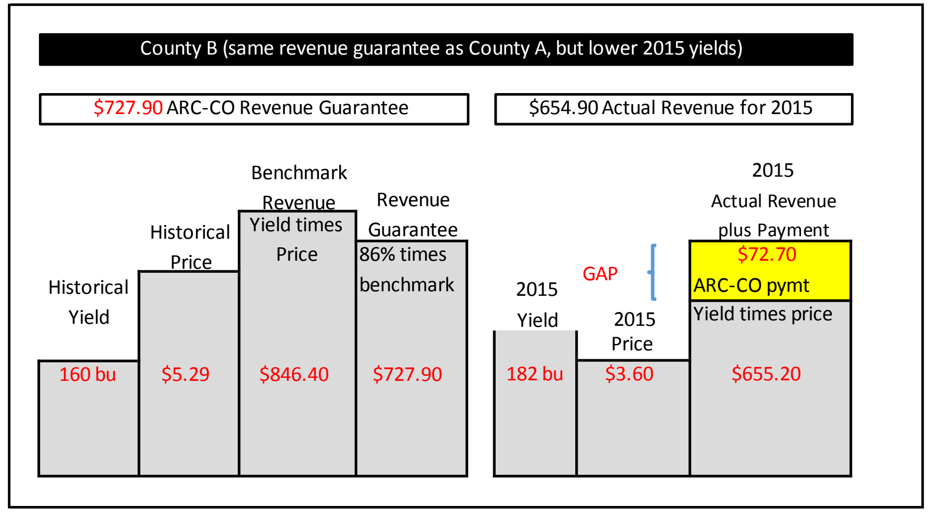
  ARC-county payment rates are determined by a statutory formula for each county. This formula involves comparing guaranteed crop revenues (the average of historical county yields *times* the average of historical national prices) to 2015 actual crop revenues (actual county yields *times* the national market year average price).

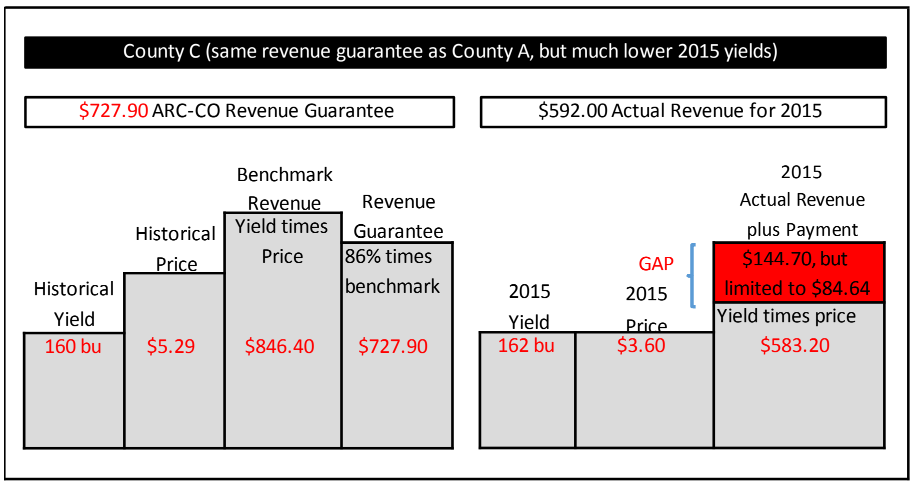
  The key component explaining differences in ARC-CO payment rates between neighboring counties is yields. County average yields are based on the best information we have available (from robust to limited information: NASS county data, RMA county, NASS district, or State Committee determined yields). Individual producers may question the county average as it may differ from their own personal history.

  The chart on the next page illustrates potential differences in ARC-CO payment rates among neighboring counties. County A receives no payment because the 2015 actual revenue exceeds the revenue guarantee. County B receives $73 per payment acre with just a 10-percent lower yield than County A. County C receives a payment rate of $84.64 with a 19-percent lower yield than County A. Note that County C illustrates a situation where the payment is limited by the farm bill's "10-percent-of-benchmark" maximum payment rule. It is also important to note that the 2015 actual revenue in County A is larger than the other two counties, despite not receiving an ARC-CO payment.

Chart I: Comparison of ARC-CO Payments for Corn for 3 Different Yields in 2015







All counties experience a 32% drop in price in 2015, from $5.29 to $3.60.

County A

Despite the 32% drop in price, the 27% increase in 2015 yields (from 160 bu to 203 bu) means the 2015 actual income of $730.80 an acre exceeds the revenue guarantee of $727.90.
Therefore, no one in the county gets an ARC-CO payment.

County B

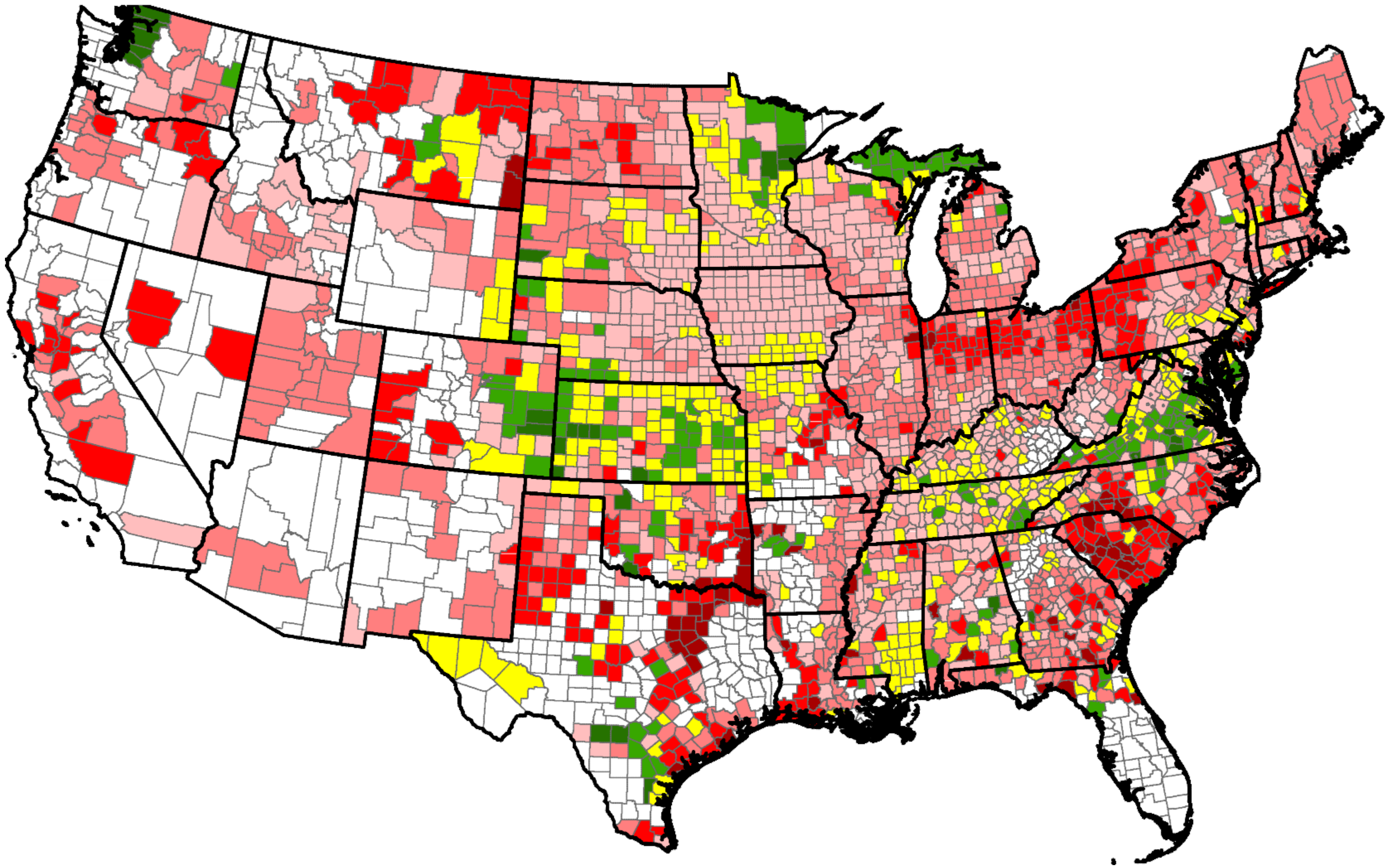
The 32% drop in price and a 10% decrease in 2015 yields from County A causes the 2015 actual income of $655.20 to be less than the revenue guarantee of $727.90.
Therefore, every participant in the county gets a $72.70 ARC-CO payment.

County C

The 32% drop in price and a 20% decrease in 2015 yields from County A causes the 2015 actual income of $583.20 to be $144.70 less than the revenue guarantee of $727.90.
However, the ARC-CO payment is limited to 10% of the benchmark revenue or $84.64 an acre.

2015 -Crop Corn Revenue without ARC-CO Safety Net

(Actual Revenue as Percent of ARC-CO Revenue Guarantee)



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Farm Service Agency
Production, Emergency, Compliance Division
Washington, DC
October 3, 2016

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Revenue Below Historic Average
- **Less than 70%**
- **70% - 80%**
- **80% - 90%**
- **90% - 100%**

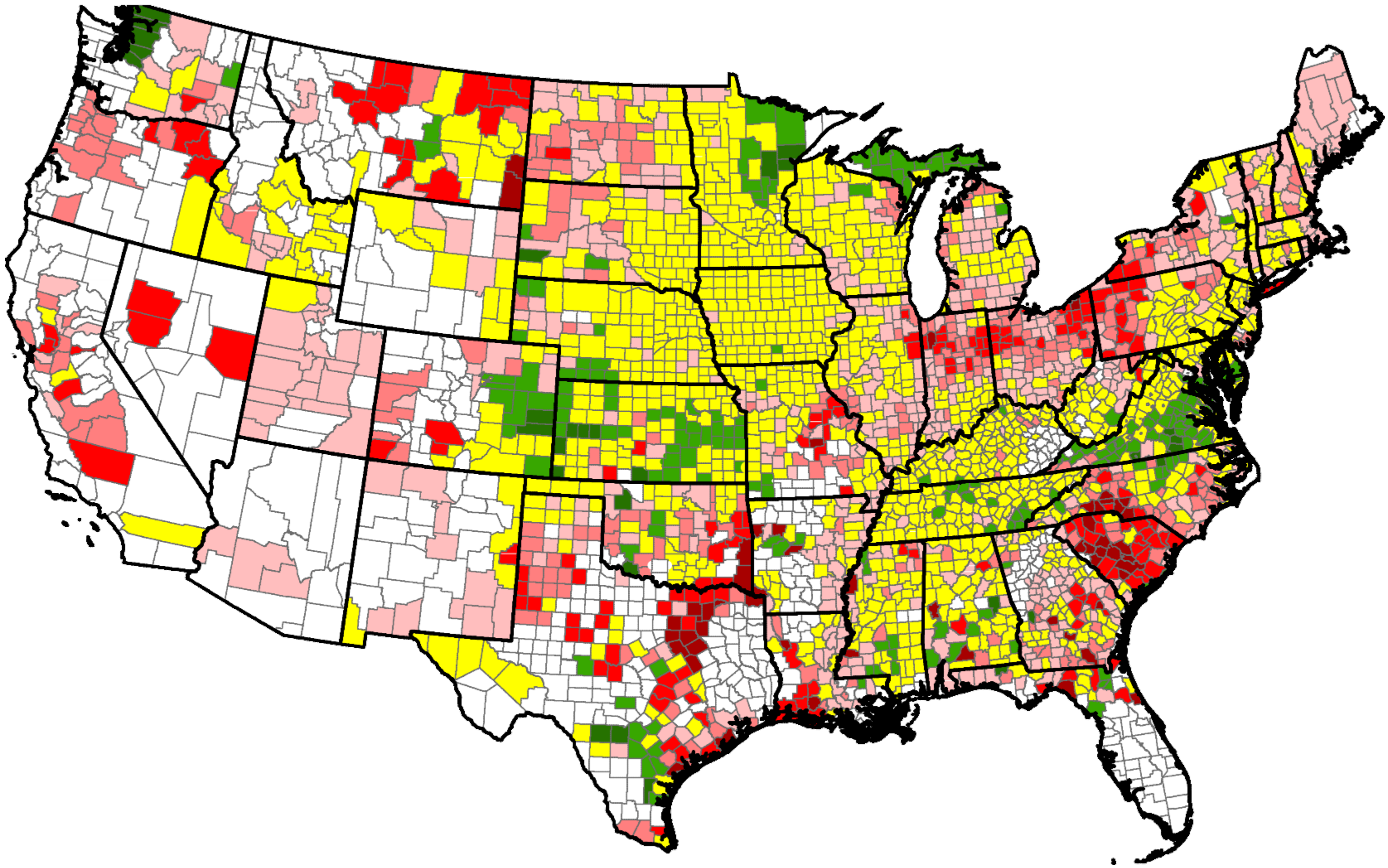
Revenue at or Above Historic Average
- **100%**
- **100% - 125%**
- **Over 125%**

No Data

Map includes all and non-irrigated yields. Map is intended for Farm Service Agency (FSA) business purposes only. Map depicted serves only as a general reference map.

2015 -Crop Corn Revenue with ARC-CO Safety Net

(Actual Revenue as Percent of ARC-CO Revenue Guarantee)



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Revenue at or Above Historic Average

- No Data

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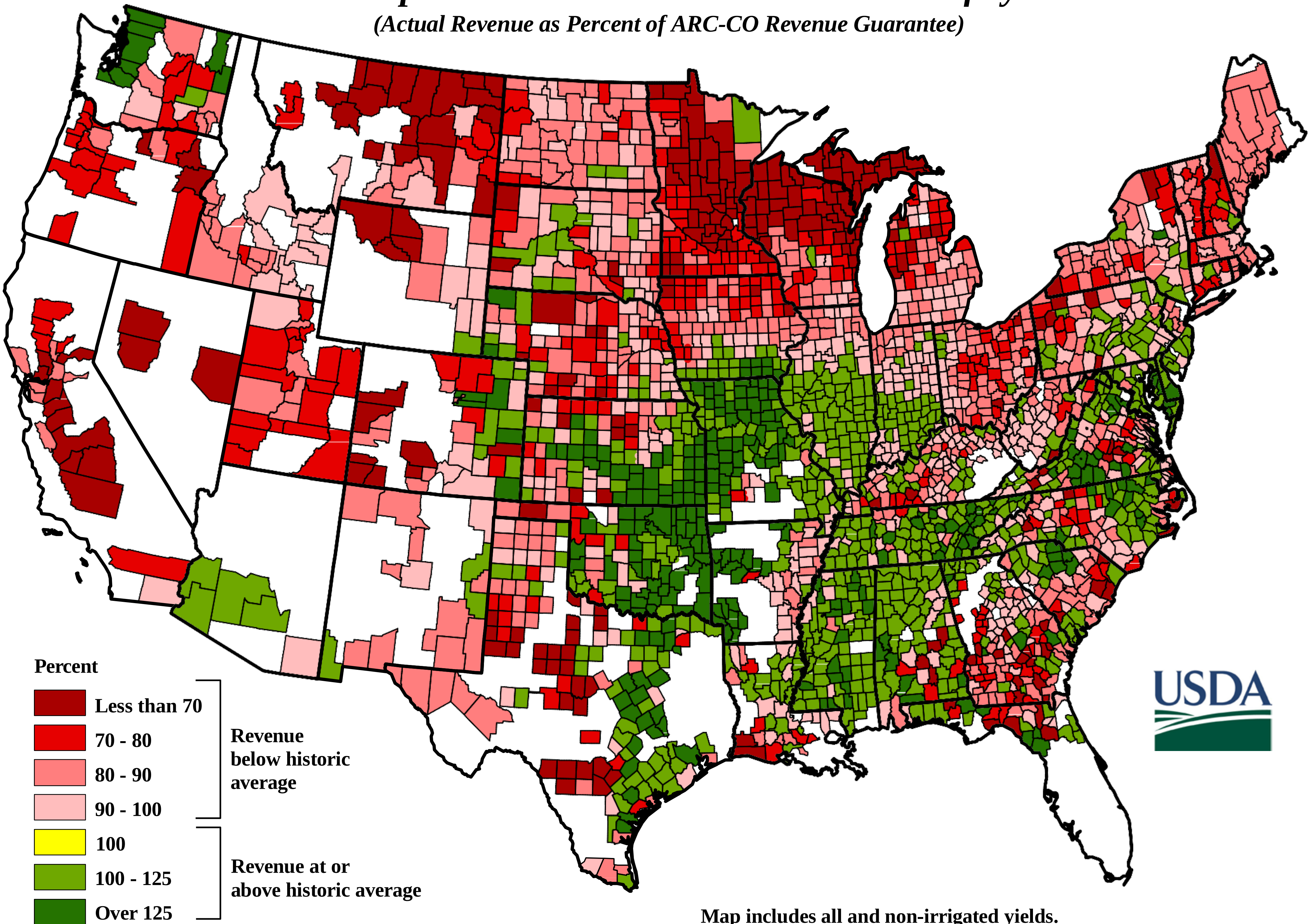
2014-Crop Corn Revenue without ARC-CO Safety Net

(Actual Revenue as Percent of ARC-CO Revenue Guarantee)



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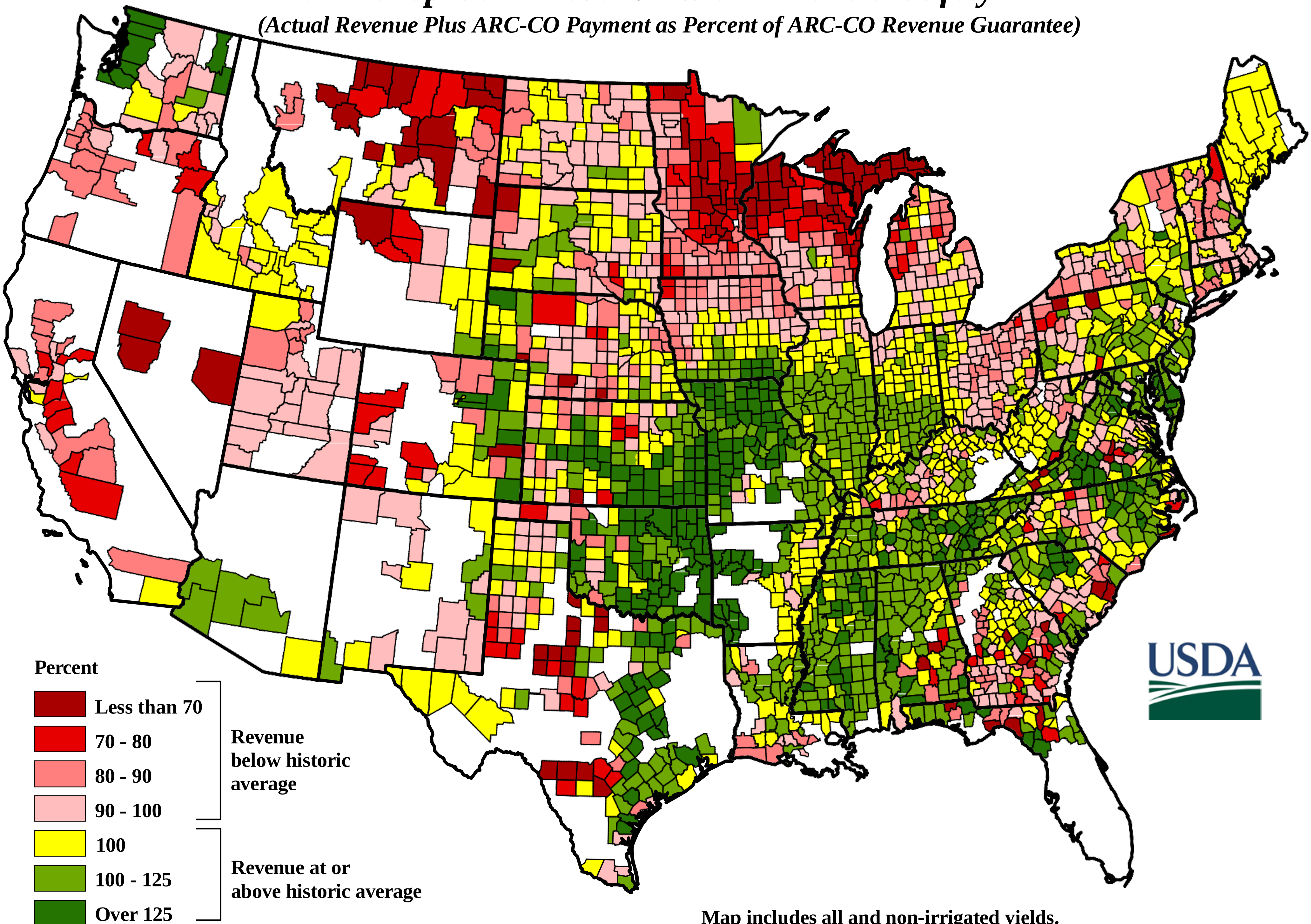
2014-Crop Corn Revenue with ARC-CO Safety Net

(Actual Revenue Plus ARC-CO Payment as Percent of ARC-CO Revenue Guarantee)



Map includes all and non-irrigated yields.

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