Understanding the 2014 Farm Bill
For Educational Use Only
March 11, 2015
Time Sensitive Material
2014 Farm Bill: A Simple Comparison of Expected PLC (SCO Not Included) and ARC-CO Payments
Select Arkansas Counties
Long and Medium Grain Rice, Soybeans, Wheat, Corn and Grain Sorghum

Commodity Programs
Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC)

I Recommend
Producers final enrollment decision should be made using their assumptions &
Texas A&M/University of Missouri FAPRI web-based farm bill decision aid.

If one (for any number of reasons) is simply not going to use a farm bill decision aid and wants to gain an increased understanding of their farm-by-farm and crop-by-crop options, this presentation and accompanying county tables may provide insight into ARC-CO and PLC (SCO-Not Included) program options.

University of Arkansas Division of Agriculture Farm Bill Web Site
www.uaex.edu/farmbill

Robert Coats
Professor - Economics
Department of Agricultural Economics and Agribusiness
Division of Agriculture, University of Arkansas
Assumptions of a simple comparison of expected PLC (SCO Not Included) and ARC-CO payments for all available crops assuming an assigned PLC Payment Yield.

- Data presented is the average payment across many possible future realizations of prices and yields.

The Output Is Generated by Texas A&M/Missouri FAPRI web-based farm bill decision aid ARC/PLC Evaluator for Generic Base

There are two key assumptions.
- First, the assumption is that you would have a PLC Payment Yield equal to the default value assigned by FSA in the absence of a yield history.
- Second, we assume expected prices equal to the latest FAPRI projections. This analysis uses February FAPRI price estimates.
Output

This output reflects expected payments for PLC (SCO-Not Included) and ARC-CO.

Choosing ARC-CO precludes you from purchasing the crop insurance Supplemental Coverage Option (SCO).

Expected net SCO indemnities are not reflected in this output.

If the results for PLC and ARC-CO are similar for any given crop being considered, one may wish to further consider total possible PLC payments plus expected net SCO indemnities will exceed ARC-CO.

Producers final enrollment decision should be made using their assumptions & Texas A&M/University Missouri FAPRI web-based farm bill decision aid.
Potential 5 Year Average PLC and ARC Soybean Payments Per Acre
Select Arkansas Counties – Preliminary. Producers final enrollment decision should be made using their assumptions & Texas A&M/Missouri FAPRI web-based farm bill decision aid.

PLC (SCO-Not Included)  ARC

Possible Payment Given Assumptions

Developed for educational use only. Results will vary with assumptions.
Potential 5 Year Average PLC and ARC Soybean Payments Per Acre
Select Arkansas Counties – Preliminary. Producers final enrollment decision should be made using their assumptions & Texas A&M/Missouri FAPRI web-based farm bill decision aid.

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FAPRI U.S. farm price estimate for US Soybeans

Reference Price:
- 14/15: $10.03
- 15/16: $9.27

Source: FAPRI-MU baselines, Feb. 2015; CME
Wheat Price Loss Coverage and Agricultural Risk Coverage

Example of Possible Outcomes

5 Year Average Payments Per Acre

Select Arkansas Counties

Preliminary

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FAPRI U.S. farm price estimate for US Wheat

Reference Price $5.50
14/15 - $6.01
15/16 - $5.17

Source: FAPRI-MU baselines, Feb. 2015; CME
Potential 5 Year Average PLC and ARC Wheat Payments Per Acre
Select Arkansas Counties – Preliminary. Producers final enrollment decision should be made using their assumptions & Texas A&M/Missouri FAPRI web-based farm bill decision aid.

Developed for educational use only. Results will vary with assumptions.
Corn Price Loss Coverage and Agricultural Risk Coverage

Example of Possible Outcomes

5 Year Average Payments Per Acre Select Arkansas Counties Preliminary Educational Use Only
FAPRI U.S. farm price estimate for US Corn

Reference Price $3.70
14/15 - $3.63
15/16 - $3.81

Source: FAPRI-MU baselines, Feb. 2015; CME
Potential 5 Year Average PLC and ARC Corn Payments Per Acre
Select Arkansas Counties – Preliminary. Producers final enrollment decision should be made using their assumptions & Texas A&M/Missouri FAPRI web-based farm bill decision aid.

Developed for educational use only. Results will vary with assumptions.
Long Grain Rice
Price Loss Coverage
and
Agricultural Risk Coverage
Example of Possible Outcomes
5 Year Average Payments Per Acre
Select Arkansas Counties
Preliminary
Educational Use Only
Potential 5 Year Average PLC and ARC LG Rice Payments Per Acre
Select Arkansas Counties – Preliminary. Producers final enrollment decision should be made using their assumptions & Texas A&M/Missouri FAPRI web-based farm bill decision aid.

![Bar chart showing potential 5-year average PLC and ARC LG rice payments per acre for various Arkansas counties.](chart)

Developed for educational use only. Results will vary with assumptions.
FAPRI U.S. farm price estimate for Long Grain Rice prices

Reference Price $14.00 or $6.30
14/15 - $12.24 or $5.51
15/16 - $12.47 or $5.61

Source: FAPRI-MU baselines, Feb. 2015; CME
Select Arkansas Counties – Preliminary. Producers final enrollment decision should be made using their assumptions & Texas A&M/Missouri FAPRI web-based farm bill decision aid.

Potential 5 Year Average PLC and ARC LG Rice Payments Per Acre

Developed for educational use only. Results will vary with assumptions.
Medium Grain Rice
Price Loss Coverage
and
Agricultural Risk Coverage
Example of Possible Outcomes
5 Year Average Payments Per Acre
Select Arkansas Counties
Preliminary
Educational Use Only
U.S. farm and futures prices for Medium Grain Rice Excluding Japonica

Dollars per bushel

Reference Price $14.00 or $6.30
14/15 - $14.64 or $6.59
15/16 - $14.15 or $6.37

Source: FAPRI-MU baselines, Feb. 2015; CME
Potential 5 Year Average PLC and ARC MG Rice Payments Per Acre

Select Arkansas Counties – Preliminary. Producers final enrollment decision should be made using their assumptions & Texas A&M/Missouri FAPRI web-based farm bill decision aid.

Developed for educational use only. Results will vary with assumptions.
Grain Sorghum
Price Loss Coverage
and
Agricultural Risk Coverage
Example of Possible Outcomes
5 Year Average Payments Per Acre
Select Arkansas Counties
Preliminary
Educational Use Only
Potential 5 Year Average PLC and ARC Grain Sorghum Payments Per Acre

Select Arkansas Counties – Preliminary. Producers final enrollment decision should be made using their assumptions & Texas A&M/Missouri FAPRI web-based farm bill decision aid.

Developed for educational use only. Results will vary with assumptions.
Potential 5 Year Average PLC and ARC Grain Sorghum Payments Per Acre

Select Arkansas Counties – Preliminary. Producers final enrollment decision should be made using their assumptions & Texas A&M/Missouri FAPRI web-based farm bill decision aid.

Developed for educational use only. Results will vary with assumptions.
FAPRI U.S. farm price estimate for Grain Sorghum prices

Reference Price $3.95
14/15 - $3.81
15/16 - $3.64

Source: FAPRI-MU baselines, Feb. 2015; CME