Price Protection is Available Through PLC

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Price Loss Coverage (PLC) is one of the new commodity programs under the 2014 Farm Bill safety net. If you are an **agriculture producer** on a farm with base acres you have to make a one-time decision by **March 31** for each farm and select one of the choices available:

- **PLC** or **ARC-County** (ARC-CO) on a covered commodity-by-covered commodity basis or;
- **ARC-Individual** (ARC-IC), which will include all covered commodities on the farm.

This decision will be effective at least through 2018, when the current Farm Bill expires. Those who fail to elect a program will be excluded from program benefits in the 2014 crop year and their farms will be automatically enrolled into PLC starting in 2015.

Price Loss Coverage (PLC) is similar to the repealed Counter-Cyclical Payments program in previous legislation. It offers **price protection** on a crop-by-crop basis; for example, a farm can have corn base acres participating in ARC-CO and soybean base acres participating in PLC. If you elect PLC/ARC-CO, you must also make a one-time election for those covered crops enrolled in PLC and those enrolled in ARC-CO.

Under PLC, payments are issued to producers when the U.S. marketing year average price (MYA or effective price) for a covered commodity is below its respective "reference price", a new term for target price.

Table 1: Reference Prices ($) and Loan Rates ($) set in 2014 Farm Bill.

Crop	Reference Price	Loan Rate		Crop	Reference Price	Loan Rate
Barley (all)	4.95/bu	1.95/bu		Oats	2.40/bu	1.39/bu
Canola	20.15/cwt	10.09/cwt		Peanuts	535.00/ton	355.00/ton
Chickpeas Small	19.04/cwt	7.43/cwt		Rapeseed	20.15/cwt	10.09/cwt
Chickpeas Large	21.54/cwt	11.28/cwt		Rice Medium Grain	14.00/cwt	6.50/cwt
Corn	3.70/bu	1.95/bu		Rice Long Grain	14.00/cwt	6.50/cwt
Crambe	20.15/cwt	10.09/cwt		Rice Temperate Japonica	16.10/cwt	6.50/cwt
Dry Peas	11.00/cwt	5.40/cwt		Safflower	20.15/cwt	10.09/cwt
Flaxseed	11.28/bu	5.65/bu		Sesame Seed	20.15/cwt	10.09/cwt
Grain Sorghum	3.95/bu	1.95/bu		Sunflower	20.15/cwt	10.09/cwt
Lentils	19.97/cwt	11.28/cwt		Soybeans	8.40/bu	5.00/bu
Mustard	20.15/cwt	10.09/cwt		Wheat	5.50/bu	2.94/bu

PLC payments, when triggered, will be made on a crop-by crop basis using the farm's base acreage and program yield for the particular crop, and only cover from the reference price down to the higher of the marketing year average price or the market loan rate price (Table 1).

Payment = 85% of Base Acres of commodity (not planted) x *Program Payment Yield* x *(Reference -* ***Effective Price****)*

or

Payment = 85% of Base Acres of commodity (not planted) x *Program Payment Yield* x *(Reference -* ***Loan Rate****)*

Example

- 100 base acres of soybeans under PLC
- Program yield of 25 bushels per acre
- Marketing year average (MYA) price dropped to $4.35 per bushel

What would be the total PLC payment for this producer?

1. The MYA price is lower than the reference price of $8.40/bu, so a payment is triggered.
2. Since the MYA price is also below the loan rate of $5.00/bu, the payment will be:

Payment: *85% x Base Acres* x *Program Payment Yield* x *(Reference - Loan Rate) =*
0.85 x 100 x 25 x (8.40 – 5.00) = $7,225.

Actual planted acres do not impact payment rates or eligibility, since the PLC payment rate is made on 85% of the base acres attributed to a commodity plus the generic base acres planted to and attributed to the covered commodity in question. Payments will be issued after the end of the respective crop year.

Eligibility and Limitations

- Producers whose adjusted gross income (AGI) exceeds $900,000 during a crop, fiscal, or program year are not eligible to participate.
- The total amount of payments received by a person or legal entity may not exceed $125,000 per crop year. Payments for peanuts have a separate $125,000 payment limitation.
- The sum of the base acres on a farm must be 10 acres or more, unless the producer is a socially disadvantaged farmer or is a limited resource farmer.

Visit the USDA FSA website for online tools to aid in the decision process, such as:

- USDA/NAAFP Decision Aid, "FAPRI Model" (https://usda.afpc.tamu.edu/ or click here)
- FarmDoc Farm Bill Toolbox, "Illinois Model" (http://farmbilltoolbox.farmdoc.illinois.edu/ or click here)

The covered commodities eligible for program payments include barley, canola, chickpeas, corn, crambe, flaxseed, grain sorghum, lentils, mustard seed, oats, peanuts, dry peas, rapeseed, rice, safflower, sesame seed, soybeans, sunflower seed, and wheat. **Upland cotton** is no longer a covered commodity and 2013 base acres of cotton are converted to generic acres that can receive program payments only if program crops are planted.

An additional option has been made available to farmers enrolled in PLC. They may choose to buy **Supplemental Coverage Option** (**SCO**) Insurance, which covers part of the deductible on an underlying crop insurance policy. Future notes will be sent out on Crop Insurance programs. Stay informed!

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