Congressional Research Service
Informing the legislative debate since 1914

IN FOCUS

August 17, 2017

Farm Bill Primer: ARC and PLC Support Programs

Background

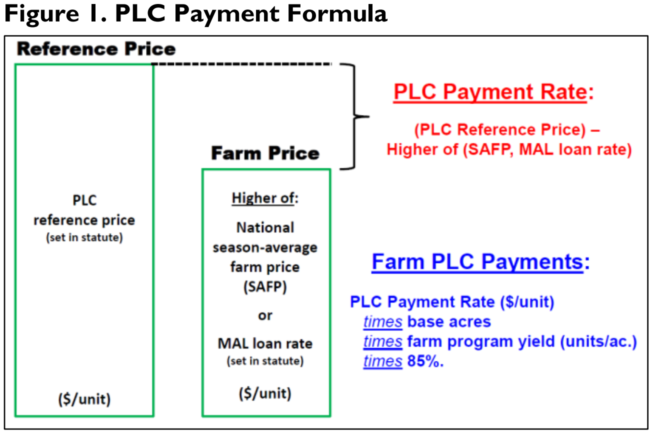
The 2014 farm bill (Agricultural Act of 2014, P.L. 113-79), created two new types of crop support programs, Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC), to provide income support at levels above the price protection offered by the marketing assistance loan (MAL) program's loan rates. See CRS Report R43448, *Farm Commodity Provisions in the 2014 Farm Bill (P.L. 113-79)*.

Producers were given a one-time choice between PLC and ARC, depending on their preference for protection against a decline in either (a) crop prices or (b) crop revenue, respectively. The selection was for the five-year duration of the 2014 farm bill—the 2014 through 2018 crop years. Furthermore, producers could elect ARC at either the county (ARC–CO) or individual farm (ARC–IC) level. PLC and ARC-CO choices could vary across "covered" crops (listed in **Table 1**), whereas ARC-IC includes all "covered" crops on a farm under a single farm-level revenue guarantee. Participation is free. For both ARC and PLC, payments are decoupled—that is, payments are made on 85% of a crop's historical "base" acres rather than actual production (see **Table 1** notes for details on base acres).

Price Loss Coverage (PLC)

PLC price protection is based on a statutorily fixed reference price. PLC makes a payment when the national season average farm price (SAFP) is less than the reference price (**Figure 1**).

Figure 1. PLC Payment Formula



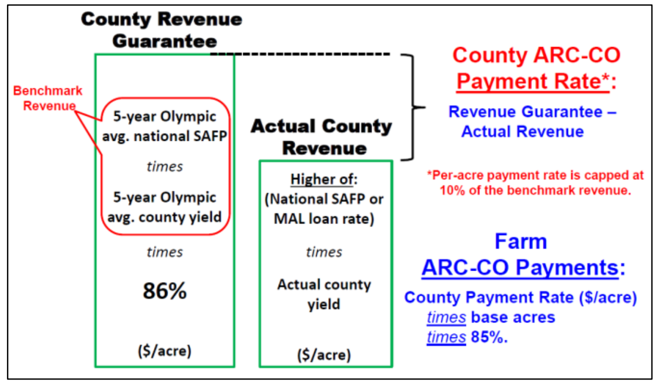
Source: CRS

Notes: See **Table 1** notes for details on program yields.

County-Level ARC (ARC-CO)

ARC-CO crop revenue protection is based on a five-year Olympic moving average (removing high and low years) of county yields and national SAFP. The revenue guarantee for ARC-CO equals 86% of the benchmark revenue—the product of average county yields and average national prices (**Figure 2**). A payment is made if the product of current-year county yield and SAFP is below the revenue guarantee. The per-acre payment rate is capped at 10% of the ARC-CO county revenue guarantee.

Figure 2. County-Level ARC-CO Payment Formula



Source: CRS

Individual-Level ARC (ARC-IC)

Instead of an ARC-CO revenue guarantee on a crop-by-crop basis, farmers could select a farm-level guarantee that includes all covered crops on a farm. A single, whole-farm guarantee (and payment) is calculated as a weighted average for all crops (not on a crop-by-crop basis). Payments are made on a reduced 65% of base acres.

Participation Varies by Program Crop

Producer elections varied widely across eligible program crops (**Table 1**). At the time that the 2014 farm bill was written, it was clear that ARC-CO would make significant payments through 2017, primarily because of high commodity prices during the 2012 to 2014 period, but that payments would decline substantially in later years as commodity prices subsided under productivity gains, assuming normal weather. As a result, producers of the two largest program crops—corn and soybeans—elected 93% and 97% of their respective base acres to participate in ARC-CO, making it the largest revenue program in terms of total base acres eligible for payments. Rice and peanut producers were nearly unanimous in selecting PLC. Few producers—1% of base acres—selected ARC-IC.

Eligibility Criteria and Payment Limits

Producers must meet eligibility requirements to participate in PLC and ARC and are subject to annual payment limits. (For details, see CRS Report R44739, *U.S. Farm Program Eligibility and Payment Limits*.)

More Information

For more analysis on the farm safety net, see CRS In Focus IF10191, *Overview of Farm Safety Net Programs*; and CRS Report R44914, *Farm Safety-Net Payments Under the 2014 Farm Bill: Comparison by Program Crop*.

Table 1. Farms and Base Acres Electing ARC or PLC by Crop

"Covered" Crops	Number of Farms	Base Acres[a]	Election of Base Acres[b]			Percentage of Base Acres		
			PLC	ARC-CO	ARC-IC	PLC	ARC-CO	ARC-IC
Corn	1,363,342	96,768,447	6,388,066	90,057,276	323,106	7%	93%	0%
Wheat	802,482	63,699,144	27,045,581	35,394,613	1,258,950	42%	56%	2%
Soybeans	1,062,142	54,514,972	1,688,365	52,635,553	191,053	3%	97%	0%
Grain Sorghum	230,382	8,979,430	5,965,661	2,998,211	15,557	66%	33%	0%
Barley	111,277	5,185,717	3,876,590	1,127,214	181,913	75%	22%	4%
Long Grain Rice	29,278	4,014,721	4,007,809	6,912	0	100%	0%	0%
Oats	197,770	2,095,226	671,385	1,410,063	13,778	32%	67%	1%
Peanuts	49,356	2,020,243	2,013,443	6,781	18	100%	0%	0%
Sunflowers	28,009	1,650,954	920,546	710,724	19,683	56%	43%	1%
Canola	17,420	1,476,317	1,436,766	31,814	7,736	97%	2%	1%
Japonica Rice	2,041	575,194	355,082	197,020	23,092	62%	34%	4%
Dry Peas	7,635	441,890	196,636	219,471	25,783	44%	50%	6%
Flaxseed	5,506	230,292	151,080	116,798	19,185	63%	36%	1%
Lentils	3,590	287,063	145,584	82,871	1,837	53%	41%	7%
Medium Grain Rice	14,097	173,824	167,293	6,532	0	96%	4%	0%
Safflower	1,963	99,068	62,521	33,401	3,145	63%	34%	3%
Large Chickpeas	1,246	85,634	19,412	56,636	9,587	23%	66%	11%
Mustard	609	24,715	3,845	9,431	1,439	56%	38%	6%
Small Chickpeas	436	22,067	5,004	15,006	2,057	23%	68%	9%
Sesame	191	5,206	4,378	828	0	84%	16%	0%
Crambe	116	2,603	1,698	889	16	65%	34%	1%
Rapeseed	115	2,481	1,100	1,335	45	44%	54%	2%
Subtotal	**1,760,345**	**242,355,206**	**55,137,845**	**185,119,381**	**2,097,981**	**23%**	**76%**	**1%**
Generic Base[c]	194,224	17,582,910			8,249			
Total	**1,760,345**	**259,938,116**	**55,137,845**	**185,119,381**	**2,106,275**			

Source: USDA, Farm Service Agency.

a. Base acres are the historical acres for each program crop that has participated in USDA farm programs, as defined by the 2014 farm bill (Section 1112). Similarly, "program" yields (used in the calculation of farm-level PLC payments—see **Figure 1**) are historical yields for each program crop that has participated in USDA farm programs (Section 1113). For more information, see CRS Report R44914, *Farm Safety-Net Payments Under the 2014 Farm Bill: Comparison by Program Crop*, p. 11.

b. Farms elect ARC-CO and PLC on a crop-by-crop basis. A given farm may have elected PLC for some crops and ARC-CO for other crops. If a farm chooses ARC-IC, all base acres on the farm (regardless of crop) are elected for ARC-IC.

c. Generic base is former upland cotton base. Note that no data appear in the PLC or ARC-CO columns associated with this generic base. This is because covered crop plantings are allocated to the generic base acres on the farm each year depending on that year's actual plantings—thus, generic base allocation likely changes from year to year, unlike PLC and ARC-CO where base selection was a one-time choice for the duration of the 2014 farm bill. In contrast, ARC-IC is a whole-farm program and the generic base of the farm (as well as all other covered crop bases) is associated with ARC-IC.

Randy Schnepf, rschnepf@crs.loc.gov, 7-4277

IF10711