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AGRICULTURAL ACT OF 2014, FACT SHEET 4 UPDATED

Price Loss Coverage (PLC)

Kent Olson, Applied Economics, November 2014

The "Agricultural Act of 2014," commonly called the farm bill, creates the Price Loss Coverage (PLC) program which is explained below. Other fact sheets in the series describe other parts of the bill.

PRICE LOSS COVERAGE (PLC)

The Price Loss Coverage (PLC) program will make payments to producers and owners who receive a share of the crop if a covered commodity's national average marketing year price is below its reference price, the new term instead of target price (Table 1). Payments will be made on a crop by crop basis. Under PLC, the payment is the difference between the national marketing year average (MYA) price and the effective price multiplied by the payment yield and 85% of the base acres. The effective price is the maximum of the MYA price and the loan rate.

Table 1: Reference Prices ($); set in 2014 Farm Bill.

WHEAT	5.50/bu	SOYBEANS	8.40/bu
CORN	3.70/bu	OTHER OILSEEDS	20.15/cwt
GRAIN SORGHUM	3.95/bu	PEANUTS	535/ton
BARLEY	4.95/bu	DRY PEAS	11/cwt
OATS	2.40/bu	LENTILS	19.97/cwt
LONG GRAIN RICE	14/cwt	SMALL CHICKPEAS	19.04/cwt
MED. GRAIN RICE	14/cwt	LARGE CHECKPEAS	21.54/cwt

As an example, suppose the corn price drops in a future crop year to a marketing year average (MYA) price of $3.40. This is lower than the reference price of $3.70 per bushel set in the 2014 farm bill so a payment is triggered.

Using an example farm with a payment yield of 160 bushels for corn and a corn base acreage of 350 acres, the payment would be the difference between the reference price ($3.70) and the current MYA price ($3.40 in this example) multiplied by the corn payment yield and 85% of the corn base acres.

For this example farm, the PLC payment would be:

(3.70 – 3.40) x 160 x (0.85 x 350) = $14,280.

For more information:
extension.umn.edu/agriculture/business/farm-bill

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