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Program Choice under the 2014 Farm Bill with all Available Price and Yield Information

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March 31 is the deadline for all 2014 Farm Bill decisions. This article provides expected payment estimates using the most up-to-date yield and market data. This information is available in the Agricultural Price Analysis System (APAS).

ARC-CO and PLC Expected Payments from 2014 through 2018

All currently available data has been loaded into the Agricultural Price Analysis System (APAS) which is available [here](#). After selecting a county, APAS Sample Farm section will provide expected payments from Agricultural Risk Coverage – County Option (ARC-CO), ARC – Individual Coverage (ARC-IC) and Price Loss Coverage (PLC) (see step four [here](#) for a description of programs. Expected payments are shown for 2014 and for the life of the 2014 Farm Bill (2014 through 2018).

APAS Sample Farms section has four different price series built into it. These price series represent four different forecasts of expected Market Year Average (MYA) prices for the years from 2014 through 2018. This article will utilize two of them: the “Futures-FAPRI hybrid” price series – hereafter called the futures price series – which generates expected prices using Chicago Mercantile Exchange (CME) futures contract prices and the series representing USDA estimates of MYA prices. In general, the futures contract price series contains higher expected prices for 2015 through 2018 than does the USDA series. For example, expected MYA prices for corn under the futures series are \$3.93 for 2015, \$4.06 for 2016, \$4.15 for 2017, and \$4.11 for 2018. The USDA price series is \$3.40 for 2014 and \$3.50 for 2016 through 2018.

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Table 1 contains two columns of percentage. The first gives the percent of county cases in APAS in which ARC-CO exceeds PLC for the futures price series. These percentages are based on expected payments from 2014 through 2018. For example, ARC-CO has higher expected payments than PLC in 95% of the counties with the futures price series. These means that average payments from 2014 through 2018 are higher for ARC-CO than for PLC in 95% of the counties. The second column gives the same percentages under the USDA price series. For corn, ARC-CO expected payments exceed those from PLC in 66% of the counties under the USDA price series.

Table 1. Percent of Counties Where ARC-CO Exceeds PLC for Five-Year Life of Farm Bill.

Crop	Price Series ¹	
	Futures	USDA
Barley	5%	0%
Canola	0%	0%
Corn	95%	66%
Dry Peas	100%	0%
Flax	0%	0%
Grain Sorghum	0%	0%
Lentils	25%	0%
Oats	100%	89%
Peanuts	0%	0%
Rice	0%	10%
Soybeans	100%	100%
Sunflowers	0%	0%
Wheat	66%	0%

Sources: APAS Sample Farms at www.fsa.usapas.com

¹ Different expected prices for 2014 through 2018. See APAS for price series. Futures price series is higher than USDA price series.

Note that the percent of counties where ARC-CO exceeds PLC usually is lower for the USDA price series. For example, ARC-CO expected payments exceed PLC expected payments in 95% of counties under the futures series and 66% under the USDA series. Generally, lower prices, such as in the USDA series, result in PLC payments increasing relative to ARC-CO.

PLC is expected to have higher payments in most counties for either price series for the following crops: barley, canola, flax, grain sorghum, lentils peanuts, rice, and sunflowers. For these crops, PLC likely will be preferred as payments by PLC over the five-year life of the 2014 Farm Bill are expected to be higher.

ARC-CO often is projected at having higher expected payments for corn, dry peas, oats, soybeans, and wheat. Higher price expectation will favor ARC-CO and vice versa. As a general rule, ARC-CO will have higher expected payments when

- MYA prices exceed \$3.30 or \$3.40 per bushel for the next five years for corn
- MYAS price are expected to exceed \$7.80 per bushel for soybeans
- MYA price are expected to exceed \$5.50 per bushel for wheat.

The preceding discussion has focused on price, but an important consideration can be that ARC-CO but not PLC can also make payments because yield declines since ARC-CO is a revenue program while PLC is a price program.

Choosing ARC-IC

In most case, a use of either ARC-CO or PLC, or a combination of ARC-CO and PLC will have higher payments than ARC-IC. ARC-IC can have higher payments in unique conditions. These conditions include:

- One program crop. More program crops tend to make it harder to trigger ARC-IC payments because ARC-IC averages revenue across crops when calculating its guarantee.
- Variable yields. ARC-IC works best when yields are extremely variable. A prime case is river bottom ground in which yields are usually high but suffer in flood years.
- One Farm Service Agency (FSA) farm. ARC-IC calculates one guarantee and revenue calculation for all FSA farms enrolled in ARC-IC. Having more FSA farms in ARC-IC results in average revenues across all the FSA farms being used to trigger payments. Average revenue across multiple farms tends to vary less than revenue for an individual farm.

Summary

Again, the deadline for decisions is March 31. Not making a decision by then will results in no 2014 commodity program payments.