

Farm Program Payments, Projections, and Prospects

Prepared by:

Bradley D. Lubben, Policy Specialist
UNL Department of Agricultural
Economics
blubben2@unl.edu

Presented by:

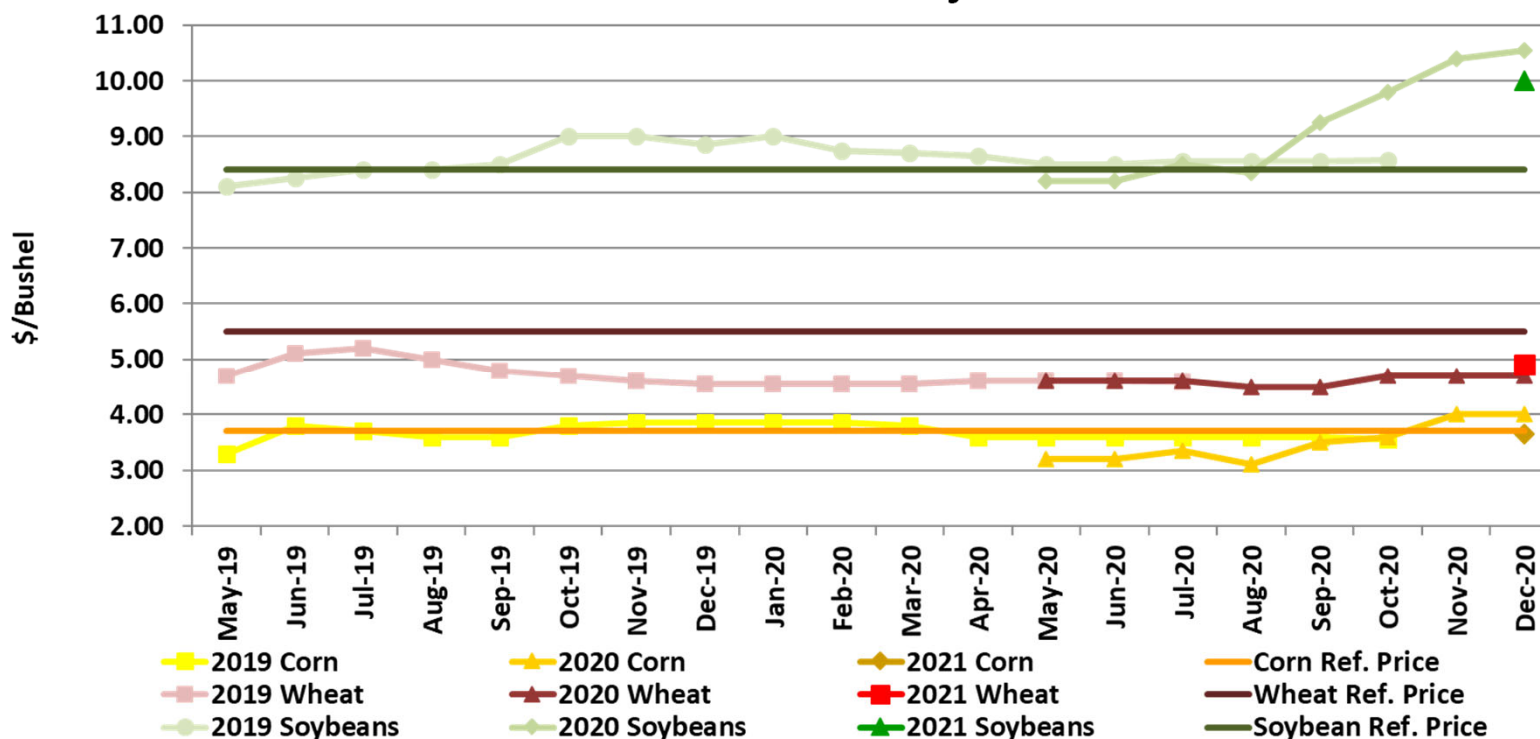
Jim Jansen
Agricultural Economist
jjansen4@unl.edu
402-261-7572

Farm Program Decisions for 2021

- Opportunity to change ARC v. PLC election
 - Decision is now annual
 - Decision is forward-looking
 - 2019-2020 decision was backward-looking at 2019 production results and favored ARC-IC where relevant
 - Difficult to predict production losses ahead of production year (except for wheat – during production year)
 - Price projections are available but also uncertain
- Interaction with crop insurance and marketing decisions
 - RP, RP-HPE, and YP available up to 85% coverage levels
 - SCO (county-based coverage from 86% down to insurance coverage level) not available if enrolled in ARC
 - ECO (county-based coverage from 90% or 95% down to 86%) now available
 - Marketing decisions impacted by protection in farm program and crop insurance (and any ad hoc assistance)

Farm Bill Decisions and Outlook

Prices and Projections



* Prices for 2019 and projections for 2020 and 2021 marketing years by month from USDA-WAOB and USDA-OCE as of December 2020.

Price Loss Coverage (PLC)

2019 Crop Payment Rates

Commodity	Effective Reference Price	Marketing Loan Rate	Marketing Year Average Price*	PLC Payment Rate	PLC Payment Yield**	PLC Payment per Paid Acre***	PLC Payment per Base Acre***
Corn	\$3.70	\$2.20	\$3.56	\$0.14	150	\$20.98	17.83
Grain Sorghum	3.95	2.20	3.34	0.61	77	47.04	39.98
Soybeans	8.40	6.20	8.57	0.00	45	0.00	0.00
Wheat	5.50	3.38	4.58	0.92	41	37.60	31.96

* Price data from USDA-FSA and USDA-NASS as of October 2020. ** Average PLC payment yield in Nebraska (before yield update). *** Payment per paid acre and payment per base acre (accounting for 85% paid acre factor) subject to budget sequestration and payment limits.

Price Loss Coverage (PLC)

Projected 2020 Crop Payment Rates

Commodity	Effective Reference Price	Marketing Loan Rate	Marketing Year Average Price*	PLC Payment Rate	PLC Payment Yield**	PLC Payment per Paid Acre***	PLC Payment per Base Acre***
Corn	\$3.70	\$2.20	\$4.00	\$0.00	150	\$0.00	\$0.00
Grain Sorghum	3.95	2.20	4.40	0.00	77	0.00	0.00
Soybeans	8.40	6.20	10.55	0.00	45	0.00	0.00
Wheat	5.50	3.38	4.70	0.80	41	32.69	27.79

* Price forecast from USDA-WAOB as of December 2020 for illustration only. ** Average PLC payment yield in Nebraska (before yield update). *** Payment per paid acre and payment per base acre (accounting for 85% paid acre factor) subject to budget sequestration and payment limits.

Price Loss Coverage (PLC)

Projected 2021 Crop Payment Rates

Commodity	Effective Reference Price	Marketing Loan Rate	Marketing Year Average Price*	PLC Payment Rate	PLC Payment Yield**	PLC Payment per Paid Acre***	PLC Payment per Base Acre***
Corn	\$3.70	\$2.20	\$3.65	\$0.05	150	\$7.49	\$6.37
Grain Sorghum	3.95	2.20	3.80	0.15	77	11.57	9.83
Soybeans	8.40	6.20	10.00	0.00	45	0.00	0.00
Wheat	5.50	3.38	4.90	0.60	41	24.52	20.84

* Price forecast from USDA-OCE as of November 2020 for illustration only. ** Average PLC payment yield in Nebraska (before yield update). *** Payment per paid acre and payment per base acre (accounting for 85% paid acre factor) subject to budget sequestration and payment limits.

Price Loss Coverage (PLC)

2019-2021 Crop Payment Rates

Commodity	Effective Reference Price	Marketing Year Average Price and Resulting PLC Payment Rate*			PLC Payment Yield**	PLC Payment per Base Acre***		
		2019	2020	2021		2019	2020	2021
Corn	\$3.70	\$3.65 0.05	\$4.00 0.00	\$3.65 0.05	150	\$17.83	\$0.00	\$6.37
Grain Sorghum	3.95	3.80 0.15	4.40 0.00	3.80 0.15	77	39.98	0.00	9.83
Soybeans	8.40	10.00 0.00	10.55 0.00	10.00 0.00	45	0.00	0.00	0.00
Wheat	5.50	4.90 0.60	4.70 0.80	4.90 0.60	41	37.60	27.79	20.84

* Prices, price forecasts, and PLC payment rates from UDSA-NASS, USDA-FSA, USDA-WAOB, and USDA-OCE as of December 2020 for illustration only.

** Average PLC payment yield in Nebraska (before yield update). *** Payment per base acre (accounting for 85% paid acre factor) subject to budget sequestration and payment limits.

Agricultural Risk Coverage (ARC)

2019 Crop Payment Rates

Commodity	Benchmark Price	Marketing Year Average Price*	Change in Price from Benchmark	Change in Yield from Benchmark to Trigger ARC	County/Practices Triggering ARC-CO	ARC-CO Payment/Base Acre Across All Counties/Practices**
Corn	\$3.70	\$3.56	-4%	-11%	6%	\$1.85
Grain Sorghum	3.95	3.34	-16%	+2%	54%	17.33
Soybeans	9.63	8.57	-11%	-3%	24%	6.52
Wheat	5.50	4.58	-19%	+6%	32%	7.37

* Price data from USDA-WAOB as of October 2020 for illustration only. ** Payment per base acre (accounting for 85% paid acre factor) subject to budget sequestration and payment limits.

Agricultural Risk Coverage (ARC)

Projected 2020 Crop Payment Rates

Commodity	Benchmark Price	Marketing Year Average Price*	Change in Price from Benchmark	Change in Yield from Benchmark to Trigger ARC	County/ Practices Triggering ARC-CO	ARC-CO Payment/ Base Acre Across All Counties/ Practices**
Corn	\$3.70	\$4.00	+8%	-20%	N/A	N/A
Grain Sorghum	3.95	4.40	+11%	-23%	N/A	N/A
Soybeans	9.25	10.55	+14%	-25%	N/A	N/A
Wheat	5.50	4.70	-15%	+1%	N/A	N/A

* Price forecast from USDA-WAOB as of November 2020 for illustration only. ** Payment per base acre (accounting for 85% paid acre factor) subject to budget sequestration and payment limits.

Agricultural Risk Coverage (ARC)

Projected 2021 Crop Payment Rates

Commodity	Benchmark Price	Marketing Year Average Price*	Change in Price from Benchmark	Change in Yield from Benchmark to Trigger ARC	County/ Practices Triggering ARC-CO	ARC-CO Payment/ Base Acre Across All Counties/ Practices**
Corn	\$3.70	\$3.65	-1%	-13%	N/A	N/A
Grain Sorghum	3.95	3.80	-4%	-11%	N/A	N/A
Soybeans	9.25	10.00	+8%	-20%	N/A	N/A
Wheat	5.50	4.90	-11%	-3%	N/A	N/A

* Price projections from USDA-OCE as of November 2020 for illustration only. ** Payment per base acre (accounting for 85% paid acre factor) subject to budget sequestration and payment limits.

Crop Production Clinics



ARC-CO/PLC Decision Tools

www.fsa.usda.gov/programs-and-services/arcplc_program/index

USDA United States Department of Agriculture Farm Service Agency

Search FSA

Home Programs and Services State Offices Online Services Newsroom Site Map Forms Help

ARC/PLC Program

Home > Programs and Services > ARC/PLC Program

The Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs were authorized by the 2014 and 2018 Farm Bills.

Agriculture Loss Coverage-County (ARC-CO)

The ARC-CO program provides income support tied to historical base acres, not current production, of covered commodities. ARC-CO payments are issued when the actual county crop revenue of a covered commodity is less than the ARC-CO guarantee for the covered

Price Loss Coverage (PLC)

PLC program payments are issued when the effective price of a covered commodity is less than the respective reference price for that commodity. The effective price equals the higher of the market year average price (MYA) or the national average loan rate for the covered commodity.

About the Program

[What's Changed](#) [Resources](#) [Program Data](#)

[Program Definitions](#)

[Frequently Asked Questions](#)

Web Tools

The Agricultural and Food Policy Center (AFPC) at Texas A&M University, in conjunction with the Food and Agricultural Policy Institute (FAPRI) at the University of Missouri. <https://www.afpc.tamu.edu/tools/farmbill/2018/>

National Coalition for Producer Education (NCPE), led by the University of Illinois. fd-tools.ncsa.illinois.edu

Crop Production Clinics



ARC-CO/PLC Decision Tools

www.afpc.tamu.edu/tools/farm/farmbill/2018/

fd-tools.ncsa.illinois.edu/



About Us Courses Decision Aids Research Extension

2018 Farm Bill Decision Aid

To retrieve your saved farms, you must first

[Login](#)



LOGIN REGISTER

Please login with your account to access the payment calculator. If you don't have an account yet, use the 'REGISTER' button to create one. If you are having trouble receiving the verification email in your inbox, please check your spam/junk folder.

Welcome to the Gardner Program Payment Calculator

The Gardner Program Payment Calculator provides farmers, researchers and policymakers with a web-based analysis tool for farm program payments. The Payment Calculator will help improve the understanding of farm programs authorized by Congress in the Agricultural Improvement Act of 2018 (the farm bill), as well assist farmers with program decisions. The initial version of this tool will generate estimated program payments for individual farms from the Agriculture Risk Coverage, County (ARC-CO) and the Price Loss Coverage (PLC) farm programs in a web-based dashboard using county level historical data and modeled price and yield forecasts.

Funding for this project has been provided by the Gardner Agriculture Policy Program and by a cooperative agreement with the Office of the Chief Economist at the U.S. Department of Agriculture, it is operated in conjunction with the farmdoc project in the Dept. of Agricultural & Consumer Economics (ACE) and powered by the National Center for Supercomputing Applications (NCSA) at the University of Illinois at Urbana-Champaign.

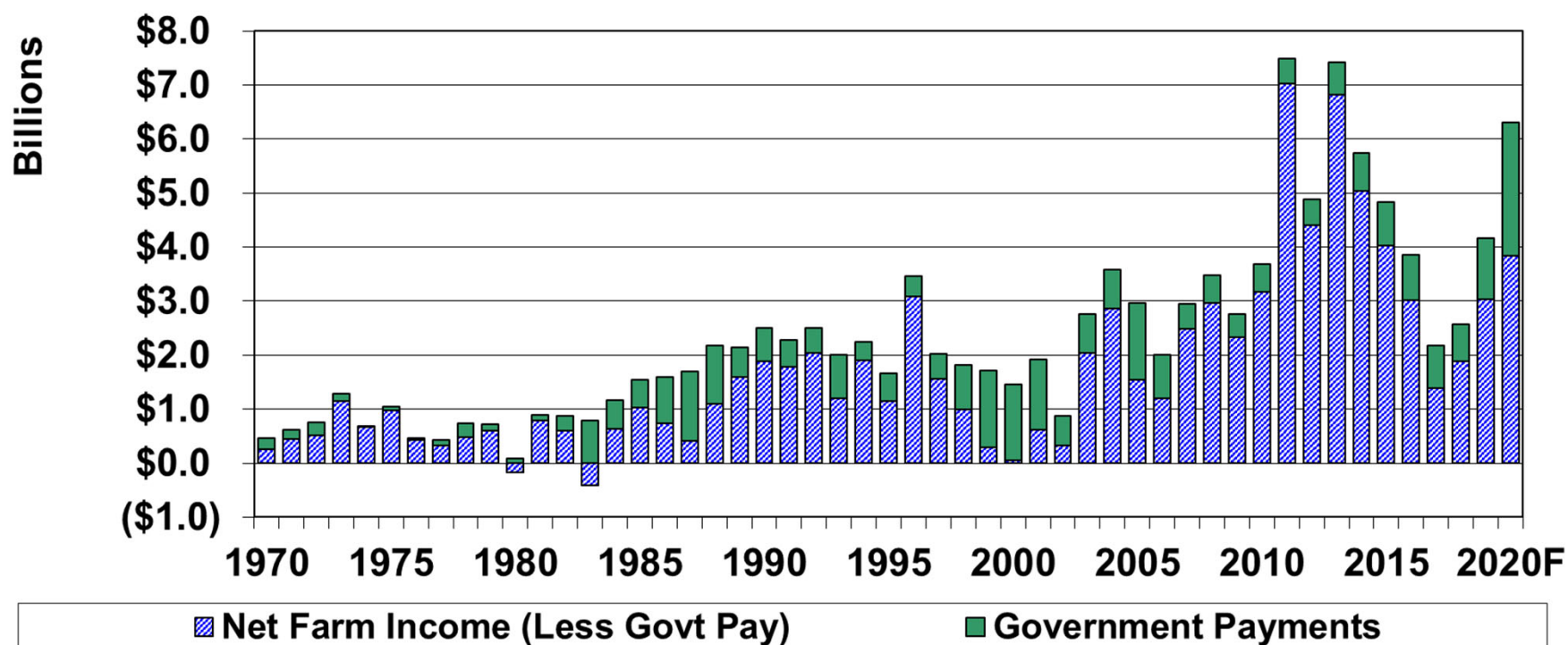
How does the simulation work?

State	Illinois	
County	Champaign	
Crop	Corn	Reference Price \$ 3.7
Forecast Model	Forecast	
PLC Payment Yield*	105	bushels/acre
ARC Trend Yield*	1.73	bushels/acre
ARC/PLC Program Inputs		
ARC Coverage Level	86 %	
ARC Coverage Range	10 %	
Payment Acres	85 %	
RUN MODEL		

Crop Production Clinics

Farm Income and Farm Policy

Nebraska Net Farm Income and Government Payments

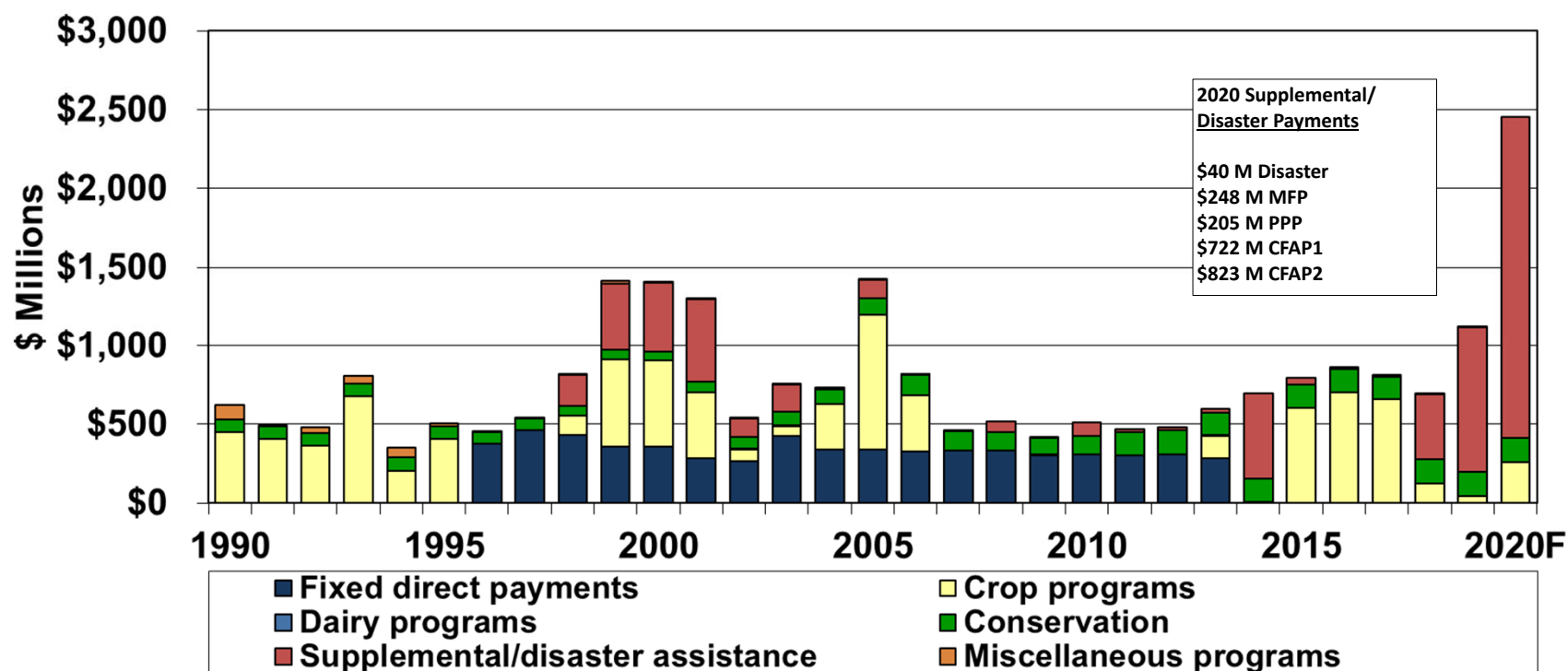


Source: USDA-ERS

Crop Production Clinics

Farm Income and Farm Policy

Nebraska Government Payments



Source: USDA –ERS, FAPRI-MU, USDA, SBA, and author calculations

Crop Production Clinics



Agriculture Committee Leadership

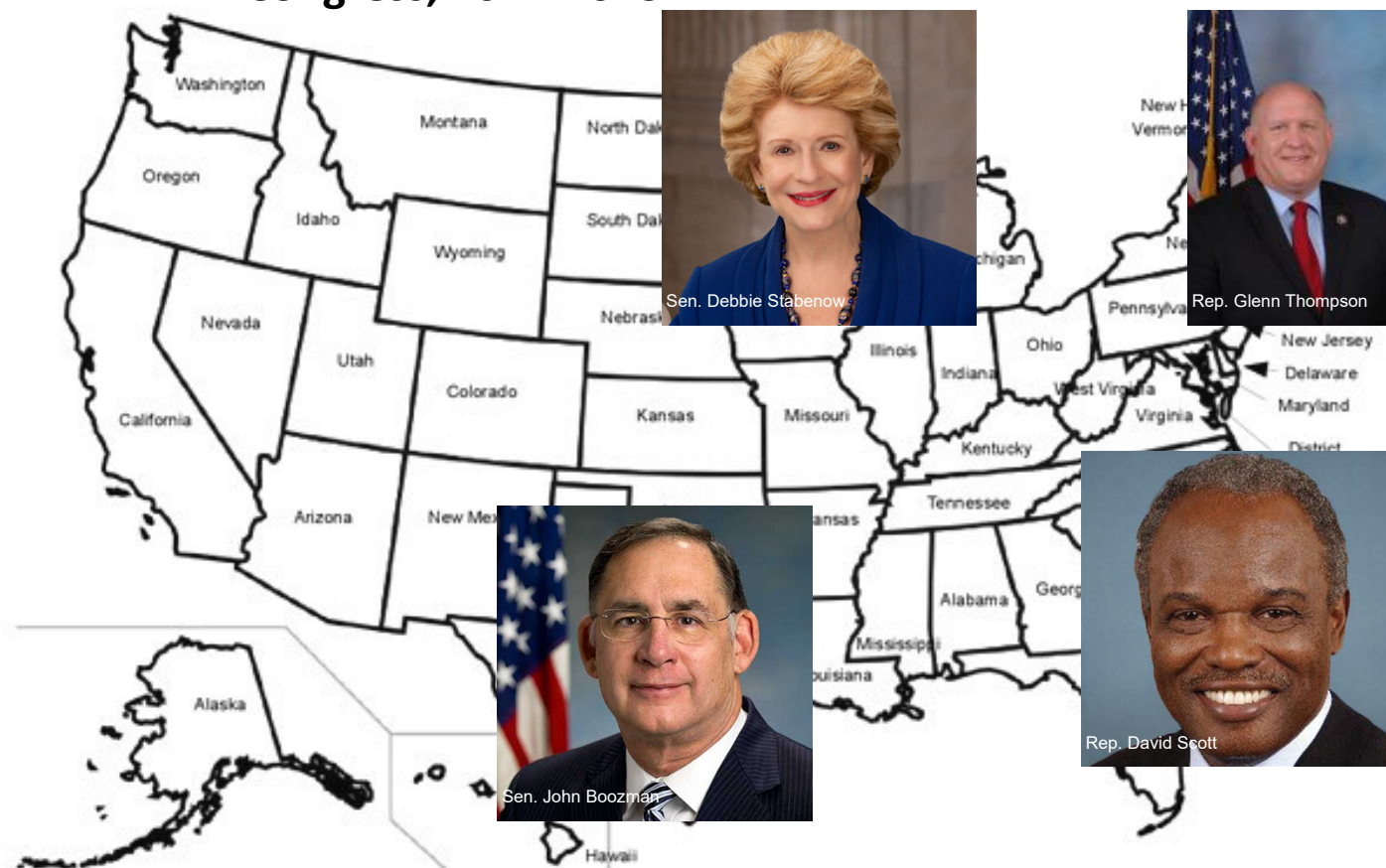
117th Congress, 2021-2023

Senate Ag Leadership

- John Boozman, R-AR
- Debbie Stabenow, D-MI

House Ag Leadership

- David Scott, Chair, D-GA
- Glenn Thompson, Ranking Member, R-PA



USDA

- Secretary of Agriculture nominee Tom Vilsack
- Identified policy priorities
 - Racial equity
 - Crisis management
 - Hunger
 - Opioids
 - COVID pandemic
 - Climate change



Ag Policy Questions and Directions

- Farm programs
 - Ad hoc assistance vs. legislated programs
 - WTO commitments
 - 2023 Farm Bill debate
- Trade
 - China
 - Negotiations
 - WTO
- Environment
 - Climate
 - Renewable energy
 - Regulatory policy
- Taxes
- Immigration

Management Issues for 2021

- 2021 ARC v. PLC enrollment decisions
- 2021 income and cash flow projections
 - Higher prices?
 - Lower government payments
- Risk management decisions
 - Proactive marketing decisions vs. ad hoc assistance
 - New and enhanced insurance tools – LRP, ECO
 - Role for producer education - managing a complex farm income safety net