

For: State and County Offices

**Agricultural Act of 2014 (2014 Farm Bill), Title I Information About the  
Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) Programs**

Approved by: Acting Deputy Administrator, Farm Programs



**1 Overview**

**A Background**

The 2014 Farm Bill was enacted on February 7, 2014. The 2014 Farm Bill:

- eliminates the DCP and ACRE programs that were authorized under the 2008 Farm Bill
- allows for owners to make a 1-time decision to reallocate base acres on farms using the P&CP during the 2009 through 2012 base period
- allows for owners to make a 1-time decision to update counter-cyclical (CC) yields on a commodity-by-commodity basis equal to 90 percent of each commodity’s 2008 through 2012 average yield
- authorizes the PLC program that provides price loss coverage for selected covered commodities on a farm
- authorizes Agriculture Risk Coverage-County Coverage (ARC-CO) program that provides revenue loss coverage at the county level for selected covered commodities on a farm
- authorizes Agriculture Risk Coverage-Individual Coverage (ARC-IC) program that provides revenue loss coverage at the farm level for all acreage devoted to covered commodities across all of a producer’s ARC-IC farms
- creates generic base acres for base acres previously known as upland cotton base acres
- removes upland cotton as a covered commodity and makes upland cotton **ineligible** for ARC and PLC
- allows for cotton transition payments (CTAP’s) for 2014 and 2015 to transition cotton base acreage out of the farm’s base calculation.

**Note:** 2015 CTAP payments are **only** available for farms located in counties where RMA’s Stacked Income Protection Plan is **not** available.

Disposal Date	Distribution
October 1, 2014	State Offices; State Offices relay to County Offices

## Notice ARCPLC-4

### 1 Overview (Continued)

#### B Purpose

This notice:

- provides an overview of the 2014 Farm Bill as it relates to the 2014 through 2018 PLC and ARC programs
- provides basic information on the major provisions of the Agriculture Act of 2014 and when decisions are made and regulations are finalized, additional notices will be issued
- provides examples of calculating PLC, ARC-CO, and ARC-IC payments
- obsoletes Notice ARCPLC-3 to update subparagraphs 2 D, M, and O, and Exhibit 1.

### 2 Basic Provisions

#### A Covered Commodities

The following table compares eligible, covered commodities between the 2008 and 2014 Farm Bills.

<b>2008 Through 2012 Covered Commodities Eligible for DCP Bases</b>	<b>2014 Through 2018 Covered Commodities</b>
Barley	Barley
Corn	Corn
Grain Sorghum	Grain Sorghum
Oats	Oats
Other Oilseeds (Canola, Crambe, Flaxseed, Mustard Seed, Rapeseed, Safflower, Sesame Seed, or Sunflower Seed)	Other Oilseeds (Canola, Crambe, Flaxseed, Mustard Seed, Rapeseed, Safflower, Sesame Seed, or Sunflower Seed)
Peanuts	Peanuts
Pulse Crops (Dry Peas; Lentils; Garbanzo, Large; and Garbanzo, Small)	Pulse Crops (Dry Peas; Lentils; Garbanzo, Large; and Garbanzo, Small)
Long Grain Rice	Long Grain Rice
Medium Grain Rice	Medium Grain Rice
Soybeans	Soybeans
Wheat	Wheat
Upland Cotton	N/A

Upland cotton is **no** longer a covered commodity. Upland cotton base acres on the farm become generic base acres. Producers may receive PLC or ARC payments on generic base acres, if the generic base acres are planted to a covered commodity.

## Notice ARCPLC-4

### 2 Basic Provisions (Continued)

#### B Bases Acres

Base acres:

- in effect on September 30, 2013, will be in effect for the 2014 ARC and PLC programs
- may be reallocated, but **not** increased, on the farm using an average of the P&CP acreage of all covered commodities on the farm during the 2009 through 2012 crop years

**Note: Total base acres on the farm cannot increase above the amount of total base acres in effect on September 30, 2013.**

- of upland cotton in effect on September 30, 2013, are the basis for CTAP, and under the 2014 Farm Bill become generic base acres
- may be restored for CRP contracts that expire, are voluntarily terminated, or early released.

#### C Base Reallocation

Owners of farms have a 1-time opportunity to reallocate, but not increase base acres on the farm by doing **either** of the following:

- maintain the farm's 2013 base acres, **excluding** upland cotton base acres, through 2018
- reallocate base acres, **excluding** upland cotton base acres, **not** to exceed the total base acres in effect on September 30, 2013. The election to reallocate bases will result in the farm's base acres being recalculated using the same acreage of each covered commodity in proportion to the 4-year average of P&CP to covered commodities, **excluding** upland cotton, during the 2009 through 2012 crop years.

**Note:** The option to retain or reallocate base acres is an "all or nothing" proposition. Partial retention of bases or partial reallocation of bases is **not** permissible.

See Exhibit 1 for examples.

#### D PLC Payment Yields

PLC yields, under the 2014 Farm Bill, will either be the commodity's CC yield or the updated PLC yield. The farm owner has the opportunity to update the PLC program yield for each covered commodity based on 90 percent of the farm's 2008 through 2012 average yield per planted acre, **excluding** any year when no acreage was planted to the covered commodity. If the yield in any of the years 2008 through 2012 is less than 75 percent of the county yield, then 75 percent of the 2008 through 2012 county yield will be substituted for that year.

## Notice ARCPLC-4

### 2 Basic Provisions (Continued)

#### D PLC Payment Yields (Continued)

If a payment yield is **not** already established for a covered commodity for which base acres are allocated through the base reallocation process, a yield will be established using similarly situated farms.

The decision to retain either the CC yield or the updated PLC yield is made by the owner of the farm and is made on a commodity-by-commodity basis. PLC yields may be updated for all farms, regardless of program election.

#### E Payment Acres

The 2014 Farm Bill provides for the following percentages to compute payment acres.

Year	Percentage of Base Acres Used to Calculate PLC or ARC-CO Payments	Percentage of Base Acres Used to Calculate ARC-IC Payments
2014-2018	85 Percent	65 Percent

#### F Prohibition on Payments

The 2014 Farm Bill **prohibits** ARC or PLC payments to a producer on a farm if the sum of the base acres on the farm is 10 acres or less, **unless** the producer on the farm is SDA or limited resource farmer or rancher.

#### G Reduction in Base Acreage for Residential and Nonfarming

The 2014 Farm Bill provides that the base acreage of covered commodities be reduced for land that has been subdivided and developed for multiple residential units or other nonfarming uses, if the size of the tracts and the density of the subdivision are such that the land is unlikely to return to the previous agricultural use.

#### H PLC, ARC-CO, or ARC-IC Program Election

The 2014 Farm Bill provides all producers on a farm with an interest in the farm's base acres with a 1-time opportunity to elect the PLC, ARC-CO, or ARC-IC program for crop years 2014 through 2018.

This election will be made for the 2014 crop year and will remain in effect for all crop years through 2018.

Failure to make or agree to an election for a farm in 2014 will result in the default program designation of "PLC" for the years 2015 through 2018, and eliminate any 2014 payment.

## Notice ARCPLC-4

### 2 Basic Provisions (Continued)

#### I ARC and PLC Applicable Rules for 2014 Through 2018

This table provides payment limitation amounts for ARC and PLC payments received, directly or indirectly by a person or legal entity, for crop years 2014 through 2018, and applicable rules for ARCPLC.

Applicable Rules for 2014 Through 2108							
ARCPLC Commodity <u>1/</u>	Actively Engaged in Farming	Cash-Rent Tenant	Direct Attribution	Foreign Person	AGI	HELIC and WC	Payment Limitation <u>2/</u>
All covered commodities, <b>except</b> peanuts.	X	X	X	X	X	X	\$125,000
Peanuts	X	X	X	X	X	X	\$125,000

1/ Covered commodities include barley, corn, grain sorghum, oats, other oilseeds (canola, crambe, flaxseed, mustard seed, rapeseed, safflower, sesame seed, sunflower seed), peanuts, pulse crops (dry peas, lentils, large and small garbanzo), rice (long grain, medium grain), soybeans, and wheat.

2/ Included in **each** \$125,000 payment limitation are PLC, ARC-CO, and ARC-IC payments and market gains and LDP's received through the MAL program.

#### J PLC Program

PLC program payments are issued when the effective price of a covered commodity is less than the reference price for that commodity. Payments are **not** dependent on the planting of a covered commodity or planting of the applicable base acre crop on the farm, unless a covered commodity is planted on generic base acres on the farm.

2014 through 2018 PLC payments will be:

- issued for a covered commodity when the effective price for the covered commodity is less than the reference price for the covered commodity for the crop year
- paid on 85 percent of the farm's base acres of the covered commodity
- made after October 1 or as soon as practical after the end of the marketing year for the covered commodity.

Effective price means the higher of the market average year (MYA) price during the 12-month marketing year for the covered commodity or the national average loan rate for the covered commodity.

See Exhibit 2 for an example of PLC payment calculation.

**Notice ARCPLC-4**

**2 Basic Provisions (Continued)**

**K Reference Prices for PLC**

This table provides the 2014 through 2018 reference prices, national loan rates, and maximum PLC payment rates for covered commodities.

<b>Crop</b>	<b>Reference Prices</b>	<b>National Loan Rates</b>	<b>Maximum PLC Rate</b>
Barley <u>1/</u>	\$4.95 per bu.	\$1.95 per bu.	\$3.00 per bu.
Chickpeas, Large (Garbanzo Bean, Kabuli)	\$21.54 per cwt.	\$11.28 per cwt.	\$10.26 per cwt.
Chickpeas, Small (Garbanzo Bean, Desi)	\$19.004 per cwt.	\$7.43 per cwt.	\$11.61 per cwt.
Corn	\$3.70 per bu.	\$1.95 per bu.	\$1.75 per bu.
Dry Peas	\$11.00 per cwt.	\$5.40 per cwt.	\$5.60 per cwt.
Grain Sorghum	\$3.95 per bu.	\$1.95 per bu.	\$2.00 per bu.
Lentils	\$19.97 per cwt.	\$11.28 per cwt.	\$8.69 per cwt.
Oats	\$2.40 per bu.	\$1.39 per bu.	\$1.001 per bu.
Canola	\$20.15 per cwt.	\$10.09 per cwt.	\$10.06 per cwt.
Crambe	\$20.15 per cwt.	\$10.09 per cwt.	\$10.06 per cwt.
Flaxseed	\$11.28 per bu.	\$5.65 per bu.	\$5.63 per bu.
Mustard	\$20.15 per cwt.	\$10.09 per cwt.	\$10.06 per cwt.
Rapeseed	\$20.15 per cwt.	\$10.09 per cwt.	\$10.06 per cwt.
Safflower	\$20.15 per cwt.	\$10.09 per cwt.	\$10.06 per cwt.
Sesame Seed	\$20.15 per cwt.	\$10.09 per cwt.	\$10.06 per cwt.
Sunflower	\$20.15 per cwt.	\$10.09 per cwt.	\$10.06 per cwt.
Peanuts	\$535.00 per ton	\$355.00 per ton	\$180.00 per ton
Rice, Long Grain	\$14.00 per cwt.	\$6.50 per cwt.	\$7.50 per cwt.
Rice, Medium Grain <u>2/</u>	\$14.00 per cwt.	\$6.50 per cwt.	\$7.50 per cwt.
Soybeans	\$8.40 per bu.	\$5.00 per bu.	\$3.40 per bu.
Wheat	\$5.50 per bu.	\$2.94 per bu.	\$2.56 per bu.

1/ Barley price is based on the price of “all barley”. Previously the price was based on the “feed barley” price.

2/ Includes short grain and temperate japonica rice.

## Notice ARCPLC-4

### 2 Basic Provisions (Continued)

#### L ARC-CO Program

ARC-CO program payments are issued when the actual county crop revenue of a covered commodity is less than the ARC-CO guarantee for the covered commodity and are based on county data, **not** individual farm data. Payments are **not** dependent on the planting of a covered commodity crop or planting of the applicable base acre crop on the farm, unless a covered commodity is planted on generic base acres.

ARC-CO guarantee is determined by multiplying 86 percent by the ARC-CO benchmark revenue.

The payment is equal to 85 percent of the base acres of the covered commodity times the difference between the ARC-CO guarantee and the actual county crop revenue for the covered commodity.

Payments may **not** exceed 10 percent of the ARC-CO benchmark county revenue.

See Exhibit 3 for an example of ARC-CO payment calculation.

#### M ARC-IC Program

The farm, for ARC-IC purposes, is the sum of the producer's interest in **all** of the producer's ARC-IC farms in the State.

ARC-IC program payments are issued when the actual farm crop revenue for all covered commodities is less than the ARC-IC farm guarantee for all covered commodities on the farm. Payments **are** dependent on the planting of covered commodities on the farm; however, the payment is limited to 65 percent of the total base acres on the farm.

The farm's ARC-IC guarantee equals 86 percent of the farm's ARC-IC benchmark revenue.

ARC-IC benchmark revenue means the Olympic average of revenues across all covered commodities on the farm.

**Note:** To calculate Olympic average, remove the highest and lowest ARC-IC revenues of the 5 years and average the remaining ARC-IC revenues.

Actual farm revenue is computed similarly, with both the ARC-IC guarantee and actual farm revenue computed using P&CP acres of all covered commodities on the farm.

The ARC-IC payment equals 65 percent of the sum of the base acres of all covered commodities on the farm times the difference between the ARC-IC guarantee and the ARC-IC crop revenue across all covered commodities planted on the farm.

Payments may **not** exceed 10 percent of the ARC-IC benchmark revenue. See Exhibit 4 for an example ARC-IC payment calculation.

## Notice ARCPLC-4

### 2 Basic Provisions (Continued)

#### N Planting Flexibility

Producers who participate in ARC and PLC are subject to an acre-for-acre payment reduction when FAV and/or wild rice (WR) are planted and harvested on the payment acres of a farm. In general, planting and harvesting FAV and WR on ARCPLC payment acreage is subject to an acre-for-acre payment reduction when FAV and/or WR are planted on either of the following:

- more than 15 percent of the base acres of a farm enrolled in ARC using the county coverage or PLC
- more than 35 percent of the base acres of a farm enrolled in ARC using the individual coverage.

There is **no** requirement to have farm or producer FAV and/or WR history to plant on base acres. Planting FAV and/or WR on acres that are **not** considered base acres will **not** result in payment reductions.

FAV and/or WR planting provisions apply to the following commodities:

- fruits, including nuts
- vegetables, other than mung beans and covered commodities
- WR.

In counties that are approved as a double-cropping region, ARC and PLC payment acres are **not** reduced for FAV and/or WR planted under the double-cropping exception.

#### O Compliance

To be eligible to receive PLC, ARC-CO, or ARC-IC payments, producers who enroll **must**:

- comply with applicable conservation requirements under the Food Security Act of 1985, Title XII, subtitle B (16 U.S.C. 3811 et seq.)
- comply with applicable wetland protection requirements under the Food Security Act of 1985, Title XII, subtitle C (16 U.S.C. 3821 et seq.)
- be a person or legal entity who is actively engaged in farming and otherwise eligible for payment in accordance with 7 CFR Part 1400
- be a person or legal entity with average AGI for the 3-year period applicable to the benefit year **not** in excess \$900,000

**Note:** Beginning with 2014, AGI is based on total AGI and is **no** longer adjusted based on the source of income (farm or nonfarm).



## Notice ARCPLC-4

### 2 Basic Provisions (Continued)

#### O Compliance (Continued)



- comply with the planting flexibility requirements or an acre-for-acre reduction will be applied
- use the land on the farm, in a quantity equal to the attributable base acres for the farm, for an agriculture or conserving use and **not** for a nonagricultural commercial, industrial, or residential use
- effectively control noxious weeds and otherwise maintain the land according to sound agricultural practices on the farm
- file an annual acreage report
- file a production certification by farm, if participating in the ARC-IC program.

Examples of Base Acre Reallocations

A Example of Base Acre Reallocation With No CRP

The following is an example of a base acre reallocation. The producer has acreage devoted to covered commodities in the 2009 through 2012 base period. Wheat was planted in 2009 and changed to a corn and soybean rotation in the years 2010 through 2012. Reallocation shall **not** occur until after the regulation is published.

Farm Number:		1234						
Farm Effective Cropland:		300.00						

Crop	2013 Base Acres	2009	2010	2011	2012	Average Planting	Reallocation Percentage	2014 Reallocated Base Acres
Barley	100.00					0.00	0.00%	0.00
Canola						0.00	0.00%	0.00
Corn			300.00		300.00	150.00	50.00%	150.00
Crambe						0.00	0.00%	0.00
Dry Peas						0.00	0.00%	0.00
Flaxseed						0.00	0.00%	0.00
Grain Sorghum						0.00	0.00%	0.00
Large Chickpeas						0.00	0.00%	0.00
Lentils						0.00	0.00%	0.00
Mustard Seed						0.00	0.00%	0.00
Oats						0.00	0.00%	0.00
Peanuts						0.00	0.00%	0.00
Rapeseed						0.00	0.00%	0.00
Rice (Long Grain)						0.00	0.00%	0.00
Rice (Medium/Short Grain)						0.00	0.00%	0.00
Safflower						0.00	0.00%	0.00
Sesame Seed						0.00	0.00%	0.00
Small Chickpeas						0.00	0.00%	0.00
Soybeans				300.00		75.00	25.00%	75.00
Sunflower Seed (All)						0.00	0.00%	0.00
Wheat	200.00	300.00				75.00	25.00%	75.00
Upland Cotton (Generic)						0.00	0.00%	0.00
<b>Totals</b>	<b>300.00</b>	<b>300.00</b>	<b>300.00</b>	<b>300.00</b>	<b>300.00</b>	<b>300.00</b>	<b>100%</b>	<b>300.00</b>

DISCLAIMER: This tool was developed for you by FSA. The sole purpose of this tool is to provide a method for determining reallocated base acres. FSA does not endorse, guarantee, or otherwise make representations of any kind regarding any use of this tool.

The owner's base reallocation options are either of the following:



- retain 100.00 base acres of barley and 200.00 base acres of wheat
- reallocate base acres to 150.00 base acres of corn, 75.00 base acres of soybeans, and 75 base acres of wheat.

**Note:** The sum of the reallocated bases **must** equal 300.00 acres.

Examples of Base Acre Reallocations (Continued)

**B Example of Base Acre Reallocation With CRP**

This farm was fully enrolled in CRP until expiration in 2010. The CRP contracts protected 200.00 base acres of wheat and 100.00 base acres of barley. In 2011, 100.00 acres of expired CRP was planted to 100.00 acres of corn. In 2012, the remaining CRP contract expired and 200.00 acres of corn and 100.00 acres of soybeans were planted. Reallocation shall **not** occur until after the regulation is published.

Farm Number:		123						
Farm Effective Cropland:		300.00						
Crop	2013 Base Acres	2009	2010	2011	2012	Average Planting	Reallocation Percentage	2014 Reallocated Base Acres
Barley	100.00					0.00	0.00%	0.00
Canola						0.00	0.00%	0.00
Corn				100.00	200.00	75.00	75.00%	225.00
Crambe						0.00	0.00%	0.00
Dry Peas						0.00	0.00%	0.00
Flaxseed						0.00	0.00%	0.00
Grain Sorghum						0.00	0.00%	0.00
Large Chickpeas						0.00	0.00%	0.00
Lentils						0.00	0.00%	0.00
Mustard Seed						0.00	0.00%	0.00
Oats						0.00	0.00%	0.00
Peanuts						0.00	0.00%	0.00
Rapeseed						0.00	0.00%	0.00
Rice (Long Grain)						0.00	0.00%	0.00
Rice (Medium/Short Grain)						0.00	0.00%	0.00
Safflower						0.00	0.00%	0.00
Sesame Seed						0.00	0.00%	0.00
Small Chickpeas						0.00	0.00%	0.00
Soybeans					100.00	25.00	25.00%	75.00
Sunflower Seed (All)						0.00	0.00%	0.00
Wheat	200.00					0.00	0.00%	0.00
Upland Cotton (Generic)						0.00	0.00%	0.00
<b>Totals</b>	<b>300.00</b>	<b>0.00</b>	<b>0.00</b>	<b>100.00</b>	<b>300.00</b>	<b>100.00</b>	<b>100%</b>	<b>300.00</b>
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The owner’s base reallocation options are either of the following:

- retain 100.00 base acres of barley and 200.00 base acres of wheat
- reallocate the farm to 225.00 base acres of corn and 75.00 base acres of soybean.



**Note:** The sum of the reallocated bases **must** equal 300.00 acres.

Examples of Base Acre Reallocations (Continued)

C Example of Base Acre Reallocation With Cotton Acres Converted to Generic Base Acres

This farm has 100.00 base acres of grain sorghum, 100.00 base acres of wheat, and 100.00 base acres of cotton. The cotton base acres become generic base acres. Cotton plantings in the 2009 through 2012 base period are **not** considered planted to a covered commodity and are **not** used in the reallocation calculation. The producer has been planting corn along with cotton and peanuts in rotation in the base period. Reallocation shall **not** occur until after the regulation is published.

Farm Number:		34						
Farm Effective Cropland:		300.00						

Crop	2013 Base Acres	2009	2010	2011	2012	Average Planting	Reallocation Percentage	2014 Reallocated Base Acres
Barley						0.00	0.00%	0.00
Canola						0.00	0.00%	0.00
Corn		200.00		200.00		100.00	50.00%	100.00
Crambe						0.00	0.00%	0.00
Dry Peas						0.00	0.00%	0.00
Flaxseed						0.00	0.00%	0.00
Grain Sorghum	100.00					0.00	0.00%	0.00
Large Chickpeas						0.00	0.00%	0.00
Lentils						0.00	0.00%	0.00
Mustard Seed						0.00	0.00%	0.00
Oats						0.00	0.00%	0.00
Peanuts			200.00		200.00	100.00	50.00%	100.00
Rapeseed						0.00	0.00%	0.00
Rice (Long Grain)						0.00	0.00%	0.00
Rice (Medium/Short Grain)						0.00	0.00%	0.00
Safflower						0.00	0.00%	0.00
Sesame Seed						0.00	0.00%	0.00
Small Chickpeas						0.00	0.00%	0.00
Soybeans						0.00	0.00%	0.00
Sunflower Seed (All)						0.00	0.00%	0.00
Wheat	100.00					0.00	0.00%	0.00
Upland Cotton (Generic)	100.00	100.00	100.00	100.00	100.00	0.00	0.00%	100.00
<b>Totals</b>	<b>300.00</b>	<b>200.00</b>	<b>200.00</b>	<b>200.00</b>	<b>200.00</b>	<b>200.00</b>	<b>100%</b>	<b>300.00</b>

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The owner's base reallocation options are either of the following:



- retain 100.00 base acres of grain sorghum, 100.00 base acres of wheat, and 100.00 generic base acres
- reallocate the farm to 100.00 corn base acres, 100.00 base acres of peanuts, and 100.00 generic base acres.

Examples of Base Acre Reallocations (Continued)

**D Example of Base Reallocation With Planted Acres Less Than Effective Cropland**

This farm has 100.00 base acres of corn, 75.00 base acres of grain sorghum, 25.00 base acres of soybeans, and 100.00 base acres of wheat. The producer has been planting corn, grain sorghum, and soybeans. The total plantings each year do **not** equal the total base acres. Reallocation shall **not** occur until after the regulation is published.

Farm Number:		654						
Farm Effective Cropland:		300.00						

Crop	2013 Base Acres	2009	2010	2011	2012	Average Planting	Reallocation Percentage	2014 Reallocated Base Acres
Barley						0.00	0.00%	0.00
Canola						0.00	0.00%	0.00
Corn	100.00	55.00				13.75	30.56%	91.67
Crambe						0.00	0.00%	0.00
Dry Peas						0.00	0.00%	0.00
Flaxseed						0.00	0.00%	0.00
Grain Sorghum	75.00			75.00		18.75	41.67%	125.00
Large Chickpeas						0.00	0.00%	0.00
Lentils						0.00	0.00%	0.00
Mustard Seed						0.00	0.00%	0.00
Oats						0.00	0.00%	0.00
Peanuts						0.00	0.00%	0.00
Rapeseed						0.00	0.00%	0.00
Rice (Long Grain)						0.00	0.00%	0.00
Rice (Medium/Short Grain)						0.00	0.00%	0.00
Safflower						0.00	0.00%	0.00
Sesame Seed						0.00	0.00%	0.00
Small Chickpeas						0.00	0.00%	0.00
Soybeans	25.00		50.00			12.50	27.78%	83.33
Sunflower Seed (All)						0.00	0.00%	0.00
Wheat	100.00					0.00	0.00%	0.00
Upland Cotton (Generic)						0.00	0.00%	0.00
<b>Totals</b>	<b>300.00</b>	<b>55.00</b>	<b>50.00</b>	<b>75.00</b>	<b>0.00</b>	<b>45.00</b>	<b>100%</b>	<b>300.00</b>

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The owner’s base reallocation options are either of the following:

- option 1, retain 100.00 base acres of corn, 75.00 base acres of grain sorghum, 25.00 base acres of soybeans, and 100.00 base acres of wheat
- option 2, reallocate the farm to 91.67 base acres of corn, 125.00 base acres of grain sorghum, and 83.33 base acres of soybeans.

**Note:** The sum of the reallocated base acres must equal 300.00 base acres, even though the yearly plantings did **not** equal the sum of the base acres.

**PLC Payment Calculation Example**

**A Overview**

The following is an example of how PLC payments are calculated.

Payments are issued when the effective price is less than the reference price (see subparagraph 2 K of this notice). Payments are calculated as the difference between the reference price and MYA, **not** to exceed the loan rate.

Payments are made using the farm’s base acres and do **not** require the planting of a covered commodity crop.

**B Farm Example**

The following table provides farm information used for this PLC calculation. Joe Doe of Anytown, Anystate, has 100 percent interest in this farm and all crops on the farm are enrolled in PLC.

Crop	Base Acres	Planted Acres	PLC Yield
Wheat	100.00	0.00	30 bu.
Corn	100.00	110.00	80 bu.
Soybeans	100.00	25.00	30 bu.
Alfalfa	0.00	165.00	N/A
<b>Total</b>	300.00	300.00	

**C Payment Rate Calculation**

The payment rate would be calculated as follows.

Crop	Reference Price	Effective Price		PLC Payment Rate
		MYA Price <u>1/</u>	Loan Rate	
Wheat	\$5.50	\$5.00	<del>\$2.94</del>	\$0.50
Corn	\$3.70	\$4.00	<del>\$1.95</del>	\$0.00
Soybeans	\$8.40	\$8.00	<del>\$5.00</del>	\$0.40

1/ Hypothetical MYA price.

**D Payment Calculation**

The payment would be calculated as follows.

Crop	Base Acres	Payment Percentage	Payment Rate	PLC Yield	PLC Payment
Wheat	100.00	85	\$0.50	30 bu.	\$1,275 <u>1/</u>
Corn	100.00	85	\$0.00	80 bu.	\$0
Soybeans	100.00	85	\$0.40	30 bu.	\$1,020

1/ Wheat earned a payment even though zero acres of wheat were planted in the year.

**ARC-CO Payment Calculation Example**

**A Overview**

The following is an example of how ARC-CO payments are calculated.

Payments are issued when the ARC-CO actual revenue is less than the ARC-CO guarantee.

Payments are made using the farm’s base acres and do **not** require the actual planting of a covered commodity crop.

**B Farm Example**

The following table provides farm information used for this ARC-CO calculation. Joe Doe of Anytown, Anystate, has 100 percent interest in this farm and all crops on this farm are enrolled in ARC-CO.

<b>Crop</b>	<b>Base Acres</b>	<b>Planted Acres</b>
Wheat	100.00	0.00
Corn	100.00	110.00
Soybeans	100.00	25.00
Grain Sorghum	0.00	165.00
<b>Total</b>	<b>300.00</b>	<b>300.00</b>

**ARC-CO Payment Calculation Example (Continued)**

**C ARC-CO Benchmark Revenue Calculation**

The following tables provide an example of how the 2014 ARC-CO benchmark revenue and the 2014 ARC-CO guarantee are calculated.

**1 ARC-CO Data**

Given the following yield and price data collected during the 5-year period from 2009 through 2013, this table displays the calculation for the 2014 ARC-CO benchmark period.

	2009	2010	2011	2012	2013
<b>Wheat</b>					
Yield <u>1/</u>	44	51	65	31	46
70 Percent of T-yield <u>2/</u>	32	32	32	32	32
MYA Price <u>3/</u>	\$6.78	\$4.87	\$5.70	\$7.24	\$7.77
Reference Price <u>4/</u>	\$5.50	\$5.50	\$5.50	\$5.50	\$5.50
<b>Corn</b>					
Yield <u>1/</u>	125	100	165	110	95
70 Percent of T-yield <u>2/</u>	84	84	84	84	84
MYA Price <u>3/</u>	\$3.55	\$5.18	\$6.22	\$6.89	\$4.50
Reference Price <u>4/</u>	\$3.70	\$3.70	\$3.70	\$3.70	\$3.70
<b>Soybeans</b>					
Yield <u>1/</u>	38	41	29	48	33
70 Percent of T-yield <u>2/</u>	29	29	29	29	29
MYA Price <u>3/</u>	\$9.59	\$11.30	\$12.50	\$14.40	\$12.95
Reference Price <u>4/</u>	\$8.40	\$8.40	\$8.40	\$8.40	\$8.40
<b>Grain Sorghum</b>					
Yield <u>1/</u>	90	40	75	80	99
70 Percent of T-yield <u>2/</u>	60	60	60	60	60
MYA Price <u>3/</u>	\$3.22	\$5.02	\$5.99	\$6.33	\$4.25
Reference Price <u>4/</u>	\$3.95	\$3.95	\$3.95	\$3.95	\$3.95

1/ The actual yield for the county for the year specified.

2/ 70 percent of the RMA-established T-yield for the county.

3/ Hypothetical MYA price.

4/ Reference price is statutory and listed in subparagraph 2 K of this notice.



**ARC-CO Payment Calculation Example (Continued)**

**C ARC-CO Benchmark Revenue Calculation (Continued)**

**2 ARC-CO Average Historical Benchmark Yield**

The average historical benchmark yield is computed by calculating the Olympic average of the yield data in subparagraph 1.

<b>Crop</b>	<b>Selected Yields <u>1/</u></b>			<b>Average</b>
Wheat	44	51	46	47.00
Corn	125	100	110	111.67
Soybeans	38	41	33	37.33
Grain Sorghum	90	75	80	81.67

1/ Selected yields from subparagraph 1 **excluding** the high and low yield.

**3 ARC-CO Average Historical Benchmark Price**

The average historical benchmark price is computed by calculating the Olympic average of the price data in subparagraph 1.

<b>Crop</b>	<b>Selected Prices <u>1/</u></b>			<b>Average</b>
Wheat	\$6.78	\$5.70	\$7.24	\$6.57
Corn	\$5.18	\$6.22	\$4.50	\$5.30
Soybeans	\$11.30	\$12.50	\$12.95	\$12.25
Grain Sorghum	\$5.02	\$5.99	\$4.25	\$5.09

1/ Selected prices from subparagraph 1 **excluding** the high and low price.

**4 ARC-CO Guarantee**

The following table calculates the:

- ARC-CO benchmark revenue
- 10 percent of the ARC-CO benchmark revenue
- ARC-CO guarantee.

<b>Crop</b>	<b>Average Benchmark Yield</b>	<b>Average Benchmark Price</b>	<b>ARC-CO Benchmark Revenue <u>1/</u></b>	<b>10 Percent of ARC-CO Benchmark Revenue</b>	<b>ARC-CO Guarantee</b>
Wheat	47.00	\$6.57	\$308.79	\$30.88	\$265.56
Corn	111.67	\$5.30	\$591.85	\$59.19	\$508.99
Soybeans	37.33	\$12.25	\$457.29	\$45.73	\$393.27
Grain Sorghum	81.67	\$5.09	\$415.70	\$41.57	\$357.50

1/ The ARC-CO benchmark revenue equals the average benchmark yield times the average benchmark price.

**ARC-CO Payment Calculation Example (Continued)**

**D ARC-CO Actual Revenue Calculation**

The following table provides an example of how the ARC-CO actual revenue is calculated.

Crop	County Actual Per Acre Yield	2014 MYA Price <u>1/</u>	National Average Loan Rate	Actual Revenue <u>2/</u>
Wheat	29	\$6.80	\$2.94	\$197.20
Corn	140	\$5.25	\$1.95	\$735.00
Soybeans	27	\$8.50	\$5.00	\$229.50
Grain Sorghum	63	\$4.98	\$1.95	\$313.74

1/ Hypothetical MYA price.

2/ County yield times higher of 2014 price or national average loan rate.

**E ARC-CO Payment Rate Calculation**

The following table provides an example of how the ACR-CO payment rate is calculated.

Crop	ARC-CO Guarantee	ARC-CO Actual Revenue	Shortfall, If Any <u>1/</u>	10 Percent of Benchmark Revenue	ARC-CO Payment Rate <u>2/</u>
Wheat	\$265.56	\$197.20	\$68.36	\$30.88	\$30.88
Corn	\$508.99	\$735.00	\$0.00	\$59.19	\$0.00
Soybeans	\$393.27	\$229.50	\$163.77	\$45.73	\$45.73
Grain Sorghum	\$357.50	\$313.74	\$43.76	\$41.57	\$41.57

1/ ARC-CO guarantee minus ARC-CO actual revenue (**must** be a positive number to receive payment).

2/ Smaller of shortfall or 10 percent of ARC-CO benchmark revenue.

**F ARC-CO Payment Calculation**

The following table provides an example of how the ARC-CO payment is calculated.

Crop	Base Acres	Payment Percentage	Payment Rate	ARC-CO Payment <u>1/</u>
Wheat	100.00	85	\$30.88	\$2,624.80
Corn	100.00	85	\$0.00	\$0.00
Soybeans	100.00	85	\$45.73	\$3,887.05
Grain Sorghum	0.00	85	\$41.57	\$0.00

1/ Wheat triggered a payment even though wheat was not planted. Corn did not trigger a payment. Soybeans triggered a payment even though only 25.00 acres were planted. Grain sorghum was planted and triggered a payment; however, there are zero grain sorghum base acres; therefore, an ARC-CO payment **cannot** be made on grain sorghum.

**ARC-IC Payment Calculation Example**

**A ARC-IC Overview**

The following is an example of a how an ARC-IC payment is calculated.

Payments are issued when the actual revenue on the ARC-IC farm, summed across all covered commodities on all ARC-IC farms, are less than the ARC-IC guarantee on a farm, summed across covered commodities on the farm. One payment rate is calculated for the farm, if applicable.

Payments **are** dependent on the planting of covered commodities on the farm in the current year; however, the payment is limited to the total base acres on the farm.

**B 2014 ARC-IC Farm Example**

The following table provides farm information used for this ARC-IC calculation. Joe Doe of Anytown, Anystate, has 100 percent interest in this farm with this being his **only** farm enrolled in ARC-IC.

<b>Crop</b>	<b>Base Acres</b>	<b>Planted Acres</b>	<b>Percentage of Covered Commodity Planted <u>1/</u></b>
Corn	100.00	110.00	36.67
Soybeans	100.00	25.00	8.33
Grain Sorghum	0.00	165.00	55.00
<b>Total</b>	<b>200.00</b>	<b>300.00</b>	<b>100.00</b>

1/ Percentage of covered commodity for each crop are the P&CP acres divided by the total acres of covered commodities P&CP on the ARC-IC farm in the current year.

ARC-IC Payment Calculation Example (Continued)

C ARC-IC Benchmark Revenue Calculation

The following table provides an example of how the ARC-IC benchmark revenue and ARC-IC guarantee are calculated.

**Note:** ARC-IC benchmark revenue is weighted based on the number of covered commodities planted.

	2009	2010	2011	2012	2013	5-Year Olympic Average Revenue <u>1/</u>	% Planted from Above	Weighted 5-Year Olympic Average <u>2/</u>
<b>Corn</b>								
Yield	125	100	165	110	95			
70 percent of T-yield	<del>85</del>	<del>85</del>	<del>85</del>	<del>85</del>	<del>85</del>			
MYA Price <u>3/</u>	<del>\$3.55</del>	\$5.18	\$6.22	\$6.89	\$4.50			
Reference Price <u>4/</u>	\$3.70	<del>\$3.70</del>	<del>\$3.70</del>	<del>\$3.70</del>	<del>\$3.70</del>			
Revenue <u>5/</u>	\$462.50	\$518.00	<del>\$1,026.30</del>	\$757.90	<del>\$427.50</del>	\$579.47	36.67%	\$212.49
<b>Soybeans</b>								
Yield	38	41	29	48	33			
70 percent of T-yield	<del>27</del>	<del>27</del>	<del>27</del>	<del>27</del>	<del>27</del>			
MYA Price <u>3/</u>	\$9.59	\$11.30	\$12.50	\$14.40	\$12.95			
Reference Price <u>4/</u>	<del>\$8.40</del>	<del>\$8.40</del>	<del>\$8.40</del>	<del>\$8.40</del>	<del>\$8.40</del>			
Revenue <u>5/</u>	\$364.42	\$463.30	<del>\$362.50</del>	<del>\$691.20</del>	\$427.35	\$418.36	8.33%	\$34.85
<b>Grain Sorghum</b>								
Yield	90	40	75	80	99			
70 percent of T-yield	<del>65</del>	<del>65</del>	<del>65</del>	<del>65</del>	<del>65</del>			
MYA Price <u>3/</u>	<del>\$3.22</del>	5.02	\$5.99	\$6.33	\$4.25			
Reference Price <u>4/</u>	\$3.95	<del>3.95</del>	<del>\$3.95</del>	<del>\$3.95</del>	<del>\$3.95</del>			
Revenue <u>5/</u>	\$355.50	<del>326.30</del>	\$449.25	<del>\$506.40</del>	\$420.75	\$408.50	55.00%	\$224.68
<b>ARC-IC Benchmark Revenue (Total of Weighted 5-Year Olympic Average For Each Crop)</b>								\$472.02
<b>10 Percent of ARC-IC Benchmark Revenue (Maximum Per Acre Payment Rate)</b>								\$47.20
<b>ARC-IC Guarantee (Benchmark Revenue times 86 Percent)</b>								\$405.94

- 1/ 5-Year Olympic average revenue is the average of the revenue for each crop dropping the high and low revenue.
- 2/ Weighted 5-year Olympic average is the 5-year Olympic average revenue multiplied by the percentage planted.
- 3/ Actual MYA price or estimate, depending on availability.
- 4/ Reference price is statutory and listed in subparagraph 2 K of this notice.
- 5/ Revenue for each crop and year are the higher of that year's yield or 70 percent of T-yield times the higher of the price or reference price.

**ARC-IC Payment Calculation Example (Continued)**

**D ARC-IC Actual Revenue Calculation**

The following table provides an example of how the ARC-IC actual revenue is calculated.

<b>Crop</b>	<b>2014 Total Production</b>	<b>2014 Price <u>1/</u></b>	<b>National Average Loan Rate</b>	<b>ARC-IC Total Revenue <u>2/</u></b>
Corn	11,550	\$5.25	\$1.95	\$60,637.50
Soybeans	1,000	\$8.50	\$5.00	\$8,500.00
Grain Sorghum	9,900	\$4.98	\$1.95	\$49,302.00
<b>Total Revenue</b>				\$118,439.50
<b>ARC-IC Actual Revenue (118,439.50/300 Planted Acres)</b>				\$394.80

1/ Estimated MYA price.

2/ ARC-IC total revenue is total production times the higher of the 2014 MYA price or the national average loan rate.

**E ARC-IC Payment Calculation**

The following table provides an example of how the ACR-IC payment is calculated.

<b>ARC-IC Calculation Component</b>	<b>Amount</b>
ARC-IC benchmark revenue from subparagraph C.	\$472.02
ARC-IC guarantee from subparagraph C.	\$405.94
ARC-IC actual revenue from s subparagraph C.	\$394.80
Shortfall (ARC-IC guarantee-ARC-IC actual revenue).	\$11.14
10 Percent of ARC-IC benchmark from subparagraph C.	\$47.20
Smaller of shortfall or 10 percent of ARC-IC benchmark.	\$11.14
2014 base acres from subparagraph B.	200.00
ARC-IC payment percentage.	65
ARC-IC payment (rate x base acres x payment percentage).	\$1,448.20