Fact Sheet

September 2014

Base Acre Reallocation, Yield Updates, Agriculture Risk Coverage (ARC) & Price Loss Coverage (PLC)

Overview

The Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs authorized by the 2014 Farm Bill combine provisions from previous programs delivered by the Farm Service Agency (FSA) (the counter-cyclical portion of the Direct and Counter-Cyclical Program, the Supplemental Revenue Assistance Payments Program and the Average Crop Revenue Election Program) with revenue insurance delivered by the Risk Management Agency.

Owners must make a one-time election to reallocate crop bases, update program payment yields and producers select the type of coverage (price protection, county revenue protection, and/or individual revenue protection) for crop years 2014-2018.

Base Acre Reallocation

Owners of farms have a one-time opportunity to:

- Retain the farm's 2013 base acres or;
- Reallocate base acres (excluding cotton bases).

NOTE: Upland cotton is no longer considered a covered commodity; therefore, upland cotton base acres on the farm are now considered "generic" base acres and **CANNOT** be reallocated. Producers may receive ARC/PLC payments on generic base acres only if those acres are planted to a covered commodity.

All landowners and each farm operator have been provided with a summary of all covered commodities planted or considered planted (P&CP) during the 2008-2012 crop years as reported on form FSA-578, and will have the opportunity to update those records provided there are crop insurance records (or other verifiable documentation) available to support those updates. Once records have been updated, the landowner will have the opportunity to redistribute the farm's base acres based on a proration of each covered commodity planted or considered planted in crop years 2009 through 2012 to the total acres of all covered commodities planted or considered planted during that time. The planting history for 2008 was provided as information for yield updates only.

Base Acre Reallocation Example:

Farm Number: 1500 Farm Cropland: 500.00 Acres

Crop	2013 Base Acres	2009 P&CP 1/	2010 P&CP 1/	2011 P&CP 1/	2012 P&CP 1/	Average P&CP 1/ 2009-2012	Reallocation Percentage	2014 Base Acre Reallocation
Wheat	200	150	150	150	200	162.5	41.94%	167.76
Barley	0	0	50	50	50	50	12.9%	51.60
Dry Peas	100	200	150	200	150	175	45.16%	180.64
Canola	100	0	0	0	0	0	0%	0
Upland Cotton	100	100	50	100	150	N/A	2/	100 2/ ***generic base*
TOTAL (excl. cotton)	400	350	350	400	400	387.5	100	500

1/ P&CP = Planted and Considered Planted
2/ Former upland cotton base is now generic base and is not part of the reallocation calculation.

In the above example, the landowner has the following options:

1. Retain the 2013 base acres of 200 wheat, 100 dry peas, 100 canola.
2. Reallocate base acres for covered commodities (based on the farm's planted/considered planted history) to 167.76 wheat base acres (400 total base acres multiplied by 41.94 reallocation percentage), 51.6 barley base acres (400 total base acres multiplied by 12.9 reallocation percentage), 180.64 dry peas base acres (400 total base acres multiplied by 45.16 reallocation percentage).

NOTE: If the landowner elects to reallocate base acres, the TOTAL number of base acres cannot increase.

Generic Base Acres and Cotton Transition Assistance Program

The 2014 Farm Bill removed upland cotton as a covered commodity for the ARC/PLC programs.

Upland cotton base acres, as adjusted, are the basis for payment acres under the Cotton Transition Assistance Program and beginning Oct. 1, 2013 (fiscal year 2014), upland cotton base acres become generic base acres for use in ARC/PLC. CTAP is a temporary program that provides payments to producers of upland cotton on farms for which cotton base acres were in existence for the 2013 crop year. It will operate only for the 2014 crop year and in certain counties for the 2015 crop years.

Upland cotton is no longer a covered commodity and upland cotton base acres now exist as generic base acres.

Generic base acres are retained on the farm at the tract level and may:

- Not be reallocated
- Be planted to any crop
- Receive ARC or PLC payments for the acres planted to a covered commodity
- Be reduced for CRP participation
- Be reduced when taken out of agricultural production
- Be reduced on farms having more base acres than available cropland

Treatment of Generic Base Acres for Payment

Generic base acres planted to a covered commodity are eligible for ARC/PLC payments and will be attributed to a covered commodity as follows:

- If a single covered commodity is planted on the farm and the total acreage planted equals or exceeds the generic base acres on the farm, the generic base acres are attributed to that covered commodity in an amount equal to the total number of generic base acres on the farm.

- If multiple covered commodities are planted on the farm and the total number of acres planted to all covered commodities on the farm exceeds the generic base acres on the farm, the generic base acres will be attributed to each of the covered commodities on the farm on a pro rata basis to reflect the ratio of:

    - The acreage planted to a covered commodity on the farm; to
    - The total acreage planted to all covered commodities on the farm.

- If the total number of acres planted to all covered commodities on the farm does not exceed the generic base acres on the farm, the total acres planted to each covered commodity are attributed to that covered commodity.

Example 1 – Single Covered Commodity Planted in Excess of Generic Base Acres

FSN 10 – Producer elects PLC. The farm consists of:

- 300 acres Cropland
- 100 acres Corn Base
- 100 acres Wheat Base
- 100 acres Generic Base

The producer plants 250 acres of corn and no other covered commodities. PLC payments in this example are calculated using a total of 200 acres of corn (100 acres of corn base acres plus 100 acres of corn planted on generic base acres) and 100 acres of wheat base. In this example, 50 acres of cropland are left idle or planted to a non-covered commodity.

Example 2 – Multiple Covered Commodities Planted on Farm in Excess of Generic Base Acres

FSN 30 – Producer elects PLC:

- 300 acres Cropland
- 100 acres Corn Base
- 100 acres Wheat Base
- 100 acres Generic Base

Producer plants:

- 200 acres of corn
- 50 acres grain sorghum
- 50 acres of soybeans
- 300 total acres

Generic base acres are attributed to the covered commodities as follows:

- 200 acres corn planted divided by 300 acres total covered commodities planted on the farm multiplied by 100 acres generic base equals 66.67 acres of generic base attributable to corn.

- 50 acres of grain sorghum planted divided by 300 total covered commodities planted on the farm multiplied by 100 acres generic base equals 16.67 acres of generic base attributable to grain sorghum.

- 50 acres of soybeans planted divided by 300 total covered commodities planted on the farm multiplied by 100 acres generic base equals 16.67 acres of generic base attributable to soybeans.

Yield Update

Land owners are provided a one-time opportunity to update program payment yields for each covered commodity for which they have base acres using 90 percent of the farm's 2008-2012 average yield per planted acre, excluding any year in which the covered commodity was not planted. Producers with a yield in any of the 2008-2012 years that is less than 75 percent of the county average yield can substitute that yield in the calculation with a yield equal to 75 percent of the county average yield. Program payment yields are used to determine payment amounts for the PLC program; <u>however, all farm owners have the option of updating yields regardless of program participation.</u>

The decision to update yields is made on a covered commodity-by-covered commodity basis. If the landowner chooses not to update farm yields and/or does not make the necessary updates before the deadline (deadline to be determined), the farm's 2013 Counter-Cyclical (CC) yields will be carried forward as the payment yields for 2014-2018.

The decision to reallocate base acres and/or update crop yields must be a unanimous decision by all owners on the farm.

ARC/PLC Election Required

All producers, including owners and operators, with a share of the base acres on a farm must make a one-time, unanimous election of:

- PLC or County ARC on a covered commodity-by-covered commodity basis or;
- Individual ARC for all covered commodities on the farm.

The election between ARC and PLC is made in the election period and is in effect for all 2014 – 2018 program years. If a valid election is not made in the election period, the farm will be ineligible for any 2014 ARC/PLC crop year payments and the producers on the farm are deemed to have elected PLC for the life of the farm bill. Producers must still annually enroll their farm to receive coverage. Producers with multiple farms in a state can have ARC-individual coverage on one farm and ARC-county/PLC coverage on others.

There are two types of ARC coverage:

- ARC County Coverage (ARC/CO)
- ARC Individual Coverage (ARC-IC)

Payments for PLC, ARC-CO, and ARC-IC are issued after the end of the respective crop year for each covered commodity, but not before Oct. 1 (2014 program year payments will not be issued until after Oct. 1, 2015).

Supplemental Coverage Option (SCO)

Starting in crop year 2015, producers who have elected PLC and who also participate in the federal crop insurance program, may purchase additional crop insurance coverage called the Supplemental Coverage Option (SCO). SCO provides the producer with the option of covering a portion of his or her crop insurance deductible and is based on expected county yields or revenue. The cost of SCO is subsidized and indemnities are determined by the yield or revenue loss for the county or area.

Crops for which the producer has elected to receive ARC-CO or ARC-IC are not eligible for SCO benefits.

Producers applying for SCO for the 2015 winter wheat crop may withdraw coverage on any farm where they have elected, or where they intend to elect, ARC for winter wheat by the earlier of their acreage reporting date or Dec. 15, without penalty. This allows producers additional time to make an informed decision related to whether to elect to participate in either the ARC or Price Loss Coverage (PLC) programs for their winter wheat. If producers withdraw SCO coverage for a farm by the earlier of their acreage reporting date or Dec. 15, they will not be charged a crop insurance premium. In order to withdraw coverage without penalty, producers must notify their agents of their intended election for ARC by the earlier of their winter wheat acreage reporting date or Dec. 15.

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.

Crop	Reference Prices	National Loan Rates	Maximum PLC Rate
Barley **1**/	$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)	$19.04 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.	$1.01 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 **2**/	$14.00 per cwt.	$6.50 per cwt.	$7.50 per cwt.
Rice, Temperate Japonica	$16.10 per cwt.	$6.50 per cwt.	$8.60 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; excludes temperate japonica.

The PLC payment amount for a covered commodity is equal to 85 percent times the base attributable to the covered commodity, times the payment rate for the covered commodity. The base attributed to the covered commodity is the covered commodity base plus the generic base attributed to the covered commodity. The payment rate for the covered commodity is the difference between the reference price and the effective price times the program payment yield for the covered commodity.

PLC payments are <u>not</u> dependent on the crops planted and/or considered planted (except for generic base acres as noted above) for the current crop year.

PLC Payment Example

Farm Number 1200:

Crop	Base Acres	Planted Acres	PLC Yield
Wheat	100	0	30 bu.
Corn	100	110	80 bu.
Alfalfa	0	165	N/A
TOTAL	**200**	**275**	

Payment Rate Calculation:

Crop	Reference Price	Effective Price		PLC Payment Rate
		MYA Price	Loan Rate	
Wheat	$5.50	$5.00	~~$2.94~~	$0.50
Corn	$3.70	$4.00	~~$1.95~~	$0.00

***MYA Prices are hypothetical in this example**

In this example, the MYA prices are HIGHER than the loan rate, so the MYA prices are the effective prices.

For wheat, the PLC payment rate is $0.50 ($5.50 reference price minus the $5.00 effective price)

For corn, the PLC payment rate is $0.00 because the effective price ($4.00) is greater than the reference price ($3.70)

Payment Calculation:

Crop	Base Acres	Payment %	Payment Rate	PLC Yield	PLC Payment
Wheat	100	85	$0.50	30 bu.	$1,275
Corn	100	85	$0.00	80 bu.	$0

Note that a payment is triggered for wheat even though no wheat has been planted in the crop year.

County Agricultural Risk Coverage (ARC-CO)

The ARC-CO program provides revenue loss coverage at the county level. 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 commodity. The ARC-CO guarantee equals 86 percent of the previous five-year national MYA price, excluding the years with the highest and lowest price (the ARC guarantee price), multiplied by the five-year average county yield, excluding the years with the highest and lowest yield (the ARC county guarantee yield). If the county yield in any of the five years is below 70 percent of the county transitional yield (T yield), then 70 percent of the T yield is substituted for each year the county yield is less than 70 percent of the T yield.

The ARC-CO payment is equal to 85 percent of the base acres of the covered commodity times the difference between the county guarantee and the actual county crop revenue for the covered commodity. Payments may not exceed 10 percent of the ARC-CO guarantee price multiplied by the ARC-CO guarantee yield. Generic base consideration also applies to ARC-CO in the same manner as PLC.

ARC-CO Example

Joe Farmer has 100 percent interest in this farm participating in ARC-CO.

Crop	**Base Acres**	**Planted Acres**
Wheat	100.00	0.00
Corn	100.00	30.00
Total	200.00	30.00

Determination of ARC-CO Payment Rates

The two charts below provide the steps that are used to calculate the ARC-CO payment rate for the two covered commodities on Joe's farm. The county yields in the example are hypothetical and do not represent a specific county. The historic MYA prices for the 2009-2012 crops are NASS estimates; the 2013 and 2014 MYA prices are hypothetical to demonstrate alternative outcomes for the ARC-CO payment rates.

ARC-CO Payment Rate Determination: Wheat Example

Crop Year	2009	2010	2011	2012	2013	**2014 Payment Factors**
Step 1. Calculation of Benchmark Revenue						
(A) County Yield (bu/acre)	44	51	65	31	46	(D) ARC-CO County
(B) 70 percent of T-yield	32	32	32	32	32	Guarantee Yield 1/
(C) Higher of (A) or (B)	44	51	~~65~~	~~32~~	46	47
(E) MYA Price 2/	4.87	5.70	7.24	7.77	6.50	(H) ARC-CO
(F) Reference Price 4/	5.50	5.50	5.50	5.50	5.50	Benchmark Price 3/
(G) Higher of (E) or (F)	~~5.50~~	5.70	7.24	~~7.77~~	6.50	6.48
(I) ARC-CO Benchmark Revenue, (D) times (H) 4/						**304.56**
Step 2. Calculation of Actual Revenue						
(J) 2014 Price						6.50
(K) 2014 Loan Rate						2.94
(L) Higher of (J) or (K)						6.50
(M) 2014 County Yield						29.00
(N) Actual County Revenue, (L) times (M)						**188.50**
Step 3. Calculation of ARC-CO Payment Rate						
(O) ARC-CO Guarantee, (I) times 0.86 5/						261.92
(P) Maximum ARC-CO Payment Rate, (I) times 0.10 6/						30.46
(Q) Revenue Shortfall, (O) minus (N)						73.42
(R) ARC-CO Payment Rate, Lesser of (P) or (Q)						**30.46**

1/ The ARC-CO Guarantee Yield is the 2009-2013 Olympic average of the higher of the county yield or 70 percent of T-yield for each year.

2/ The Market Year Average (MYA) price is the season average farm price for the covered commodity as published by NASS or determined by the WAOB.

3/ The ARC-CO Benchmark Price is the 2009-2013 Olympic average of the higher of the Market year Average (MYA) Price or the 2014 loan rate for each year.

4/ ARC-CO Benchmark Revenue is the product of ARC-CO Guarantee Yield and ARC-CO Benchmark Price.

5/ ARC-CO Guarantee is 86 percent of the ARC-CO Benchmark Revenue.

6/ The Maximum ARC-CO Payment Rate is 10 percent of the ARC-CO Guarantee.

ARC-CO Payment Rate Determination: Corn Example

Crop Year	2009	2010	2011	2012	2013	**2014 Payment Factors**
Step 1. Calculation of Benchmark Revenue						
(A) County Yield (bu/acre)	125	100	165	110	95	(D) ARC-CO County Guarantee Yield 1/
(B) 70 percent of T-yield	84	84	84	84	84	
(C) Higher of (A) or (B)	125	100	~~165~~	110	~~95~~	112
(E) MYA Price 2/	3.55	5.18	6.22	6.89	4.50	(H)ARC-CO Benchmark Price 3/
(F) Reference Price 4/	3.70	3.70	3.70	3.70	3.70	
(G) Higher of (E) or (F)	~~3.70~~	5.18	6.22	~~6.89~~	4.50	5.30
(I) ARC-CO Benchmark Revenue 4/						**593.60**
Step 2. Calculation of Actual Revenue						
(J) 2014 Price						5.25
(K) 2014 Loan Rate						1.95
(L) Higher of (J) or (K)						5.25
(M) 2014 County Yield						140.00
(N) Actual County Revenue, (L) times (M)						**735.00**
Step 3. Calculation of ARC-CO Payment Rate						
(O) ARC-CO Guarantee 5/						510.50
(P) Maximum ARC-CO Payment Rate 6/						59.36
(Q) Revenue Shortfall, (O) minus (N)						**-**
(R) ARC-CO Payment Rate, Lesser of (P) or (Q)						-

1/ The ARC-CO Guarantee Yield is the 2009-2013 Olympic average of the higher of the county yield or 70 percent of T-yield for each year.

2/ The Market Year Average (MYA) price is the season average farm price for the covered commodity as published by NASS or determined by the WAOB.

3/ The ARC-CO Benchmark Price is the 2009-2013 Olympic average of the higher of the Market year Average (MYA) Price or the 2014 loan rate for each year.

4/ ARC-CO Benchmark Revenue is the product of ARC-CO Guarantee Yield and ARC-CO Benchmark Price.

5/ ARC-CO Guarantee is 86 percent of the ARC-CO Benchmark Revenue.

6/ The Maximum ARC-CO Payment Rate is 10 percent of the ARC-CO Guarantee.

Note that in the above examples, wheat base on Joe’s farm receives an ARC-CO payment even though he did not plant wheat on the farm, and conversely, corn base on his farm will not receive an ARC-CO payment.

Calculation of Payment:

Calculation of Farm Total Payment: Joe Farmer Example

Crop	Base Acres	Payment Percentage	Payment Rate	ARC-CO Payment
Wheat	100.00	85 percent	$30.46	$ 2,589.10
Corn	100.00	85 percent	0.00	0
Total ARC-CO Payments for Joe Farmer				**$2,589.10**

Individual Agriculture Risk Coverage (ARC-IC)

The ARC-IC program provides revenue loss coverage at a farm level. An ARC-IC farm is defined as the sum of the interests of a producer in all FSA farms that are enrolled in the individual coverage option for ARC in a state. Producers that have interests in multiple farms in multiple states that are enrolled in ARC-IC have a separate ARC-IC farm in each state.

ARC-IC revenue loss payments are made to the ARC-IC farm when the current year revenue for all covered commodities planted on the ARC-IC farm falls below 86 percent of the farm benchmark revenue.

All ARC-IC farms in the state in which the producer has an interest are included in a single ARC-IC revenue calculation to determine a payment rate. The payment rate for the ARC-IC farm is capped at 10 percent of the farm’s benchmark revenue.

The ARC-IC farm’s guarantee equals 86 percent of the ARC-IC farm’s individual benchmark guarantee, defined as the five-year average of an ARC-IC farm’s annual ARC-IC benchmark revenue (farm’s yield for each crop year, multiplied by the higher of the reference price or the MYA price) for all covered commodities, excluding the high and low annual revenues. Actual revenue is computed using the ARC-IC farm’s actual yield times the higher of the MYA price or the national average loan rate.

ARC-IC payments are calculated by multiplying:

- The ARC-IC payment rate, multiplied by
- The total base acres of the ARC-IC farm(s), multiplied by 65 percent.

Producers on farms that have both elected and enrolled into ARC-IC will need to work with FSA to establish yields for each of the current year planted covered commodities on the ARC-IC farm(s) for the immediately preceding five years. The yields established for the immediately preceding five years are known as the **benchmark yields**. If prior yields are not available for each of the current year covered commodities, a yield will be assigned by FSA for each of the missing years, up to five years, to allow the farm benchmark revenue to be calculated for the farm.

After harvest in the current year, the producer is <u>required</u> to report current production to FSA for calculation of the current year revenue on the farm. The reported production multiplied by the higher of the reference price or the national marketing year average (MYA) price for all covered commodities on the ARC-IC participating farm(s) are totaled and then divided by the total planted acreage of all covered commodities on the participating ARC-IC farm(s), resulting in an actual revenue per acre. The result will be either a revenue loss or gain per acre. If a loss is determined, the ARC-IC revenue loss per acre is the ARC-IC payment rate and it is used to make the ARC-IC payment on the farm.

The ARC-IC payment on the farm will be calculated as follows:

- The ARC-IC payment rate, multiplied by
- The total base acres of the ARC-IC farm(s), multiplied by 65 percent.

Payment shares are then taken into account for each producer who had an interest in the covered commodities on the farm.

ARC-IC Example

The following is an example of a how an ARC-IC payment is calculated. Payments are made on base acres in proportion to the planting of covered commodities on the farm; however, payment acres are limited to 65 percent of the total base acres on the farm.

Consider the following farm information for the 2014 crop. Jane Farmer has 100 percent interest in this farm, which is her only farm enrolled in ARC-IC. Jane planted three covered commodities on her farm in 2014, and the farm has 200 acres of covered commodity base and no generic base. This ARC-IC farm information for Jane Farmer is shown in the following chart, including the production of the covered commodities for the 2014 crop.

Crop	Base Acres	2014 Planted Acres	Percentage of Crop Planted 1/	2014 Crop Production
Corn	100.00	110.00	36.67 percent	11,550 bushels
Soybeans	100.00	25.00	8.33 percent	1,000 bushels
Grain Sorghum	0.0	165.00	55.00 percent	9,900 bushels
Total	200.00	300.00	100.00 percent	

1/ Percentage of covered commodity for each crop is the planted and considered planted acres divided by the total acres of covered commodities planted and considered planted on the ARC-IC farm.

The following charts illustrate how Jane Farmer's benchmark revenue, ARC-IC guarantee, maximum ARC-IC payment rate are calculated for her ARC-IC enrolled farm. Each of these ARC-IC program factors are calculated on a per acre basis. Thus, each factor reflects a value weighed by the plantings of covered commodities on the farm for the 2014 crop.

ARC-IC Benchmark Revenue: Calculations for Jane Farmer's ARC-IC Farm

Crop/Program Year	2009	2010	2011	2012	2013	
Step 1. Calculation of the 5-Year Olympic Average Revenue for Covered Commodities						
Corn						
(A) Yield	125	100	165	110	95	5-Year
(B) 70 percent of T-Yield	~~85~~	~~85~~	~~85~~	~~85~~	~~85~~	Olympic
(C) MYA Price 1/	~~3.55~~	5.18	6.22	6.89	4.50	Average
(D) Reference Price	3.70	~~3.70~~	~~3.70~~	~~3.70~~	~~3.70~~	Revenue 2/
(E) Annual Revenue 3/	462.50	518.00	~~1,026.30~~	757.90	~~427.50~~	**579.47**
Soybeans						
(A) Yield	38	41	29	48	33	5-Year
(B) 70 percent of T-Yield	~~27~~	~~27~~	~~27~~	~~27~~	~~27~~	Olympic
(C) MYA Price	9.59	11.30	12.50	14.40	12.95	Average
(D) Reference Price	~~8.40~~	~~8.40~~	~~8.40~~	~~8.40~~	~~8.40~~	Revenue
(E) Annual Revenue	364.42	463.30	~~362.50~~	~~691.20~~	427.35	**418.36**
Grain Sorghum						
(A) Yield	90	~~40~~	75	80	99	5-Year
(B) 70 percent of T-Yield	~~65~~	65	~~65~~	~~65~~	~~65~~	Olympic
(C) MYA Price	~~3.22~~	5.02	5.99	6.33	4.25	Average
(D) Reference Price	3.95	~~3.95~~	~~3.95~~	~~3.95~~	~~3.95~~	Revenue
(E) Annual Revenue	355.50	~~326.30~~	449.25	~~506.40~~	420.75	**408.50**
Step 2. Calculation of Benchmark Revenue, Guarantee, and Maximum Payment Rate.						

Crop	Olympic Avg. Rev.	2014 Percent Planted	Weighted Revenue (F) 4/
Corn	579.47	36.67	212.49
Soybeans	418.36	8.33	34.85
Grain Sorghum	408.50	55.00	224.68
(G) ARC-IC Benchmark Revenue (per acre), Sum items (F)			**472.02**
(H) ARC-IC Guarantee, (G) times 86 percent			**405.94**
(I) Maximum ARC-IC Payment Rate, 10 percent times (G)			**47.20**

1/ MYA price is the season average farm price for the covered commodity as published by NASS or determined by the WAOB.

2/ The 5-year Olympic Average Revenue is the average of the 2009-2013 crop revenues dropping the years with the highest and lowest revenue.

3/ The annual revenue for a crop is the higher of the crops actual yield (A) or 70 percent of the T-Yield (B) times the higher of the MYA price (C) or the crop's reference price (D). Strike throughs indicate the values excluded in the calculations.

4/ Weighted Revenue is Olympic average revenue for a crop times the percent planted.

The ARC-IC actual revenue is also calculated on a per acre basis by determining the total revenue for the farm and dividing it by the total planted acres on the farm. The per acre ARC-IC revenue for Jane Farmer's ARC-IC farm is illustrated in the following chart.

Actual Revenue Calculation: Jane Farmer's ARC-IC Farm, 2014 Crop

Crop	2014 Production	MYA Price 1/	National Average Loan Rate	Crop Revenue 2/
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
(A) Total Farm Revenue, sum of crop revenues				118,439.50
(B) ARC-IC Actual Revenue, (A) divided by total planted acres 3/				**394.80**

1/ MYA price is the season average farm price for the covered commodity as published by NASS or determined by the WAOB.

2/ Crop revenue is the product of planted acres times the higher of the MYA Price or the national average loan rate. The national average loan rate is struck out because it is lower than the MYA price.

3/ Total planted acres of covered commodities on the ARC-IC farm for the 2014 Crop.

To determine if Jane Farmer earns ARC-IC payments on her farm for the 2014 crop, the farm's actual revenue is compared to the ARC-IC guarantee. If the ARC-IC actual revenue is less than the guarantee, then Jane earns ARC-IC payments. The ARC-IC payment on a farm may be limited by the maximum ARC-IC payment rate. The determination and calculation of payments that Jane Farmer is due on her ARC-IC farm are illustrated in the chart below. For 2014, Jane's ARC-IC payment rate is $11.40 per acre which is below the maximum payment rate.

ARC-IC Payment Calculation: Jane Farmer's ARC-IC Farm

ARC-IC Payment Item	
(A) Benchmark Revenue, Item (G) from Benchmark Revenue Chart	472.02
(B) ARC-IC Guarantee, Item (H) from Benchmark Revenue Chart	405.94
(C) ARC-IC Actual Revenue, Item (B) from Actual Revenue Chart	394.80
(D) ARC-IC Revenue Shortfall, Item (B) minus (C)	11.14
(E) Maximum ARC-IC Payment Rate, Item (I) from Benchmark Revenue Chart	47.20
(F) ARC-IC Payment Rate, Lessor of (D) or (E)	11.14
(G) 2014 Base Acres (Jane Farmer's ARC-IC Farm)	200
(I) ARC-IC Payment Percentage	0.65
(J) ARC-IC Payment, (F) times (G) times (I)	**1,448.20**

For More Information

For more information on ARC/PLC, contact your local USDA Service Center, Farm Service Agency (FSA) office, or online at www.fsa.usda.gov.