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Understanding ARC and PLC and Making the Election Decision Don Shurley

One of the major objectives of farm bill legislation is to provide an “income safety net” for farmers—for production agriculture. The purpose of the safety net is to provide a cushion against low commodity prices and price risk. How this is implemented can vary from farm bill to bill. The current safety net is known as ARC/PLC—ARC (Agricultural Risk Coverage) and PLC (Price Loss Coverage).

A Little History Lesson Helps

ARC/PLC replaced the previous DCP (Direct and Countercyclical Payment Program) and began with the 2014 farm bill (covering the 2014-2018 production years). Historically, landowners have always had to enroll farms in the safety net to be eligible for its benefits. But, for the first time, ARC/PLC provided producers with a choice of safety net and producers could choose (elect) which safety net to enroll in.

This election is made crop-by-crop, farm-by-farm—whichever the producer thinks is best by crop, by farm. In the 2014 farm bill, producers made a 1-time election that would be fixed for the entire bill. Beginning with the 2018 farm bill (2019-2023), this changed. Producers made a choice for the first 2 years 2019-2020 then beginning with 2021 production, election could be made annually for 2021, 2022, and 2023.

Congress failed to pass a new farm bill and the 2018 bill extended for 2024 and 2025. Producers made an ARC or PLC election decision for 2024. For 2025, producers will receive the higher of ARC or PLC.

Cotton and Seed Cotton

Initially, cotton was not a covered commodity, ineligible for ARC/PLC in the 2014 farm bill. Cotton would return as a covered commodity—seed cotton, in 2018—the last year of the 2014 farm bill. Producers had to elect ARC or PLC for 2018. Seed cotton would remain a covered commodity in the 2018 farm bill.

Seed cotton is a “combo”—it is actually 2 crops—cotton (lint) and cottonseed. For PLC and ARC purposes, seed cotton yield is cotton yield times 2.4—for example, if cotton yield is 981 lbs/acre, seed cotton yield would be $981 \times 2.4 = 2,354$ lbs/acre—2,354 lbs of ginned seed cotton equals 981 lbs of cotton.

The OBBB (One Big Beautiful Bill Act)

Though not a farm bill, the OBBB (passed in July 2025) contained several provisions designed to strengthen the ARC/PLC safety net. Among its provisions, the OBBB increased Reference Prices and made changes in other parameters used in PLC and ARC, retroactive for 2025.

The OBBB also allowed for the addition of up to 30 million new base acres. FSA would review each farm and notify landowners of their eligibility and base acres to be added, if any. Landowners will then have until August 31, 2026 to review this Base Allocation Summary. The annual ARC or PLC election must typically be made by March 15. Because of the Base Allocation Summary review, the election deadline for 2026 is not expected to be before late September.

How ARC and PLC Works

Both PLC and ARC are “triggers”. PLC provides protection from decline in price. ARC provides protection from decline in revenue—ARC has both a price and yield component. Among factors important in making the decision, the producer must consider which program is more likely to trigger payment and how much.

A PLC payment is made if the MYA Price (US market year average price received for the commodity) is below the Effective Reference Price (ERP). The ERP is the farm bill legislated Reference Price or 88% of the MYA Price for the most recently completed 5 crop years (dropping the high and low years and averaging the remaining 3 years) but it cannot exceed 115% of the Reference Price.

OBBB and Previous 2018 Farm Bill Reference Prices

		Reference Prices		Max ERP ¹
		2018	OBBB	
Corn	per bu	\$3.70	\$4.10	\$4.72
Peanuts	per ton	\$535	\$630	\$724
Seed Cotton	per lb	\$0.367	\$0.420	\$0.483
Soybeans	per bu	\$8.40	\$10.00	\$11.50
Wheat	per bu	\$5.50	\$6.35	\$7.30

¹/ 115% of the OBBB Reference Price

$$\text{PLC Payment Rate} = \text{Effective Reference Price} - \text{MYA Price}^1 \text{ (if MYA Price} < \text{ERP)}$$

¹/ Higher of MYA Price or the Loan Rate

$$\text{PLC Payment}^1 = \text{Payment Rate} \times \text{FSA Established PLC Payment Yield}$$

¹/ Received on 85% of Base Acres

Example: The ERP is \$0.42 per lb. The MYA Price for seed cotton is \$0.394 per lb. Willow Creek Farm has a seed cotton PLC Payment Yield of 2,574 lbs.

$$\text{PLC Payment Rate} = \$0.42 - \$0.394 = \$0.026 \text{ per lb}$$

$$\text{PLC Payment} = \$0.026 \times 2,574 = \$66.92 \text{ per acre on 85\% of seed cotton Base Acres}$$

There are two types of ARC—ARC-County and ARC-Individual. Most farms, if enrolled in ARC, are in ARC-County. An ARC payment (ARC-County) is made if Actual Revenue is less than the ARC Revenue Guarantee. The Guarantee is based on historical yield and price. This history is called the Benchmark. The Guarantee is 90% of the history/Benchmark. If there is a payment, the maximum is 12% of the Benchmark.

$$\text{Benchmark (Historical) Yield} = \text{Average of the Trend Adjusted County Yield for the previous 5 years, dropping the high and low and averaging the remaining 3 years}$$

$$\text{Benchmark Price} = \text{Average MYA Price for the most previously completed 5 crop years}^1, \text{ dropping the high and low and averaging the remaining 3 years}$$

¹/ Substitute the Effective Reference Price for any year(s) if MYA Price is less

$$\text{Benchmark Revenue} = \text{Benchmark Price} \times \text{Benchmark Yield}$$

$$\text{Revenue Guarantee} = \text{Benchmark Revenue} \times .90$$

$$\text{Actual Revenue} = \text{Actual County Yield} \times \text{MYA Price}$$

Example: Brooks County, GA has a Benchmark Yield for irrigated corn of 191 bu/acre. The Benchmark Price is \$4.35 per bushel. Actual Yield for irrigated corn is 180 bu/acre and Actual Price is \$4.28 per bushel.

$$\text{Benchmark Revenue} = 191 \times \$4.35 = \$830.85 \text{ per acre}$$

$$\text{Revenue Guarantee} = \$830.85 \times .90 = \$747.76$$

$$\text{Actual Revenue} = 180 \times \$4.28 = \$770.40$$

$$\text{ARC Payment Rate} = \$0 \text{ (Actual Revenue} > \text{Revenue Guarantee)}$$

Data and Information Help

This is a lot of information and data, especially for ARC. This looks complicated and it can be. But producers must choose between ARC and PLC—so understanding how each works and having access to the information needed is vital to make the most informed/best decision possible.

Fortunately, most of what is needed is fairly easy to obtain and it's not too time consuming if you know where to look and how.

- For PLC, where can I find the Effective Reference Price (ERP)?

<https://www.fsa.usda.gov/resources/programs/arc-plc/program-data>

Data is available by program/crop year. Click on the appropriate year. Then find and click on the “Effective Reference Price for Program Year” link.

- For PLC, where can I find the MYA (US Market Year Average Price)?

<https://www.fsa.usda.gov/resources/programs/arc-plc/program-data>

Data is available by program/crop year. Click on the appropriate year. Then find and click on the “Market Year Average Prices” link. These are USDA monthly projections—they will change/be revised monthly.

Depending on when/how much in advance the election decision must be made, these projections may not yet be available, and you may have to use your own best estimate or use a forecast from another source.

Seed cotton is a “combo”. The MYA Price for seed cotton is a weighted average price of upland cotton and cottonseed based on the proportion of each to the combined total production of both. An estimate can be made using the formula

$$\text{Seed cotton MYA Price } \$/\text{lb} = \text{MYA cotton price } \$/\text{b} \times .435 + \text{cottonseed MYA price } \$/\text{ton}/2000 \times .565$$

If MYA Price forecasts by USDA are available, monthly projections of the projected PLC rate will also be available. Go to the program year link and click on “PLC Payment Rates” for the program year.

- For PLC, what is my PLC Payment Yield?

Your yield used for PLC is a historical average for the farm as defined by the farm bill—the years to be used are determined by the farm bill. This yield and your base acres of the crop are available from your Farm Service Agency. Your seed cotton PLC Payment Yield is this historic cotton yield times 2.4.

- For ARC (ARC-County), where can I find the Benchmarks?

<https://www.fsa.usda.gov/resources/programs/arc-plc/program-data>

Data is available by program/crop year. Click on the appropriate year. Find and click on the link for “Benchmark Prices” for the program year for ARC County.

You can also click on the link for “ARC-County Benchmark Yields and Revenues”. You’ll scroll down to find your state, county, and crop. Note—Yield will be for Irrigated and Non-Irrigated or for All.

- For ARC-County, where can I find the Actual Price, Yield, Revenue, and Payment?

This same “ARC-County Benchmark Yields and Revenue” link will also contain the Actuals and any resulting ARC Payment. Scroll down by state, county, and crop then scroll to the right. Actuals are not known until later in the next year after harvest. The ARC/PLC election decision must be based on Benchmarks and the Revenue Guarantee and assumptions made about actual price and county yield.

Payment Timing

Any ARC or PLC payment is not made until October of the next year following harvest. This is because of the dates and length of the marketing year for the commodity and the determination and availability of county yields. The marketing year for cotton, for example, is August 1 – July 1. County yields are typically not known until the summer (June/July or later) the year after fall harvest.

HIP (Historical Irrigated Percentage)

As shown, ARC (ARC-County) is based on historical county yields, not your own farms yield history. Any ARC payment is for the county and all bases of the crop in the county enrolled in ARC.

These ARC payment rates are applied to the farm using the concept of HIP. A “HIP County” is one that has at least 10% of the crop produced irrigated and at least 10% non-irrigated. If a county meets this definition as a HIP County for the crop, there will be both irrigated and non-irrigated Benchmark Yield and Revenue and Revenue Guarantee for the crop. If the county is not a HIP County for the crop, there will be only one history shown for “All”.

If your farm is in a HIP County and if your farm has a history of irrigation for the crop, the farm will have an FSA assigned HIP Factor (the average percentage acres of the crop irrigated) for your farm for the crop. This HIP Factor is used to determine the weighted average ARC payment for the crop for your farm.

If your farm is not in a HIP County, this will not apply. If your farm is in a HIP county but the farm has no history of irrigation for the crop, the HIP factor will be zero (.00).

ARC Benchmarks and Revenue Guarantee apply to every farm in the county. The payment rates are for the crop for the county. But these rates are applied to each farm in the county based on HIP, if HIP applies.

Making the Election Decision

Producers must elect and enroll in ARC or PLC to be eligible for any payments provided by the program. How do you make that decision? It may seem difficult, particularly given all that we’ve just discussed.

Having a choice of safety net is good policy. Having to make that decision with so much uncertainty is not good policy. It could be made better by 1) delaying the decision until later rather than the typical mid-March or 2) giving producers the opportunity to change an earlier decision at a reasonable later date.

Start simple. ARC has more moving parts. Start with PLC. Let’s use 2026 seed cotton as an example.

Example Colquitt County, GA	
2026 ERP	\$0.4200
Projected MYA Price ¹	\$0.3918
Projected PLC Rate ¹	\$0.0282
Farm SC PLC Yield	2,201
Projected 2026 PLC	\$62.07

1/ As of July 31, 2026

The ERP for the year will be known and available. A MYA Price projection may or may not be known—depending on when the election decision deadline is. If not available, use your own best judgement for both cotton and cottonseed and calculate the estimated weighted average price for seed cotton as previously shown. The farm PLC Payment Yield will be available from FSA. This is a hypothetical example of a typical/average Colquitt County, GA farm. The PLC Payment Yield is the historical cotton yield for the farm times 2.4 assuming a historical payment yield for cotton of 917 lbs/acre.

The PLC Rate is currently projected to be 2.82 cents per lb. The Payment per acre, based on the farms PLC Payment Yield, is projected to be \$62.07 per acre on 85% of base acres. This is uncertain and subject to change. How confident are you in the projected MYA Price? That’s the only source of risk in PLC.

How will ARC compare? Consider how each is calculated. Consider what makes a payment trigger in each. Both depend on price and yield. But, at the time the election decision has to be made, what do you know? What do you not know? Any decision you make is subject to risk. The outcome is unknown.

Some Comparisons of ARC and PLC		
	PLC	ARC- County
Trigger	Effective Reference Price (ERP)	Guarantee (90% of Benchmark)
Payment	MYA Price < ERP	Actual Revenue < Guarantee
Yield	Farm PLC Payment Yield	Benchmark Yield, Actual Yield

For both ARC and PLC, the “trigger” is published/available and will be known. Election time unknowns are—for PLC, what will the MYA Price be? For ARC—what will the MYA Price be but also, what will the county yield be? For PLC, the payment Rate (per lb, per bu, etc) does not depend on yield, but you are paid at your farm Payment Yield, which is known. For ARC, the payment Rate does depend on yield—the county Actual Yield and MYA Price determine if Actual Revenue is less than the Revenue Guarantee.

Continuing with the Colquitt County example, ARC Actual County Revenue depends on actual price and yield. Colquitt County is a HIP county. There will be Benchmarks and Guarantee determined by FSA for both irrigated and non-irrigated. If the farm has a history of irrigation, the farm will have an FSA assigned HIP factor. Here, we assume a HIP of .35—historically the farm is 35% irrigated cotton, 65% non-irrigated.

Example of 2026 Colquitt County, GA ARC			
	If a HIP County		If Not HIP
	Irrigated	NonIrrigated	All
Benchmark Revenue	\$1,137.78	\$829.07	
Revenue Guarantee	\$1,024.00	\$746.16	
Maximum Payment Rate	\$136.53	\$99.49	
Projected MYA Price ¹	\$0.3918		
Projected County Cotton Yield	1,150	825	
Cotton Yield x 2.4	2,760	1,980	
Projected Actual Revenue	\$1,081.37	\$775.76	
Projected ARC Payment	\$0.00	\$0.00	
Farm HIP Factor	0.35	0.65	N/A
Payment x Factor	\$0.00	\$0.00	
Irrigated + NonIrrigated	\$0.00		

1/ As of July 31, 2026.

If the farm is in a HIP county for the crop but the farm has no history of irrigating the crop, the HIP factor will be .00 for irrigated (and then 1.00 for non-irrigated). If the farm is in a county that is not a HIP county, the “All” column will apply.

In this example, there would be no ARC payment. If realized, the Actual Revenue for both irrigated and non-irrigated would be above the Revenue Guarantee.

Considering Risk and Various Scenarios

You are making a decision under uncertainty. In PLC, the final MYA Price is not known. In ARC, the final MYA Price and final Actual Yield(s) for the county are not known. One thing you can count on is that actual MYA Price and Actual Yield will not be what you think.

So, somehow, you have to consider risk of the unknown. Without getting too complicated. For the 2026 crop, the election decision period will not begin until after the Base Allocation Review period. This delay will allow extra time (a few extra months that you typically would not have) for producers to hopefully form more informed price and yield expectations.

Start simple. Start with PLC. In our example, the expected/projected MYA price for seed cotton is \$0.3918—this is based on \$0.73 cotton/lb and \$260/ton (\$0.13/lb) cottonseed. Your farm Payment Yield is known and fixed. The MYA Price is the only source of risk for PLC. If the MYA is 10% less than Expected, PLC would increase to \$148.30. If the MYA Price is 10% higher than Expected, there would be no PLC because the SC MYA Price would be above the \$0.42 Effective Reference Price.

For ARC, any payment depends on Actual Yield (how it compares to 90% of the historical Benchmark Yield) and Actual Price (how it compares to 90% the historical Benchmark Price). With our Expected Yield, no ARC payment is expected because Actual Revenue > the Revenue Guarantee.

Projected PLC-- Expected, Optimistic, and Pessimistic Price			
	Pessimistic -10%	Expected	Optimistic +10%
Cotton/lb	\$0.66	\$0.73	\$0.80
Cottonseed/ton	\$234	\$260	\$286
Seed Cotton MYA	\$0.3526	\$0.3918	\$0.4310
Projected PLC Rate	\$0.0674	\$0.0282	\$0.0000
PLC Payment Yield	2,201	2,201	2,201
Projected PLC	\$148.30	\$62.07	\$0.00

Change in ARC Due to Change in Yield Compared to Expected Yield									
	Pessimistic (-20%)			Expected			Optimistic (+20%)		
	Irr	NonIrr	All	Irr	NonIrr	All	Irr	NonIrr	All
Benchmark Revenue	\$1,137.78	\$829.07		\$1,137.78	\$829.07		\$1,137.78	\$829.07	
Revenue Guarantee	\$1,024.00	\$746.16		\$1,024.00	\$746.16		\$1,024.00	\$746.16	
Maximum Payment	\$136.53	\$99.49		\$136.53	\$99.49		\$136.53	\$99.49	
Actual SC Price	\$0.3918	\$0.3918		\$0.3918	\$0.3918		\$0.3918	\$0.3918	
Actual Cotton Yield	920	660		1,150	825		1,380	990	
Actual SC Yield	2,208	1,584		2,760	1,980		3,312	2,376	
Actual Revenue	\$865.09	\$620.61		\$1,081.37	\$775.76		\$1,297.64	\$930.92	
ARC Payment Rate	\$136.53	\$99.49		\$0.00	\$0.00		\$0.00	\$0.00	
Farm HIP Factor	0.35	0.65	N/A	0.35	0.65	N/A	0.35	0.65	N/A
Pay Rate x Factor	\$47.79	\$64.67		\$0.00	\$0.00		\$0.00	\$0.00	
Irrigated + NonIrr	\$112.45			\$0.00			\$0.00		

If Actual Yield were 20% less than Expected, the ARC Payment would be the maximum allowed (for both irrigated and non-irrigated since we have a HIP example). If Yield is better than expected (assuming 20% higher), there would be no ARC Payment.

If Actual Yield is less than expected, any ARC payment could be higher than expected. If Actual Yield is higher than expected, any ARC payment could be less than expected. How does this effect the comparison of ARC and PLC?

So, how do you decide on the election of ARC or PLC?

1-Remember, the election is by farm, by crop. Every farm and/or crop can be different.

2-Also remember, any ARC payment rate applies to every farm in the county. But your payment will depend on your specific HIP factor if the farm is in a HIP county.

3-Start by looking at PLC first. If the Expected PLC Rate is zero, how confident are you that price will remain high enough to keep it at zero or very small?

4-If PLC is expected to be zero and you are confident it will be, you could just elect ARC by default.

5-Compare ARC to PLC at various prices and yield. How they compare depends on MYA Price, your farm PLC Payment Yield compared to ARC Benchmark Yield, and Actual Yield compared to Benchmark Yield.

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