



ARC/PLC & Crop Insurance Strategies

A Closer Look Special Event
January 2021

Steven D. Johnson

Retired ISU Extension Farm Management Specialist

sdjohns@iastate.edu
www.extension.iastate.edu/agdm



Tell us about yourself!

Where are you located?

Polling ×

Time remaining: 2:34
(Your answer may be recorded.)

1. Where are you located?

- A. Colorado
- B. Illinois
- C. Indiana
- D. Iowa
- E. Kansas
- F. Michigan
- G. Minnesota
- H. Missouri
- I. Nebraska
- J. North Dakota
- K. Ohio
- L. South Dakota
- M. Wisconsin
- N. Other

Answer the poll question that just popped up. If your state isn't listed, select 'Other'.



- 2021 Crop Safety Net Programs
- 2021 Crop Insurance & ARC/PLC Interaction
 - Supplemental Coverage Option (SCO)
- Introduce Enhanced Coverage Option (ECO)
- Corn & Soybean Supply/Demand and Crop Price Outlook
- ARC/PLC Program Overview
 - ARC-CO
 - ARC-IC
 - PLC
- ARC/PLC Web Sites



2021 Commodity Crop Safety Nets

Crop
Insurance
Agent

ECO
ENHANCED COVERAGE OPTION

SCO
SUPPLEMENTAL COVERAGE OPTION

CROP INSURANCE

Farm
Service
Agency

ARC
AGRICULTURE RISK COVERAGE

OR

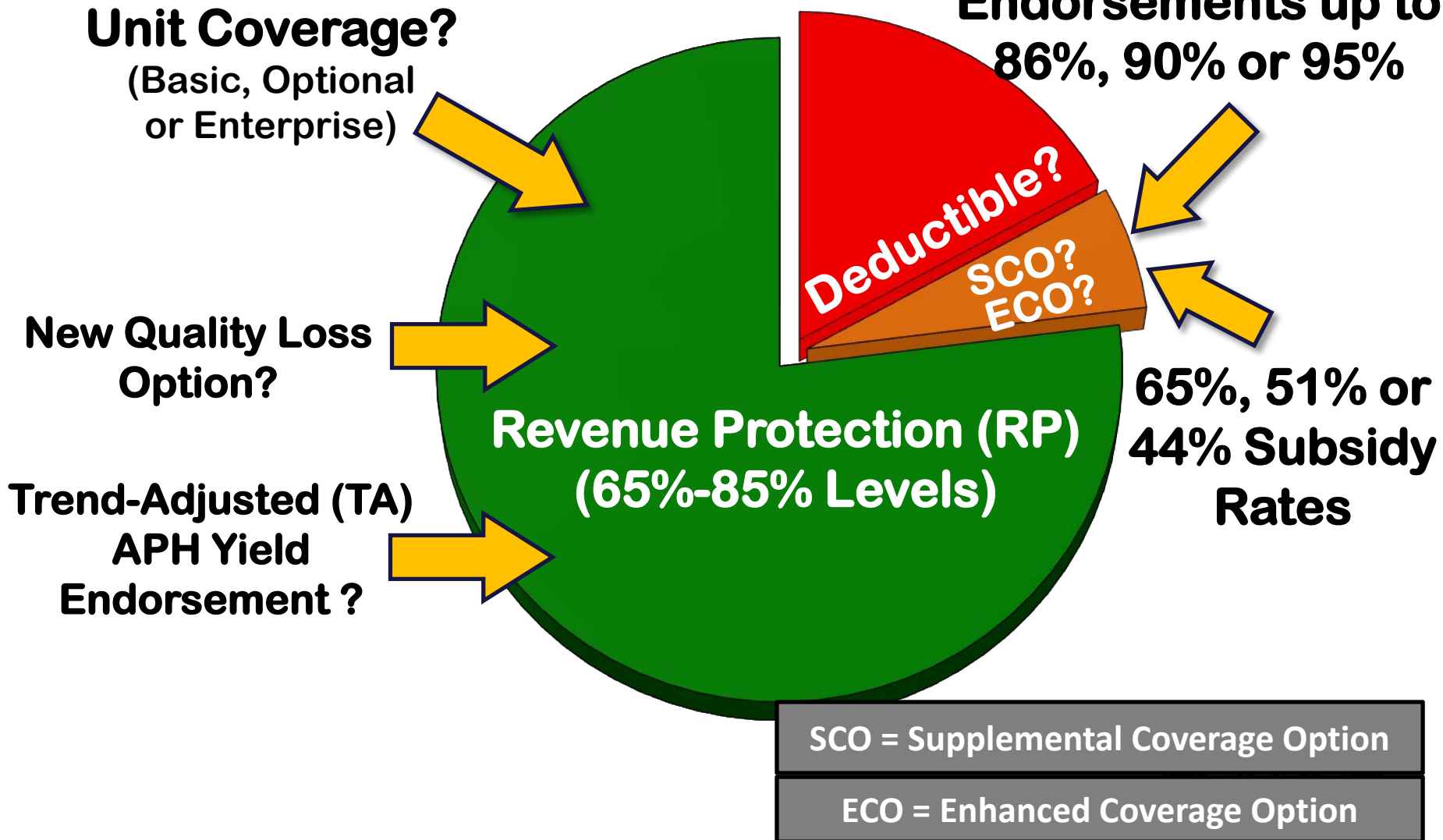
PLC
PRICE LOSS COVERAGE

Effective Reference Prices:
\$3.70/bu Corn
\$8.40/bu Soybeans

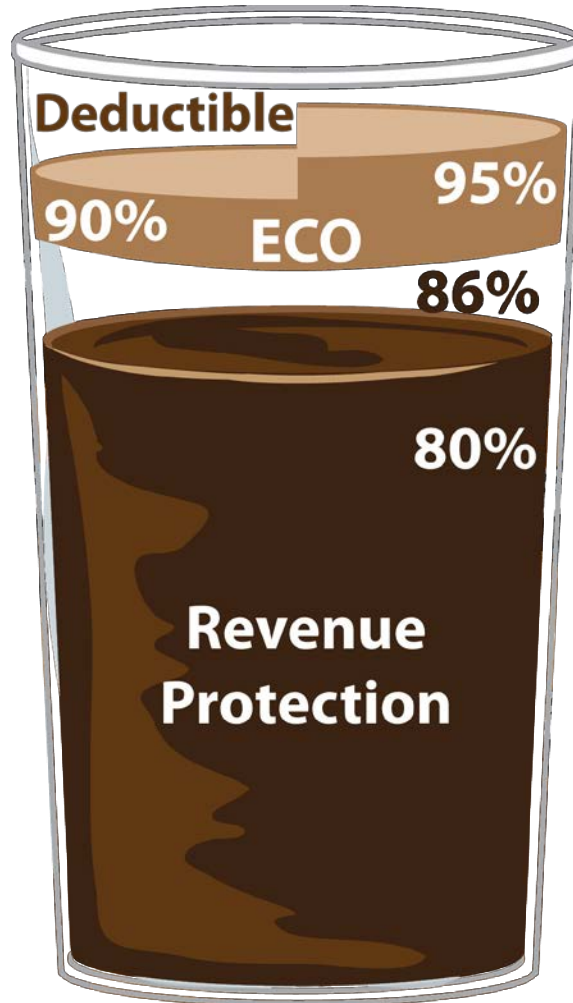
Marketing Assistance Loans (MLA) and
Loan Deficiency Payments (LDP) National Rates:
\$6.20/bu Soybeans
\$2.20/bu Corn

2021 Crop Insurance Decisions

County-level Endorsements up to 86%, 90% or 95%



Comparing SCO to ECO Endorsements



Supplemental = SCO

- County-based Revenue Guarantee not to exceed 86% level of coverage
- Subsidized at the 65% level
- Must elect PLC for that crop on that farm before buying SCO

Enhanced = ECO

- County-based Revenue Guarantee not to exceed the 90% or 95% level of coverage
- Subsidized at the 51% or 44% level
- Can be purchased regardless of ARC/PLC election



ARC/PLC Election/Enrollment Process

- ALL Producer(s) with an interest in cropland on the farm will make the election decision.
- Owners do not make the election decision, unless they are considered a Producer, having an interest in cropland on the farm. This would not include owners with an interest in CRP.
- 2021 Election/Enrollment deadline is March 15, 2021.
- Election is locked for only the 2021 crop.
- Each year thru 2023 producers will have the opportunity to “change” the election on the farm annually.
- Failure to make a 2021 election by March 15, 2021 will result in a **default** to the current election on the farm (2019 & 2020). The producer will still have to “enroll” for the ARC/PLC program.



Covered Commodities

- These are the 22 covered commodities eligible for these program options, 6 of which are the main crops in Iowa.

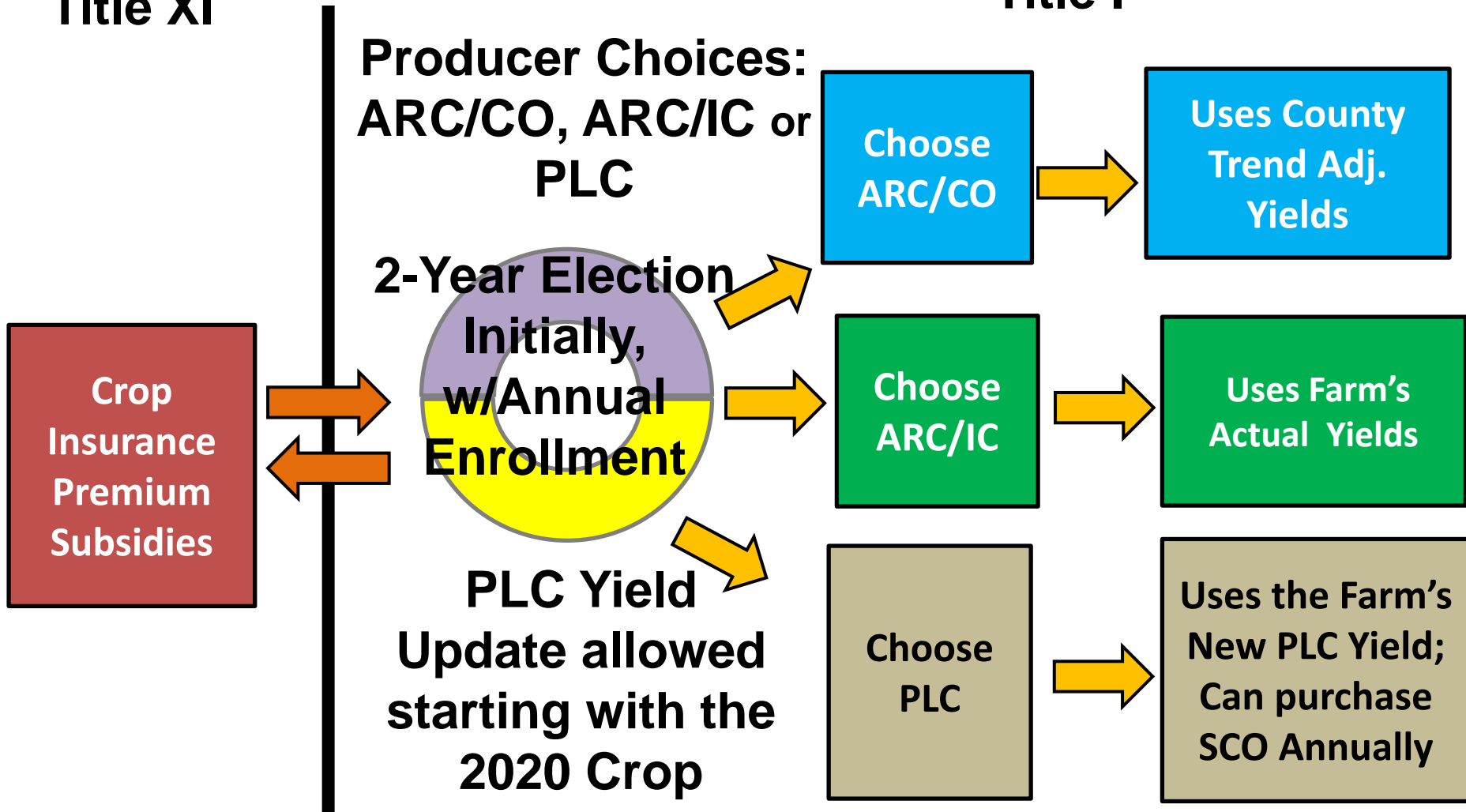
Barley	Canola	Corn
Crambe	Flaxseed	Chickpeas, Small
Chickpeas, Large	Grain Sorghum	Lentils
Mustard Seed	Oats	Peanuts
Peas, Dry	Rapeseed	Rice, Long Grain
Rice, Medium Grain	Safflowers	Sesame Seed
Soybeans	Sunflower Seed	Wheat
Seed Cotton		



Crop Insurance and ARC/PLC Decisions for 2021

Title XI

Title I

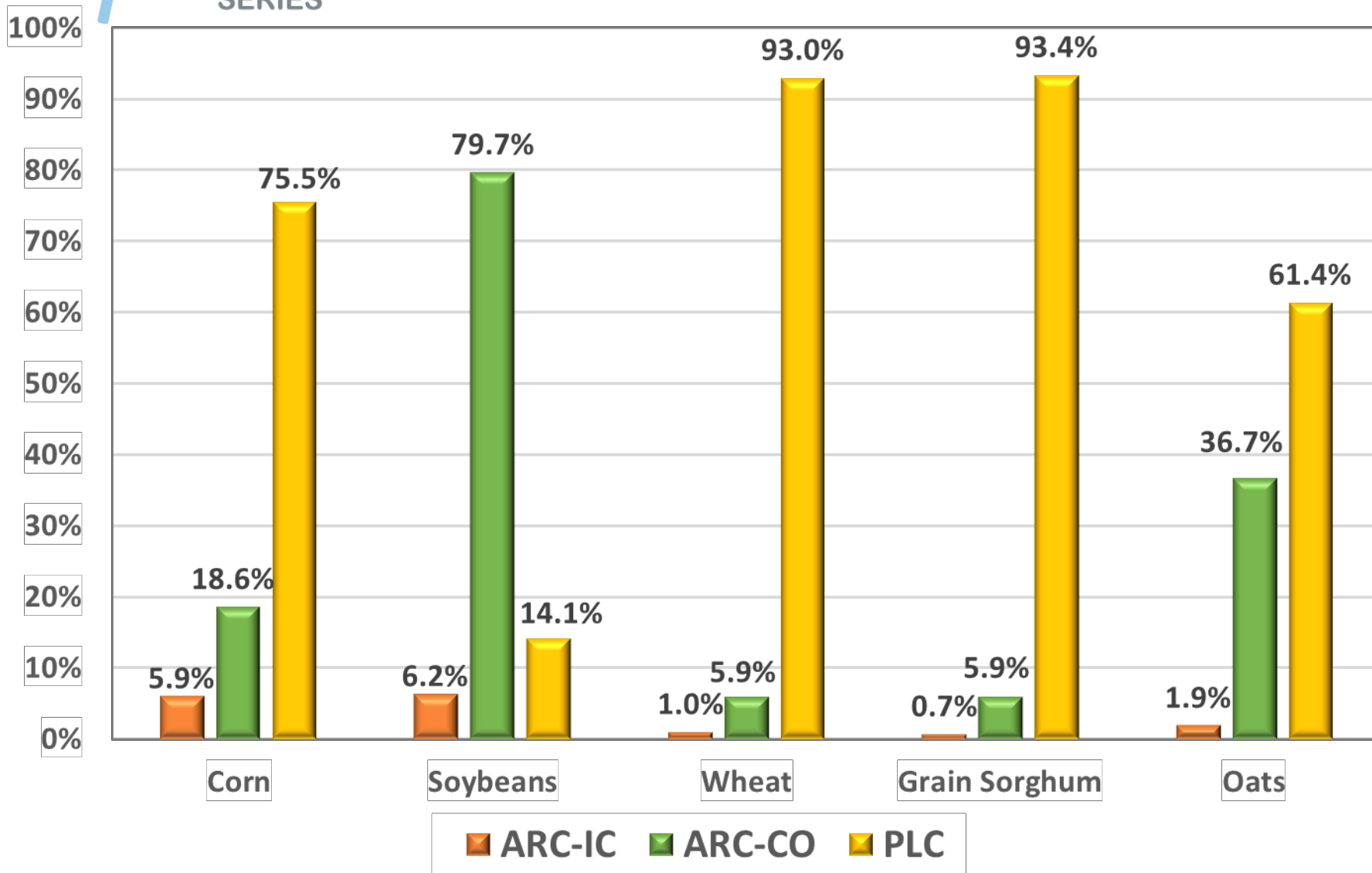


Poll #1:

In what ARC/PLC program were most the corn and soybean base acres for 2019 & 2020?

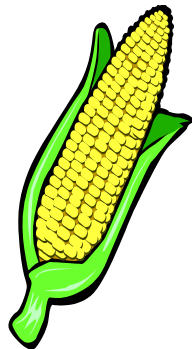
- PLC for Corn & Soybeans
- ARC/CO for Corn & Soybeans
- PLC for Corn, ARC-CO for Soybeans
- ARC-CO for Corn, PLC for Soybeans

Base Acres Enrolled Comparison (% for 2019 & 2020 by Crop)



PLC, ARC-CO, ARC-IC Election

- Elections of PLC or ARC-CO are made on a **covered commodity by covered commodity basis** (*Base Acres*) by FSA Farm Number.
- Election of ARC-IC, all covered commodity base acres on the **farm** have elected ARC-IC.



Effective Reference Prices/National Loan Rates

Crop	Reference Price	National Loan Rate
Corn	\$3.70	\$2.20
Grain Sorghum	\$3.95	\$2.20
Oats	\$2.40	\$2.00
Soybeans	\$8.40	\$6.20
Wheat	\$5.50	\$3.38

- These are the main crops in Corn Belt
- There are 22 different covered commodity crops
- “Reference Price” is calculated for 2021
- National Loan Rates were increased in 2018 Farm Bill.



Calculating a PLC Program Payment 2020 Example for Corn:

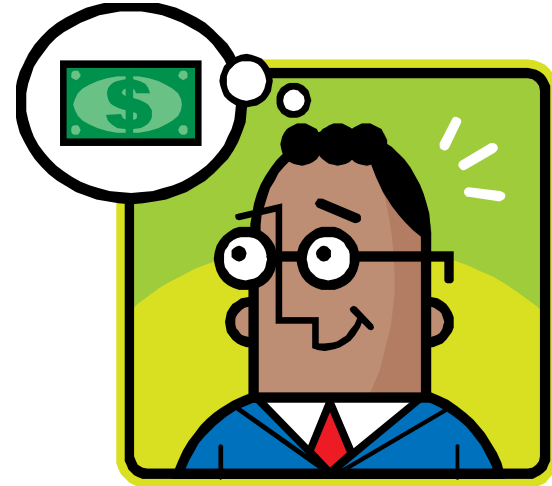
Corn Base = 100 Acres

PLC Yield = 170 bu/Acre

Effective Reference Price = \$3.70

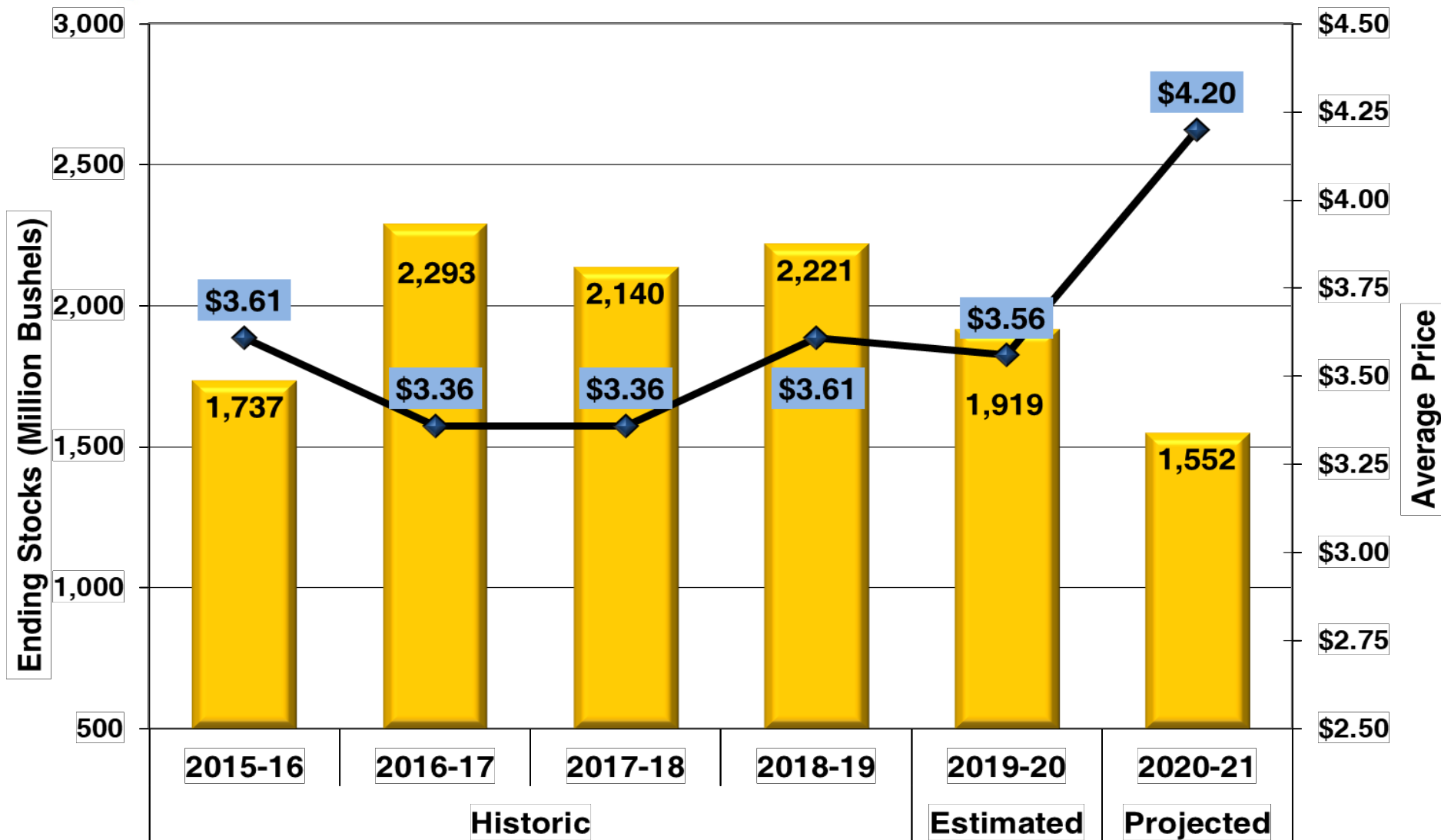
National Final Cash Price = \$4.20

$$\$3.70 - \$4.20 = \text{\$0.00 price loss}$$



$$100 \text{ corn base acres} \times 85\% \times \$0.00 \times 170 \text{ PLC yield} = \$0$$

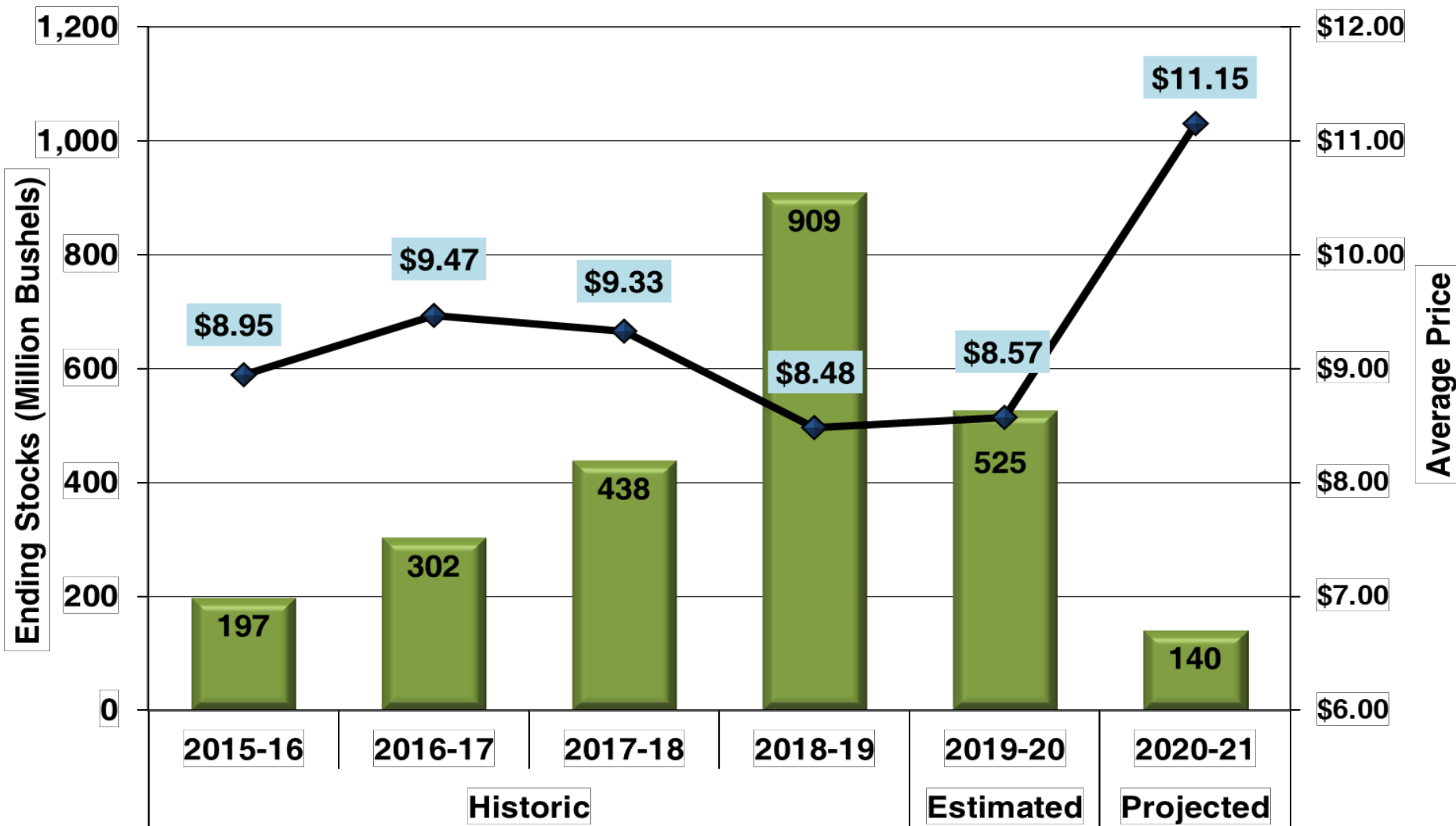
U.S. Corn Ending Stocks & Average Cash Price



U.S. Corn Supply & Use

		2016	2017	2018	2019	2020
Area Planted	(mil. acres)	94.0	90.2	88.9	89.7	90.8
Yield	(bu./acre)	174.6	176.6	176.4	167.5	172.0
Production	(mil. bu.)	15,148	14,609	14,340	13,620	14,182
Beg. Stocks	(mil. bu.)	1,737	2,293	2,140	2,211	1,919
Imports	(mil. bu.)	57	36	28	42	25
Total Supply	(mil. bu.)	16,942	16,939	16,509	15,883	16,127
Feed & Residual	(mil. bu.)	5,470	5,304	5,429	5,903	5,650
Ethanol	(mil. bu.)	5,432	5,605	5,378	4,852	4,950
Food, Seed, & Other	(mil. bu.)	1,453	1,451	1,415	1,430	1,425
Exports	(mil. bu.)	2,294	2,438	2,066	1,778	2,550
Total Use	(mil. bu.)	14,649	14,799	14,288	13,963	14,775
Ending Stocks	(mil. bu.)	2,293	2,140	2,221	1,919	1,552
Season-Average Price	(\$/bu.)	\$3.36	\$3.36	\$3.61	\$3.56	\$4.20

U.S. Soybean Ending Stocks & Average Cash Price



U.S. Soybean Supply & Use

		2016	2017	2018	2019	2020
Area Planted	(mil. acres)	83.4	90.2	89.2	76.1	83.1
Yield	(bu./acre)	52.0	49.3	50.6	47.4	50.2
Production	(mil. bu.)	4,296	4,412	4,428	3,552	4,135
Beg. Stocks	(mil. bu.)	197	302	438	909	525
Imports	(mil. bu.)	22	22	14	15	35
Total Supply	(mil. bu.)	4,515	4,735	4,880	4,476	4,695
Crush	(mil. bu.)	1,901	2,055	2,092	2,165	2,200
Seed & Residual	(mil. bu.)	146	113	127	99	125
Exports	(mil. bu.)	2,166	2,129	1,752	1,682	2,230
Total Use	(mil. bu.)	4,214	4,297	3,971	3,952	4,555
Ending Stocks	(mil. bu.)	302	438	909	525	140
Season-Average Price	(\$/bu.)	\$9.47	\$9.33	\$8.48	\$8.57	\$11.15

Ag Risk Coverage – County (ARC-CO)

- Payments made when the ARC-CO Actual Revenue is less than the ARC-CO Guarantee (*86% Benchmark*) for a covered commodity.

County “Yield” data is used, not individual/producer farm data.

- The payment rate can be no higher than 10% of the ARC-CO Benchmark Revenue for the covered commodity.
- Payments made on 85% of base acres of the covered commodity.
- Payments are made regardless of the planting of the covered commodity.
- Election may be made by covered commodity (*base acres*) on the farm.



“NEW” under 2018 Farm Bill:

- ARC-CO Benchmark Revenue, Guarantee will be based on “PHYSICAL LOCATION” of the tract and farm.
- ARC-CO Actual Crop Revenue will also be based on “PHYSICAL LOCATION” of the tract and farm.

NOTE: 2014 Farm Bill, ARC-CO revenue calculations were based on “Administrative County” of the farm.

Exception, there was a “waiver of administrative county” for 2014 & 2015, if requested by all producers on the farm.





ARC-CO Yields will be established using the following data:

- RMA yield data for the county where the data is available
 - For most Corn Belt states, the majority of counties have RMA yield data available for corn and soybeans.
 - Benchmark yields will include lag year, so for 2021, the benchmark years will be 2015-2019.
- NASS yield data available for State Committee review when RMA yield data is not available.
- No RMA or NASS yield data, then the State Committee will use best available data to establish the yield.



2018 Farm Bill required the Secretary to calculate a “**separate**” benchmark revenue, guarantee, and actual crop revenue for:

- “**Irrigated**” and “**Non-Irrigated**” covered commodities
- to the maximum extent practicable

Crops and counties approved have been determined across the nation.





Ag Risk Coverage – Individual (ARC-IC)

- Payments are made when the **ARC-IC Actual Revenue** is less than the **ARC-IC Guarantee** (*86% Benchmark*) for ALL covered commodities (base crops) on ALL farms enrolled in ARC-IC in the state for the producer.
- The payment rate is the difference in the ARC-IC Guarantee and the ARC-IC Actual Revenue, but can be *no higher than 10%* of the ARC-IC Benchmark Revenue for all covered commodities on the farm.
- Payments made on 65% of total base acres on the farm.
- Election is by FSA Farm Number.



ARC-IC Program Factors

- Only Enrolled Farms are included in revenue calculations
- *Payments are dependent on the planting of covered commodities on enrolled farms*
- Establishment of *Historic and Yearly Yield* reports are required.
- Benchmark Revenues, Guarantees, Actual Revenues and payment rates are calculated at the farm level and *weighted by the producer's share* of the covered commodities planted on all farms enrolled in ARC-IC.



CLOSER LOOK ARC/PLC Reminders

SERIES

- 2019-2023 payments are issued after MYA prices are determined and after October 1 of the subsequent year.
- Producers are required to report acres, same as in past programs to be eligible for ARC/PLC payments.
- **ALL cropland ACRES ON THE FARM MUST BE REPORTED.**
- Production (Yields) Reporting **REQUIRED** for **ARC-IC** since producer yields are used in the revenue calculations.



Poll #2:

For 2021, what ARC/PLC program will the majority of corn and soybean base acres be enrolled?

- PLC for Corn & Soybeans
- ARC/CO for Corn & Soybeans
- PLC for Corn, ARC-CO for Soybeans
- ARC-CO for Corn, PLC for Soybeans

- ISU Extension - Ag Decision Maker (Monthly e-newsletter & Webinars, Videos, Farm Outlook, Information Files, Decision Tools, Iowa Commodity Challenge, Iowa ARC/PLC Payment Estimator)

www.extension.iastate.edu/agdm

- U of Illinois Extension - Farm Doc (ARC/PLC Payment “What If” Tool)

www.farmdoc.illinois.edu

- Texas A & M (ARC/PLC Decision Tool)

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

- USDA Farm Service Agency (ARC/PLC Program)

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

