Farm Bill: 2021 ARC/PLC Election Decision

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Roadmap for Today

- 1. Dates and Deadlines
- 2. ARC/PLC Program Characteristics
- 3. Crop Insurance Consideration
- 4. Making the Decision



Reminders

March 15, 2021: 2021 enrollment deadline March 15, 2022: 2022 enrollment deadline March 15, 2023: 2023 enrollment deadline

Producers must *enroll* to be eligible for payments.

• Many producers have already enrolled while in the FSA office for CFAP.

Producers also have the opportunity to make changes to program *elections*.

• If changes are not made by the March 15th deadline, the election defaults to the programs selected for the 2020 crop year with no penalty

All Ohio USDA Service Centers are open for business, including those that restrict inperson visits or require appointments. No walk-in appointments are allowed. All Service Center visitors wishing to conduct business with FSA should call ahead and schedule an appointment.



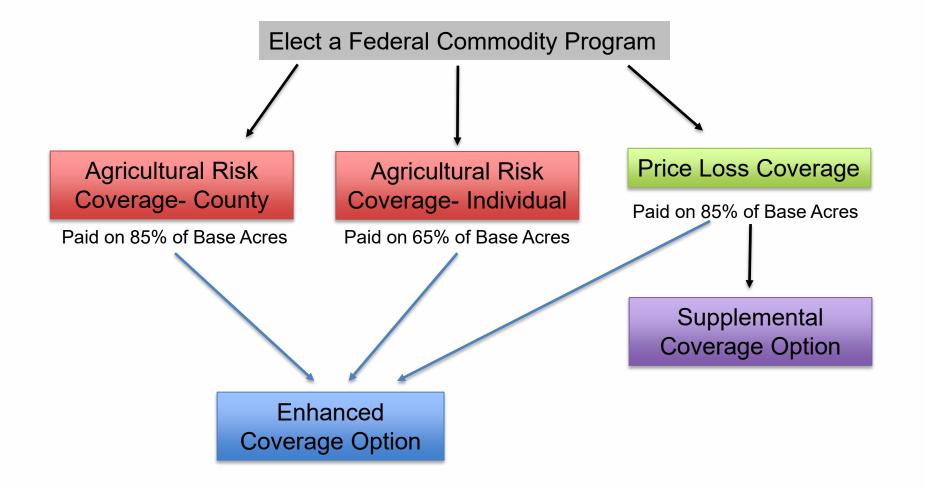
Budgeting 101 – Don't budget for.....

2019-2020: Covid19 Fall price rally CARES/CFAP1 CARES/CFAP2 PPP WHIP+ **MFP1-2** Farm Bill – ARC/PLC <u>2021:</u> CARES/CFAP3 PPP Farm Bill – ARC/PLC

Best to plan on no payments and be pleasantly surprised if some come!

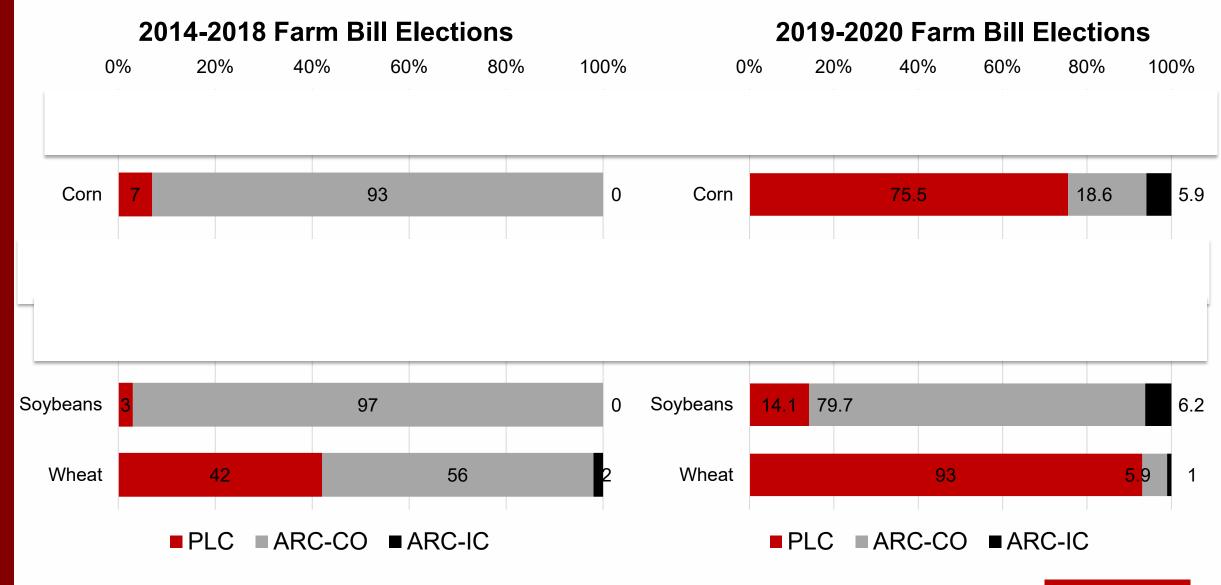


2018 Farm Bill: Decisions to be Made in 2021

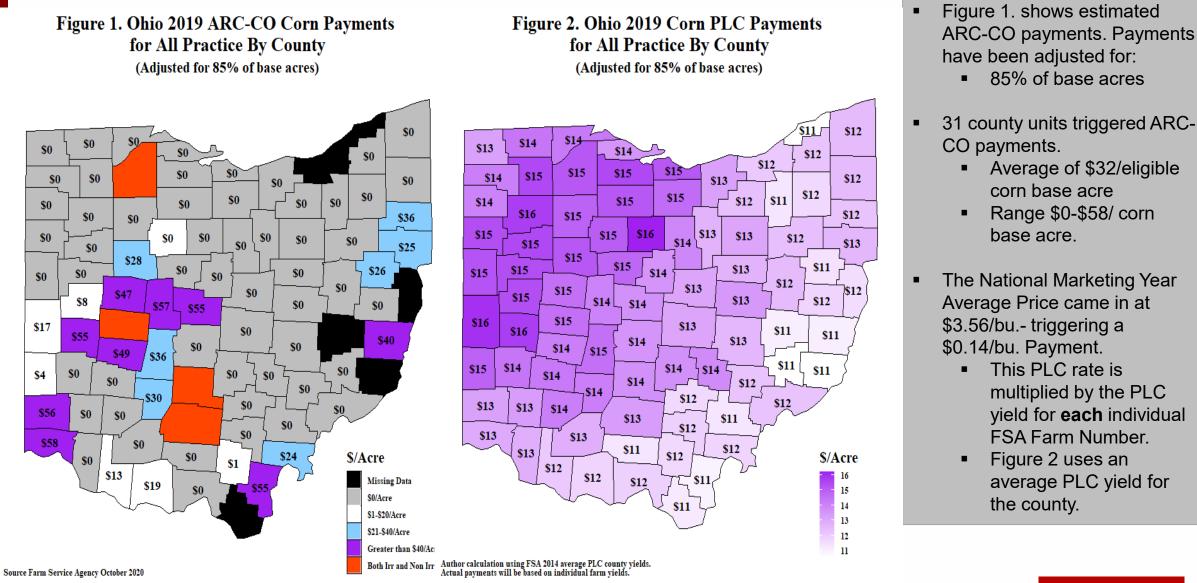


Data Source: USDA-FSA, ARC and PLC Landing Page

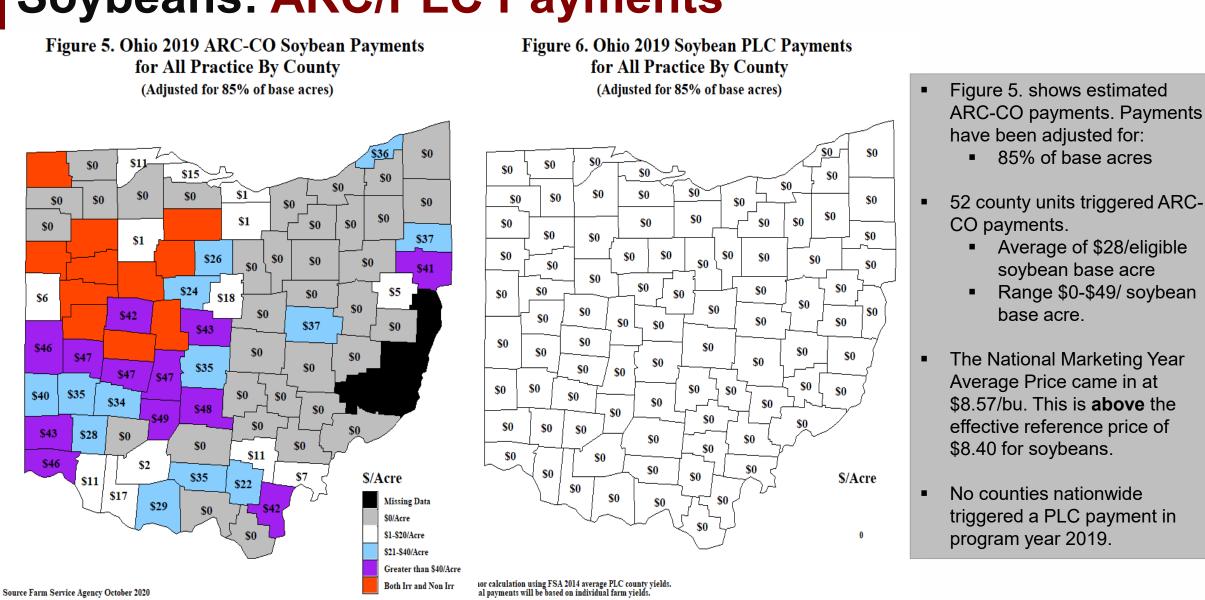
ARC vs PLC: 2019 Election Data (Ohio)



Corn: 2019 ARC/PLC Payments



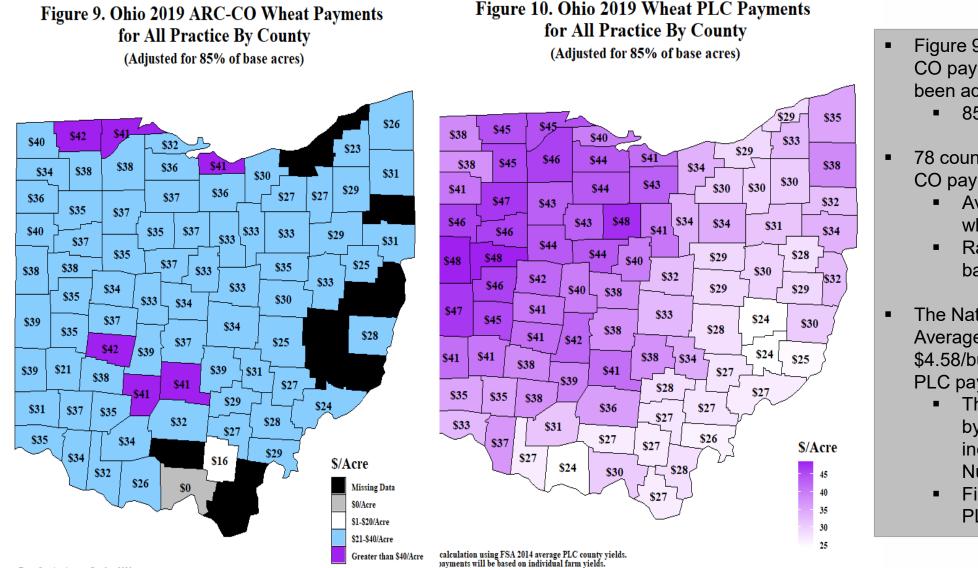
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Soybeans: ARC/PLC Payments

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Wheat: ARC/PLC Payments



- Figure 9. shows estimated ARC-CO payments. Payments have been adjusted for:
 - 85% of base acres
- 78 county units triggered ARC-CO payments.
 - Average of \$34/eligible wheat base acre
 - Range \$0-\$42/ soybean base acre.
- The National Marketing Year
 Average Price came in at
 \$4.58/bu.- triggering a \$0.92/bu.
 PLC payment rate.
 - This PLC rate is multiplied by the PLC yield for each individual FSA Farm Number.
 - Figure 10 uses an average PLC yield for the county.

Source Farm Service Agency October 2020

Price Risk: Key indicators to watch

COVID-19 Resurgence (DEMAND)

- Stay at home orders reducing gasoline and ethanol demand and
- ✤ And international logistics of competitors.

Chinese Buying (DEMAND)

- Both corn and soybean export sales turning into export inspections,
- ✤ African Swine Fever escalations in Chinese pork sources, and
- Increase to Chinese Tariff Rate Quotas (TRQs) above current levels.

South American Production (SUPPLY)

- ✤ La Nina weather pattern impacting planting and yields,
- South America as an importer of US commodities.

Technical Money Flow into the Sector

- Dollar Index, inflation, interest rates, and
- M1 Money Supply

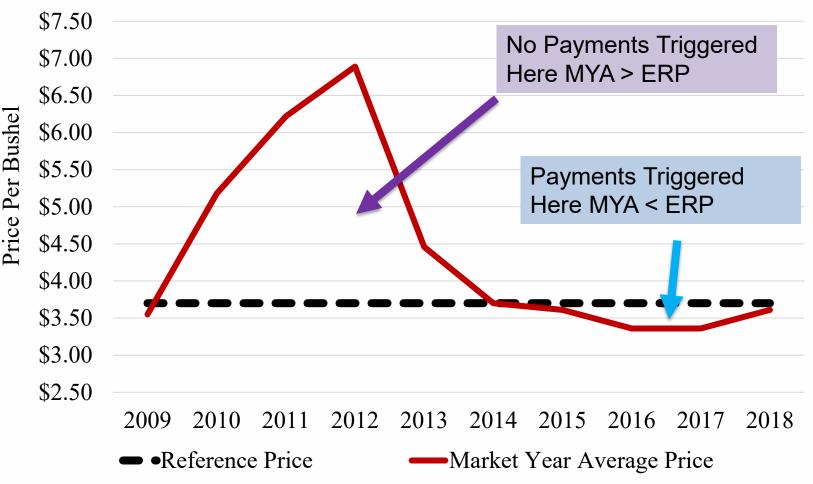
✤ US 2021 Production (SUPPLY)

✤ Acreage and Yields



Program Refresher: PLC

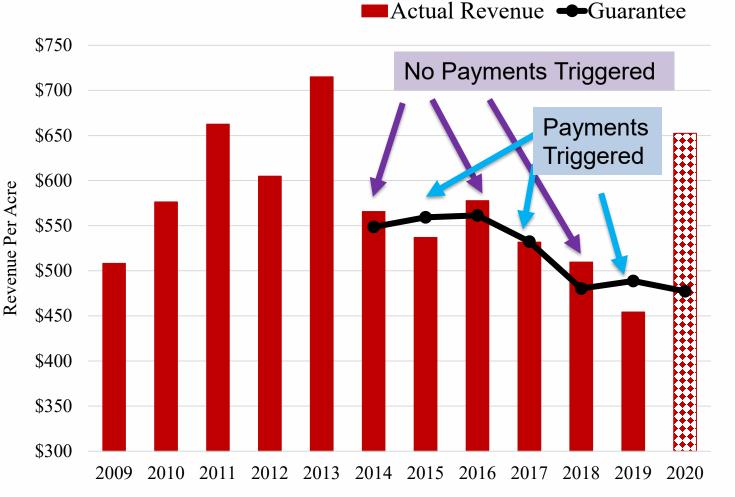
Historical Corn Prices with PLC Effective Reference Price



- PLC makes a payment when the Market Year Average Price falls below a calculated effective reference price:
 - ✤ Corn- \$3.70
 - ✤ Soybean- \$8.40
 - ✤ Wheat- \$5.50
 - ✤ Barley- \$4.95
 - Grain Sorghum- \$3.95
- The payment rate is then multiplied by your individual FSA Farm Yield to generate a payment that is paid on 85% of commodity specific base acres.
- MYA prices are the national product of the percent of grain sold during a month times that month's price. Market year for program year 2021 starts Sept 1, 2021.
- There is a price escalator, but we would still need higher prices to increase the reference price.

Program Refresher: ARC-County

Estimated 2019 & 2020 ARC-CO Performance for Greene County, Ohio-Soybean



- ARC-CO makes a payment when the national price times the county yield for the year falls below a 5-year Olympic Average of prices and yield times 86%.
 - ✤ \$645.98 corn
 - ✤ \$461.90 beans
 - ✤ \$367.71 wheat
- The payment rate is then paid on 85% of commodity specific base acres.
- These are county yields- not your yields.
- Counties can have different payment rates. 2018 Farm Bill now blends individual payment rates by share of acres in each county.

Program Refresher: ARC-Individual

- ✤ A completely different type of beast than what we are used to with ARC-CO, but the concept is basically the samepayments are triggered when actual revenue falls below a calculated benchmark using individual yields.
- Three major differences:
 - ✤ All commodities of this FSA Farm Number are combined to create the farm specific revenue.
 - ✤ Based on actual plantings from the current year for the actual and historical revenue.
 - ✤ Payments are made on 65% of base acres instead of 85% under ARC-CO or PLC.

FSA Farm that might benefit from ARC-IC

- 1. 100% Prevent Plant acres on any <u>FSA Farms</u>
- 2. <u>FSA Farm</u> Yields 15% below the historical 5-Year <u>FSA Farm</u> average of all crops.
- 3. High year-to-year production variability. (example river bottom)
- 4. "Large" acreage of fruits and vegetables (+15%)

This played large for parts of Ohio in 2019 since we already knew our yields.

We won't know them in 2021 since the deadline is before planting.



Photo Credit- Protagonists

Decision Time

PLC	ARC-CO	ARC-IC
Election made on crop- by-crop basis	Election made on crop- by-crop basis	Election made on farm- by-farm basis (all crops)
Payments made on 85% base acres	Payments made on 85% base acres	Payments made on 65% base acres
No requirement to plant a covered commodity	No requirement to plant a covered commodity	No payment earned if no covered commodities are planted on the farm
SCO available		

Payments will be made based on the county where the base acres are physically located



CFAES

Supplemental Coverage Option

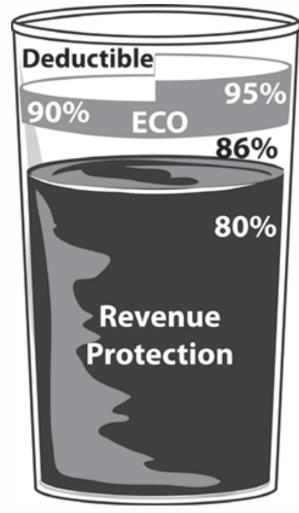
- Crop insurance that pays when county-based losses fall below 86%
- Less expensive than Revenue Protection (65% subsidized)
- Can be added starting at 50% Revenue Protection
- Cannot be used with ARC county or ARC individual but with PLC only



Source: Ag Decision Maker

Enhanced Coverage Option

- ECO offers the insured a choice of 90% or 95% trigger levels.
- Crop insurance that pays when county-based losses fall below selected trigger down to 86%.
- ECO cannot be purchased if the insured has a Margin Protection or an Area Risk Protection Insurance policy.



Source: Ag Decision Maker

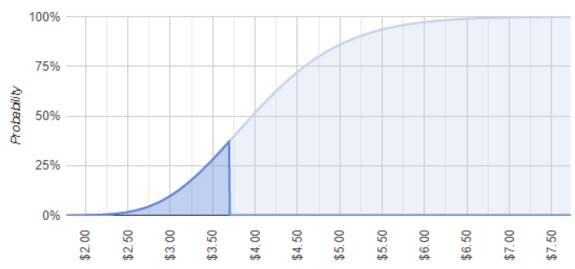
What is the Best Decision for 2021?

It depends on your objective...

- 1. Maximize farm program revenue
 - impossible to know at this time unless you can perfectly predict prices (MYA) and yields for 2021
- 2. Minimize risk exposure
 - What concerns you most?
 - Low prices
 - Low revenue caused by low prices or low yields
 - Will El Nino cause a drought in 2021?
- 3. What about Crop Insurance

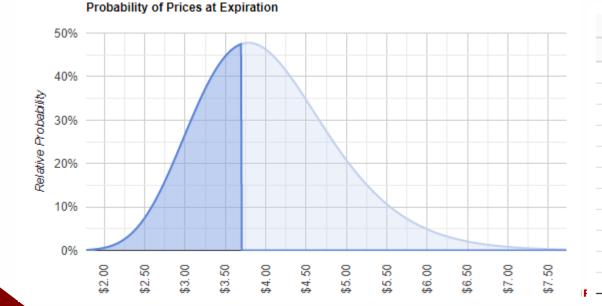
ARC vs PLC: Price Probabilities for 2021- Corn

Cumulative Probability of Prices at Expiration



Price at Expiration	Prob Below
\$3.25	17.78%
\$3.50	28.09%
\$3.75	39.74%
\$4.00	51.57%
\$4.25	62.58%
\$4.50	72.11%
\$4.75	79.87%
\$5.00	85.88%
\$5.25	90.34%

This information came from the University of Illinois *iFarm Price Distribution tool.* https://farmdoc.illinois. edu/decisiontools/price-distribution

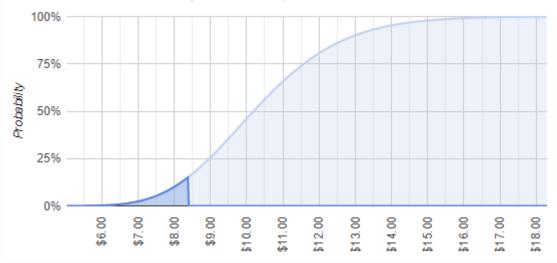


At Exp	iration
Prob Below	Price
5%	\$2.78
15%	\$3.17
25%	\$3.43
35%	\$3.65
45%	\$3.86
50%	\$3.97
55%	\$4.07
65%	\$4.31
75%	\$4.59
85%	\$4.96
95%	\$5.65

What this is telling us is that there is a 37% chance that the 2021 price will fall **below** \$3.70 and a 63% chance the price will rise **above** \$3.70.

ARC vs PLC: Price Probabilities for 2021- Soybean

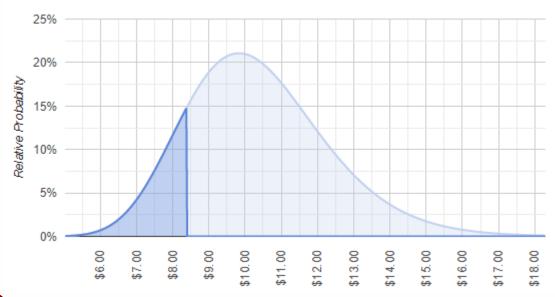
Cumulative Probability of Prices at Expiration



Price at Expiration	Prob Below
\$11.00	65.72%
\$11.25	69.97%
\$11.50	73.88%
\$11.75	77.44%
\$12.00	80.64%
\$12.25	83.49%
\$12.50	86.00%
\$12.75	88.20%
\$13.00	90.11%

This information came from the University of Illinois *iFarm Price Distribution tool.* https://farmdoc.illinois. edu/decisiontools/price-distribution

Probability of Prices at Expiration



At Exp	iration
Prob Below	Price
5%	\$7.46
15%	\$8.37
25%	\$8.97
35%	\$9.47
45%	\$9.95
50%	\$10.19
55%	\$10.43
65%	\$10.96
75%	\$11.58
85%	\$12.40
95%	\$13.91

What this is telling us is that there is a 15% chance that the 2021 price will fall **below** \$8.40 and a 85% chance the price will rise **above** \$8.40.

Case Farm – Clermont County

	Base Acres normalized to 100	Base Yields per/acre	PLC Reference Price	ARC Guarantee Revenue	Max payment ARC	University of Illinois Forecast
Wheat	10	64	\$5.50	\$312.23	\$36.31	\$4.80
Beans	50	44	\$8.40	\$408.33	\$47.48	\$10.00
Corn	40	151	\$3.70	\$635.35	\$73.88	\$4.00



Wheat - PLC

Wheat	Yield										
Price	100	95	90	85	80	75	70	65	60	55	50
\$6.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$5.85	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$5.70	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$5.55	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$5.40	\$5.44	\$5.44	\$5.44	\$5.44	\$5.44	\$5.44	\$5.44	\$5.44	\$5.44	\$5.44	\$5.44
\$5.25	\$13.60	\$13.60	\$13.60	\$13.60	\$13.60	\$13.60	\$13.60	\$13.60	\$13.60	\$13.60	\$13.60
\$5.10	\$21.76	\$21.76	\$21.76	\$21.76	\$21.76	\$21.76	\$21.76	\$21.76	\$21.76	\$21.76	\$21.76
\$4.95	\$29.92	\$29.92	\$29.92	\$29.92	\$29.92	\$29.92	\$29.92	\$29.92	\$29.92	\$29.92	\$29.92
\$4.80	\$38.08	\$38.08	\$38.08	\$38.08	\$38.08	\$38.08	\$38.08	\$38.08	\$38.08	\$38.08	\$38.08
\$4.65	\$46.24	\$46.24	\$46.24	\$46.24	\$46.24	\$46.24	\$46.24	\$46.24	\$46.24	\$46.24	\$46.24
\$4.50	\$54.40	\$54.40	\$54.40	\$54.40	\$54.40	\$54.40	\$54.40	\$54.40	\$54.40	\$54.40	\$54.40
\$4.35	\$62.56	\$62.56	\$62.56	\$62.56	\$62.56	\$62.56	\$62.56	\$62.56	\$62.56	\$62.56	\$62.56
\$4.20	\$70.72	\$70.72	\$70.72	\$70.72	\$70.72	\$70.72	\$70.72	\$70.72	\$70.72	\$70.72	\$70.72

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Wheat – ARC-C

Wheat	Yield										
Price	100	95	90	85	80	75	70	65	60	55	50
\$6.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$10.40
\$5.85	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$16.77
\$5.70	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$23.15
\$5.55	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$5.93	\$29.52
\$5.40	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$12.95	\$35.90
\$5.25	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$19.96	\$36.31
\$5.10	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$5.30	\$26.97	\$36.31
\$4.95	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$12.95	\$33.98	\$36.31
\$4.80	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.20	\$20.60	\$36.31	\$36.31
\$4.65	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$8.48	\$28.25	\$36.31	\$36.31
\$4.50	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$16.77	\$35.90	\$36.31	\$36.31
\$4.35	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$6.57	\$25.06	\$36.31	\$36.31	\$36.31
\$4.20	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$15.50	\$33.35	\$36.31	\$36.31	\$36.31

Soybeans - PLC

BEANS	Yield										
Price	60	57	54	51	48	45	42	39	36	33	30
\$12.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$11.70	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$11.40	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$11.10	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$10.80	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$10.50	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$10.20	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$9.90	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$9.60	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$9.30	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$9.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$8.70	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$8.40	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$8.10	\$11.22	\$11.22	\$11.22	\$11.22	\$11.22	\$11.22	\$11.22	\$11.22	\$11.22	\$11.22	\$11.22

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Soybeans ARC-C

BEANS	Yield										
Price	60	57	54	51	48	45	42	39	36	33	30
\$12.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$10.48	\$41.08
\$11.70	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$18.90	\$47.48
\$11.40	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$27.31	\$47.48
\$11.10	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$7.42	\$35.73	\$47.48
\$10.80	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$16.60	\$44.14	\$47.48
\$10.50	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$25.78	\$47.48	\$47.48
\$10.20	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$8.95	\$34.96	\$47.48	\$47.48
\$9.90	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$18.90	\$44.14	\$47.48	\$47.48
\$9.60	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4.36	\$28.84	\$47.48	\$47.48	\$47.48
\$9.30	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$15.07	\$38.79	\$47.48	\$47.48	\$47.48
\$9.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2.83	\$25.78	\$47.48	\$47.48	\$47.48	\$47.48
\$8.70	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$14.31	\$36.49	\$47.48	\$47.48	\$47.48	\$47.48
\$8.40	\$0.00	\$0.00	\$0.00	\$0.00	\$4.36	\$25.78	\$47.20	\$47.48	\$47.48	\$47.48	\$47.48
\$8.10	\$0.00	\$0.00	\$0.00	\$0.00	\$16.60	\$37.26	\$47.48	\$47.48	\$47.48	\$47.48	\$47.48



Corn – PLC

CORN	Yield										
Price	200	190	180	170	160	150	140	130	120	110	100
\$4.20	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$4.10	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$4.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$3.90	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$3.80	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$3.70	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$3.60	\$12.84	\$12.84	\$12.84	\$12.84	\$12.84	\$12.84	\$12.84	\$12.84	\$12.84	\$12.84	\$12.84
\$3.50	\$25.67	\$25.67	\$25.67	\$25.67	\$25.67	\$25.67	\$25.67	\$25.67	\$25.67	\$25.67	\$25.67
\$3.40	\$38.51	\$38.51	\$38.51	\$38.51	\$38.51	\$38.51	\$38.51	\$38.51	\$38.51	\$38.51	\$38.51
\$3.30	\$51.34	\$51.34	\$51.34	\$51.34	\$51.34	\$51.34	\$51.34	\$51.34	\$51.34	\$51.34	\$51.34
\$3.20	\$64.18	\$64.18	\$64.18	\$64.18	\$64.18	\$64.18	\$64.18	\$64.18	\$64.18	\$64.18	\$64.18
\$3.10	\$77.01	\$77.01	\$77.01	\$77.01	\$77.01	\$77.01	\$77.01	\$77.01	\$77.01	\$77.01	\$77.01
\$3.00	\$89.85	\$89.85	\$89.85	\$89.85	\$89.85	\$89.85	\$89.85	\$89.85	\$89.85	\$89.85	\$89.85



Corn – ARC-C

CORN	Yield										
Price	200	190	180	170	160	150	140	130	120	110	100
\$4.20	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4.55	\$40.25	\$73.88	\$73.88	\$73.88	\$73.88
\$4.10	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$17.30	\$52.15	\$73.88	\$73.88	\$73.88	\$73.88
\$4.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$30.05	\$64.05	\$73.88	\$73.88	\$73.88	\$73.88
\$3.90	\$0.00	\$0.00	\$0.00	\$0.00	\$9.65	\$42.80	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88
\$3.80	\$0.00	\$0.00	\$0.00	\$0.00	\$23.25	\$55.55	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88
\$3.70	\$0.00	\$0.00	\$0.00	\$5.40	\$36.85	\$68.30	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88
\$3.60	\$0.00	\$0.00	\$0.00	\$19.85	\$50.45	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88
\$3.50	\$0.00	\$0.00	\$4.55	\$34.30	\$64.05	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88
\$3.40	\$0.00	\$0.00	\$19.85	\$48.75	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88
\$3.30	\$0.00	\$7.10	\$35.15	\$63.20	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88
\$3.20	\$0.00	\$23.25	\$50.45	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88
\$3.10	\$13.05	\$39.40	\$65.75	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88
\$3.00	\$30.05	\$55.55	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88	\$73.88

ARC IC Example

- Uses 86% of five-year actual farm historical yields and MYA to calculate revenue guarantee
- Pays on actual crops grown up to 65% of total base acres (regardless of crop)
- Example farm is based on county average, so revenue guarantee is the same for ARC-county and ARC-individual.
- Assumed yields and prices for corn and soybeans tracked together (which we know is probably not correct) starting with \$4.00 corn and \$10.00 soybeans



ARC Individual

ARC IC	Yield										
Price	100%	95%	90%	85%	80%	75%	70%	65%	60%	55%	50%
100%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
97.5%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$8.53
95.0%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3.15	\$14.12
92.5%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$8.74	\$19.72
90.0%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3.36	\$14.34	\$25.32
87.5%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$8.96	\$19.94	\$30.91
85.0%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3.58	\$14.56	\$25.53	\$36.51
82.5%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$9.18	\$20.15	\$31.13	\$42.11
80.0%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3.80	\$14.77	\$25.75	\$36.73	\$47.71
77.5%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$9.39	\$20.37	\$31.35	\$42.33	\$53.30
75.0%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4.01	\$14.99	\$25.97	\$36.95	\$47.92	\$58.90
72.5%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$9.61	\$20.59	\$31.56	\$42.54	\$53.52	\$64.50
70.0%	\$0.00	\$0.00	\$0.00	\$0.00	\$4.23	\$15.21	\$26.18	\$37.16	\$48.14	\$59.12	\$70.10

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What about Supplemental Coverage Option??

Insurance Coverage Levels With SCO, you are buying a band of 'area' crop insurance that acts 100 like ARC-CO and stacking it on top 86% Guarantee 90 of your individual RP or YP multiperil policy. 80 16 21 Level 70 SCO coverage 36 [>]ercent Coverage (reduced PP coverage) 60 50 85 40 80 Revenue (RP) or Yield 75 70 65 Protection (YP) multi-peril 30 60 55 policy, individualized to 50 20 your farm on a basic, enterprise or optional unit 10 basis 0

Crop Insurance Policy SCO

New in 2021: Enhanced Coverage Option (ECO)

<u>New in 2021:</u> Farmers will have the option to buy additional crop insurance to cover the 86% to 95% band of their Actual Production History (APH).

Pilot program thru USDA-RMA. Sold through all crop insurance companies, identically. Doesn't care is you select ARC or PLC.

While more pricey than MPCI or SCO, it could protect the most sensitive revenue given the prices we are possibly looking at in February.

Its conceivable to have some base acres that have this package: MPCI RP + SCO + ECO

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Ex: 75% RP + SCO (75-86%) + ECO (86-95%)
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What about Supplemental Coverage Option??

2021 Example:Clermont County Ohio, Corn, APH- 203,\$4.48 Projected Price, Revenue Protection, Non-Irrigated

Individual Coverage Level	Farm Policy Basic Premium	Farm + SCO = Total	Farm + ECO 90% = Total	Farm + ECO 95% = Total	Farm+SCO+ECO 90%=Total
85%	\$53.17	\$54.69	\$65.14	\$82.22	\$66.39
80%	\$30.97	\$38.47	\$42.94	\$60.02	\$50.17
75%	\$18.29	\$29.59	\$30.26	\$47.34	\$41.29



Questions that are a part of this year's decision:

Were you in ARC-IC in 2019-2020? If yes, makes sense to get out.

Will you purchase crop insurance?

Do you want the option for Supplemental Coverage Option (SCO)?

What is the biggest risk to protect this year?

Are additional private risk products worth understanding?

ARC vs PLC Decision: Probabilities today

- 1. Wheat base acres: PLC (most certain, greatest chance of hitting)
- 2. Soybean base acres: flip a coin (*neither* ARC-Co or PLC will hit), SCO may increase risk protection
- 3. Corn base acres: Least certain on program choice, but PLC + SCO provides greatest risk protection

Message to farmers: Plan on no payments and be pleasantly surprised if some come. Crop insurance continues to be our best source of risk management.

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ARC vs PLC Decision: Simple Take Home

- 1. Greatest Risk Management Protection Regardless of Commodity: PLC with SCO
- 2. Second best Risk Management Strategy: Different FSA Farms in different programs.
- 3. Highest probability to trigger a payment, but maybe small: ARC-CO
- 4. Largest payment, but unlikely for corn and soybeans: PLC

Best message to farmers: Plan on no payments and be pleasantly surprised if a payment arrives. Crop insurance continues to be our best source of risk management.

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Thank You!

What questions do you have?

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