

Preliminary ARC/PLC Recommendations for 2021

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Signup for the USDA commodity support programs Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) for the 2021 crop years began October 13, 2020. My recommendation at this time is to wait and sign up in early 2021, as farmers have until March 15, 2021 to finalize their decisions. This signup is for potential payments for the 2021 crop, which for corn and soybeans will be planted next spring and for which the prices will be established from September 2021 to August 2022. With ongoing pandemic and other sources of uncertainty, prices for the 2021 crop are obviously uncertain, so waiting for some clearer information on 2020 yields and export markets to at least partially resolve is worth it.

For farmers that feel compelled to make their ARC/PLC decisions for each crop this fall, I will nevertheless summarize my current thoughts. At this time, my preliminary recommendation is to choose PLC for corn, as the \$3.70/bu reference price for PLC seems like a very good price floor except for the most optimistic price expectations for 2021. For soybeans, my preliminary recommendation is to choose PLC, but this is not a strong recommendation, as PLC only outperforms ARC by a small amount – with slightly more optimistic price expectations for 2021, ARC can become the best option for soybeans. Soybeans is the crop for which waiting to make the ARC or PLC choice makes the most sense to see how 2021 markets are expected to evolve. My preliminary recommendation for wheat is PLC at this time, as the \$5.50 PLC reference price is a great option even with the most optimistic prices for 2021. Finally, for oats, my preliminary recommendation is ARC, as even pessimistic prices for 2021 will exceed the \$2.40 PLC reference price. Note that I will review and will update these preliminary recommendations in late December of 2020. At this time, my recommendation is to wait to make your ARC/PLC decision.

The ARC/PLC Calculator is still available on the University of Illinois's FarmDOC page (<https://fd-tools.ncsa.illinois.edu/>). This tool is the best estimator of the average returns using a farmer's specific payment yields and county information and the latest price expectations. However, the price expectations were last updated in June 2020, so watch for updates. Also, ARC-IC, the individual coverage option for ARC, was chosen by many farmers for the past signup, especially those affected by prevented planting in 2019. It may be a good option for some farmers for the 2021 crop year as well. Unfortunately, no tools exist to help farmers evaluate ARC-IC using their specifics. Lastly, note that farmers who make their ARC/PLC decision this fall have until March 15, 2021 to change their choices.

