



## Crop Insurance and Marketing for Risk Management in 2021, not ARC/PLC

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Enrollment for ARC and PLC for the 2021 crop year has been open for several months and continues until March 15, 2021. Connect with your local FSA office and enroll now. At enrollment you will make an election for each FSA farm and crop with base acres – either ARC or PLC. You can change your election later if you want, until March 15. I developed recommendations for Wisconsin farmers for ARC and PLC for the 2021 crop year in late 2020 and early 2021. However, with the recent price rally for corn and soybeans for both the 2020 and 2021 crops, some may wonder if my sign-up recommendations for ARC and PLC have changed for the 2021 crop year. **The short answer is no.**

I made a short video (<https://youtu.be/SpgJGvIvX4M>) that explains some of the technical issues, but in brief, **my recommendations remain the same for ARC and PLC.** PLC for corn base acres, county ARC for soybean base acres, unless you want to buy SCO, then choose PLC. PLC for wheat, barley, and sorghum base acres and county ARC for oat base acres. What higher expected prices for 2021 mean is that expected ARC and PLC payments have declined – farmers should not anticipate large payments for corn or soybeans. **For price and income risk management in 2021, farmers should look to crop insurance and marketing.** Right now, CME futures prices are high for 2021 and so crop insurance is likely to have a high crop price guarantees as well. This market situation provides an opportunity for farmers to lock in some prices above their cost of production and guarantee a positive margin for their crop before they even plant, something we have not seen in several years. 2021 is a year to re-examine your crop insurance choices to see if you want to change them and to consider using a marketing service to help you develop and implement a marketing plan.

For 2021, crop insurance premiums will be higher than they have been because the price guarantee will be higher and because volatilities are higher this year, so be prepared for some sticker shock. Also, I made a short video on crop insurance in 2021 (<https://youtu.be/gasWWLtO1sQ>). My recommendations are to look at Revenue Protection with a 70-80% coverage level and if you can, get enterprise units as they substantially decrease premium costs. This combination is what most farmers in the state use, but risk management is all about personal preferences. There is no right insurance system to use, as each of us is comfortable with different amounts and types of risk, so select what works best for you.

The crop insurance video also describes SCO and ECO, two new options available for corn, soybeans and wheat in Wisconsin that many farmers may not have heard much about. The video gives a short overview of how they work. Some farmers may consider buying SCO (and now maybe ECO too) and reducing their coverage level for the traditional RP policy, relying on the SCO/ECO county policy to provide them risk protection. This plan may make sense if you tend to have lower yield risk and your yields closely follow county yields. Another option is to leave your RP where you normally do and instead use SCO and/or ECO to lock-in more of the high expected revenues for crops this year. In this case, I would remind farmers that the county policies underlying SCO and ECO will not exactly follow your yields, there is always some “yield basis” risk between your yields and county yields. Also, there are marketing options that you can use to obtain the price risk management component of SCO and ECO, so I suggest comparing the cost of those options to SCO and/or ECO.