

# 2022 ARC AND PLC SIGNUP RECOMMENDATIONS FOR WISCONSIN FARMERS

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<https://aae.wisc.edu/pdmitchell/extension/arc-plc-signup/>



# Topics Covered

- Part 1:
  - Recommendations for corn, soybeans, wheat and oats
- Part 2:
  - SCO and ECO for corn, soybeans and wheat
- Part 3:
  - Recommendations for sorghum, barley and sunflower seed
  - Types of farms that may find ARC-IC a useful option
- Not Covered: How PLC and ARC work
- How to use the FarmDOC Payment Simulator Tool

# ARC and PLC Signup: Oct 18, 2021 to March 15, 2022

- Farmers choosing PLC, ARC-CO, or ARC-IC for their base acres
- Can mix and match across farms and crops
  - Use PLC for your corn base and ARC-CO for your soybean base
  - Use PLC for corn on one farm, ARC-IC for corn & soy on another
- Signup is only for the 2022 crop season
  - Already made decision for 2021 last year, choose 2023 next year
- Payments based on marketing year average prices, so Sep 1, 2022 until Aug 31, 2023, with payments made, if triggered, in Sep/Oct of 2023

# ARC and PLC: Reminder of how they work

- PLC: Pays if the national price falls below the Reference Price
- ARC: Pays if actual county revenue falls below the county revenue guarantee
  - Actual County Revenue = national PLC price x USDA NASS county average yield
  - County Revenue Guarantee = 86% of Olympic average of county revenue for 2016-2020, with reference price as price floor

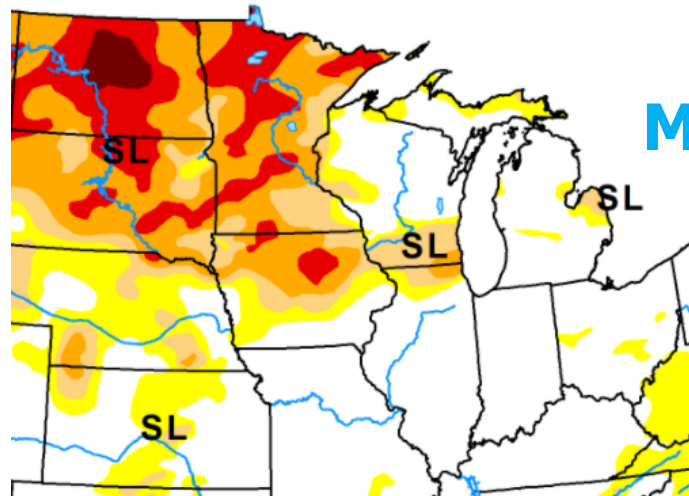
# Reference Prices and USDA Farm Price Projections

Crop	Reference Price	Projected 2021 Price	Projected 2022 Price
Corn	\$3.70	\$5.45	\$4.80
Soybeans	\$8.40	\$12.35	\$10.50
Wheat	\$5.50	\$6.70	\$6.50
Oats	\$2.40	\$3.60	\$3.30

- Projected 2021 Price: USDA-FSA (Oct 29, 2021)  
[https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/arc-plc/2021/pdf/2021\\_my\\_a.pdf](https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/arc-plc/2021/pdf/2021_my_a.pdf)
- Projected 2022 Price: USDA Agricultural Projections (Nov 5, 2021)  
<https://usda.library.cornell.edu/concern/publications/qn59q396v>

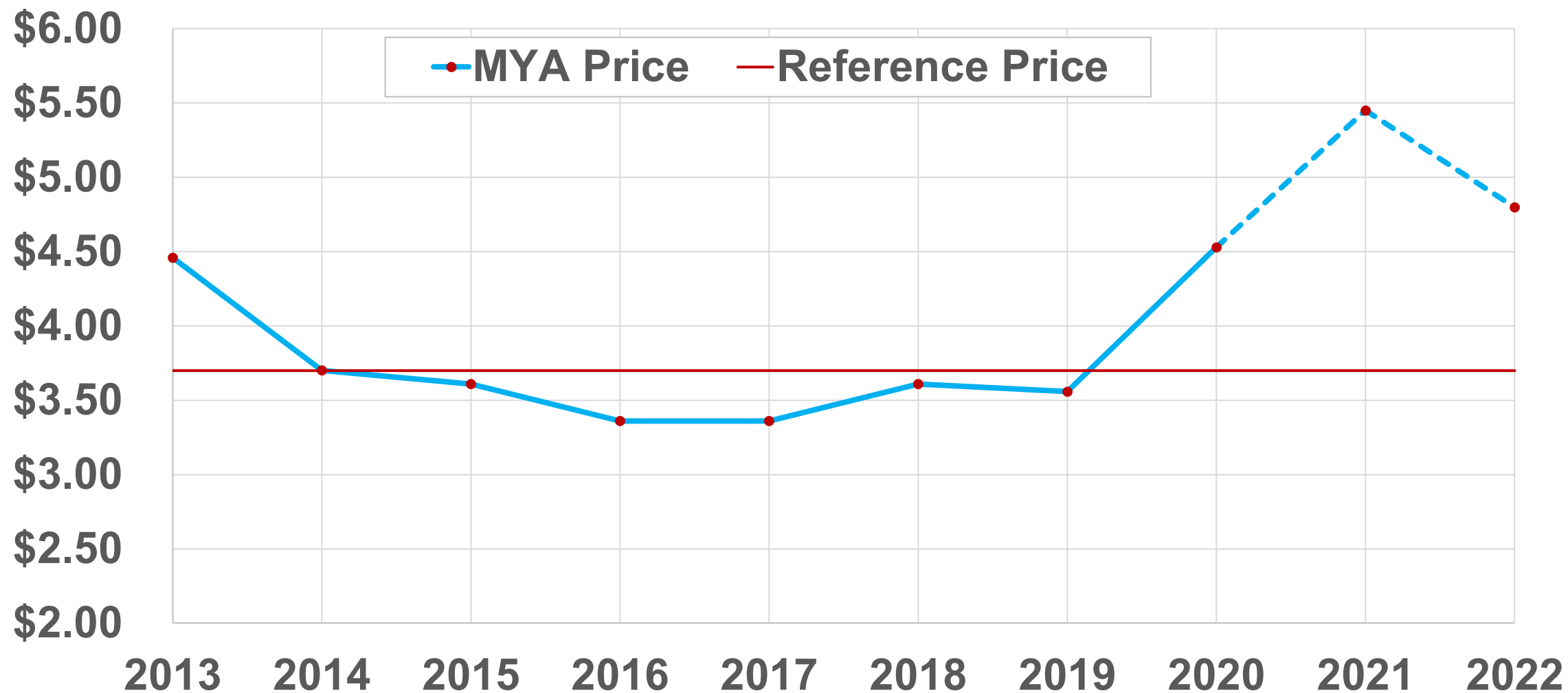
# Initial Recommendations for ARC and PLC Signup for 2022

- Corn, Soybean, Wheat and Oat Base Acres: **Signup for ARC-CO**
- For all four crops, high price expectations for 2022 exceed PLC reference prices by a lot
- Market/price uncertainty obviously exists, but low county yields are more likely to trigger ARC payments than low national prices are to trigger PLC payments
- Neither likely to pay much
- Drought can be highly local

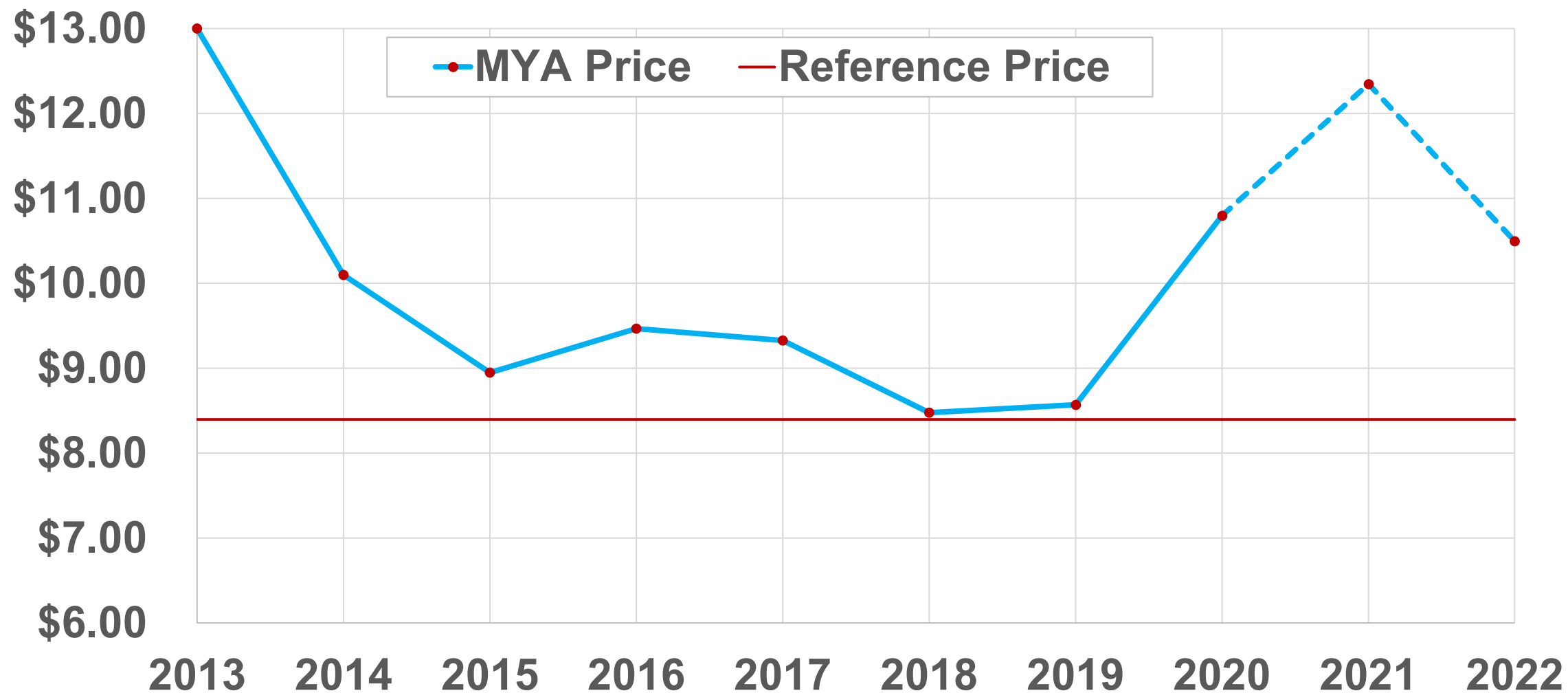


**U.S. Drought  
Monitor Aug 3, 2021**

# Corn Prices and its Reference Price

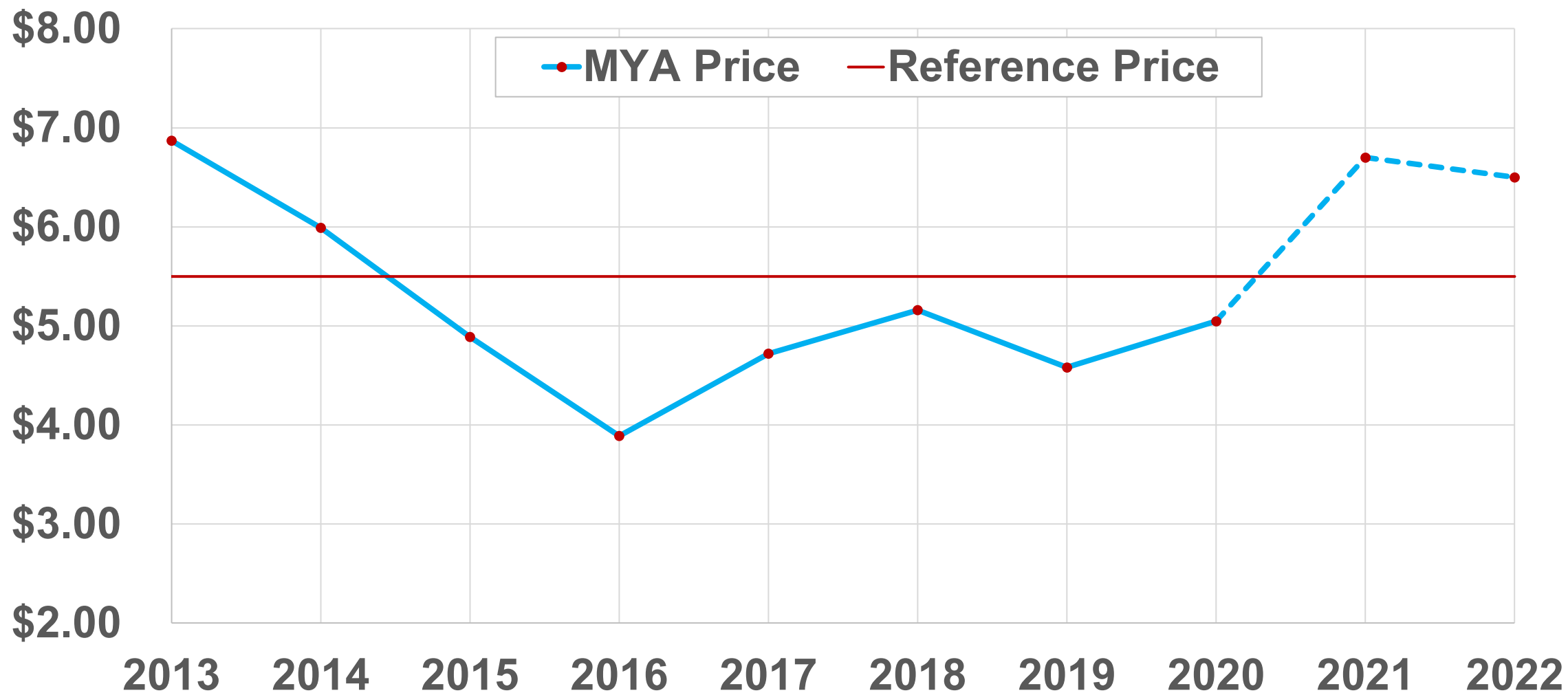


# Soybean Prices and its Reference Price

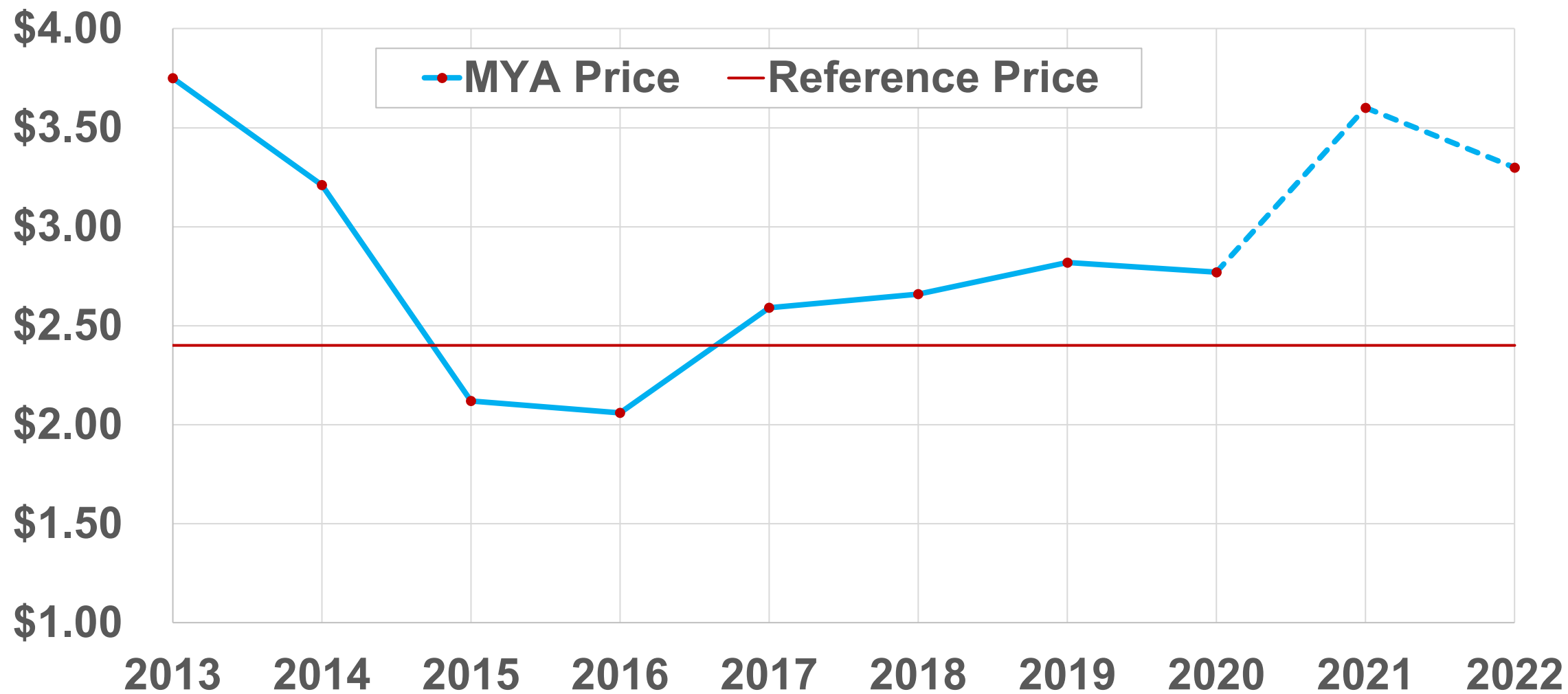




# Wheat Prices and its Reference Price



# Oat Prices and its Reference Price

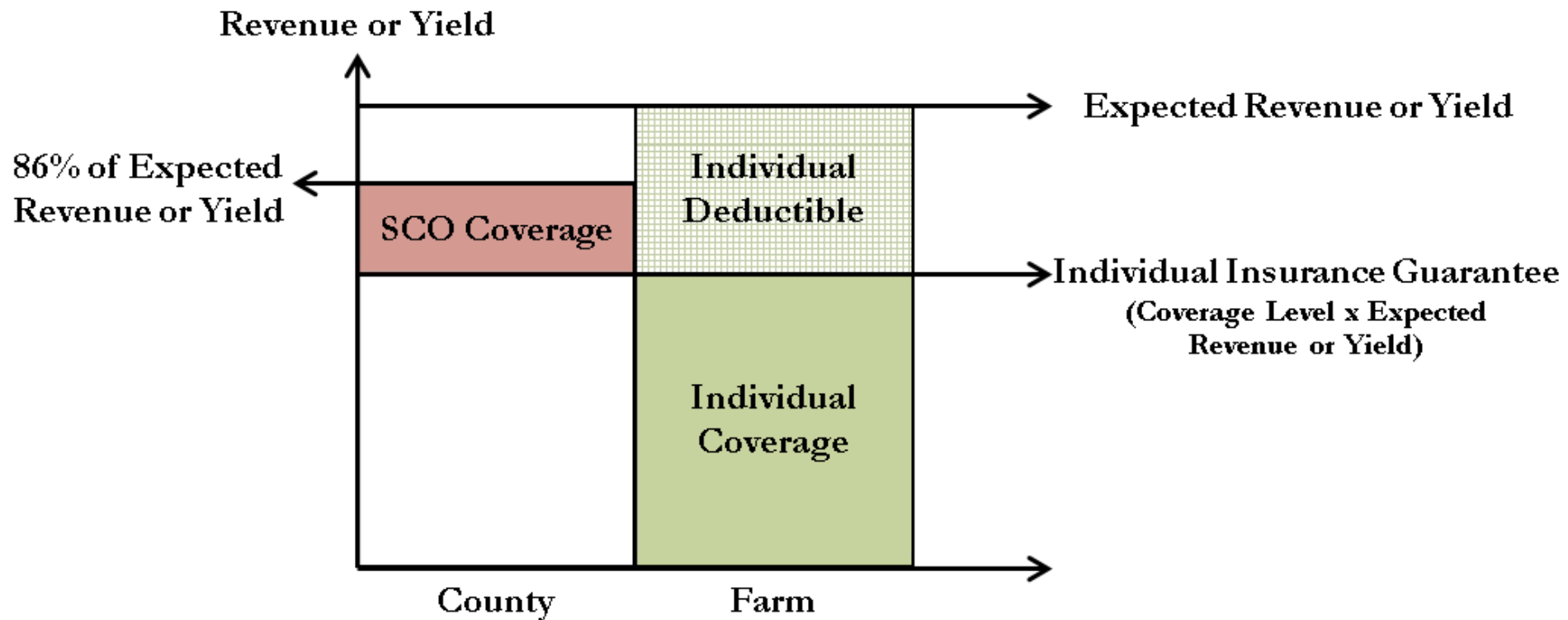


# Summary of Recommendations for 2022

- **Choose ARC for Corn, Soybeans, Wheat and Oats**
- ARC-CO is more likely to make payments due to the possibility of low county yields not offset by higher national prices
- Neither ARC nor PLC are likely to pay much if they do pay
  - Do not expect much in terms of ARC or PLC payments
- Sign up now. You can make changes before the March 15, 2022 deadline if price expectations for 2022 change substantially
- **If you want to buy SCO (Supplemental Coverage Option) crop insurance for corn, soybeans or wheat, you must choose PLC**
- Is this a year to try SCO, not risking ARC payment?

# Supplemental Coverage Option (SCO)

- SCO: allows you to insure part of your RP/YP deductible with a county policy (ARP/AYP)
  - Layer individual & county coverage
  - Can't exceed 86% total coverage
- Add SCO to your RP policy to increase coverage up to the 86% of your expected revenue
  - SCO will not pay until county loss exceeds 14%
  - 65% SCO premium subsidy (farmer pays 35% of premium)
- SCO available, **but only if you choose PLC**
  - If choose ARC, cannot buy SCO



## Possible outcomes with RP plus SCO

1. **SCO pays, but not RP** (low county yield, good farm yield)
2. **RP pays, but not SCO** (good county yield, low farm yield)
3. **Both SCO and RP pay** (low county and low farm yield)
4. **Neither SCO nor RP pays** (good county and good farm yield)

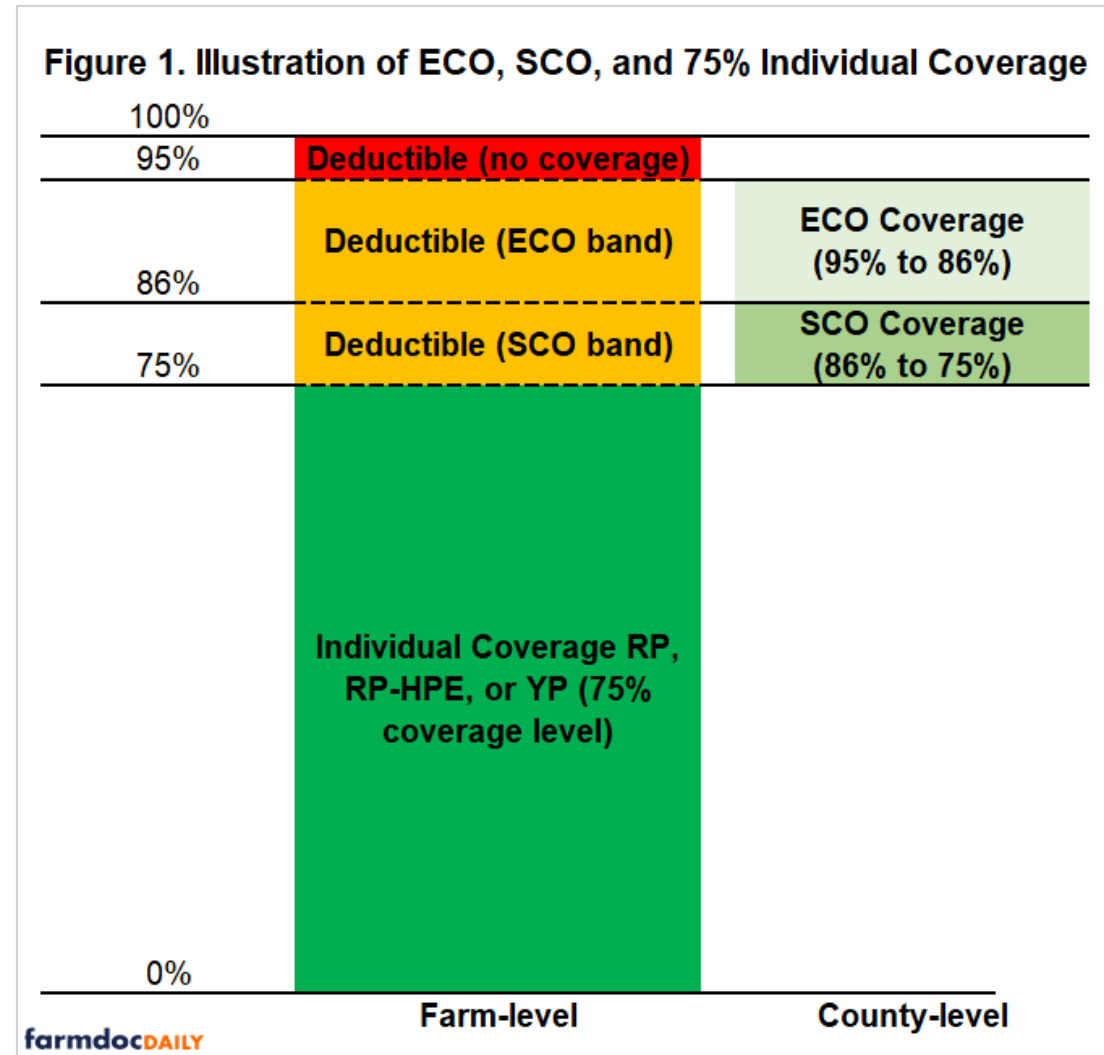


# Supplemental Coverage Option (SCO) Example

- Suppose you have 75% RP on corn (25% deductible)
- Suppose you added 86% SCO (max you can buy)
- Suppose county revenue is 80% of average
- Suppose your revenue is 65% of your guarantee
- Outcome 3 occurs: both RP and SCO pay
  - Receive SCO indemnity for a 6% loss
  - Receive RP indemnity for a 10% loss

# New in 2021: Enhanced Coverage Option (ECO)

- ECO: Insure part of your RP/YP deductible with a county policy (ARP/AYP)
- Covers from 86% up to 95% of expected revenue based on county revenue
- Can use ECO whether sign up for ARC or PLC
- Can add ECO on top of SCO or use ECO instead of SCO
- ECO has smaller premium subsidy



# Farmer Use of SCO and ECO in Wisconsin

Year and Crop	SCO Policies	SCO Acres	ECO Policies	ECO Acres
<b>2020</b>				
Corn	827	268,490		
Soybeans	310	77,653		
Wheat	11	700		
<b>2021</b>				
Corn	848	255,037	718	228,017
Soybeans	476	107,021	467	104,107
Wheat	68	6,708		

No SCO indemnities paid in 2020, still waiting for 2021 data

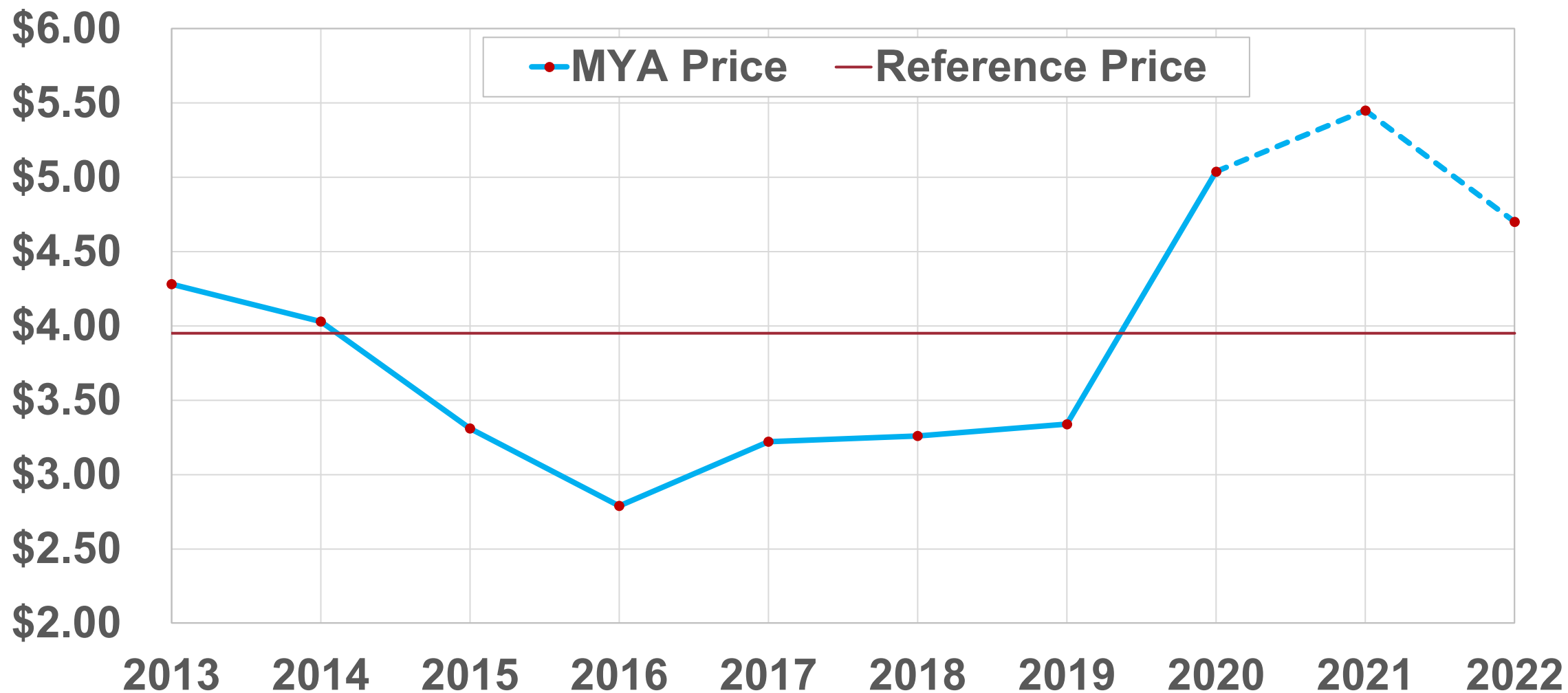


# Minor Crops: Reference Prices and USDA Projected Prices

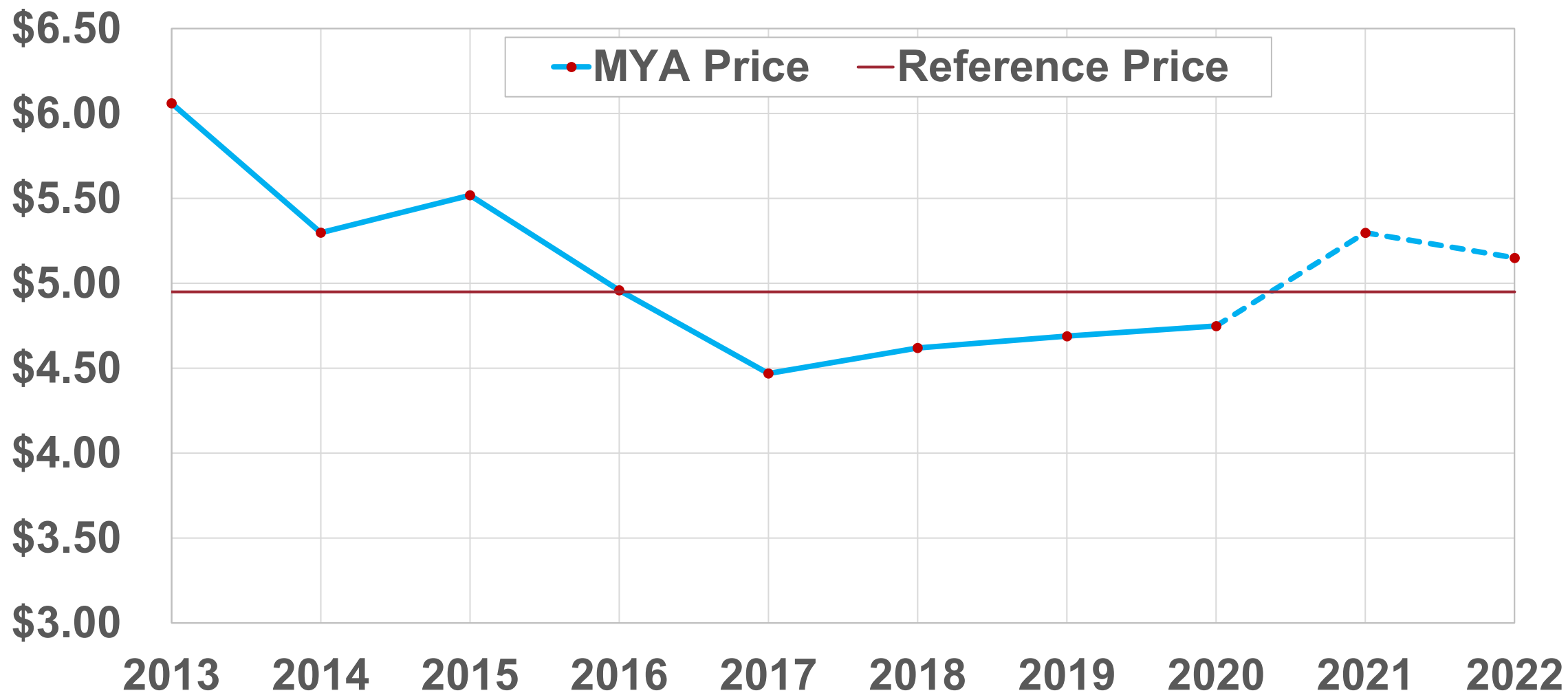
Crop	Reference Price	Projected 2021 Price	Projected 2022 Price
Sorghum	\$3.95	\$5.45	\$4.70
Barley	\$4.95	\$5.30	\$5.15
Sunflowers	\$0.20	\$0.31	---

- Projected 2021 Price: USDA-FSA (Oct 29, 2021)  
[https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/arc-plc/2021/pdf/2021\\_my\\_a.pdf](https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/arc-plc/2021/pdf/2021_my_a.pdf)
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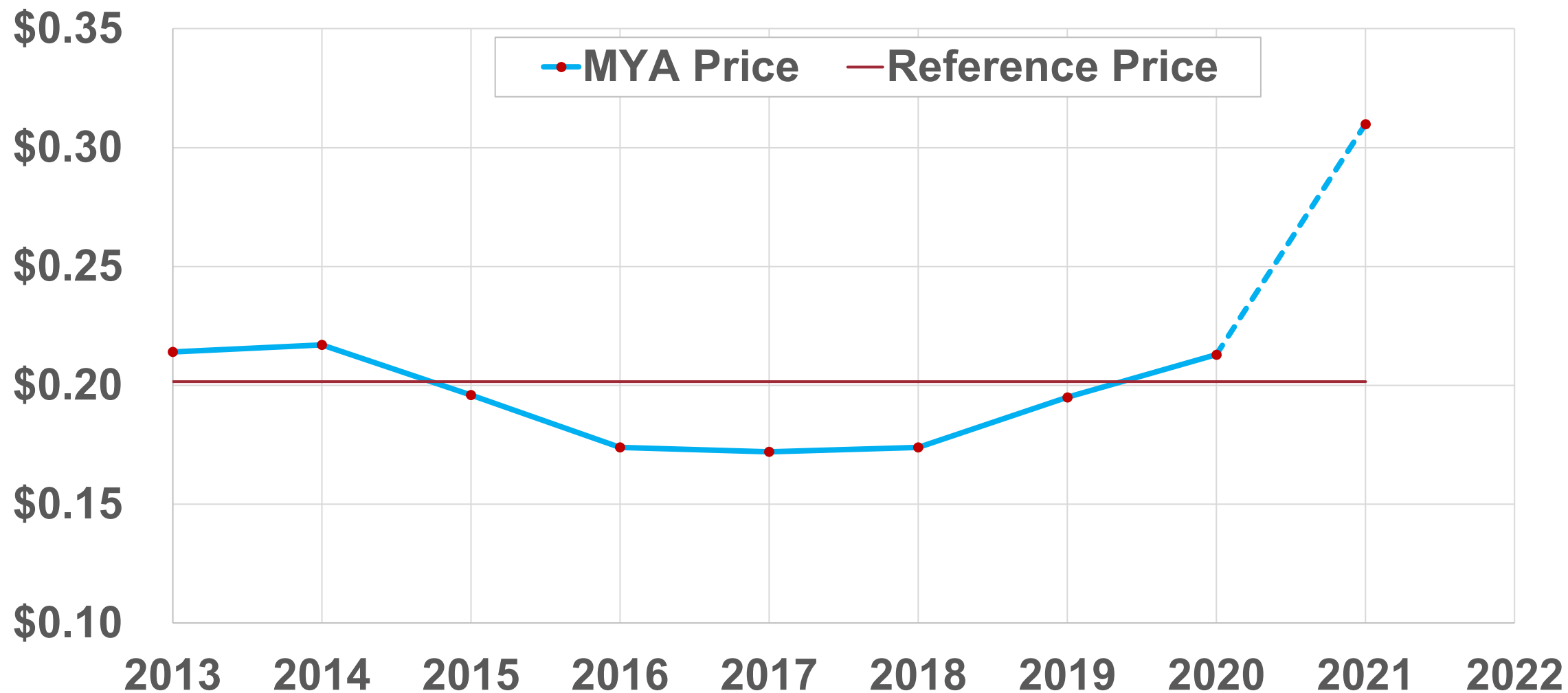
# Sorghum Prices and its Reference Price



# Barley Prices and its Reference Price



# Sunflower Prices and its Reference Price



# 2022 Recommendations for Minor Crops

- **Sorghum**: Choose ARC-CO
  - Expected price far above the PLC reference price
- **Barley**: Choose ARC-CO or PLC
  - Prices driven by production elsewhere and global demands
  - ARC county guarantees calculated using the reference price, so higher
  - Expected price not very far above reference price
  - Low local yields and/or national price drop will trigger payments
- **Sunflower Seed**: Choose ARC-CO
  - Prices driven by production elsewhere and global demands
  - ARC county guarantees calculated using the reference price, so higher
  - Expected price 2022 likely lower than 2021, but well above reference price

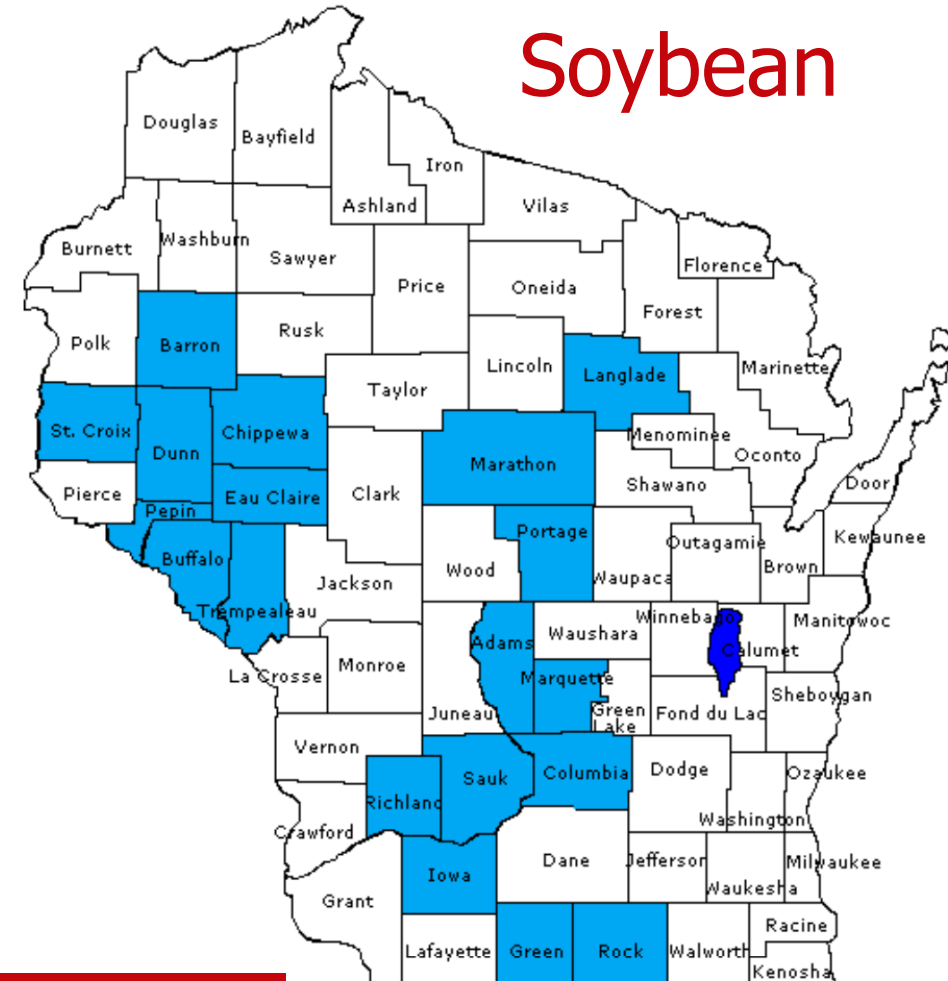
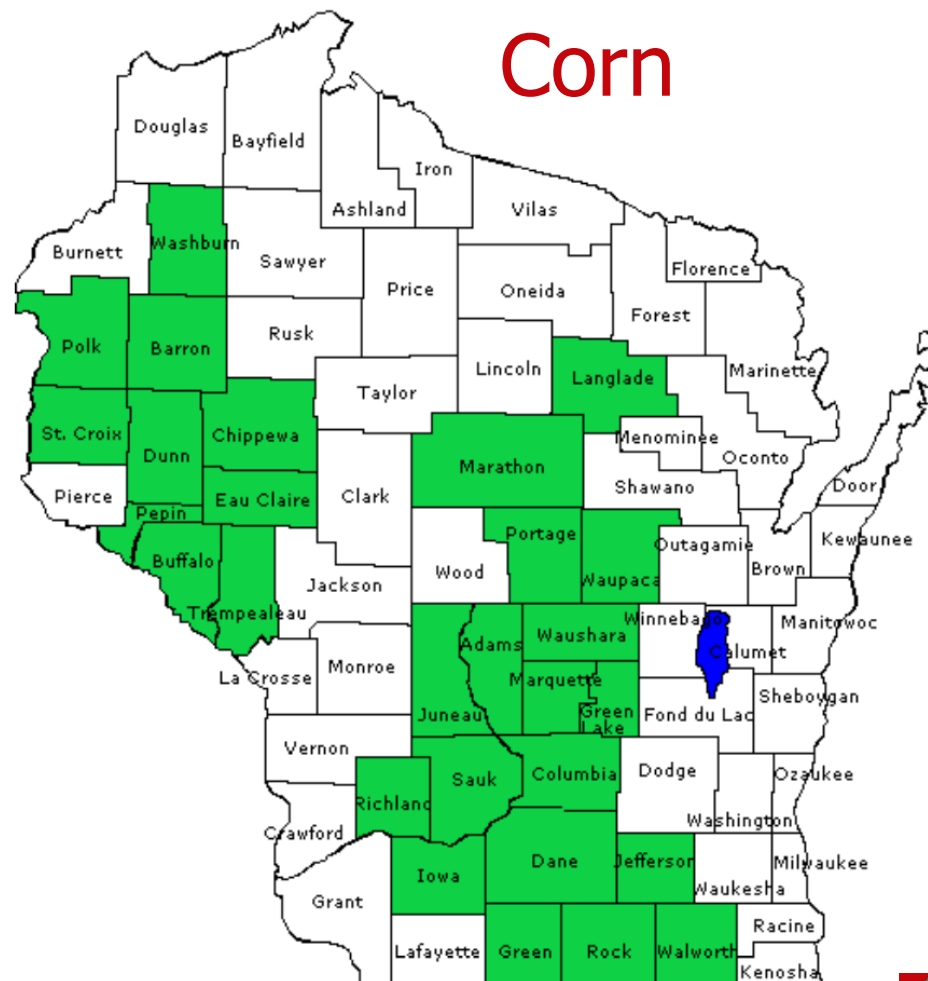
# Which FSA farms should look at ARC-IC?

- Each FSA farm can sign up for a different program by crop
  - One FSA farm can have PLC for corn and ARC-CO for soybeans and another of FSA farm can have ARC-IC for corn and soybeans jointly
- Some farms that may find ARC-IC a valuable option
- **1)** FSA farm with highly variable yields from year to year
- **2)** Your ARC-IC benchmark yield is much higher than ARC-CO county yield and your PLC payment yield
- **3)** Acres of vegetables (or fruit) are more than 15% of base acres

# Which farms should look at ARC-IC?

- **1)** FSA farm with highly variable yields year to year
  - Often small FSA farms with only a few acres, often a single crop
- **2)** ARC-IC benchmark yield is much higher than ARC-CO county yield and PLC payment yield (unlikely for most Wisconsin farms)
  - Possibly if an FSA farm is one of the few irrigated farms in a county and there is no irrigated option for ARC-CO?
- **3)** Acres of vegetables (or fruit) more than 15% of base acres
- ARC-CO & PLC pay on 85% of base acres, 15% “non-payment acres”
- ARC-IC pays on 65% of base acres, 35% “non-payment acres”
- Farm with 40 base acres can plant up to  $40 \times 15\% = 6$  acres of processing vegetables and not reduce ARC-CO or PLC payment acres
- If enrolled in ARC-IC, same farm can plant up to  $35\% \times 40 = 14$  acres

# Counties with Irrigated Options for ARC-CO





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