

2023 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
- Not Covered: How PLC and ARC work
- How to use the FarmDOC Payment Simulator Tool
- Types of farms that may find ARC-IC a useful option

ARC and PLC Signup: Oct 17, 2022 to March 15, 2023

- Farmers choose PLC or 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-CO for corn & soy on another
- Signup is only for the 2023 crop season
 - Already made decision for 2022 last year, choose 2024 next year
- Payments based on marketing year average prices, from Sep 1, 2023 until Aug 31, 2024, with payments made, if triggered, in Sep/Oct of 2024

ARC and PLC: Reminder of how they work

- PLC: Pays if the national marketing year average 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 2017-2021, with reference price as price floor

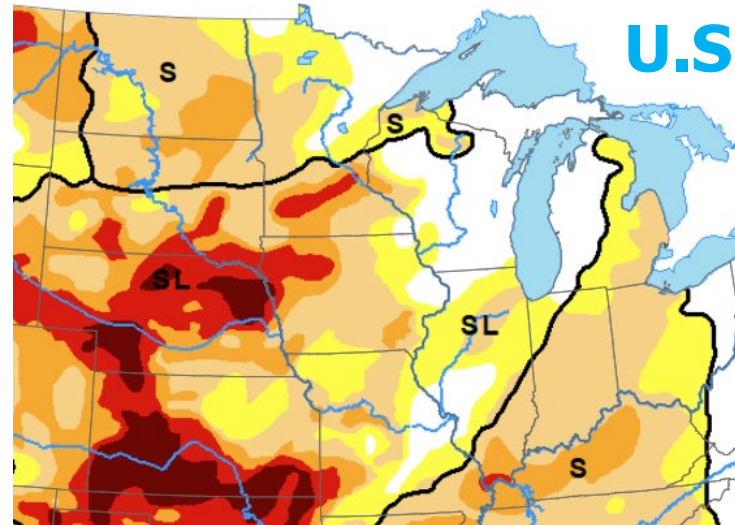
Reference Prices and USDA Farm Price Projections

Crop	Reference Price	Projected 2022 Price	Projected 2023 Price
Corn	\$3.70	\$6.80	\$5.70
Soybeans	\$8.40	\$14.00	\$13.00
Wheat	\$5.50	\$9.20	\$8.00
Oats	\$2.40	\$5.70	\$3.55

- Projected 2022 Price: USDA-FSA (Nov 9, 2022)
https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/arc-plc/2022/pdf/2022_my_a.pdf
- Projected 2023 Price: USDA Agricultural Projections (Nov 7, 2022)
<https://www.usda.gov/oce/commodity-markets/baseline>

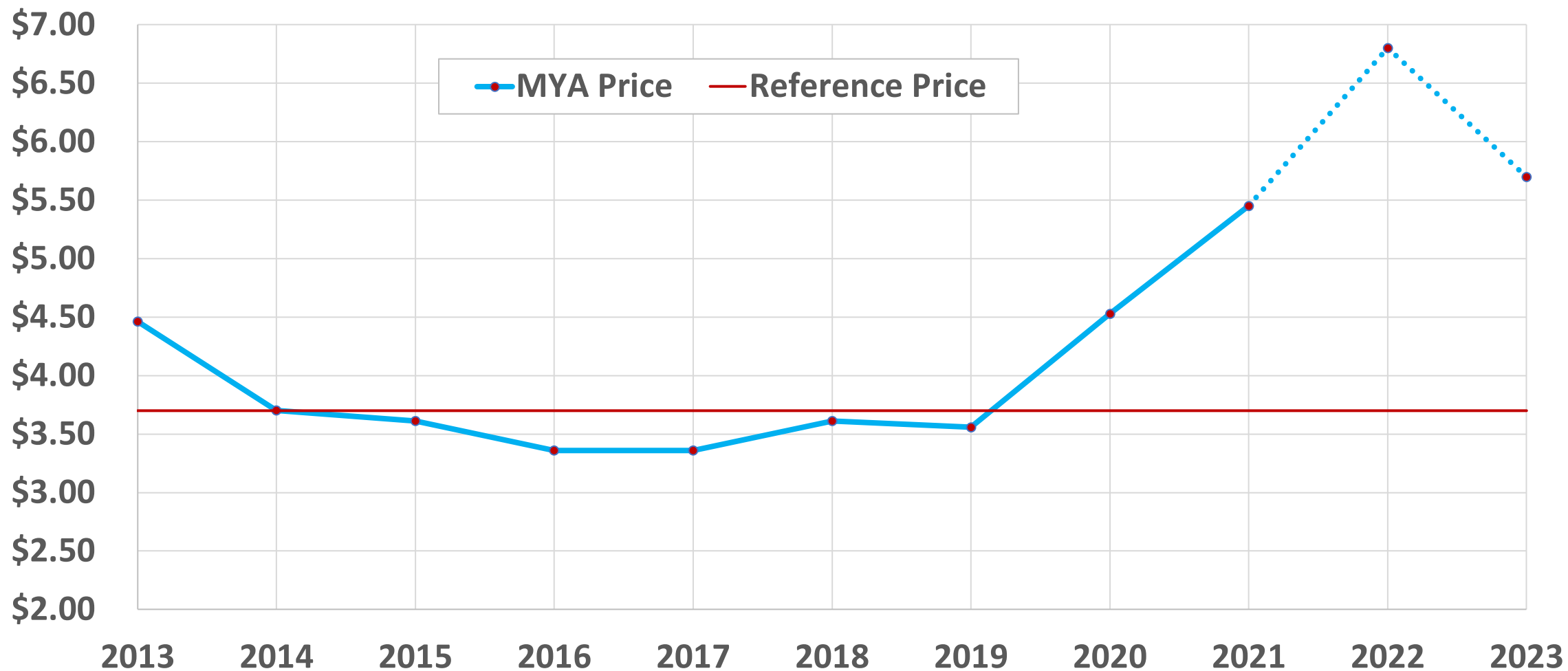
Recommendations for ARC and PLC Signup for 2023

- Corn, Soybean, Wheat and Oat Base Acres: **Signup for ARC-CO**
- For all four crops, high price expectations for 2023 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
- Floods can be highly local

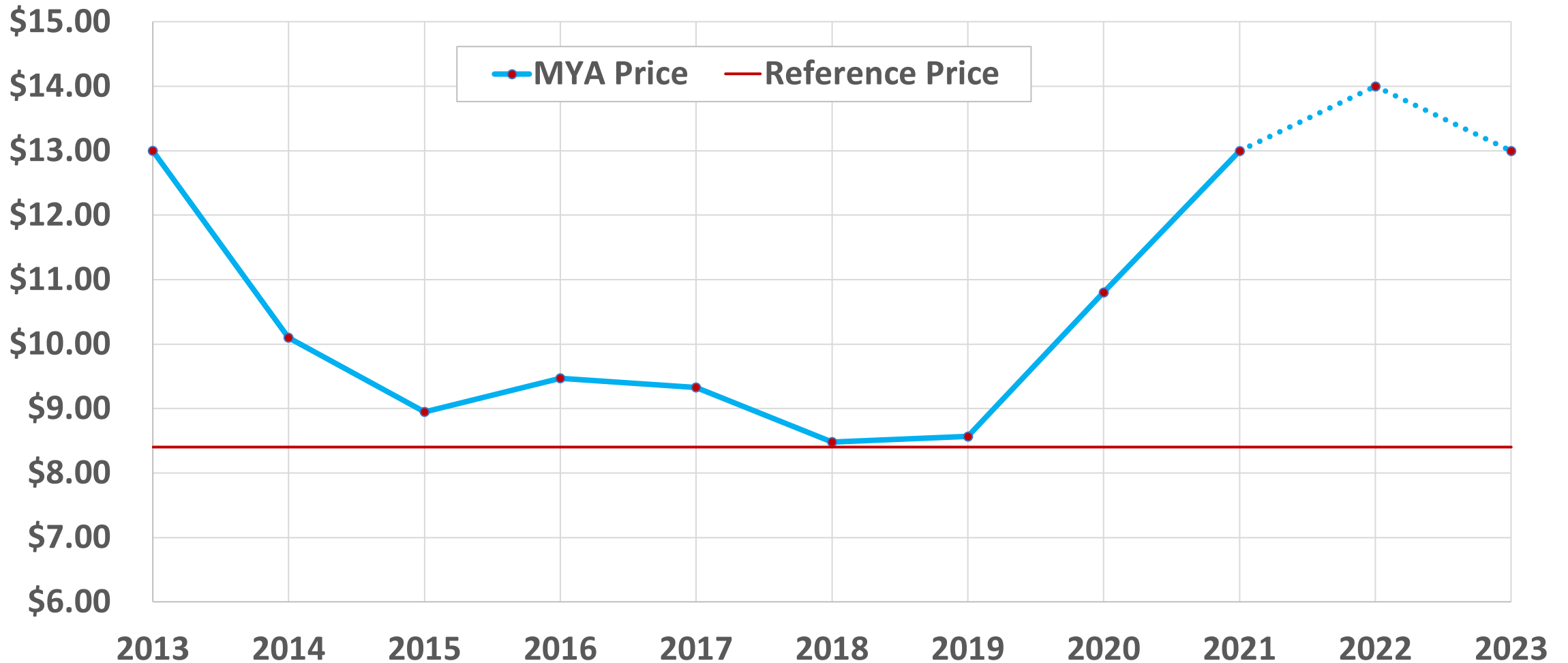


**U.S. Drought Monitor
Nov 23, 2022**

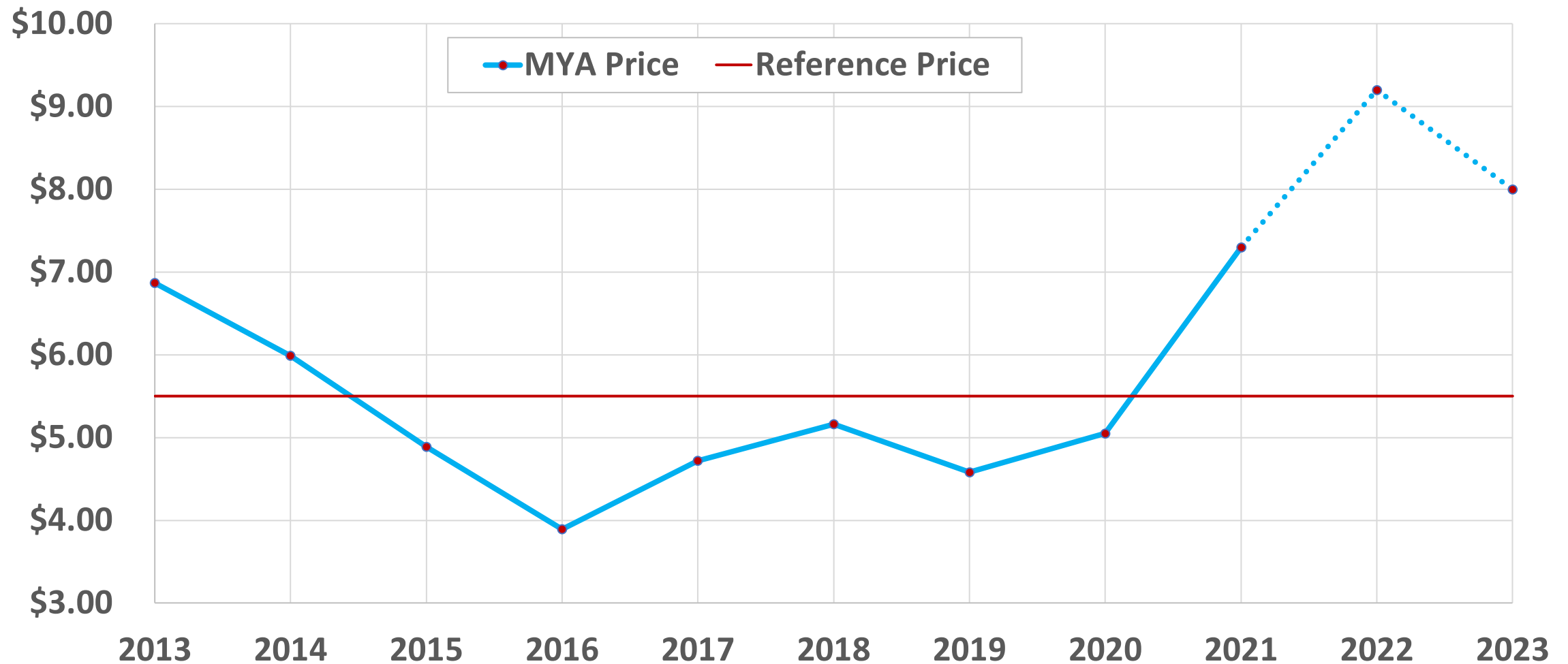
Corn Prices and its Reference Price



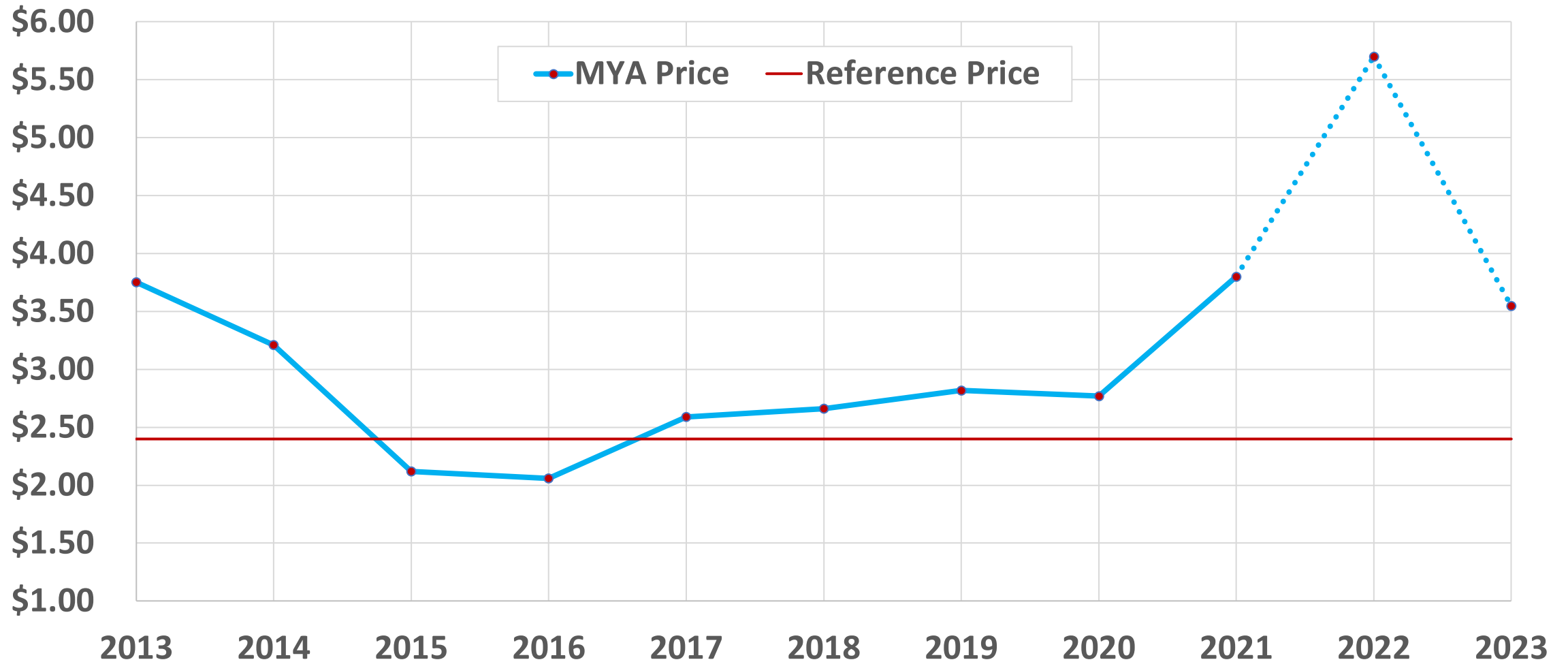
Soybean Prices and its Reference Price



Wheat Prices and its Reference Price



Oat Prices and its Reference Price

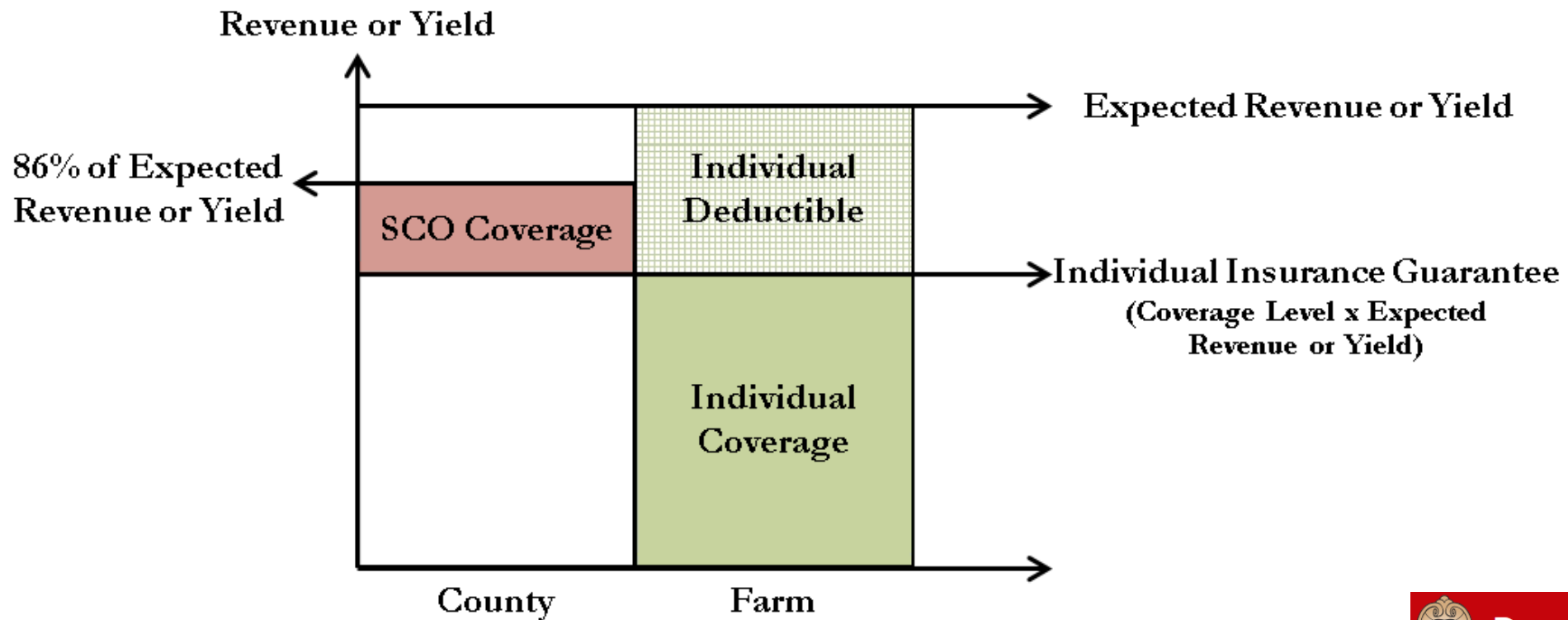


Summary of Recommendations for 2023

- **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, 2023 deadline if price expectations for 2023 change substantially
- **If you want to buy SCO (Supplemental Coverage Option) crop insurance for corn, soybeans or wheat, you must choose PLC**
- Try SCO this year? Little risk of losing 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

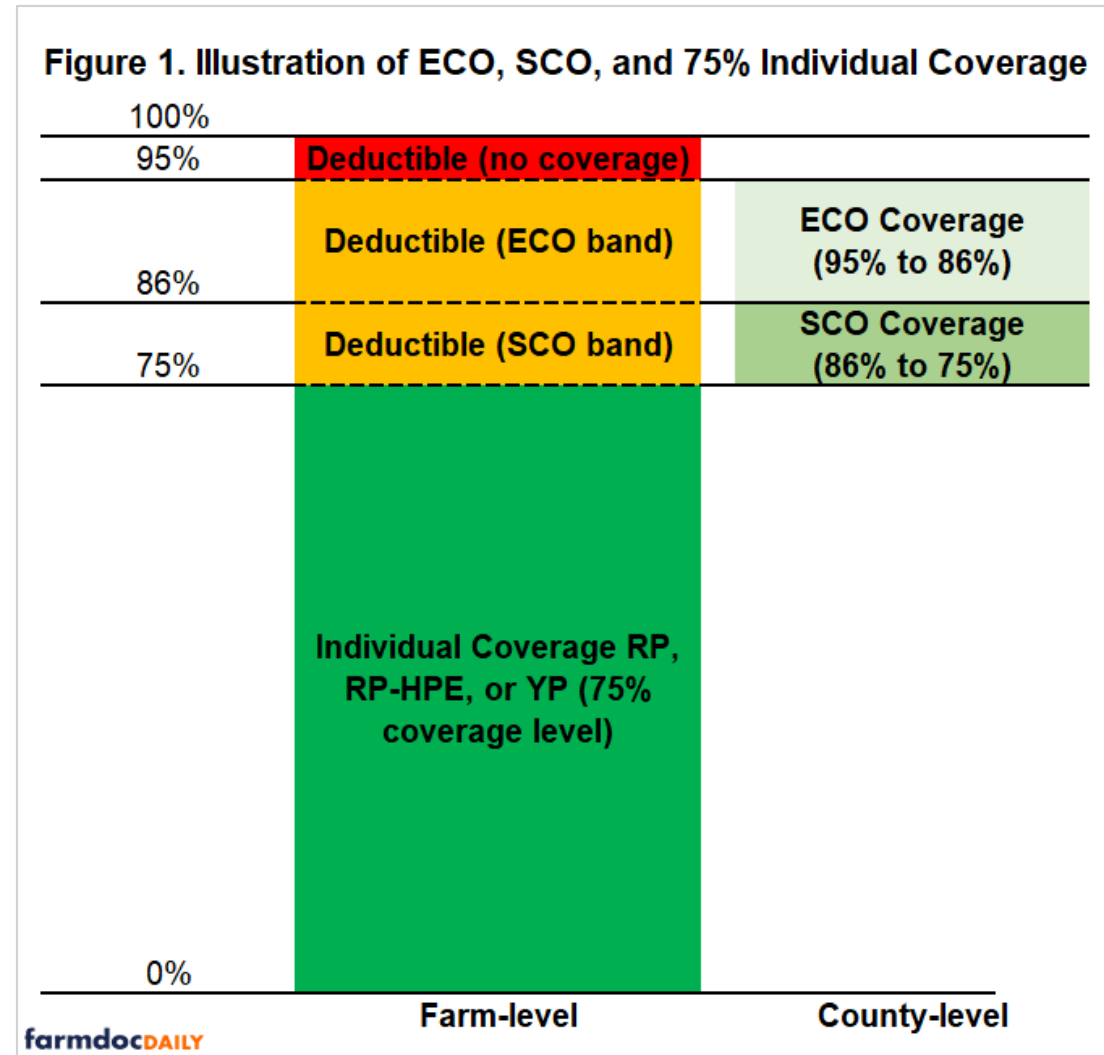
1. **SCO pays, but not RP** (low county yield, good farm yield)
2. **RP pays, but not SCO** (good county yield, low farm yield)
3. **Both SCO and RP pay** (low prices, low county and low farm yield)
4. **Neither SCO nor RP pays** (high prices, good county and good farm yield)

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

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

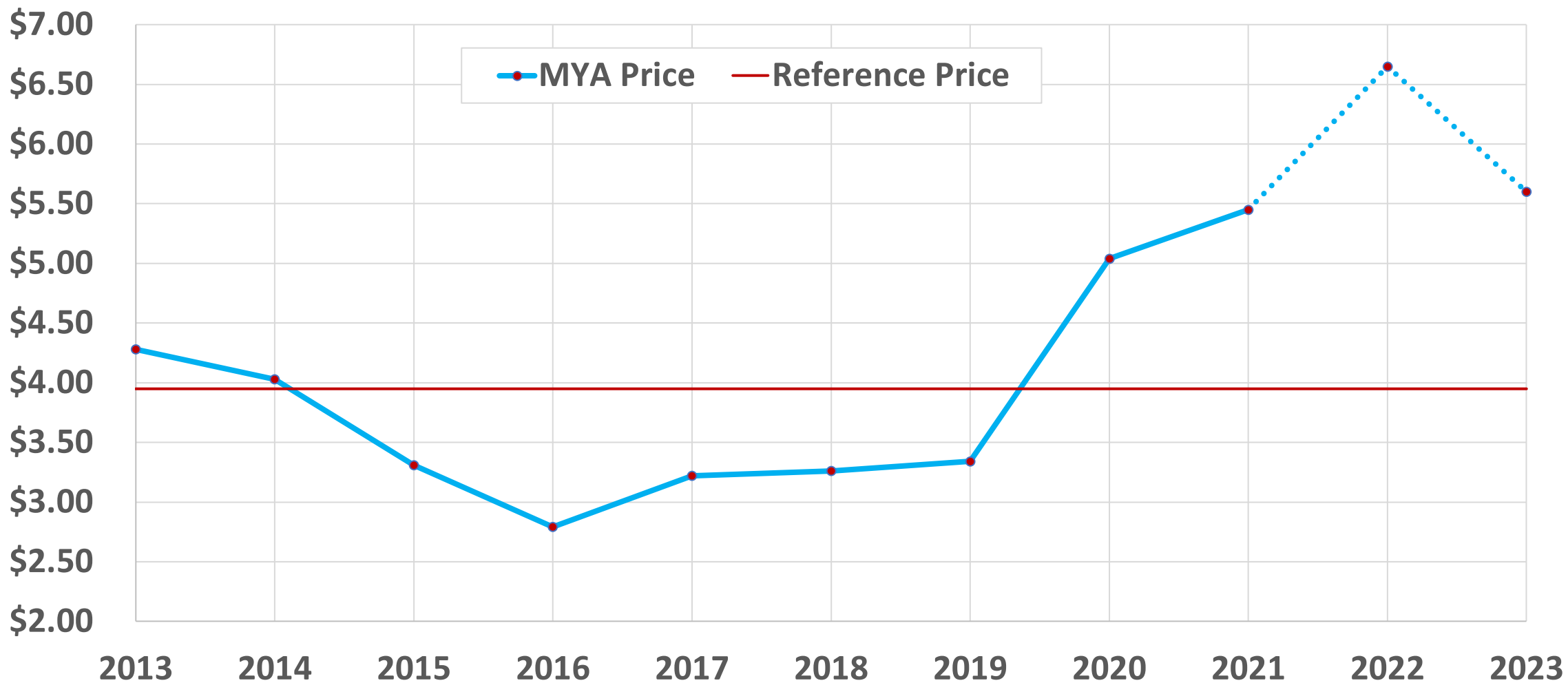
Year	Crop	SCO Policies	SCO Acres	ECO Policies	ECO Acres
2020	Corn	827	268,490		
	Soybeans	310	77,653		
	Wheat	11	700		
2021	Corn	848	255,037	718	228,017
	Soybeans	476	107,021	467	104,107
	Wheat	68	6,708		
2022	Corn	697	225,266	774	239,718
	Soybeans	497	110,593	4	568
	Wheat	64	6,106	56	5,340

Minor Crops: Reference Prices and USDA Projected Prices

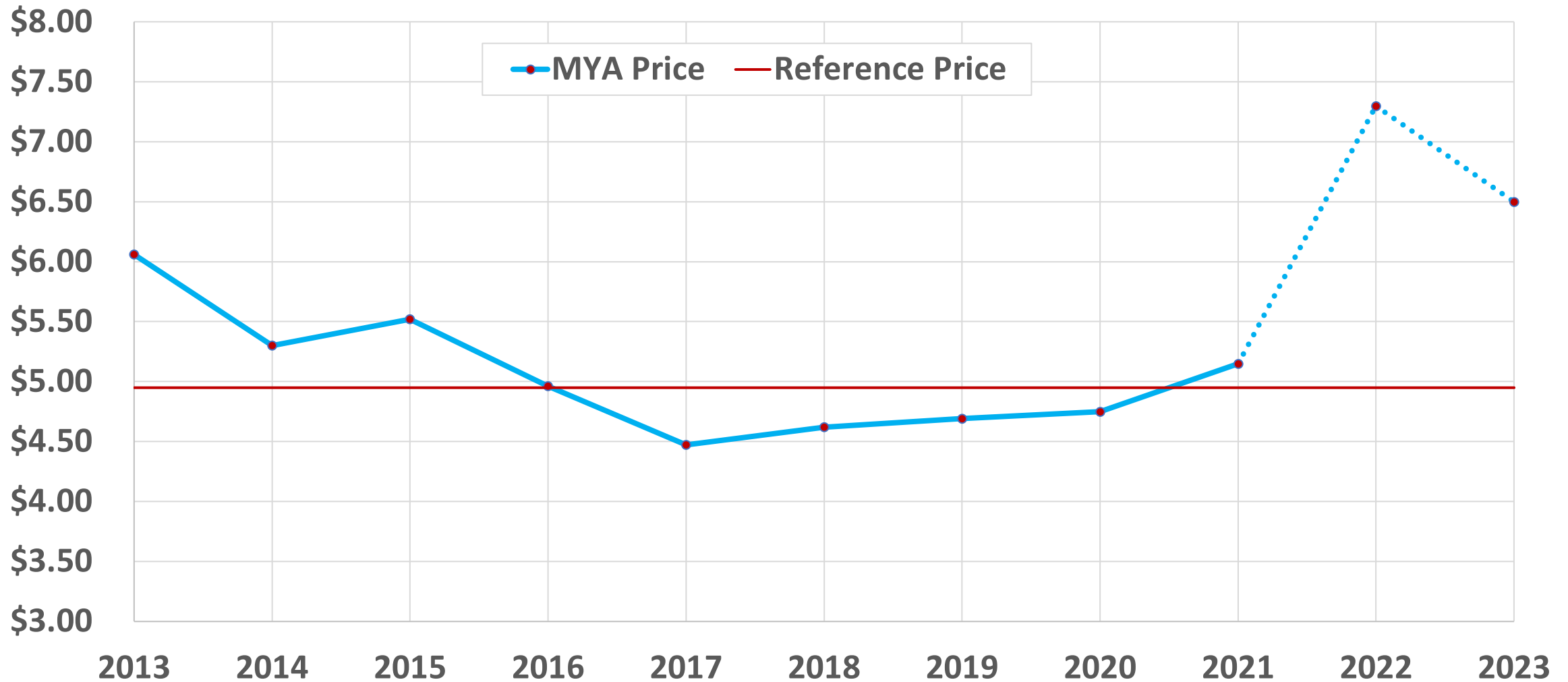
Crop	Reference Price	Projected 2022 Price	Projected 2023 Price
Sorghum	\$3.95	\$6.65	\$5.60
Barley	\$4.95	\$7.30	\$6.50
Sunflowers	\$0.20	\$0.333	---

- Projected 2022 Price: USDA-FSA (Nov 9, 2022)
https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/arc-plc/2022/pdf/2022_my_a.pdf
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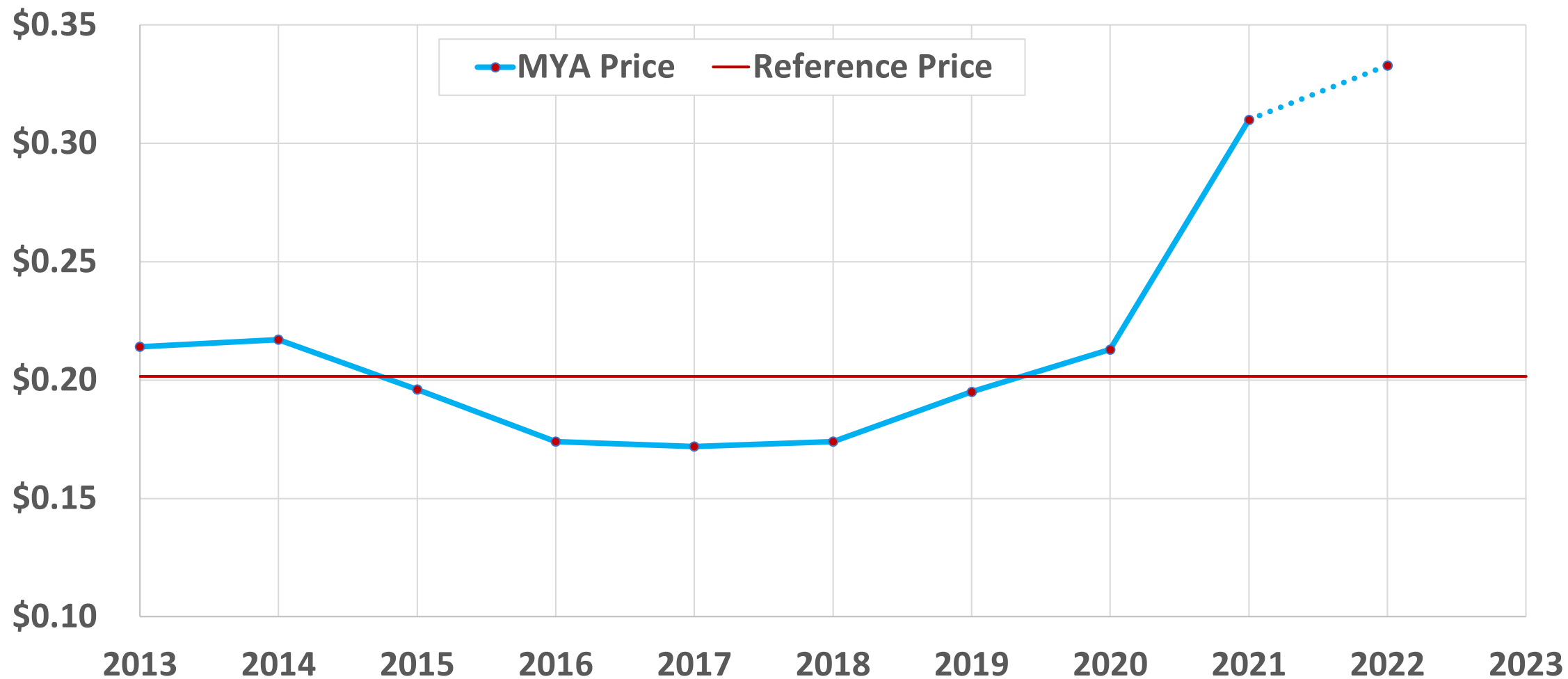
Sorghum Prices and its Reference Price



Barley Prices and its Reference Price



Sunflower Prices and its Reference Price



2023 Recommendations for Minor Crops

- **Sorghum, Barley, Sunflower Seed**: Choose ARC-CO
 - Prices driven by production elsewhere and global demands
 - ARC county guarantees calculated using reference prices as floors, so higher than historical prices
 - Expected price far above the PLC reference price so little probability PLC will pay, but if have low local yields, ARC-CO may pay