

2024 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 Deadline: March 15, 2024

- 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 on another
- Signup is only for 2024 crops, 2023 crops already chosen
 - Payments based on marketing year average prices from Sep 1, 2024 until Aug 31, 2025
 - If payments are triggered, they will be made in Sep/Oct of 2025

ARC and PLC: Reminder of how they work

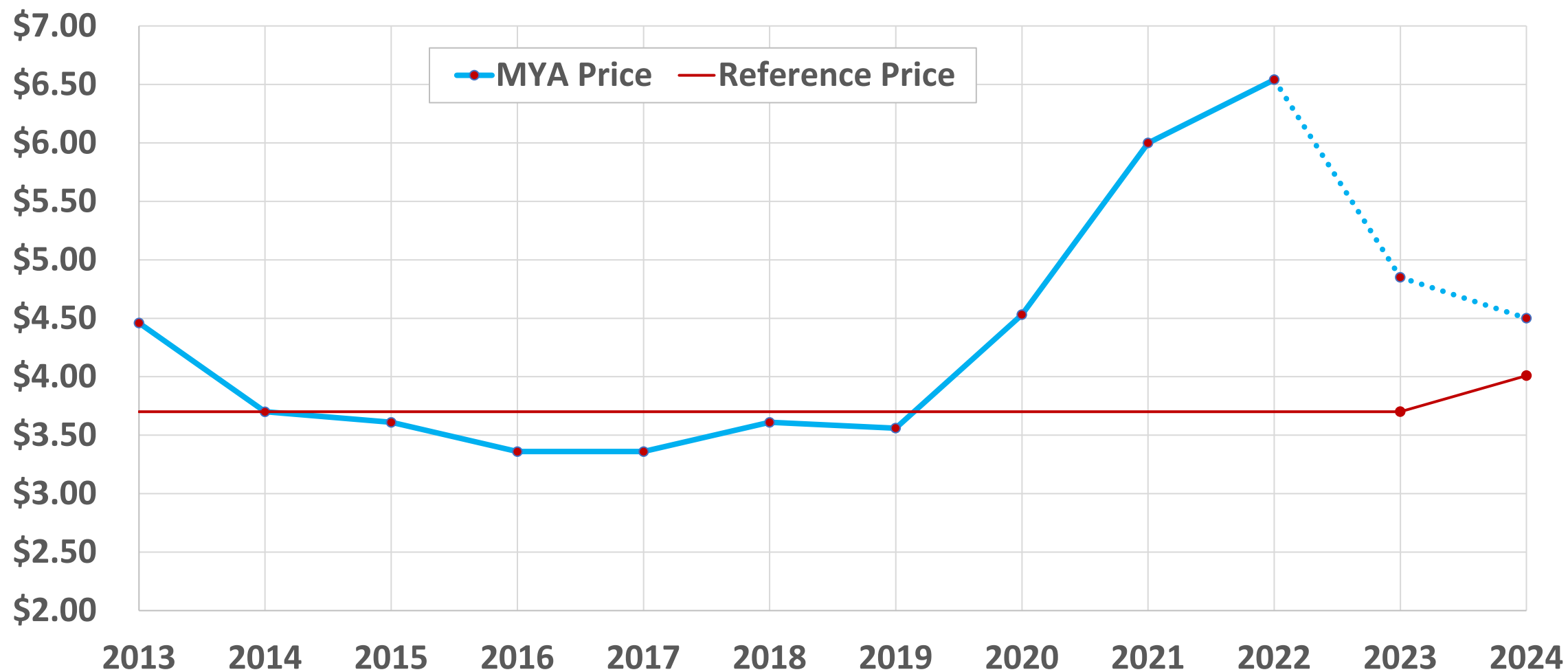
- PLC: Pays if the national marketing year average price falls below the Reference Price
- ARC: Pays if actual county revenue falls below the county revenue guarantee
 - Actual County Revenue = national PLC price x USDA NASS county average yield
 - County Revenue Guarantee = 86% of Olympic average of county revenue for 2018-2022, with reference price as price floor

Effective Reference Prices and Farm Price Projections

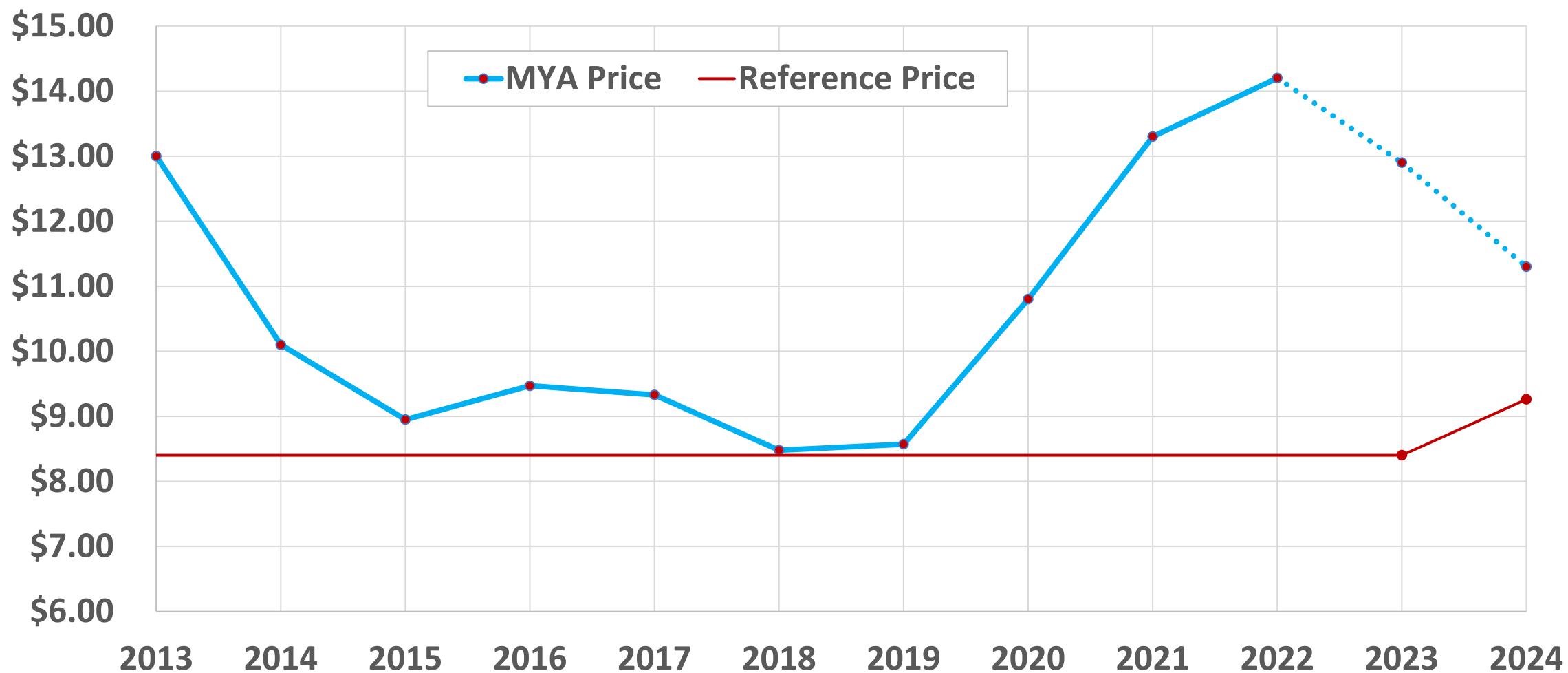
Crop	Effective Reference Price	Projected 2023 Price	Projected 2024 Price
Corn	(\$3.70) \$4.01	\$4.85	\$4.50
Soybeans	(\$8.40) \$9.26	\$12.90	\$11.30
Wheat	\$5.50	\$7.30	\$6.80
Oats	(\$2.40) \$2.76	\$3.60	\$3.10

- Effective Reference Prices have increased for some crops
https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/arc-plc/2024/pdfs/2024_erp.pdf
- Projected 2023 Prices: USDA WASDE Report (Dec 8, 2023)
<https://www.usda.gov/oce/commodity/wasde>
- Projected 2024 Prices: USDA Early-Release Baseline Projections (Nov 7, 2023)
<https://www.usda.gov/oce/commodity-markets/baseline>

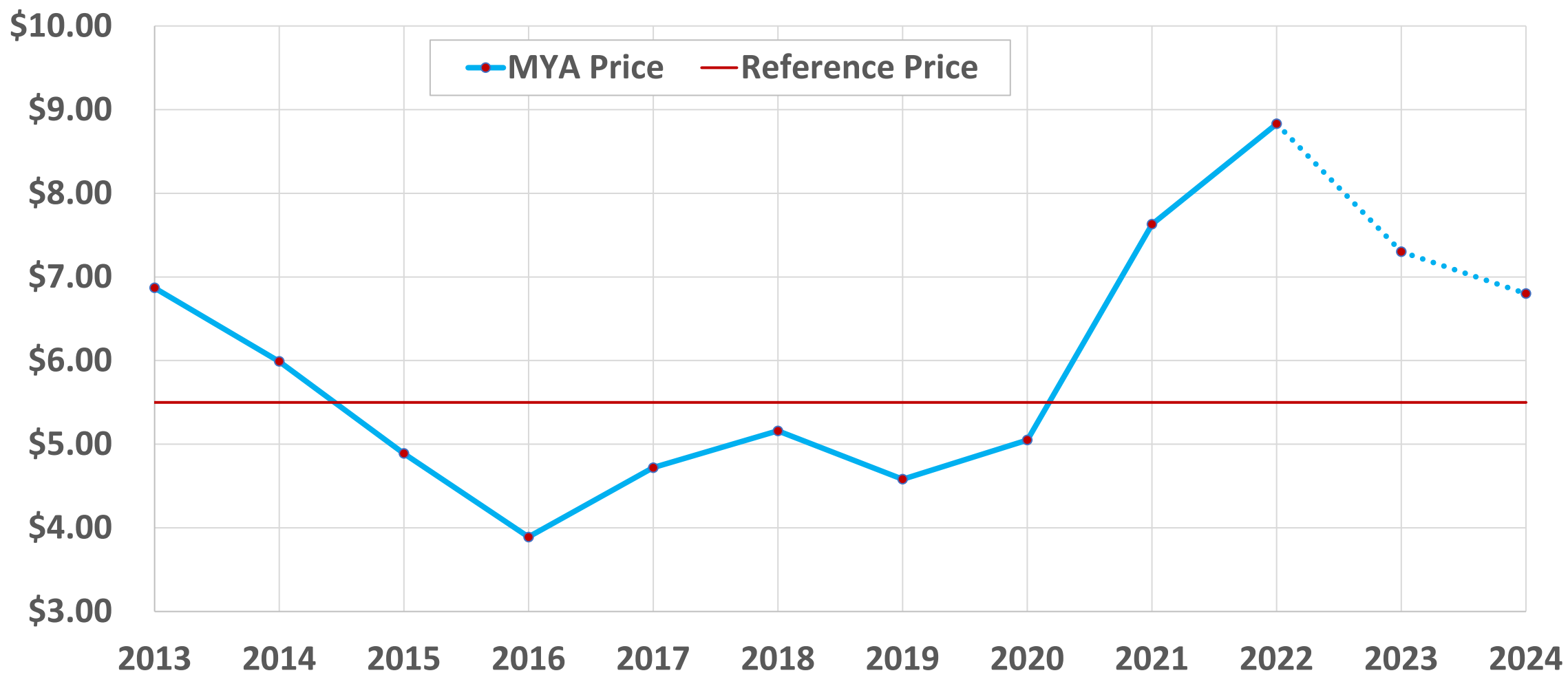
Corn Prices and its Effective Reference Price



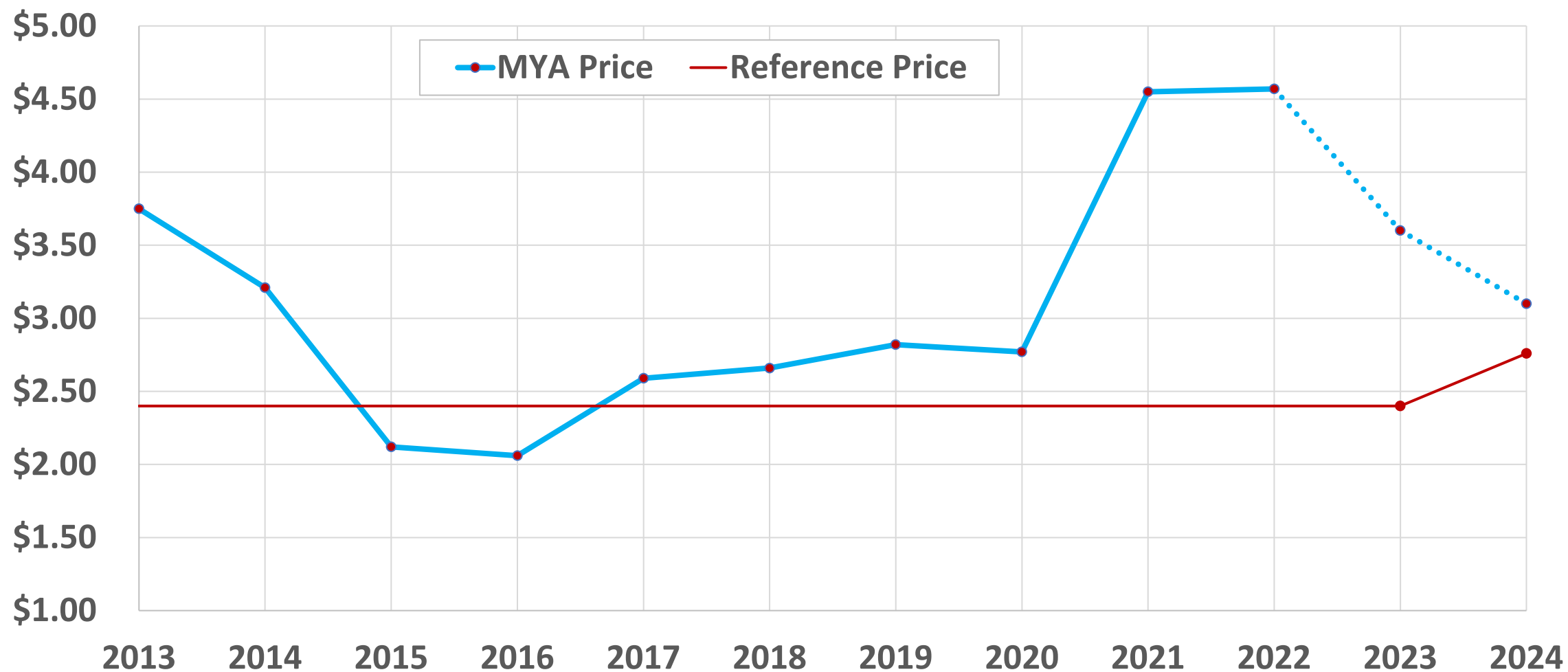
Soybean Prices and its Effective Reference Price



Wheat Prices and its Effective Reference Price



Oat Prices and its Effective Reference Price



Another Simple Metric to Guide Your Decision

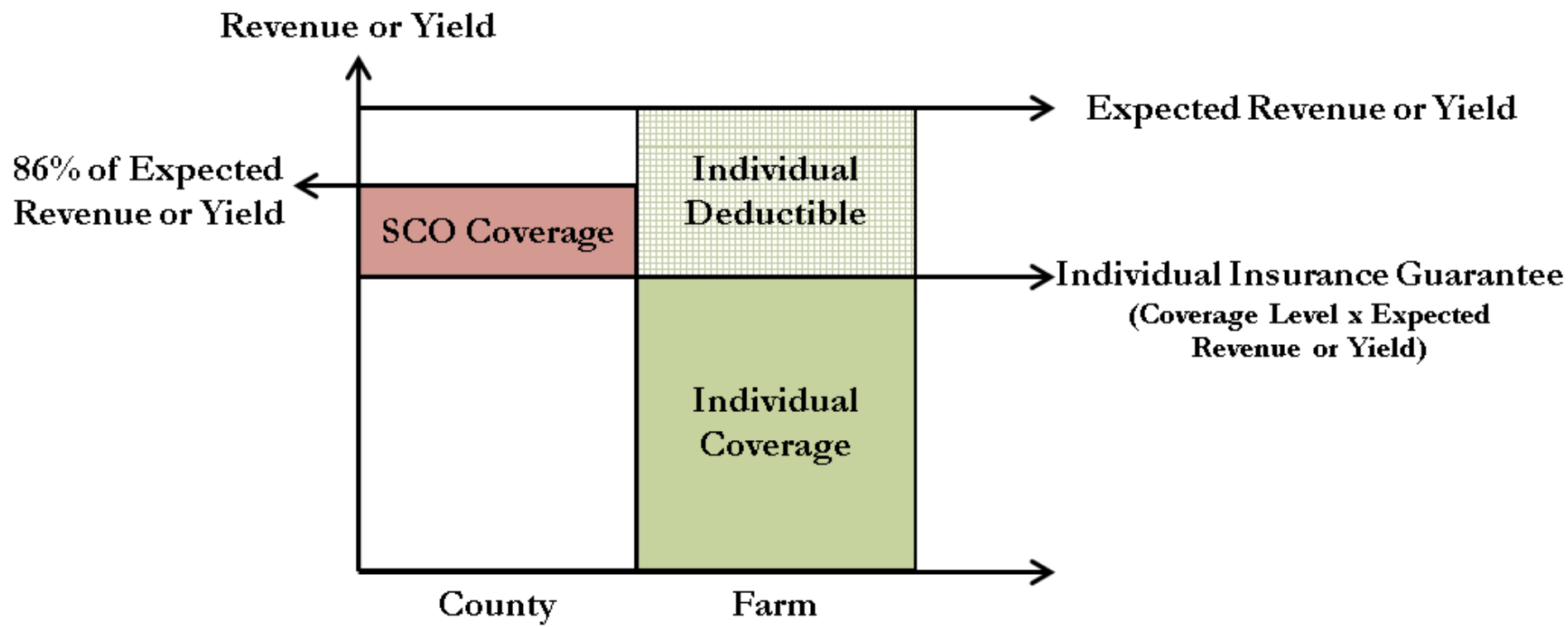
- FarmDOC article Feb 20, 2023: <https://farmdocdaily.illinois.edu/2023/02/2023-arc-co-vs-plc-program-decision-indicator.html>
- Ratio: Dec 2023 Cash Price / Effective Reference Price
 - If this ratio exceeds 100%, choose ARC-CO
 - 80% accurate predicting if ARC or PLC will have higher average payment
- USDA Dec Cash Prices not published until end of Jan
- Ratio if use **November** Cash prices
 - Corn 116%, Soybeans 140%, Wheat 119%, Oats 142%
 - All say ARC the better choice
 - Dec cash prices have a long way to fall to make PLC better than ARC

Recommendations Summary

1. Sign up for County ARC
 - Gap between 2024 expected prices and effective reference prices smaller than in previous years, so choice less obvious for some crops, but ...
 - Low county yields are more likely to trigger ARC payments than low national prices are to trigger PLC payments
 - Droughts and floods often highly local
2. If prices decline a lot in next few months, potentially re-evaluate
 - USDA updates 2024 crop price projections in mid-Feb
 - Updated FarmDOC Payment Simulator Tool may be posted by then
3. If you want to buy SCO (Supplemental Coverage Option) crop insurance for a crop, you must choose PLC for that crop

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% for total coverage
- Add SCO to your RP or YP 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 for the insured crop**
 - If choose ARC for that crop, cannot buy SCO for that crop



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)

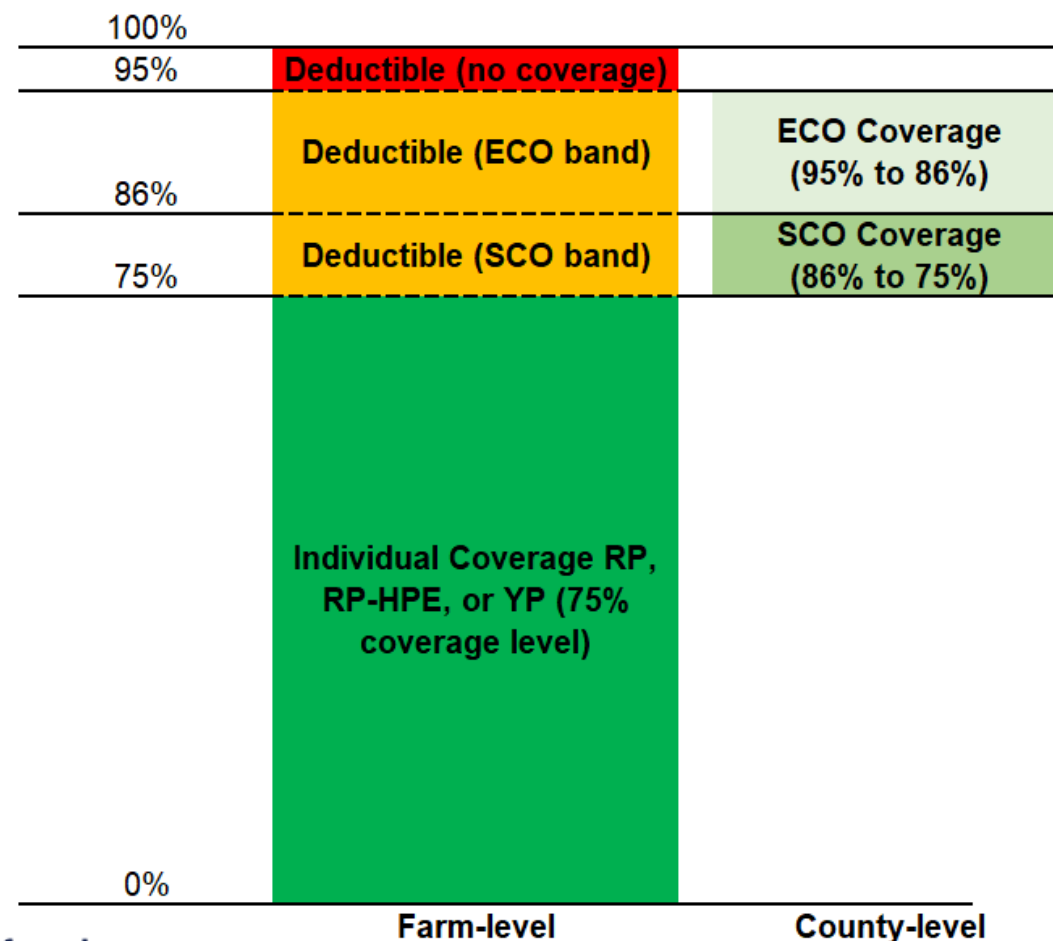
Supplemental Coverage Option (SCO) Example

- 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
- 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

Figure 1. Illustration of ECO, SCO, and 75% Individual Coverage



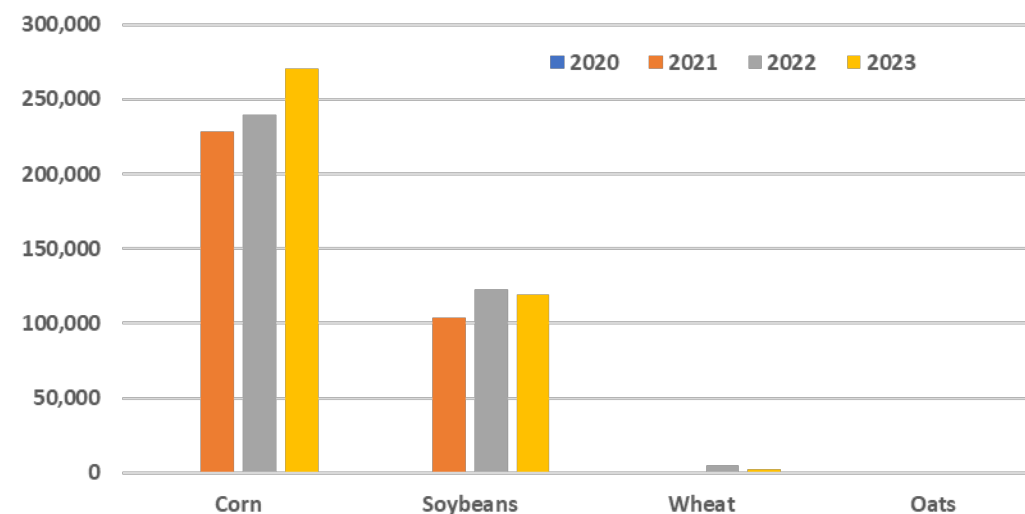
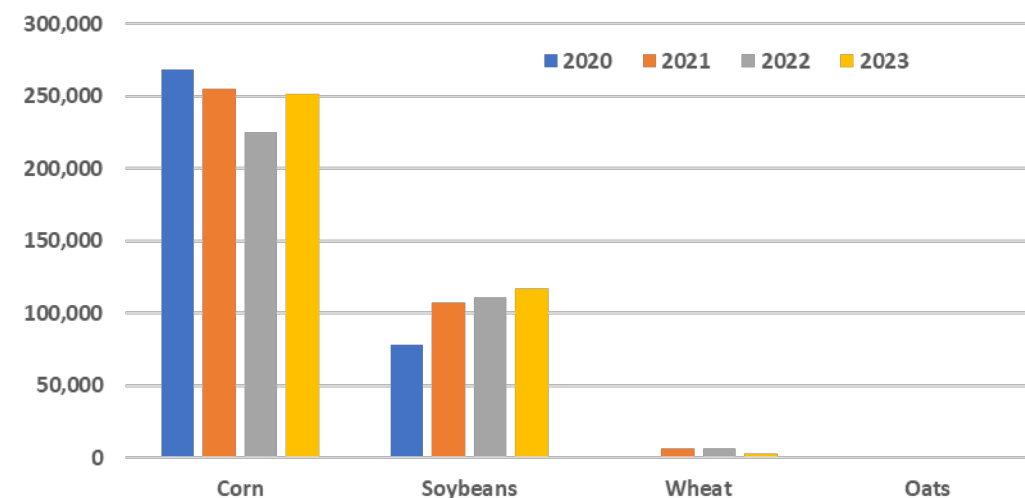
Farmer Use of SCO and ECO in Wisconsin

SCO Insured Acres in Wisconsin

Year	Corn	Soybeans	Wheat	Oats
2020	268,490	77,653	700	
2021	255,037	107,021	6,708	297
2022	225,266	110,593	6,106	274
2023	251,828	116,915	3,185	277

ECO Insured Acres in Wisconsin

Year	Corn	Soybeans	Wheat	Oats
2020				
2021	228,017	104,107		352
2022	239,718	122,333	5,340	366
2023	270,373	118,986	2,056	339

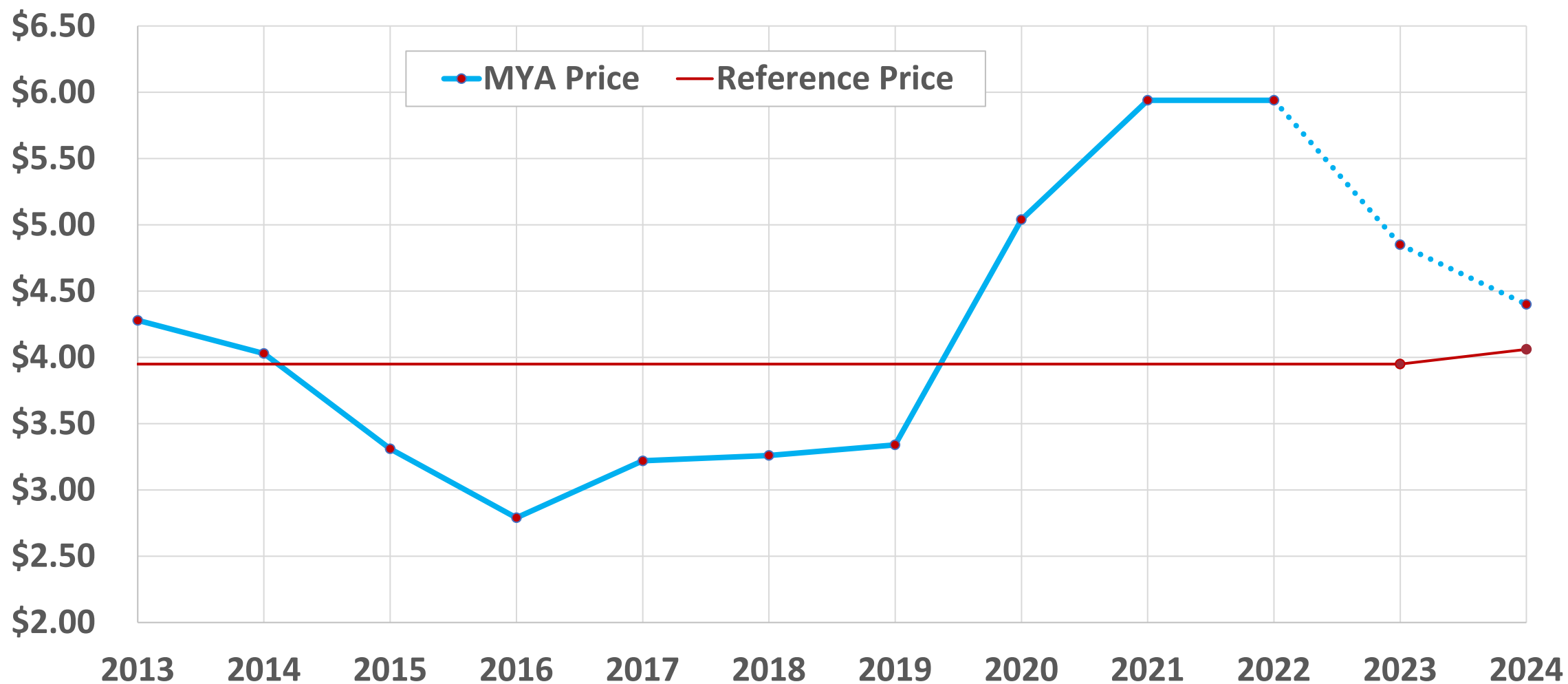


Minor Crops: Reference Prices and USDA Projected Prices

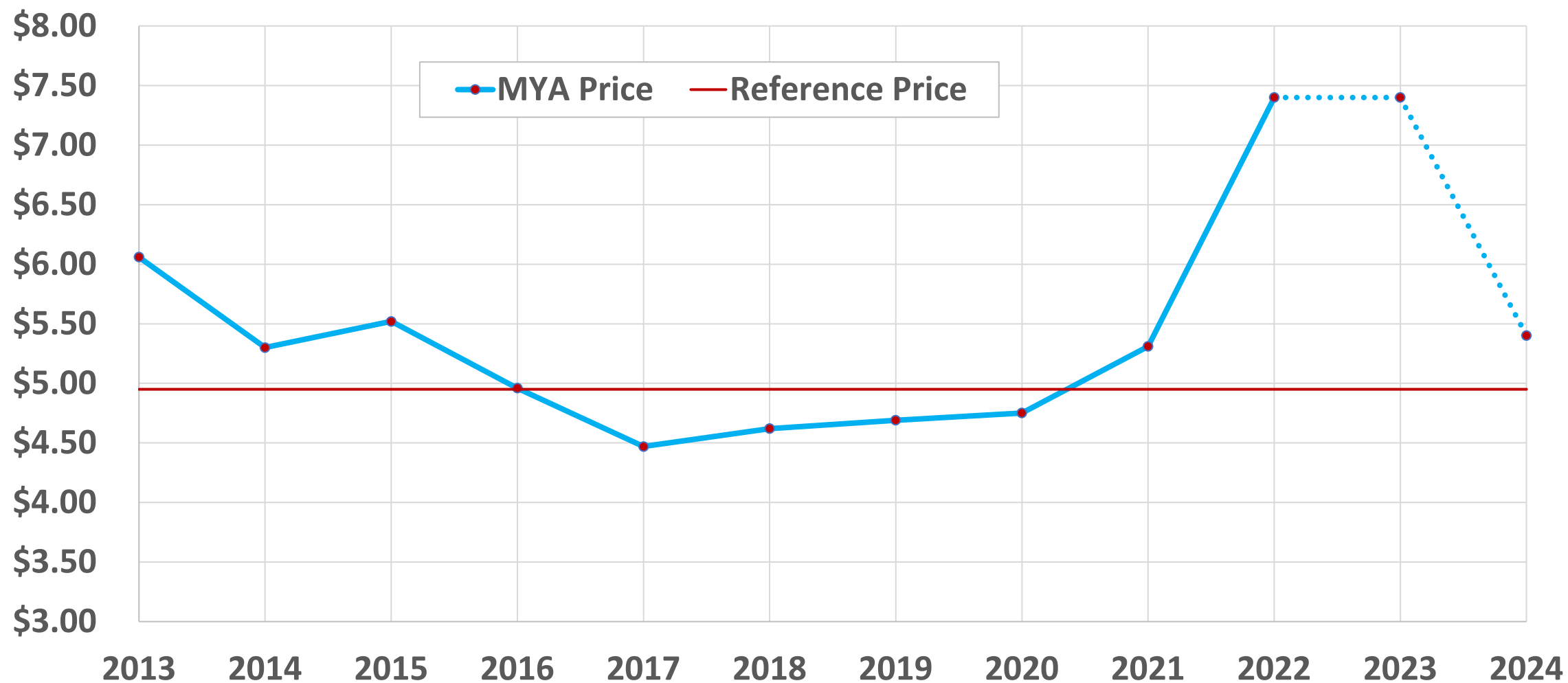
Crop	Effective Reference Price	Projected 2023 Price	Projected 2024 Price
Sorghum	(\$3.95) \$4.06	\$4.85	\$4.40
Barley	\$4.95	\$7.40	\$5.40
Sunflowers	\$0.2015	\$0.253	\$0.23

- Projected 2023 Price: USDA WASDE Report (Dec 8, 2023)
<https://www.usda.gov/oce/commodity/wasde>
- Projected 2024 Price Sorghum and Barley: USDA Early-Release Baseline Projections (Nov 7, 2023)
<https://www.usda.gov/oce/commodity-markets/baseline>
- Projected 2024 Price Sunflower Seed: FAPRI Baseline (Sep 2023)
<https://fapri.missouri.edu/wp-content/uploads/2023/09/2023-Baseline-Outlook-Update.pdf>

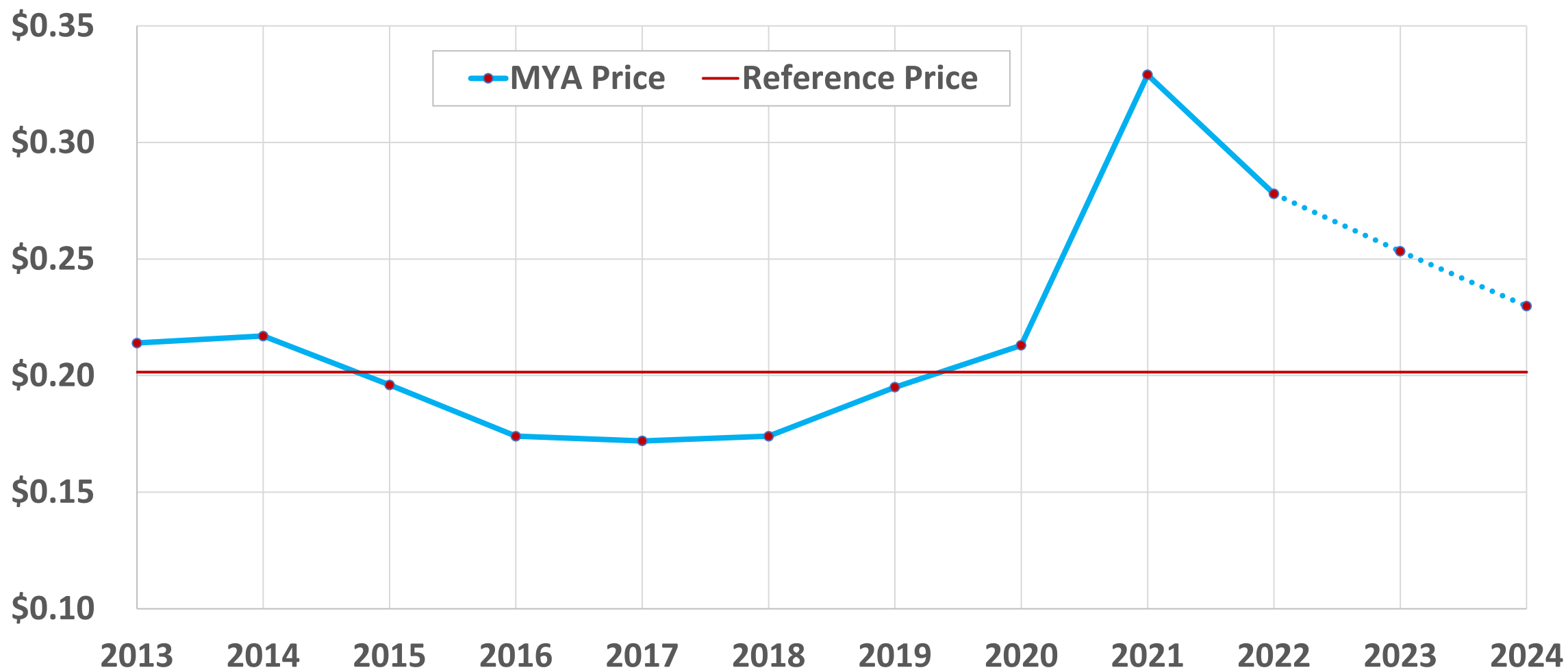
Sorghum Prices and its Effective Reference Price



Barley Prices and its Effective Reference Price



Sunflower Seed Prices and its Effective Reference Price



2024 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 prices above PLC effective reference prices so little probability PLC will pay, but if have low local yields, ARC-CO may pay
 - Ratio of **Nov** cash prices to Effective Reference prices also indicates ARC
 - Sorghum 57%, Barley 125%, Sunflower Seed 112%