Decisions due by March 15

- Enroll base acres in PLC, ARC-CO, ARC-IC for MY 2021/22
- Purchase Crop Insurance for 2021:
  - farm-specific: YP, RP, RPHPE, CAT
  - area-level: MP, AYP, ARP, …
  - Private products: hail, rain, wind, …
- Purchase Endorsements to YP, RP, or RPHPE for 2021:
  - Supplemental Coverage Option, SCO (shallow losses)
  - Enhanced Coverage Option, ECO (very shallow losses)
PLC, ARC-CO, or ARC-IC in 2021/22?

Decision variables:

1. Expected Program Payments?
   - PLC triggered by low prices ($3.70 corn; $8.40 soybeans)
   - ARC-CO triggered by low Crop Revenue in the County
   - ARC-IC triggered by low Operator’s Farm Revenue, across all crops and farms enrolled in ARC-IC in the state

2. Purchase of SCO Endorsement to YP, RP, RPHPE?
   - SCO is NOT available for farms enrolled in ARC-CO or ARC-IC

PLC and ARC-CO Expected Payments*

* ARC-IC uses farm-specific yields and weights to determine expected payments. Consult with your local FSA Office.
Click on this link

https://www.extension.iastate.edu/agdm/info/farmbill.html

Open the file (button varies with web browser)
Must click on Enable Editing button to proceed

<table>
<thead>
<tr>
<th>County</th>
<th>ARC-CO &amp; PLC Per Non-Irrigated Acre Payment Estimator for Iowa, 2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boone</td>
<td>Table with columns: Year, Price, Marketing Year Average, ARC-CO Payments</td>
</tr>
</tbody>
</table>

1. Select County from drop-down menu
2. Enter your guesstimate of the marketing year average price for corn in 2021/22
3. Observe “Trigger Yield” for 2021
4. Enter your guesstimate of county yields for 2021
5. Observe the projected ARC-CO payment for October 2022

Projected ARC-CO Payments on Corn Base Acres for crop year 2021, payable in Oct 2022
• Same steps to calculate Projected ARC-CO Payments on Soybean Base Acres for crop year 2021, payable in Oct 2022

• Concerned about guesstimates? What ifs?
  ➢ Sensitivity Analysis Tab

**What if the MYA price is different from my guesstimate?**

- Check Trigger Yields for each price

Review historical probabilities of county yields going below Trigger Yields
• Same steps to calculate projected PLC Payments on Soybean base acres for crop year 2021.
• No Sensitivity Analysis for PLC, because PLC is only triggered if 2021/22 MYA prices fall below their reference prices: $3.70 corn $8.40 soybeans

➢ If you believe that the average prices from Sep’21 to Aug’22 will be higher than the reference prices, then enroll in ARC-CO (in case actual county yields in 2021 are very low) …

… UNLESS you care for SCO!
Decisions due by March 15

- Enroll base acres in PLC, ARC-CO, ARC-IC for MY 2021/22
- Purchase Crop Insurance for 2021:
  - farm-specific: YP, RP, RPHPE, CAT
  - area-level: MP, AYP, ARP, …
  - Private products: hail, rain, wind, …

- Purchase Endorsements to YP, RP, or RPHPE for 2021:
  - Supplemental Coverage Option, SCO (shallow losses)
  - Enhanced Coverage Option, ECO (very shallow losses)

Supplemental Coverage Option (SCO)

- Endorsement to YP, RP, RPHPE (“underlying policy”)
- SCO covers part of the deductible based on County Yields or County Revenues, depending on underlying policy
- Purchased from crop insurance agent (65% premium subsidy)
- SCO cannot be purchased for farms enrolled in ARC
- If purchased, SCO must be purchased for all planted acres in the county, except farms in ARC
- Actual 2021 SCO Yields will be published by June 16, 2022
**SCO Formulas**

- **SCO Payment Limit** =
  
  Expected Crop Value in underlying policy ×

  \((86\% - \text{Coverage } \%) \text{ in underlying policy})

- **SCO Indemnity:**
  - If ratio of Actual-to-Expected County Yield or Rev. < 86%:
    
    Indemnity = Expected Crop Value in underlying policy ×

    \((86\% - \text{Actual Co Yield or Rev.}/\text{Expected Co Yield or Rev.})\)

  - If ratio of Actual-to-Expected Co Y or R ≥ 86%: NO Indem.

  \[0 \leq \text{Indemnity} \leq \text{Payment Limit}\]

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**SCO(YP) in Boone Co, IA**

- Susan Green plants all her acres in Boone Co. to corn in 2021, and buys Yield Protection at 80% coverage level, APH 185 bu
- Assume projected (Feb’21) price is $5 per bushel
- Expected crop value in YP is $925.00 (185 bu × $5/bu)
- YP protects $740 ($925 × 80%); deductible $185 ($925×20%)
- She enrolls all her acres in PLC for 2021/22 → can use SCO
- **SCO Payment Limit $55.50** = $925 × (86%-80%)
- Expected 2021 County Yield is 202.8 bu
- Assume Actual 2021 County Yield is 168.5 bu (83.1% of 202.8)
- **SCO Indemnity $26.83** = $925 × (86% - 83.1%) < $55.50
**SCO(RP) in Story Co: Feb P < Oct P**

- Tom Smith, all corn acres in Story Co., all farms in PLC
- Buys **Revenue Protection** at 75% coverage level, APH 170 bu
- Expected crop value in March 2021 is $850 (170 bu × $5/bu)
- **SCO Payment Limit $93.50 = $850 × (86%-75%)**
- Expected 2021 County Yield is 194.4 bu
- Assume harvest (Oct) price is $6. ↑Crop Value $1,020 (170×6)
- **New SCO Payment Limit $112.20 = $1,020 × (86%-75%)**
- Assume Actual 2021 County Yield is 169.5 bu (87.2% of 194.4)
- **NO SCO Indemnity:** Actual-to-Expected Co Revenue > 86%
  
  ($6 × 169.5) / ($6 × 194.4) = 87.2% > 86%

**SCO(RP) in Story Co: Feb P > Oct P**

- Instead of assuming a harvest (Oct’21) price of $6, assume a harvest price of $4.
- Expected Crop Value in Oct’21 for RP $850 =High(5,4)×170 bu
- **SCO Payment Limit $93.50 = $850 × (86%-75%)**
- Expected 2021 County Yield is 194.4 bu
- Assume Actual 2021 County Yield is 169.5 bu (87.2% of 194.4)
- **SCO Indemnity = $93.50 (payment limit)**
  
  $93.50 < $137.70 = $850 × [86% - 69.8%]
  
  = $850 × [86% - ($4 × 169.5 bu) / ($5 × 194.4 bu)]
**Enhanced Coverage Option (ECO)**

- Endorsement to YP, RP, RPHPE (NO Area policies)
- ECO covers **90% to 86%**, or **95% to 86%** of the underlying policy deductible based on County Yields or County Revenues
- Purchased from insurance agent (51%, 44% premium subsidy)
- ECO is NOT restricted by ARC/PLC election
- ECO can be stacked with SCO, but stacking not required
- ECO yields = SCO yields; If purchased, for all acres in County
- Actual ECO 2021 Yields published by June 16, 2022

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**ECO vs. SCO: Example with RP 80% coverage level**

ECO can be purchased with or without SCO

https://www.extension.iastate.edu/agdm/crops/html/a1-44.html
**ECO Formulas**

- **ECO Payment Limit** = Expected Crop Value in underlying policy ×
  (Choice of 95% or 90% trigger level - 86%)

- **ECO Indemnity**:  
  - If ratio of Actual-to-Expected Co Y or R < 90% or 95% trigger:
    Indemnity = Expected Crop Value in underlying policy ×
    (Trigger Level - Actual Co Y or R / Expected Co Y or R)
  - If ratio of Actual-to-Expected Co Y or R ≥ trigger %: NO Indem.

  \[ 0 \leq \text{Indemnity} \leq \text{Payment Limit} \]

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**ECO(YP) in Boone Co, IA**

- Susan Green: Yield Protection at 80%, APH 185 bu
- Assume projected (Feb’21) price is $5 per bushel
- Expected crop value in YP is $925 (185 bu × $5/bu)
- Purchases ECO with 95% Trigger Level
- **ECO Payment Limit $83.25** = $925 × (95%-86%)
- Expected 2021 County Yield is 202.8 bu
- Assume Actual 2021 County Yield is 168.5 bu (83.1% of 202.8)
- **ECO Indemnity is $83.25 < $925 \times (95\% - 83.1\%) = $110.08**

*SCO Indemnity = $26.83*
**ECO(RP) in Story Co: Feb P < Oct P**

1. Tom Smith, Revenue Protection at 75%, APH 170 bu
2. Assume Projected price (Feb’21) is $5, and Harvest price (Oct’21) is $6; RP Crop Value is $1,020 (170 x $6)
3. Purchased ECO in March’21 at 90% Trigger Level
4. **ECO Payment Limit $40.80 = $1,020 x (90% - 86%)**
5. Expected 2021 County Yield is 194.4 bu
6. Assume Actual 2021 County Yield is 169.5 bu (87.2% of 194.4)
7. **ECO Indemnity $28.56 = $1,020 x (90% - 87.2%) < $40.80**
   - 87.2% = ($6 x 169.5 bu) / ($6 x 194.4 bu) < 90% trigger

**SCO Indemnity = $0**

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**ECO(RP) in Story Co: Feb P > Oct P**

1. Instead of assuming a Harvest price (Oct’21) of $6, assume a Harvest price of $4, and same Projected price (Feb’21) of $5.
2. Expected Crop Value in Oct’21 for RP $850 = $5 x 170 bu
3. **ECO Payment Limit $34 = $850 x (90%-86%)**
4. Expected 2021 County Yield is 194.4 bu
5. Assume Actual 2021 County Yield is 169.5 bu (87.2% of 194.4)
6. **ECO Indemnity: $34 (payment limit)**
   - ($4 x 169.5 bu) / ($5 x 194.4 bu) = 69.8% < 86%

**SCO Indemnity = $93.50**
Some Possible Scenarios for ECO, SCO vs. YP, RP, RPHPE

1. Low FARM Y/R, Low County Y/R → YP, RP, RPHPE indemnities >0 & ECO, SCO indemnities >0.
2. Low FARM Y/R, Normal to high County Y/R → YP, RP, RPHPE indemnities >0 & ECO, SCO indemnities =0.
3. Normal to high FARM Y/R, Low County Y/R → YP, RP, RPHPE indemnities =0 & ECO, SCO indemnities >0.
4. Normal to high FARM and County Y/R → YP, RP, RPHPE indemnities =0 & ECO, SCO indemnities =0.

*Additional Scenarios include either SCO or ECO triggering payments

ARC-CO or PLC+SCO?

➢ Do your farm yields move in tandem with your county yield?

♥ NO → is SCO a good risk management tool for you?

♥ YES → how willing are you to shift coverage from farm- to county-level Y or R to save on crop insurance premiums?

➢ ARC-CO uses 5-year Olympic Average of Co Yields to calculate revenue guarantee. ARC-CO pays out if:

   Actual County Revenue / County Revenue Guarantee < 86%

➢ SCO: Expected County Yields are projected over an increasing 30-year trend. SCO pays out if:

   Actual County Yield or Revenue / Expected Co Y or R < 86%
Extra Coverage SCO vs. ARC-CO: Corn

- Trigger Yields for ARC-CO vs 86% of SCO Expected Yields
- For 97 counties, 86% SCO Exp. Y > ARC-CO Trigger Y
- SCO is more likely to trigger payments than ARC in 2021.
- Exceptions: Clarke and Wayne Counties
- Assuming 2021/22 MYA and Crop Ins. Prices for corn at $4.45
- **SCO(RP80%) extra-coverage across 97 counties: $51**
- SCO extra-coverage < $20: Appanoose, Clarke, Lucas, Wayne
- SCO is purchased, no fee for ARC-CO → Net Indemnity?

Extra Coverage SCO vs. ARC-CO: Soy

- For All counties: 86% SCO Exp. Yields > ARC-CO Trigger Y
- SCO more likely to trigger payments than ARC-CO in 2021.
- Assuming 2021/22 MYA and Crop Ins. Prices for soy at $11
- **SCO(RP80%) extra-coverage across 99 counties: $37**
- SCO extra-coverage < $20: Davis ($9)
- SCO is purchased, no fee for ARC-CO → Net Indemnity?
Interested in SCO?

- Consult with Crop Insurance Agent before choosing ARC/PLC
- SCO requires paying a premium
- County yields might move in opposite direction to farm yields
- SCO payments, if triggered, are issued after area yields are calculated (mid-June on the following crop year)
- No need to purchase SCO to buy ECO, or vice-versa
- If you purchase SCO and then enroll those acres in ARC, must report to FSA to cancel policy or face a penalty.

2020/21 ARC-CO

- Payments, if triggered, will be issued in October 2021
- RMA County Yields for 2020 not finalized until mid-June 2021
- Preliminary county yield estimates from NASS (sometimes different than RMA’s) not available until late February.
- MYA prices not finalized until October 2021
- We currently don’t know what ARC-CO payments for 2020/21 will look like
2020/21 PLC Payments

• Payments, if triggered, will be issued in October 2021
• Current USDA/WASDE price projections:
  ✓ Corn $4.20 > $3.70 PLC Effective Reference Price
  ✓ Soybeans $11.15 > $8.40 PLC Effective Reference Price

• Currently NO PLC payments for 2020/21 are expected in October 2021

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Extension and Outreach

Register today for Regional Iowa Decisions Webinars!

www.extension.iastate.edu/agdm

2021 Farm Bill Decisions

The next sign-up deadline for ARC/PLC is March 15, 2021. The following webinar series is free and open to all regardless of their county of operation. Examples used in regional sessions will focus on that area of the state with the regional Farm Management Specialists as the speaker.

Newsletters 01/20
- Farm Bill Information
- COVID-19 Resources Related to Farm Management
- Farm Bill Decisions
- Farm Financial Planning Program
- Farm Financial Concerns

01/2021 Updates
- Costs & Returns
- Estimated Costs of Crop Production
- ARC-CC & PLC Net Area Report
- Supplemental Crop Insurance
- 2021 Farm Bill Decisions
- Farm Average Price Calculations

Whole Farm

REGISTER TODAY!

Feb 5, 2021 1:00 pm | Ag Decision Maker Tools and Program Analysis | Alejandro Plastina
Feb 9, 2021 1:00 pm | East Central Iowa Decisions | Ryan Drollette
Feb 10, 2021 1:00 pm | Central Iowa Decisions | Patrick Mattting
Feb 16, 2021 1:00 pm | West Central Iowa Decisions | Tim Chrisiansen
Feb 17, 2021 1:00 pm | North Central Iowa Decisions | Keila Longwell
Feb 17, 2021 1:00 pm | Northeast Iowa Decisions | Melissa O’Rourke
Feb 18, 2021 10:00 am | Northwest Iowa Decisions | Gary Wright
Feb 18, 2021 1:00 pm | Southwest Iowa Decisions | Tim Chrisiansen
Feb 19, 2021 1:00 pm | Southeast Iowa Decisions | Charles Brown

Replay Farm Bill Webinars

Jan 19, 2021 | Program Sign-up with USDA FSA | Katie Kramer, Kevin McClure (slides), Alejandro Plastina (slides)
Additional Deadlines

- **CFAP** – Additional Assistance (contract livestock producers, farmers with no approved APH, …) due by Feb 26, 2021.
  [https://www.farmers.gov/cfap/apply](https://www.farmers.gov/cfap/apply)
- **Quality Loss Adjustment Program** (crop quality losses in 2018 or 2019) by March 5, 2021.
- Reauthorized **PPP** lending through March 31, 2021

Questions? Comments?

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Thank you for your attention!

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