2021 CROP ARC PLC ELECTION

February 4, 2021
Nathan Smith and Scott Mickey

2018 Farm Bill Annual Election Decision

• Price Loss Coverage (PLC) – offers **price protection**.

• Ag Risk Coverage – County (ARC-CO) – offers **shallow loss revenue protection** at a **COUNTY** level.

• Ag Risk Coverage-Individual (ARC-IC) – offers **shallow loss revenue protection** at an **individual farm** level across all farms enrolled in the state.
Election Decision for 2021 Crop

- The option to change elections by crop is available, but not required
  - Must be unanimous
  - Is made by all producers on the farm in the applicable year with a share of cropland acres

- If elections are not changed:
  - the elections in effect on the farm will continue

- NOTE: Late-filed elections are not authorized

Reminders About ARC-CO & PLC

- Enrollment is required for ARC PLC payment
- Election process is integrated into the enrollment process and will be completed at the same time in the software
- Enrollment is completed by all producers having a share in base acres on the farm
- Enrollment on a crop-by-crop basis:
  - May pick and choose crops to enroll or not enroll
  - Seed Cotton is eligible for STAX if it is not enrolled in ARCPLC
  - Partial enrollment of a crop’s base acres is NOT allowed
Reminder of ARC PLC Payment Timeline

- Option to change elections each year beginning in 2021
  - For 2021: October 1, 2020 through March 15, 2021
  - For 2022: October 1, 2021 through March 15, 2022
  - For 2023: October 1, 2022 through March 15, 2023

- **Payments are lagged a year**
  - ARC PLC Payments that are triggered for the 2020 Crop will be paid in October of 2021
  - 2021 ARC PLC Payments, if triggered will be paid in October of 2022

Price Loss Coverage

- Payments made when effective price is less than the reference price for a covered commodity

- Effective Price is the higher of Marketing year Average Price (MYA) for the crop OR the National Loan Rate for the crop

- Reference Price is set by statute and remains the same through 2023

- Payments made on 85% of base acres of the covered commodity

- Payments are made regardless of the planting of the covered commodity
### PLC Statutory Reference Prices

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Statutory Reference Price</th>
<th>Unit</th>
<th>Commodity</th>
<th>Statutory Reference Price</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>$5.50</td>
<td>bu</td>
<td>Sunflower Seed</td>
<td>$0.2015</td>
<td>lb.</td>
</tr>
<tr>
<td>Barley</td>
<td>$4.95</td>
<td>bu</td>
<td>Flaxseed</td>
<td>$11.284</td>
<td>bu</td>
</tr>
<tr>
<td>Oats</td>
<td>$2.40</td>
<td>bu</td>
<td>Mustard Seed</td>
<td>$0.2015</td>
<td>lb.</td>
</tr>
<tr>
<td>Peanuts</td>
<td>$0.2675</td>
<td>lb.</td>
<td>Rapeseed</td>
<td>$0.2015</td>
<td>lb.</td>
</tr>
<tr>
<td>Corn</td>
<td>$3.70</td>
<td>bu</td>
<td>Safflower</td>
<td>$0.2015</td>
<td>lb.</td>
</tr>
<tr>
<td>Grain Sorghum</td>
<td>$3.95</td>
<td>bu</td>
<td>Crambe</td>
<td>$0.2015</td>
<td>lb.</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$8.40</td>
<td>bu</td>
<td>Sesame Seed</td>
<td>$0.2015</td>
<td>lb.</td>
</tr>
<tr>
<td>Dry Peas</td>
<td>$0.1100</td>
<td>lb.</td>
<td>Seed Cotton</td>
<td>$0.3670</td>
<td>lb.</td>
</tr>
<tr>
<td>Lentils</td>
<td>$0.1997</td>
<td>lb.</td>
<td>Rice (long grain)</td>
<td>$0.1400</td>
<td>lb.</td>
</tr>
<tr>
<td>Canola</td>
<td>$0.2015</td>
<td>lb.</td>
<td>Rice (med/short grain)</td>
<td>$0.1400</td>
<td>lb.</td>
</tr>
<tr>
<td>Large Chickpeas</td>
<td>$0.2154</td>
<td>lb.</td>
<td>Rice (temperate japonica)</td>
<td>$0.1610</td>
<td>lb.</td>
</tr>
<tr>
<td>Small Chickpeas</td>
<td>$0.1904</td>
<td>lb.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Agriculture Risk Coverage - County

- Payments made when the ARC-CO Actual Revenue is less than the ARC-CO Guarantee for a covered commodity. *County data (Yield) is used, not individual farm or producer Yields.* Actual county yields based on RMA data (crop insurance) if available for the county.

- The payment rate can be no higher than 10% of the ARC-CO Benchmark Revenue for the covered commodity.

- Payments made on 85% of base acres of the covered commodity.

- Payments are made regardless of the planting of the covered commodity.
**PLC Example: Corn**

Payment Rate ($/bu) x Payment Yield (bu/acre) x 85% = PLC Payment ($/base acre)

<table>
<thead>
<tr>
<th>Marketing Year Average Price ($/bu)</th>
<th>Reference Price ($/bu)</th>
<th>PLC Payment Rate ($/bu)</th>
<th>Farm Payment Yield – (bu)</th>
<th>Base Acres Covered (%)</th>
<th>PLC Payment ($/base acre)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3.70</td>
<td>$3.70</td>
<td>$0.00</td>
<td>135 bu</td>
<td>85%</td>
<td>$0</td>
</tr>
<tr>
<td>$3.60</td>
<td>$3.70</td>
<td>$0.10</td>
<td>135 bu</td>
<td>85%</td>
<td>$11.48</td>
</tr>
<tr>
<td>$3.50</td>
<td>$3.70</td>
<td>$0.20</td>
<td>135 bu</td>
<td>85%</td>
<td>$22.95</td>
</tr>
<tr>
<td>$3.40</td>
<td>$3.70</td>
<td>$0.30</td>
<td>135 bu</td>
<td>85%</td>
<td>$34.43</td>
</tr>
<tr>
<td>$3.30</td>
<td>$3.70</td>
<td>$0.40</td>
<td>135 bu</td>
<td>85%</td>
<td>$45.90</td>
</tr>
</tbody>
</table>

**Agricultural Risk Coverage - County (ARC-CO)**

- Payments if per-acre revenues fall below 86% of county benchmark.
- Maximum payment: 10% of benchmark (covers 76-86% of revenue).
- County Benchmark:
  - 5-yr. Olympic avg. national price * 5-yr. Olympic avg. county yield for each commodity.
- Prices used to compute averages are the higher of average national price or effective reference price.
- Paid on 85% of base acres.
### Peanut Price Loss Coverage Payment Rates

<table>
<thead>
<tr>
<th>Marketing Year</th>
<th>MYA Price</th>
<th>PLC Payment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014/15</td>
<td>$440/ton</td>
<td>$95/ton</td>
</tr>
<tr>
<td>2015/16</td>
<td>$386/ton</td>
<td>$149/ton</td>
</tr>
<tr>
<td>2016/17</td>
<td>$394/ton</td>
<td>$141/ton</td>
</tr>
<tr>
<td>2017/18</td>
<td>$464/ton</td>
<td>$71/ton</td>
</tr>
<tr>
<td>2018/19</td>
<td>$430/ton</td>
<td>$105/ton</td>
</tr>
<tr>
<td>2019/20</td>
<td>$412/ton</td>
<td>$123/ton</td>
</tr>
<tr>
<td>Proj. 2020/21</td>
<td>$430/ton</td>
<td>$105/ton</td>
</tr>
</tbody>
</table>

Data Source: USDA FSA
2021 Price Outlook

• Contract prices for VA type offered at $520 per ton.

• Runners contracts offered at $475 per ton last week.

• Depending on sign up, farmer contracts could average $500 or more per ton in 2021.

• Looking at $35 per ton PLC or less in 2021 currently.

SEED COTTON
2/4/2021

Seed Cotton Prices

$0.00  $0.10  $0.20  $0.30  $0.40  $0.50  $0.60  $0.70  $0.80  $0.90

90 92 94 96 98 00 02 04 06 08 10 12 14 16 18 20

Lint  Cottonseed  Seed Cotton  Reference Price  Price Floor

Chart adapted from National Cotton Council

2020 Seed Cotton PLC Payment Projection

Base Acres  100 acres
Payment Yield  800 lbs
Seed Cotton 2020 MYA Price  34.64 cents/lb

Seed Cotton Payment Yield = 800 x 2.4 = 1920 lbs

Seed Cotton PLC Payment Rate = 36.7 - 34.64 = 2.06 cents/lb

Seed Cotton PLC Payment = $2.06 x 1920 lbs x 100 acres x 85% = $3,362

Payment per Acre of Base = $33.62
Peanut and Seed Cotton ARC PLC Election

- PLC was designed with peanut and rice in mind and then seed cotton was designed similar.
  - Translation: Reference Prices for peanut and seed cotton historically trigger higher PLC payments than ARC payments for these crops.
  - Market Year Average Prices have been and are expected to be below the reference price triggering a PLC payment.

- 2021 MYA prices are expected to be higher and will cut the PLC payments by half or more, but at present I’d expect a payment of some level for peanuts and seed cotton.

- If you want shallow loss revenue protection on peanut or cotton, SCO crop insurance is available or buy up individual coverage which will provide better protection.
Decision Aids

- Online Tool - Texas A&M Ag and Food Policy Center, https://www.afpc.tamu.edu/tools/farm/farmbill/2018/


THANK YOU