



COOPERATIVE EXTENSION
College of Agriculture, Forestry and Life Sciences

2021 CROP ARC PLC ELECTION

February 4, 2021

Nathan Smith and Scott Mickey

CLEMSON
EXTENSION AGRIBUSINESS

1



COOPERATIVE EXTENSION
College of Agriculture, Forestry and Life Sciences

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.

2

2

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

3

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

4



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

5



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

6

PLC Statutory Reference Prices

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

7

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.

8

PLC Example: Corn

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

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

9

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**.

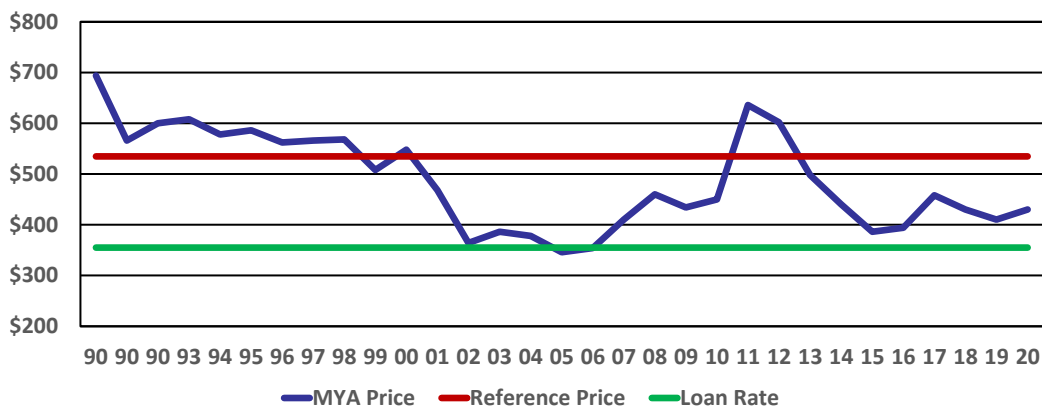
10

PEANUTS

11

Peanut MYA Prices

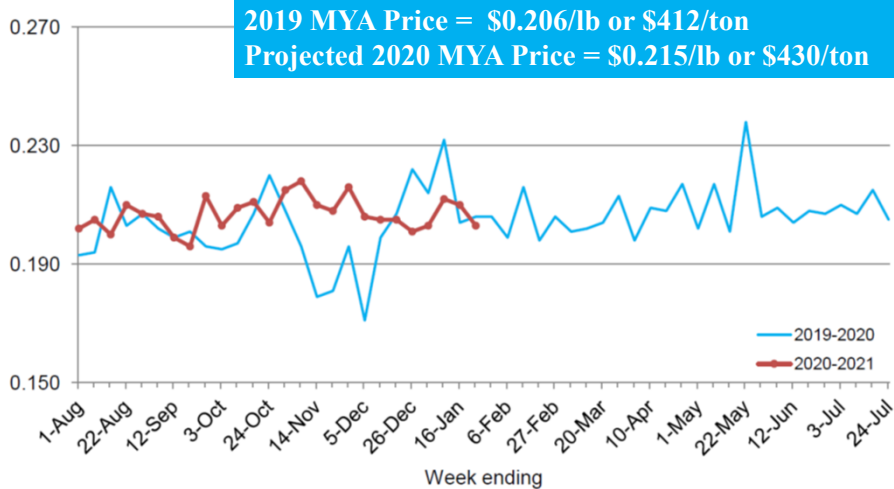
\$/Ton



12

All Peanut Prices – United States

Dollars per pound



Source: Peanut Prices (Jan 29, 2021) USDA, National Agricultural Statistics Service

13

Peanut Price Loss Coverage Payment Rates

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

Data Source: USDA FSA

14



2021 Price Outlook

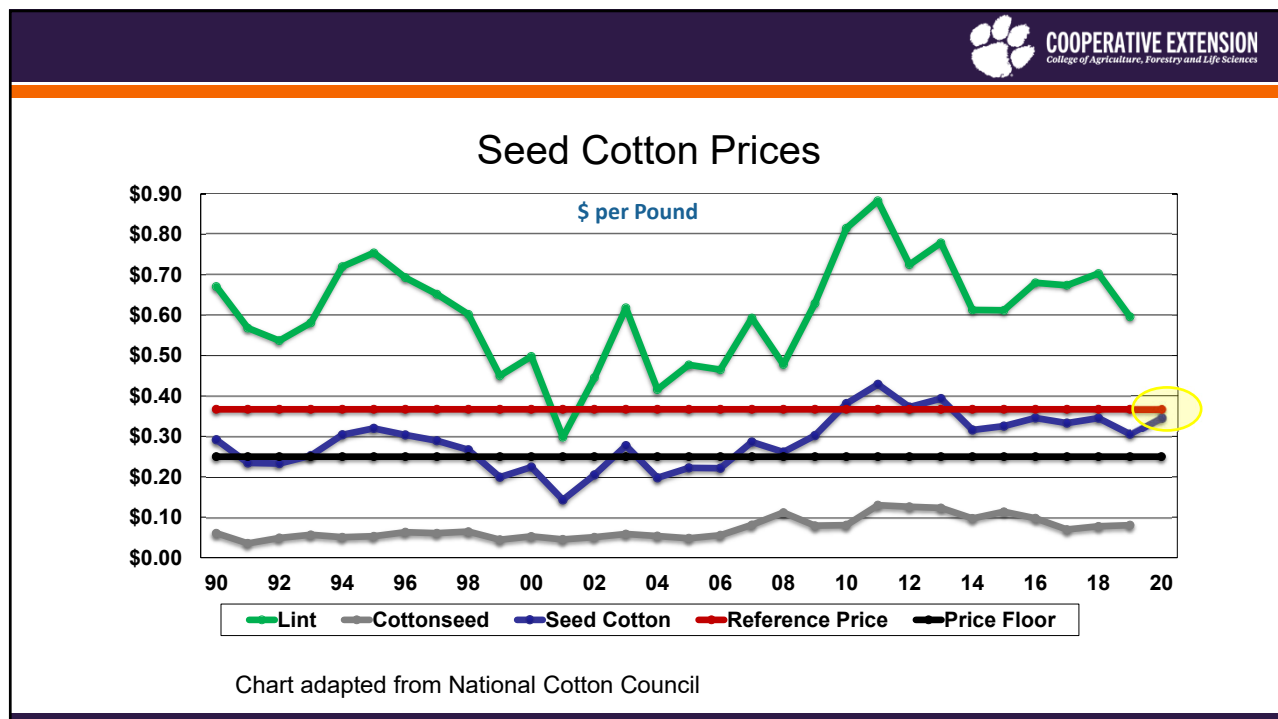
- Contract prices for VA type offered at \$520 per ton.
- Runners contracts offered at \$475 per ton last week.
- Depending on sign up, farmer contracts could average \$500 or more per ton in 2021.
- Looking at \$35 per ton PLC or less in 2021 currently.

15

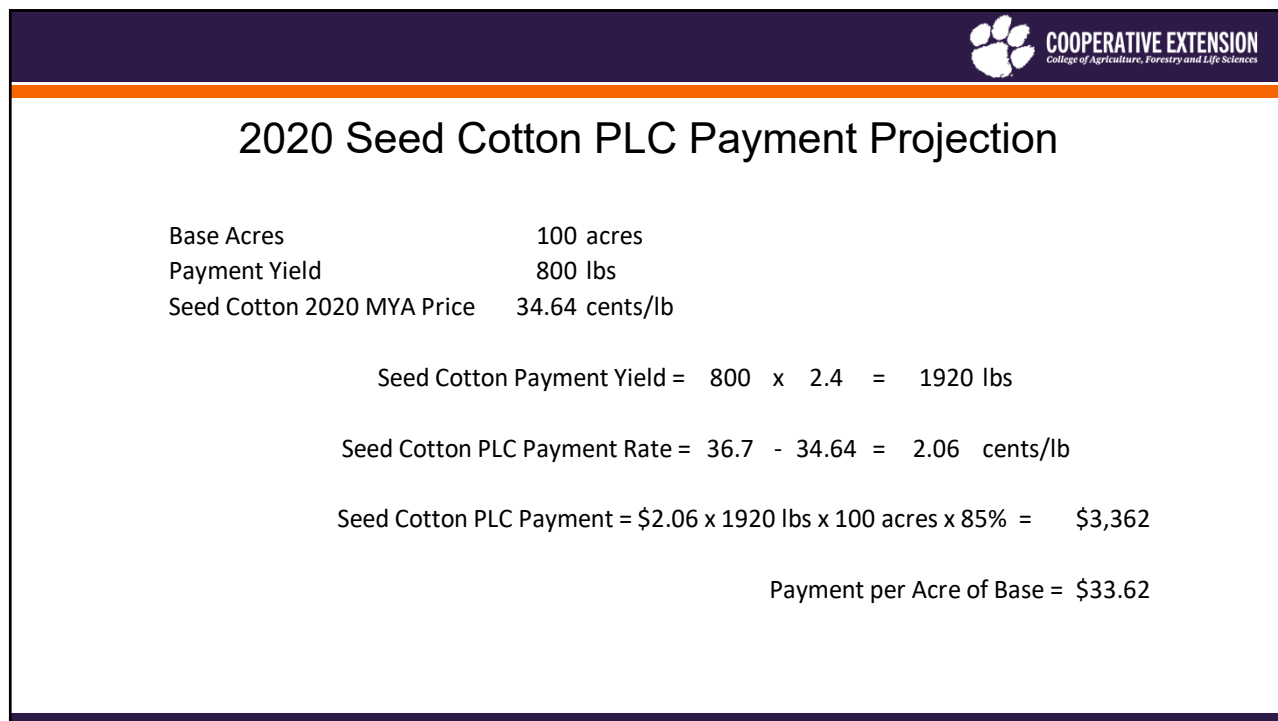


SEED COTTON

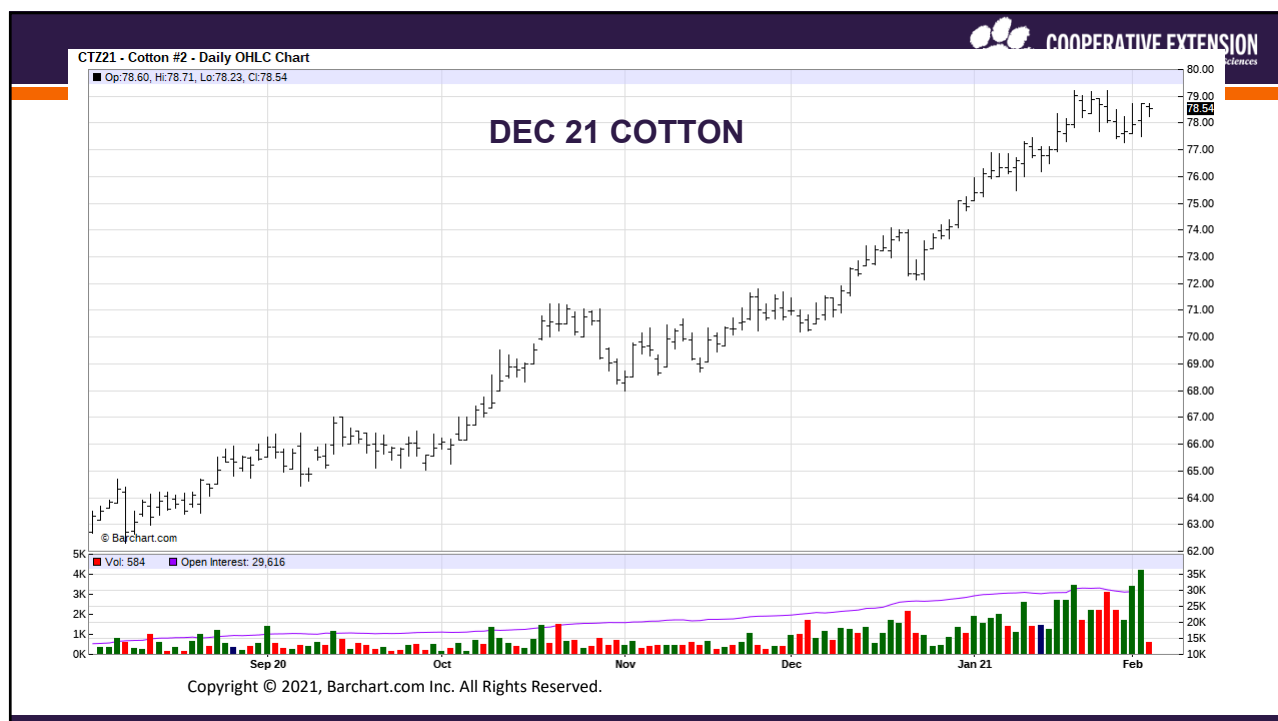
16



17



18



19

COOPERATIVE EXTENSION
College of Agriculture, Forestry and Life Sciences

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.

20

Decision Aids

- Online Tool - Texas A&M Ag and Food Policy Center,
<https://www.afpc.tamu.edu/tools/farm/farbill/2018/>
- Kansas State University Spreadsheet Tool – <https://agmanager.info/ag-policy/2018-farm-bill/tradeoff-between-20192020-arc-and-plc>

21

THANK YOU

CLEMSON[®]
EXTENSION AGRIBUSINESS

22