Renk Agribusiness Institute
UNIVERSITY OF WISCONSIN–MADISON

Sign up Now for ARC or PLC – Recommendations for Wisconsin Farmers

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Signup for the USDA commodity support programs ARC (Agriculture Risk Coverage) and PLC (Price Loss Coverage) for the 2019 and 2020 crop years is currently ongoing, with the March 15, 2020 deadline rapidly approaching. This article summarizes the resources I have developed for farmers (and those working with farmers) to help them make their decisions and my specific recommendations for farmers.

The Resources web page (https://aae.wisc.edu/pdmitchell/extension/arc-plc-signup/) has multiple videos and other materials, as well as links to decision aids. Specific recommendations are given first, followed by explanations on how the programs work. Next are links to decision aids and materials on how to use them: the Gardner Payment Simulator and a spreadsheet for Updating PLC Payment Yields. Last are materials on ARC-IC (Individual Coverage) and a spreadsheet of prices and county yield data for major Wisconsin crops.

How ARC and PLC Work

PLC creates a price floor at the national level, trigging payments if the national marketing year average price is less than the Refence price for a crop. PLC Reference prices are $3.70 for corn, $8.40 for soybeans, $5.50 for wheat, and $2.40 for oats. If a PLC payment is triggered, the payment is the farm's PLC yield times the price loss times 85% of the farm's base acres.

ARC-CO (County ARC) creates a revenue guarantee for each crop at the county level based on historical yields and prices using a detailed formula. If actual county revenue falls below the guarantee, ARC payments equal the revenue loss times 85% of the farm's base acres. The ARC-CO revenue guarantee is updated annually. Local FSA offices have the guarantees for each crop in your county, or you can look them up for major Wisconsin crops in a spreadsheet on the Resources web page.

General Recommendations

Make your appointment with your local FSA office as soon as you can. FSA has a lot of farms to process by the March 15, 2020 deadline and there is no value to waiting. The local office will guide you on the information you need but expect to know your crop yields for each FSA farm as far back as 2013. Next, update your PLC payment yields for each crop and farm, if they increase. Updating yields is important, even if you do not select PLC this sign up, as you may want to in the future and it may be years before you can update PLC yields again.

Crop-Specific Program Recommendations

Farmers can choose ARC-CO or PLC separately for each FSA farm and crop – one of your farms can use PLC for soybeans and another can use ARC-CO. The crop-specific recommendations below are based on which program has the largest expected payments for 2019 and 2020 using the Gardner Payment Simulator (https://fd-tools.ncsa.illinois.edu/), or comparing projected prices to the PLC Reference price and the ARC-CO price. Videos on the Resources web page explain the logic for these recommendations.

- **Corn**: Choose PLC.
- **Soybeans**: Run the Gardner Payment for your county using your PLC yields and choose the option with the largest expected payments for 2019 and 2020.
- **Wheat**, **Barley, Grain Sorghum and Sunflowers** Choose PLC.
- **Oats**: Choose ARC-CO.

Soybean Comment: Expected ARC-CO and PLC payments for soybeans vary by county and PLC yields, making simple generalizations difficult. For many Wisconsin farms, ARC-CO will be the best choice, since low county yields will still trigger payments, while the $8.40/bu PLC reference price is well below expected prices, making payments less likely. However, in a few counties, and for farms with higher than average PLC yields, PLC has higher expected payments, sometimes by more than $2 per base acre. This variation is why I recommend that farmers run the Gardner Payment Simulator (https://fd-tools.ncsa.illinois.edu/) for their county and PLC yields to determine whether ARC or PLC has the largest expected payments for 2019 and 2020. The Resources web page has a video on how to use the simulator or contact your county Extension agent.

Crop Insurance and ARC versus PLC

These programs have some overlap with crop insurance, but I recommend making program decisions separate from crop insurance decisions, as they use different acreages, prices and yields. Crop insurance uses actual planted acres and includes prevented plant coverage, while these programs make payments using 85% of base acres. Crop insurance uses current expected market prices, while these programs use average historical prices or pre-set refence prices that can be well above or well below actual crop values. Lastly, these programs use fixed PLC yields or county yields, while crop insurance uses actual farm yields. Thus, I recommend making farm program decisions separate from crop insurance decisions. The only exception is if a farmer plans to buy SCO (Supplemental Coverage Option) as part of their crop insurance coverage, which means they must choose PLC for the insured crop.

SCO is an add-on to crop insurance that covers part of the "deducible". For example, if a farmer buys Revenue Protection (RP) with a 75% coverage level, the farmer pays the first 25% of losses below their expected revenue as a deductible. SCO allows a farm to cover part of this deductible using a county policy, with coverage up to 86% of expected revenue. Farmers already buying RP with an 85% coverage level may find adding SCO offers similar coverage at lower cost if they reduce their RP coverage level. However, few Wisconsin farmers use 85% coverage for their RP policy – only 5%-6% of all insured corn and soybean acres in the state in 2019. In terms of crop-specific recommendations, the few corn and soybean farmers who buy RP with an 85% coverage level may want also choose PLC for their soybeans (not just their corn) and then consider buying SCO and reducing their RP coverage level slightly. I generally do not recommend buying RP with an 85% coverage level, as most Wisconsin farmers find RP with a 70% to 80% coverage level the most cost-effective option. However, interested farmers should discuss SCO with their crop insurance agent.

Farms that May Find ARC-IC Preferable

ARC-IC is receiving more attention for this signup. ARC-IC uses actual farm yields and planted acres to create a revenue guarantee for all crops with base acres on a farm. Farmers can use ARC-IC on some of their FSA farms and ARC-CO or PLC on other farms. The Resources web page includes videos and an article on ARC-IC, explaining how it works and the types of farms that may find it preferable. In brief, FSA farms with low actual yields for all crops in 2019, such as from late or prevented planting, may want to look at ARC-IC, as may FSA farms with high yields well above the ARC-CO county yield, such as irrigated farms in counties that FSA does not offer an irrigated option. Lastly, farms with more than 15% of their acres planted in vegetables can potentially receive larger payments with ARC-IC, since it allows more non-payment acres. See the Resources web page for more information.