

Selecting ARC vs. PLC



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Art was raised on a diversified farm, located in Elk County, Kansas. Art received his Ph.D. in Agricultural Economics from Texas A&M University. Art joined the Kansas State University Ag. Economics faculty in 1979 and recently retired with the rank of professor. Art continues to conduct national and international education programs on market risk, USDA commodity programs, crop insurance and public policy. His research work with the private sector was the basis for the first revenue insurance contract. He has won several National awards including the National Association of Public & LG Universities Excellence in Extension Award; that included a \$5,000 honorarium. Art was named on the Top Producer Editors' list of "Brave Thinkers and 1 of "7 Economists, Bankers Who Challenged the Status Quo". In "retirement", Art enjoys managing price & yield risk for his small farm. While missing his dear wife, Nancy, Art enjoys time with his 5 granddaughters. Art is the owner of 4B Agricultural Consultants, LLC, and he continues to provide educational speeches-seminars and other services.

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Farmers have Selected either ARC or PLC for 2020/21

1. Farmers have elected 2020/21 ARC-PLC. (March a year ago)
2. We don't know MYA prices for 2020/21 and price forecasts have errors. Marketing year started on September 1, 2020 for payments in the fall of 2021. (June 1 for wheat)
3. We don't know FSA 2020 county yields for a crop that was harvested last fall.
4. NASS has released county wheat yields with corn/soybeans yields later today. The NASS yields are not split by irrigation.
5. FSA sets their own trend adjusted county yields based on RMA yields that will be released in June. FSA 2020 county yields will be released this fall at payment time.

Estimated MYA 2020/21 Wheat Price Used to Calculate 2020/21 ARC and PLC Payments (01/01/21)

	Est	Est		
Estimated MYA Price(s)	20/21	Wt.*		
June	4.56	13.5	Last Month 20/21 Est MYA price	\$4.87
July	4.54	17.9	2020 ARC Reference Price	
August	4.55	13.5	MYA Price 18/19	\$5.16
September	4.73	8.9	MYA Price 17/18	\$4.72
October	4.98	6.0	MYA Price 16/17	\$3.89
November	5.24	5.0	MYA Price 15/16	\$4.89
December	5.43	7.9	MYA Price 14/15	\$5.99
Forecast January 21	5.89	8.8	5 Yr. Olympic Average Reference	
Forecast February	5.89	5.0	Price for 2020 ARC	\$5.50
Forecast March	5.90	5.0	ARC 14% Deductible Price	\$4.73
Forecast April	5.90	4.4		
Forecast May	5.77	4.0	PLC Reference Price	\$5.50
Estimated 20/21 MYA price	\$5.06		Estimated PLC Payment	\$0.44

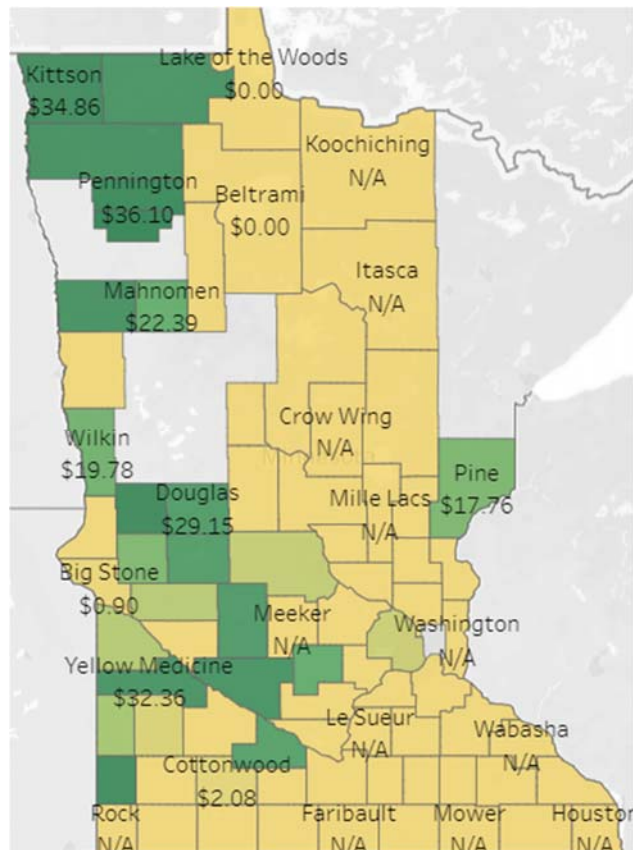
Estimated MYA 2020/21 Corn Price Used to Calculate 2020/21 ARC and PLC Payments (01/01/21)

	Est	Est		
Estimated MYA Price(s)	20/21	Wt.*		
September	3.40	6.9	Last Month 20/21 Est MYA price	\$3.72
October	3.61	11.2	2020 ARC Reference Price	
November	3.79	12.7	MYA Price 18/19	\$3.61
December	3.97	9.1	MYA Price 17/18	\$3.36
Forecast January 21	4.67	12.6	MYA Price 16/17	\$3.36
Forecast February	4.67	7.6	MYA Price 15/16	\$3.61
Forecast March	4.68	6.7	MYA Price 14/15	\$3.70
Forecast April	4.68	5.7	5 Yr. Olympic Average Reference	
Forecast May	4.65	6.2	Price for 2020 ARC	\$3.70
Forecast June	4.65	7.7	ARC 14% Deductible	\$3.18
Forecast July	4.23	6.7		
Forecast August	4.23	6.9	PLC Reference Price	\$3.70
Estimated 20/21 MYA price	\$4.23		PLC Payment	\$0.00

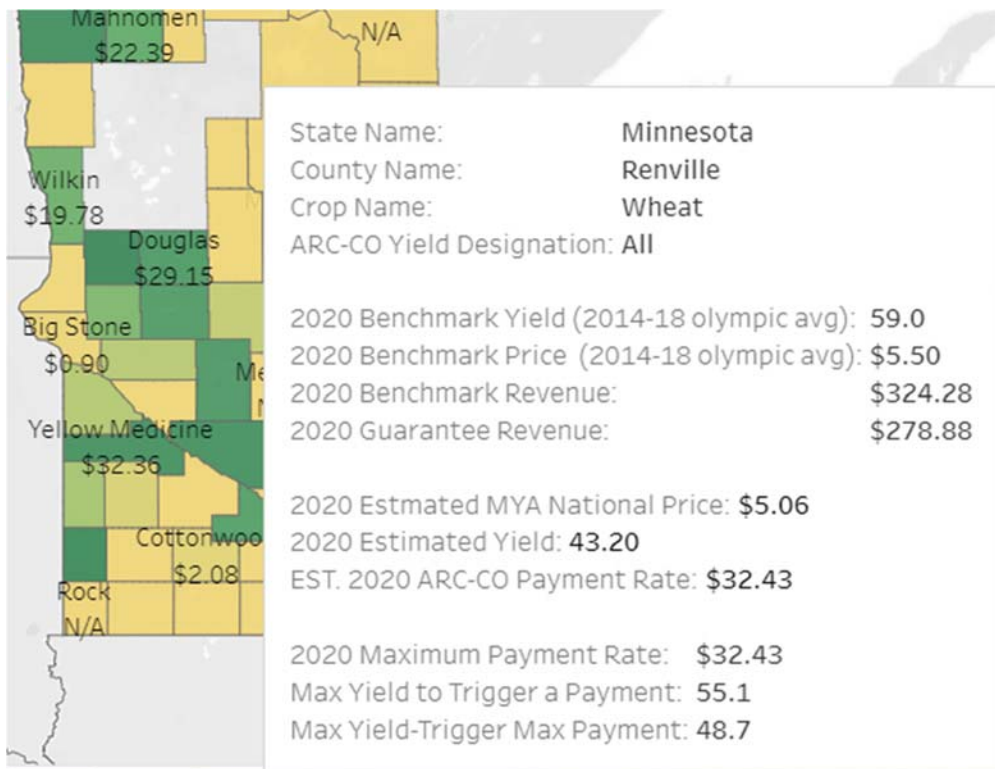
Estimated MYA 2020/21 Soybean Price Used to Calculate 2020/21 ARC and PLC Payments (01/01/21)

Estimated MYA Price(s)	Est. 20/21	Est. Wt.*		
September	9.24	6.8	Last Month 20/21 Est MYA price	\$9.66
October	9.63	24.1	2020 ARC Reference Price	
November	10.30	11.1	MYA Price 18/19	\$8.48
December	10.50	10.0	MYA Price 17/18	\$9.33
Forecast January 21	11.89	13.5	MYA Price 16/17	\$9.47
Forecast February	11.89	6.4	MYA Price 15/16	\$8.95
Forecast March	11.88	5.9	MYA Price 14/15	\$10.10
Forecast April	11.88	4.7	5 Yr. Olympic Average Reference	
Forecast May	11.76	3.7	Price for 2020 ARC	\$9.25
Forecast June	11.76	5.0	ARC 14% Deductible	7.96
Forecast July	11.36	4.8		
Forecast August	10.52	4.0	PLC Reference Price	8.40
Estimated 20/21 MYA price	\$10.76		PLC Payment	\$0.00

Estimated MN ARC 2020/21 Wheat Payments

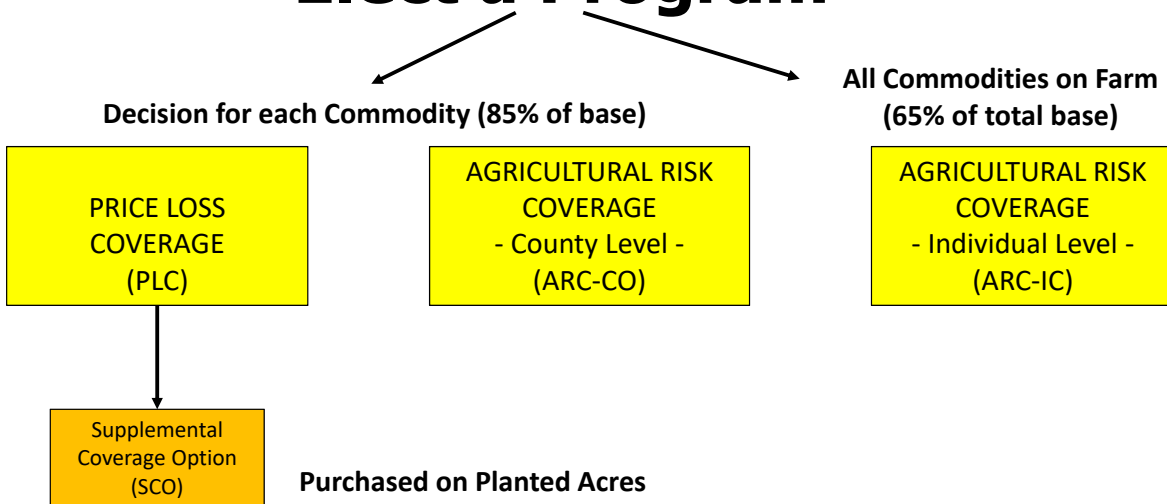


Est. Renville, MN ARC 2020/21 Wheat Payments



Farmer Decisions to be Made for 2021/22 Marketing Year

Elect a Program



Prior to March 15, Farmers will Select either ARC or PLC

1. By March 15, farmers will select either ARC-PLC 2021/22.
2. FSA has not announced an ARC guarantee in some counties.
3. We don't know MYA prices for 2021/22 and price forecasts have very LARGE errors. Marketing year starts on September 1, 2021 for payments in the fall of 2022.
4. We don't know county yields for 2021; a crop that is not planted, except for winter wheat.
5. Because we know very little about next years prices or yields, the selection of ARC vs PLC is a crap shoot!

Projected MYA Prices by Agency`

	(Actual)	(Projected)	(Projected)
Corn	2019/2020	2020/2021	2021/2022
K-State Monthly Estimate	\$3.56	\$4.23	\$4.05
USDA WASDE Monthly Estimate	\$3.56	\$4.30	-----
USDA Long-Term Projections	\$3.56	\$3.60	\$3.65
FAPRI-MU (Baseline)	\$3.60	\$3.24	\$3.39
USDA ERS	\$3.56	\$4.58	-----
	(Actual)	(Projected)	(Projected)
Soybeans	2019/2020	2020/2021	2021/2022
K-State Monthly Estimate	\$8.57	\$10.76	\$9.84
USDA WASDE Monthly Estimate	\$8.57	\$11.15	-----
USDA Long-Term Projections	\$8.57	\$9.80	\$10.00
FAPRI-MU (Baseline)	\$8.55	\$8.24	\$8.69
USDA ERS	\$8.57	\$11.43	-----

Projected MYA Prices by Agency`

	(Actual)	(Projected)	(Projected)
Wheat	2019/2020	2020/2021	2021/2022
K-State Monthly Estimate	\$4.58	\$5.06	\$5.80
USDA WASDE Monthly Estimate	\$4.58	\$5.00	-----
USDA Long-Term Projections	\$4.58	\$4.70	\$4.90
FAPRI-MU (Baseline)	\$4.58	\$4.55	\$4.72
USDA ERS	\$4.58	\$5.18	-----
	(Actual)	(Projected)	(Projected)
Grain Sorghum	2019/2020	2020/2021	2021/2022
K-State Monthly Estimate	\$3.34	\$5.23	\$4.39
USDA WASDE Monthly Estimate	\$3.34	\$4.80	-----
USDA Long-Term Projections	\$3.34	\$3.60	\$3.80
FAPRI-MU (Baseline)	\$3.25	\$3.22	\$3.29
USDA ERS	NA	NA	NA



Estimated ARC/PLC 2021/22 Corn Payments

ARC Payments vs. PLC Payments Under Different Yields and Prices for 2021/2022 Marketing Year

State: **Minnesota**
 County: **Renville** Crop: **Corn** Type: **All**

		ARC		PLC					
5 Yr. Olympic Avg. County Yield		208.46	Bushels	Program Yield	189.0 Bushels				
5 Yr. Olympic Avg. MYA Price		\$3.70		Reference Price	\$3.70				
Benchmark Revenue		\$771.30							
Guaranteed Revenue		\$663.32		PLC > ARC-CO max @	\$3.29				
		Yield							
		122	136	151	168	187	208	229	250
MYA Price	PLC Payment	ARC Payment							
\$4.43	\$0.00	\$77.13	\$60.84	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$4.34	\$0.00	\$77.13	\$73.08	\$7.98	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$4.25	\$0.00	\$77.13	\$77.13	\$21.57	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$4.17	\$0.00	\$77.13	\$77.13	\$33.65	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$4.09	\$0.00	\$77.13	\$77.13	\$45.73	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$4.01	\$0.00	\$77.13	\$77.13	\$57.81	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$3.93	\$0.00	\$77.13	\$77.13	\$69.89	\$3.08	\$0.00	\$0.00	\$0.00	\$0.00
\$3.85	\$0.00	\$77.13	\$77.13	\$77.13	\$16.52	\$0.00	\$0.00	\$0.00	\$0.00
\$3.77	\$0.00	\$77.13	\$77.13	\$77.13	\$29.96	\$0.00	\$0.00	\$0.00	\$0.00
\$3.70	\$0.00	\$77.13	\$77.13	\$77.13	\$41.72	\$0.00	\$0.00	\$0.00	\$0.00
\$3.63	\$13.23	\$77.13	\$77.13	\$77.13	\$53.48	\$0.00	\$0.00	\$0.00	\$0.00
\$3.56	\$26.46	\$77.13	\$77.13	\$77.13	\$65.24	\$0.00	\$0.00	\$0.00	\$0.00
\$3.49	\$39.69	\$77.13	\$77.13	\$77.13	\$77.00	\$10.69	\$0.00	\$0.00	\$0.00
\$3.42	\$52.92	\$77.13	\$77.13	\$77.13	\$77.13	\$23.78	\$0.00	\$0.00	\$0.00
\$3.35	\$66.15	\$77.13	\$77.13	\$77.13	\$77.13	\$36.87	\$0.00	\$0.00	\$0.00
\$3.28	\$79.38	\$77.13	\$77.13	\$77.13	\$77.13	\$49.96	\$0.00	\$0.00	\$0.00
\$3.21	\$92.61	\$77.13	\$77.13	\$77.13	\$77.13	\$63.05	\$0.00	\$0.00	\$0.00
\$3.15	\$103.95	\$77.13	\$77.13	\$77.13	\$77.13	\$74.27	\$8.12	\$0.00	\$0.00



ARC County Yields

1. ARC payments are based on county where base acres are located rather than administrative county.
2. Provides a separate irrigated and non-irrigated ARC guarantee in many counties.
3. Prioritize RMA data in the calculation of county yields used for ARC guarantees and actual yields.
4. In counties where RMA data is limited, sources of yield information such as representative farms in adjacent counties or the crop reporting district will be used to determine a county's yield.

Payment Limits

1. The individual payment limit remains the same at \$125,000.
2. Spouse will also receive a payment limit.
3. However, the debate continues as one Senator would like to limit payments to "tractor drivers". If this were to become policy, it could make it more difficult for young farmers to get started if public policy were to eliminate crop share landlords.
4. The Adjusted Gross Income cap remains at \$900,000.
5. The Marketing Assistance Loans (MAL) and Loan Deficiency Payments (LDP) payments are no longer counted towards the \$125,000 payment limit for ARC and PLC programs.
6. This has never been a real problem for LDP because it is a non-recourse loan. Farmers can repay the loan at the lower Posted County Price and keep the loan gain that doesn't count in any payment limit.

Other Risk Considerations

1. Farmers who select ARC can't buy SCO. SCO covers all planted acres, but coverage is based on county yields, not farm level yields.
2. Payments will be made on 85% of base acres, not planted acres, and are subject to sequestration cuts.
3. Buy additional private insurance coverage. However, most private coverages are tied to an area yield (county) rather than farm level yields.

Other Risk Considerations (continued)

1. The National Marketing Year Average (MYA) price is used to calculate PLC and ARC payments with payment limits vs futures used to settle crop insurance claims with no payment limits.
4. Does the MYA price reflect your farm's price? How is the MYA calculated?
5. Crop insurance prices assume a zero basis.
6. Futures prices determine insurance payments. Are futures efficient? Do futures meet the test of a free market? Do futures reflect your cash price?



Thank You
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