

Commodity Programs, Crop Insurance, and Climate Initiatives Update



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Goals for Today

- Commodity Program Updates
 - ARC & PLC
- Crop Insurance Updates
- Proposed Climate Initiatives
 - In Budget Reconciliation



Commodity Program Updates

- **Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC)**
 - **ARC offers revenue protection**
 - **ARC-CO** makes a payment on **85%** of base acres when county revenue falls below the county revenue guarantee
 - **ARC-I** makes a payment on **65%** of base acres when individual farm revenue falls below the individual revenue guarantee
 - **PLC offers price protection**
 - PLC makes a payment when MYAP is below effective reference price

ARC & PLC Updates

- Important enrollment information:
 - Need to enroll every year

| Contract Year | Enrollment Dates |
|---------------|--|
| 2019 | September 3, 2019 through March 15, 2020 |
| 2020 | October 7, 2019 through June 30, 2020 |
| 2021 | October 2020 through March 15, 2021 |
| 2022 | October 2021 through March 15, 2022 |
| 2023 | October 2022 through March 15, 2023 |

- Payments for 2020 crop year (if any) should have just been sent out this month (Oct 2021)

2020 ARC & PLC Payments

- 2020 PLC payments
 - No payments for corn, soybeans, oats
 - PLC payments for peanuts, wheat, seed cotton
- North Carolina 2020 ARC payments
 - Overall, only a few counties had payments
 - **Corn** – Bertie, Bladen, Carteret, Columbus, Craven, Edgecombe, Franklin, Gates, Granville, Halifax, Hertford, Northampton, Pitt, Warren
 - **Soy** – Brunswick, Caswell, Cumberland, Currituck, Forsyth, Franklin, Hoke, Hyde, Johnston, Pitt, Polk, Robeson, Scotland, Stanly

PLC Reference Prices

| Crop | Ref. Price | Max "Float" price |
|-------------|------------|-------------------|
| Corn | \$3.70/bu | \$4.26/bu |
| Soybeans | \$8.40/bu | \$9.66/bu |
| Wheat | \$5.50/bu | \$6.33/bu |
| Sorghum | \$3.95/bu | \$4.54/bu |
| Peanuts | \$535/ton | \$615/ton |
| Seed Cotton | \$0.367/lb | \$0.422/lb |

- With high projected commodity prices, PLC is **unlikely to pay out** for major commodity crops in 2021
 - Except peanuts
- ARC will likely payout in 2021 only with **low yields in the county** (same as in 2020)

2022 ARC & PLC Signup

- For 2022 signup, its still a little bit early
 - Note that MYAP goes through Aug. 2023
- Wait to enroll near March 2022 deadline
- Depends on your expectations on yields and prices
 - PLC triggers on an effective reference price, while ARC-CO depends on 5-year average prices and county yields



ARC& PLC Decision Tools

- Two simulation-based decision tools available:
 - U. of Illinois: <https://fd-tools.ncsa.illinois.edu/>
 - Texas A&M: <https://www.afpc.tamu.edu/tools/farm/farbill/2018/>
- Illinois:
 - Focus on corn, soybeans, and wheat
 - 5 year payment estimates using 1000 model runs
- Texas A&M:
 - All commodity crops
 - 2 year payment estimates using 500 model runs

Crop Insurance Updates

- **Micro Farm Insurance Policy for Local Growers**
 - For small farms who sell **locally** (mainly fruit, vegetables, and other specialty crops)
 - Through the **Whole-Farm Revenue Program (WFRP)**
 - No expense or individual commodity reporting (though guarantee based on whole-farm tax records)
 - Revenue from post production costs (e.g., washing, packing) considered allowable revenue
 - Only for operations earning \$100k or less (or \$125k or less for carryover insureds)
 - Available for 2022 crop year

Whole-Farm Revenue Protection

- WFRP allows farmers to insure all crops (& livestock) at once under one policy, rather than insuring commodity-by-commodity
 - Designed for **diversified operations** and “**underserved**” commodities
- **Revenue insurance coverage** primarily based on 5 years of tax records (Sched. F)
 - Beginning farmers only need 3 years (plus have discount)
- Premium subsidy of up to **80%** when at least two commodities are grown
 - Available coverage levels from 50% to 85% (in 5% increments)
 - Coverage limit at **\$8.5 million** in revenues

WFRP Insurance

- Attractive option for:
 - Diversified farms (especially those with specialty crops)
 - Farms with integrated grain & livestock systems
 - Single commodity farms not insurable by other RMA policies (strawberries, sweet potatoes)
 - Organic crop producers (who grow crops without adequate organic price elections for insurance)
 - Farms that sell to direct markets, local markets, specialty markets

Crop Insurance Updates

- 2021 WFRP Improvements (for 2022 crop year)
 - Increase expansion limits for organic farmers to the higher of \$500,000 or 35% (before its only 35%)
 - Can report certified organic or transition to organic
 - Increasing expected revenue cap for aquaculture to \$8.5 million (previously just \$2 million)
 - Allowing for partial yield history
- Note steadily increasing WFRP participation in NC
 - \$24M liabilities in 2015; in 2020 it was \$138M

Crop Insurance Updates

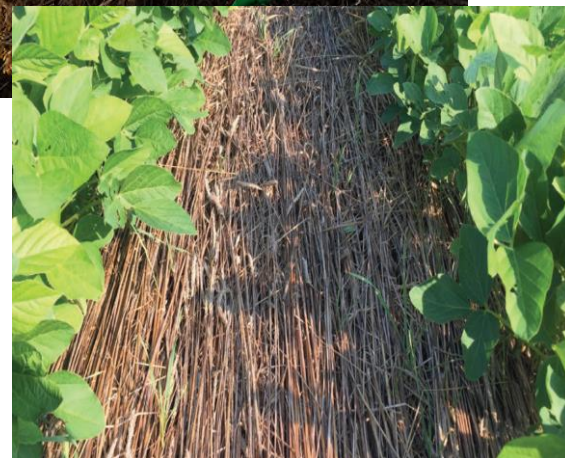
- **Post application coverage endorsement (PACE)**
 - Endorsement for those who split apply fertilizer
 - Provide payments for the projected yield lost when producers are unable to apply the in-season nitrogen application
 - To promote a practice that can reduce input cost and can reduce runoff
 - Since multiple applications, rather than 1 large application
 - Along the lines of \$5 premium support for cover crops
 - Available for crop year 2022 in certain states

Proposed Climate Initiatives

- Administration interest in **climate smart practices**
- Proposed **\$28B investments in USDA conservation programs** (in budget reconciliation)
 - \$25 per acre from FSA to grow cover crops
 - \$5B to FSA for cover crop program, \$9B for EQIP, \$4B for CSP, \$10B on regional conservation and easement programs, effort to quantify GHG reduction, & climate hubs
- Proposed certification and technical assistance program for enrolling in carbon markets

Take Home Messages

- Sign-up for 2022 commodity program choice (ARC or PLC) by March 2022
 - Contact your local FSA office personnel
- Talk to crop insurance agent
 - Discuss Micro policy, WFRP, or PACE
- Be on the lookout for new climate related initiatives



Thank you!

- **Questions?**

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- **Website:**

- **Agricultural Policy Website at NC Dept. of Ag. & Resource Economics:**

- <https://cals.ncsu.edu/are-extension/policy-and-regulation/agricultural-policy-and-farm-bill/>

Commodity Programs

- Should I choose ARC-CO, ARC-I, or PLC?
- Historical participation in NC:

| Crop | % Farms Electing PLC | % Farms Electing ARC-CO | % Farms Electing ARC-I |
|----------|----------------------|-------------------------|------------------------|
| Corn | 4% | 96% | 0% |
| Soybeans | 3% | 97% | 0% |
| Wheat | 17% | 83% | 0% |
| Sorghum | 12% | 88% | 0% |
| Peanuts | 99% | 1% | 0% |

Source: USDA FSA data

PLC Program

| Crop | Ref. Price | Max “Float” price |
|-------------|------------|-------------------|
| Corn | \$3.70/bu | \$4.26/bu |
| Soybeans | \$8.40/bu | \$9.66/bu |
| Wheat | \$5.50/bu | \$6.33/bu |
| Sorghum | \$3.95/bu | \$4.54/bu |
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- PLC reference prices remain the **same**
 - Will be allowed to “float” up to 115% of reference price if Olympic average of the last 5-year MYAP is above PLC ref. price
 - But with low commodity prices, “float” prices will likely not become effective over the life of the bill

PLC Program

- One-time option to update PLC payment yields
- Recall:
 - **PLC Payment** = $0.85 \times \text{Payment Yield} \times \text{Base Acres} \times \text{PLC Payment Rate}$
 - where: **PLC Payment Rate** = [Ref. Price – NMYAP]
- Update based on **average of 2013-2017 yields**
 - New payment yield = 2013-17 ave. yield x Update factor
 - Update factor = $0.9 \times [\text{ratio of '08-'12 ave yield} \& \text{'13-17 ave. yield}]$
- Update only if **new payment yield > old payment yield**

ARC-CO Program

- Recall ARC-CO program:
 - Payments when Actual County Revenue < County ARC Revenue Guarantee (CARG)
 - Where:
 - **County Benchmark** = 5-yr Olympic Ave. County Yield x 5-year Olympic Ave. NMYAP
 - **CARG** = 86% x County Benchmark
 - **Actual County Rev.** = Actual County Yield x NMYAP
 - **ARC Payment Rate** = CARG – Actual County Rev (up to 10% of county benchmark – cap)
 - **ARC Payment** = 85% x Base Acres x ARC Payment Rate
 - Up to 10% of County Guarantee

2022 ARC & PLC Signup

- Important considerations:
 - **Expected returns** from ARC-CO vs PLC
 - Depends on individual expectations on prices and yields
 - **Coverage preference**
 - Revenue vs price protection
 - **Payment caps & limits**
 - ARC-CO limit at 10% of average county revenue; PLC is loan rate
 - \$125,000 payment limit on all payments from commodity programs
 - Preference for **SCO** “shallow loss” coverage
 - With ARC-CO, you cannot purchase SCO, but with PLC you can
 - **Wait to enroll** near deadline - reduce uncertainty

ARC-CO vs PLC: Illinois

State: North Carolina

County: Bertie

Crop: Corn Reference Price: \$ 3.7

Forecast Model: Forecast

PLC Payment Yield*: 117 bushels/acre

ARC Trend Yield*: 0.72 bushels/acre

ARC/PLC Program Inputs

| | |
|--------------------|------|
| ARC Coverage Level | 86 % |
| ARC Coverage Range | 10 % |
| Payment Acres | 85 % |

RUN MODEL



ARC-CO vs PLC: Texas A&M

FSN 1
State North Carolina
County Bertie
Crop Corn

Base Acres ac

| | PLC Payment Yield | Historical Irrigated Percentage |
|------|--|----------------------------------|
| 2019 | <input type="text" value="117"/> bu/ac | <input type="text" value="0"/> % |
| 2020 | <input type="text" value="117"/> bu/ac | <input type="text" value="0"/> % |

Your Corn Expectations

| | Your Expected Price | Projected Prices |
|------|---|---|
| 2019 | <input type="text" value="3.64"/> \$/bu | <input type="text" value="3.80"/> \$/bu |
| 2020 | <input type="text" value="3.67"/> \$/bu | <input type="text" value="3.56"/> \$/bu |

Advanced Settings (Not recommended for most users)

If you have experienced exceptional circumstances in your county or would like to customize your analysis, check here to enable additional settings.

| Crop | Program | 2019 | 2020 | Total |
|--------------------|---------|------|------|-------|
| Corn | PLC | \$29 | \$30 | \$59 |
| Irrigated Corn | ARC | \$0 | \$0 | \$0 |
| Non-Irrigated Corn | | \$11 | \$10 | \$21 |