



WEDNESDAY, DECEMBER 28, 2022

2023 Farm Bill Election – ARC or SCO? VERSION 2

The Farm Bill election question is the same as the last 5 years. The choice is between PLC & ARC. But for most crops, **PLC** price supports have become nearly worthless – see prices in dark blue box. Only peanuts and maybe rice would have any chance of a PLC payment in the year ahead. That leaves ARC as the alternative. **ARC** will use the prices in the red box below – which aren't much higher – times 86% times your county's 5-year Olympic average yield to determine your county ARC trigger.

USDA PLC Reference, Projected MYA, ARC, & SCO Prices				
	PLC Reference Price	Projected 2022-23 MYA	2023 ARC Benchmark Price	PROJECTED 2023 Base Price
Corn	\$3.70	\$6.80	\$3.98	\$6.07
Soybeans	\$8.40	\$14.00	\$9.57	\$14.07
Wheat	\$5.50	\$9.20	\$5.50	\$9.00
Seed Cotton	\$0.3670	\$0.4645	\$0.3670	
Sorghum	\$3.95	\$6.65	\$4.31	\$6.04
Barley	\$4.95	\$7.30	\$4.95	\$5.20
LG Rice	\$0.140	\$0.165	\$0.140	\$0.167
Peanuts	\$0.2675	\$0.2650	\$0.2675	

Henderson County, Illinois Corn

ARC $\$3.98 \times 222.45 \text{ bu} \times 86\% = \761

SCO $\$6.07 \times 212.2 \text{ bu} \times 86\% = \$1,108$

The alternative that everyone should consider *first* before going to the FSA office is SCO – Supplemental Coverage Option. SCO is a crop insurance program with similarities to ARC; both use county-based yields and both have an 86% trigger. The HUGE advantage SCO has over ARC is the PRICE it uses to calculate its county revenue trigger. ARC is using a 5-year Olympic average price (red box), while SCO will use the 2023 crop insurance base price set in February (current prices in green box). The example I show above for Henderson County, Indiana shows a whopping \$347 advantage for corn for SCO over ARC! Now, you do have to pay for SCO, so you'll want to consider that. The other potential difference you'll want to consider is the difference in county yield used for ARC vs the county yield used for SCO. In some rare cases, there's a difference in favor of ARC yields. And SCO covers from 86% down to the level of individual coverage producers take, so for those buying 85% RP coverage already, you won't get much advantage buying 1% of SCO instead of ARC. You can't do ARC & SCO, so if you buy SCO you could not sign up for ARC. So, bottom line for most crops: if you buy SCO, sign up for PLC; if you don't buy SCO, sign up for ARC.

And because the most important decision related to the farm bill signup is actually a decision on crop insurance, I strongly encourage producers to talk with their NAU Country agent *FIRST* before signing up for programs at the FSA office. And listen in to the monthly **NAU Country afterMATH** webinars, as I will continue to update on this decision and potential for payments.

Rich Morrison, Vice President – Farm Services

1826 Sellars Road, Murrayville, Illinois 62668 | Cell: (763) 242-2557 | Email: Rich.Morrison@naucountry.com

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