Quick Take--ARC/PLC Election and Crop Insurance Decisions for 2022

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Producers have until March 15, 2022 to elect and enroll in ARC or PLC for the 2022 crop year for seed cotton and other covered commodities. If no election is made, the selection already in place for 2021 will remain in place for 2022.

PLC Outlook for 2022

It is projected that there will be no PLC payment for the 2021 seed cotton. If prices remain high and near 2021 crop levels, there would also be no PLC for the 2022 crop. Even if prices were somewhat weaker for the 2022 crop, the seed cotton MYA Price would still likely be high enough to result in no PLC.

ARC Outlook for 2022

ARC is a revenue trigger and has both a price and yield component. A "Benchmark Revenue" and "ARC Guarantee" are established for the county based on price history and county yields for the previous 5 years. Receiving an ARC Payment depends on the actual MYA Price and actual county yield compared to the county "Benchmark" and "Guarantee" based on recent history.

When would ARC pay? If the 2022 yield is typical or average, the MYA Price for seed cotton would need to be much lower than 2021 for ARC to pay. Further, if price was this low, PLC would likely pay more than ARC unless yield was also low.

Crop Insurance Considerations

ARC and PLC are paid on 85% of base acres. Crop insurance is on acres planted. This is an important distinction. Cotton acres planted (here in Georgia) are significantly more than our seed cotton base acres. So, cotton is very likely to be planted on some farms without base or with a relatively small base of seed cotton.

If cotton is planted on a farm with seed cotton base:

If seed cotton base is enrolled in ARC or PLC, cotton acres planted are not eligible for STAX.

If seed cotton base is enrolled in PLC, cotton acres planted are eligible for SCO.

If seed cotton base is enrolled in ARC, cotton acres planted are not eligible for SCO.

If seed cotton base is not enrolled in ARC or PLC, cotton acres planted are eligible for STAX or SCO or ECO or SCO+ECO.

If cotton is planted on a farm without seed cotton base:

No ARC/PLC decision is to be made. Cotton acres planted are eligible for STAX, SCO, ECO, or SCO+ECO.

In either case, growers should also discuss with their crop insurance provider about HIP (Hurricane Insurance Protection) and where that may fit as an alternative protection.

Summary

It is possible that neither PLC or ARC will pay for 2022. PLC is strictly price driven. ARC is revenue driven and dependent on both price and yield. If price remains high, there could be an ARC payment only if very low county yield occurs. If neither safety net is likely to pay, producers may want to consider their crop insurance choices as the overriding determination in managing income risk.