Enhanced Coverage Option (ECO)

ECO is a new area plan of insurance option for 2021. It brings tremendous value to those looking for shallow loss coverage. ECO is selected in conjunction with an RP or YP policy. When an RP policy and ECO are selected, ECO will act the same as the RP coverage with both a yield and revenue coverage in a band from 86% to either 90 or 95% of the county's expected yield and revenue.

In the example below, this Paulding county corn producer elects RP 85% and ECO 95%. They have a 175 b/a APH and the estimated base price is $4.25.

Establishing Coverage

To set the amount of insurance in the 86-95% band, ECO will look at the total liability of the underlying RP of YP policy for the crop and multiply it by the 9% coverage band.

Producer's APH	175 b/a
x Feb. Base Price	x $4.25 (estimated)
Revenue Guarantee	$744ac
x 9% ECO band	x 9%
ECO Coverage per acre	**$67**

Determining Yield and Revenue Indemnities

ECO will trigger a payment when either yield or revenue drops below 95% of the county's expected value.

County Yield Trigger

Paulding County Expected Yield	170 b/a
x Coverage Level	x 95%
County Yield Trigger	**161 b/a**

County Revenue Trigger

Paulding County Expected Yield	170 b/a
x February Base Price	x $4.25
County Expected Revenue	**$722 b/a**
x Coverage Level	x 95%
County Revenue Trigger	**$686/ac**

****Harvest arrives, and the county yield is higher than the expected and corn prices decrease****

Paulding County Harvest Yield	172 b/a
x Harvest Price	x $3.60
Paulding County Harvest Revenue	$619

$619 County Harvest Revenue / $722 County Expected Revenue = 85% Loss

Since actual county harvest revenue is less than 86% of expected revenue,
ECO maxes out at $67/ac.

Premium support for ECO is 44% for revenue plans and 51% for yield plans. This support makes ECO an excellent and affordable option to manage risk. Our office has developed tools to reflect how this policy would have paid claims in previous years based on the updated RMA yields. Please contact your agent if you are interested in learning how ECO can help you manage risk for 2021 and beyond.

Farm Bill Analysis and Risk Management Strategies

2021/2022 Marketing Year

In this ARC/PLC analysis we are looking at the 2021 marketing year for corn and beans (September 1, 2021 - August 31, 2022). Currently, it is hard to picture PLC or ARC-CO making a payment on corn or beans. A few short months ago farm program payments seemed likely. Things change fast. Your risk management decision can turn into the most important decision you make all year. Let's understand how these tools work.

Market Year Average (MYA)							
2021 Reference Prices Used For ARC Olympic Average							
	PLC	ARC for '21/'22	19/20	18/19	17/18	16/17	15/16
Corn	$3.70	$3.70 Floored	$3.56	$3.61	$3.36	$3.36	$3.61
Soybeans	$8.40	$8.95	$8.57	$8.48	$9.33	$9.47	$8.95
Wheat	$5.50	$5.50 Floored	$4.58	$5.16	$4.72	$3.89	$4.89

PLC triggers when the MYA is below the reference price. Payments are calculated using your PLC reference yields.

ARC-CO uses the Olympic average price (shown above) which will be floored if it drops below the PLC price. ARC-CO has a 14% deductible. **Using the expected county yield and applying this deductible to the reference prices, the MYA price would need to track below $3.18 for corn and $7.70 for beans for ARC-CO to trigger a payment.**

ARC-CO Bean example

County Yield	57 b/a	
x '21/'22 MYA Price	x $8.95	**$439 Trigger Revenue / *$10.00 beans =**
x ARC Coverage	x 86%	**43.9 bu. yield or below to make ARC-CO**
County Trigger Revenue	**$439/ac**	**payment**

*estimated MYA price for '21/'22

ARC-CO has no bushel guarantee. This means the **higher the MYA price, the lower the county yield must be to trigger a payment.** Another important component to consider, is the ARC-CO 5-year Olympic average yield compared against the 25-year trend-line crop insurance yield. Some counties have abnormally high recent Olympic yields when compared to the long-term trend yield. In these cases, one could argue ARC-CO has above average odds of triggering a payment if the county were to experience closer to trend line yields going forward. The opposite of this holds true if the Olympic average is well below the trend line yield.

PLC & RP-SCO: If you are looking to protect county yield and revenue at these higher prices, selecting PLC and purchasing SCO through crop insurance is an option. **Although PLC is unlikely to pay, the RP-SCO component provides a good level of protection for those who carry RP 80% level coverage or lower.** When you couple PLC with RP-SCO, the Harvest Price Option is included and will use the crop insurance base and harvest prices. Should a major weather event drop county yields to less than 86% of normal, it is probable that market prices will be at current levels or higher. RP-SCO would trigger in this "low yield/high price" scenario, where ARC-CO would not. In an opposite scenario, if the market were to collapse, RP-SCO also provides protection to a substantial move lower in county revenue from the high crop insurance February base price. SCO has a 65% premium support creating a near 10 to 1 risk reward scenario of indemnities to premium paid.

Talk with your agent to discuss these options using our suite of proprietary analytical tools.