



## Electing ARC and Using SCO

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The 2014 Farm Bill allows producers to make a farm program election decision on each of their Farm Service agency farm units (FSNs). There are three programs available – Price Loss Coverage (PLC), Agriculture Risk Coverage at the county level (ARC-CO), and Agriculture Risk Coverage at the individual level (ARC-IC). The Farm Bill also created a new crop insurance program, the Supplemental Coverage Option (SCO), which can be used by producers to cover a portion of the deductible range on their underlying individual plan of insurance. The producer's farm program election decision can impact their eligibility to use the SCO insurance program. Specifically, FSNs with a crop elected for ARC-CO and FSNs for which ARC-IC is elected are ineligible to purchase SCO on the crop and acreage associated with that FSN. There has been a number of questions related to how this SCO eligibility rule will be interpreted and implemented, and today's article addresses that issue. The issues discussed here are based on RMA's [SCO handbook](#) and [SCO endorsement](#) documents.

The farm program election decision is made at the FSN level and, in the case of the PLC and ARC-CO programs, can differ across commodities with base acreage on each FSN. For example, producers could elect PLC on their corn base and ARC-CO on their soybean base on the same FSN. Crop insurance coverage is based on insurance units which may include acreage on multiple FSNs. For example, an enterprise, which would include all acreage planted to a certain crop within a county, might include multiple FSNs. Similarly, individual FSNs could include multiple insurance units. Therefore, many questions have been raised related to how the SCO eligibility rules will be implemented when producers elect coverage under the ARC program for any of their base acreage.

RMA's SCO handbook states that all acreage on a FSN that is planted to a commodity covered under ARC will be ineligible for SCO coverage. Producers who have any FSNs covered under the ARC program and

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choose to obtain supplemental insurance coverage with SCO are required to report the acreage and FSNs within any applicable insurance units that are covered under the ARC program. In the case of the ARC-CO program, ARC coverage is specific to a commodity and that commodity elected for ARC-CO on the applicable FSN is ineligible for SCO coverage. In the case of the ARC-IC program, all acreage planted to program crops on that FSN will be ineligible for SCO coverage. Note that total planted acreage can differ from total base acreage on an FSN farm.

As an example, consider a producer with four FSNs (FSN 1, FSN 2, FSN 3, and FSN 4). The farmer has corn base and soybean base on each of the first three FSNs, and has elected PLC for their corn base and ARC-CO for their soybean base on each farm. The fourth FSN does not have any established base acres and thus does not qualify for a farm program.

**Table 1. Example Farm Service Agency Farms**

	FSN 1	FSN 2	FSN 3	FSN 4
Corn base acres	50	50	50	0
Soybean base acres	50	50	50	0
Total base acres	100	100	100	0
Program on corn base	PLC	PLC	ARC-IC	N/A
Program on soybean base	ARC-CO	ARC-CO	ARC-IC	N/A
Tillable/planted acres	100	120	100	100

In 2015, if the farmer plants all acreage on FSN 1 to corn, all of those planted acres would be eligible for SCO coverage. If the farmer plants all acreage on FSN 2 to soybeans, all of those acres would be ineligible for SCO coverage since ARC-CO was elected for their soybean base. This ineligibility covers all acres planted to soybeans, not just the 50 base acres. Note that in this example there are more planted acres than total base on FSN 2 (120 planted versus 100 base acres). Regardless of whether the farmer plants corn, soybeans, or any other combination of program crops on FSN 3, all crops and planted acreage will be ineligible for SCO coverage on FSN 3 due to election of the ARC-IC program. Finally, since FSN 4 does not have established base acres and is not covered under any farm program all acreage planted to a crop for which SCO coverage is available on FSN 4 will be eligible for SCO. Insurability under SCO does not require election in PLC, it simply excludes acres which have elected ARC program coverage.

If this farmer uses enterprise units and all four FSNs are located within the same county, the farmer would be required to submit an additional acreage report breaking out the FSNs with base enrolled in either of the ARC program options and the associated planted acres which would then be ineligible for SCO coverage. In the example, RMA would require an additional acreage report which included acres insurable under SCO (all acres planted to corn on FSN 1, all planted acres on FSN 4) and those uninsurable under SCO (acres planted to soybeans on FSN 2, and all planted acreage for FSN 3). RMA also has penalties in place for misreporting acreage covered under ARC. For acreage reported as insurable under SCO, but found to be uninsurable under SCO due to ARC program coverage, the producer will have their SCO coverage revised and be required to pay 20% of the premium cost associated with the ineligible acreage. Furthermore, the uninsurable acreage will be ineligible for SCO coverage in subsequent years.

### Summary

The 2014 Farm Bill provides a choice between three different farm program options. The Farm Bill also created a new supplemental insurance program. Producers who elect the ARC-CO program for a crop on a FSN, will be ineligible for SCO on that crop on that FSN. Producers who elect ARC-IC on a FSN will be ineligible for SCO on any crop on that FSN.

The SCO handbook and endorsement documents clearly states that for any FSN with a crop elected for either ARC program option, all acreage in the FSN that is planted to an ARC covered commodity is ineligible for SCO coverage in any given year. This would include all planted acreage on the FSN to an ARC covered commodity, not just the base acreage of the ARC covered commodity.

#### **Reference**

USDA/FCIC. "Supplemental Coverage Option (SCO) Endorsement Standards Handbook." Issued on July 29, 2014, and accessed on December 17, 2014.  
[http://www.rma.usda.gov/handbooks/18000/2015/15\\_18180.pdf](http://www.rma.usda.gov/handbooks/18000/2015/15_18180.pdf)

USDA/FCIC. "Supplemental Coverage Option Endorsement." Released July 2014, accessed December 17, 2014. <http://www.rma.usda.gov/policies/2015/15sco.pdf>