

Supplemental Coverage Option (SCO)

1. Overview and motivations for using SCO
2. **Dates and decisions for SCO in 2019**
3. Example of SCO payment
4. Likelihood and size of payments from SCO

Available on farmdocTube on YouTube
Linked in March 12, 2019 farmdocDaily article:
SCO for 2019



SCO Dates and Decisions in 2018 (Corn and soybeans in Midwest states)

- **March 15** – Decision to sign up by county for
 - SCO
 - Coverage-level for RP
- **July 15** – Acreage reporting date
 - Indicate Farm Service Agency (FSA) farms that will be in ARC and PLC
 - If farm is ARC, then there will not SCO.
- Indications on July 15th Acreage Report **does not** lock in ARC/PLC decision with FSA



SCO and FSA farms

Two FSA farms in one county



Notes

- Can only choose one RP coverage level for each county
- In the example, acreage in farm 1 is not eligible for SCO. Acreage in farm 2 is eligible
- If choose SCO for this county
 - Farm 1 would have an RP policy
 - Farm 2 has RP and SCO
- RP coverage level on Farm 1 and 2 are the same

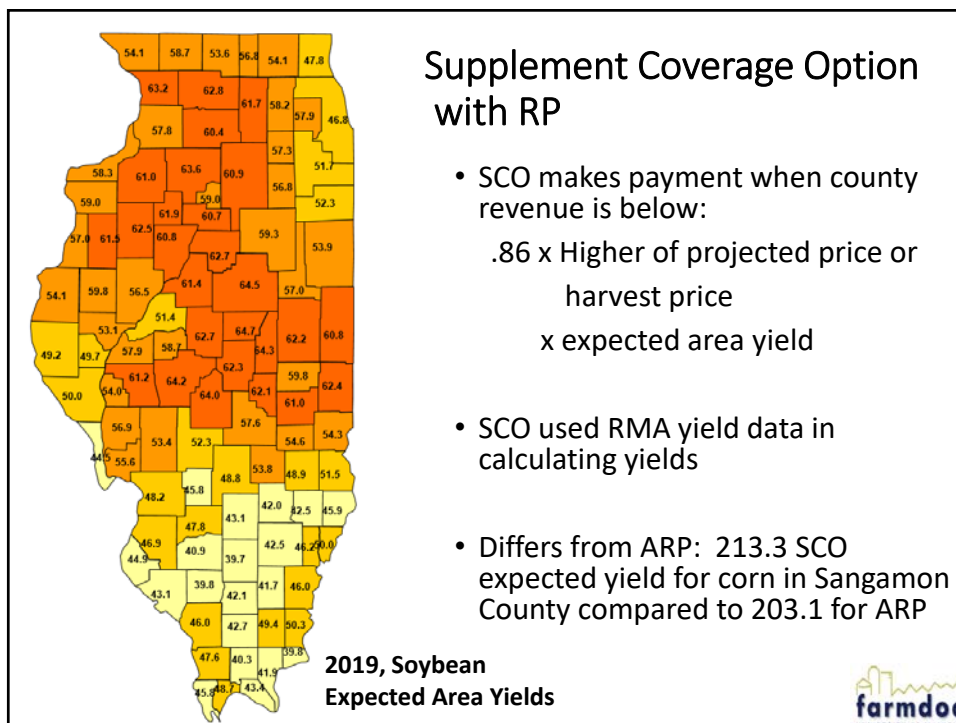
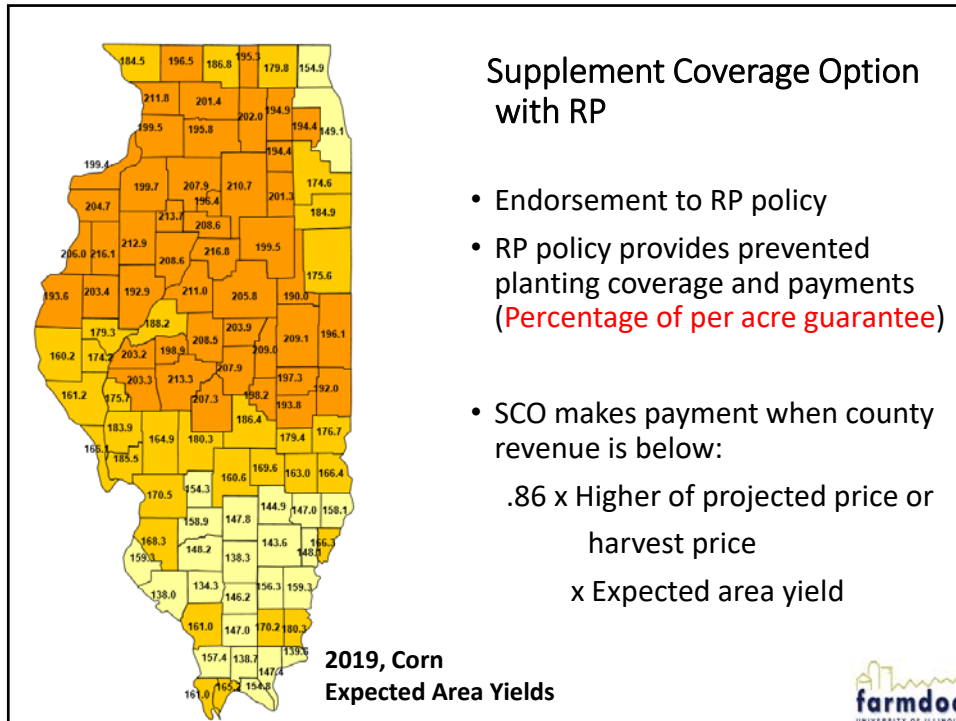


Supplemental Coverage Option (SCO)

1. Overview and motivations for using SCO
2. Dates and decisions for SCO in 2019
3. Example of SCO payment
4. Likelihood and size of payments from SCO

Available on farmdocTube on YouTube
 Linked in March 12, 2019 farmdocDaily article:
SCO for 2019





Payment Example: Corn, Sangamon County

Farm Situation:

- 220 TA-APH yield
- \$4.00 projected price
- RP at 75% coverage Level

Supplement coverage range = .86 – coverage level
 = .86 - .75 = .11

Supplemental protection:

= coverage range x TA-APH yield
 x higher of projected price or harvest price .



Payment Example: Corn, Sangamon County

- County yield = 150
- Harvest price = \$3.80

Supplemental protection =

.11 range* 220 TA-APH yield x \$4.00 projected price
 = \$97



Payment Example: Corn, Sangamon County

Expected area revenue =

$$\begin{aligned} & \text{Higher of projected or harvest price} \times \text{Expected area yield} \\ & = \$4.00 \times 213.2 = \$853 \end{aligned}$$

Harvest revenue = harvest price \times county yield

$$= \$3.80 \times 150 = \$570$$



Payment Example: Corn, Sangamon County

Payment factor =

$$\frac{(.86 - \frac{\text{Harvest revenue}}{\text{Expected area revenue}})}{\text{Supplemental Coverage Range}}$$

Payment factor between 0 and 1

Example:

$$\frac{(.86 - \frac{\$570}{\$853})}{.11} = 1.81 \text{ so the payment factor is 1 since over 1.0}$$



Payment Example: Corn, Sangamon County

Payment factor = 1.0

Supplemental protection = \$97

Payment = payment factor x supplement protection = $1.0 \times \$97 = \97

SCO payments will happen in spring. Don't know 2018 payments yet

