



## Weekly Farm Economics: Supplemental Coverage Option (SCO) for 2019

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Supplemental Coverage Option (SCO) was created after the passage of the 2014 Farm Bill. Before 2019, most farmers in the Midwest could not use SCO because SCO is only available if Price Loss Coverage (PLC) is selected as the method for receiving commodity title payments. Decisions about PLC and Agricultural Risk Coverage (ARC) have not been made for the 2019 yet, but it is likely that more farmers will choose PLC. As a result, SCO will be available to more farmers in 2019. Details on the SCO decision is provided below through a series of four videos. The decision process in 2019 will differ from that in future years because ARC/PLC decisions for 2019 have not been made with the Farm Service Agency (FSA). In future years, commodity title decisions will be made before crop insurance deadlines.

### Overview and Motivations for Using SCO

SCO provides county-level coverage from 86% to the coverage level of the COMBO product, which is most often a Revenue Protection (RP). Two different motivations can exist for taking SCO:

1. For individuals taking RP at an 85% coverage level, SCO can be used to lower premium costs. This occurs when the RP coverage level is lowered and SCO is purchased to provide protection from 86% to the RP coverage level.
2. For individuals taking RP at a lower coverage level (say 75%), SCO can be used to provide protection from 86% to the coverage level of the RP policy. This addition can be valuable protection

The YouTube video providing an overview and describing motivations is available here:

<https://youtu.be/UH1NSdVwSBI>

The PowerPoints used in the video are available [here](#).

### Dates and Decisions for SCO in 2019

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For 2019, two dates are important for SCO decisions on corn and soybeans insured in Midwest state:

1. March 15, 2019, is the deadline for indicating whether SCO will be taken. Also the coverage level of the underlying COMBO product will be specified on March 15<sup>th</sup>.
2. July 15, 2019, is the acreage reporting date for crop insurance. For crop insurance purposes, the farmer will indicate which of the FSA farms will be covered by Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC). The farm will be covered by SCO if the farm indication is PLC and SCO was chosen by the March 15 crop insurance sign up deadline. Indications made on July 15<sup>th</sup> acreage reporting will not lock in the final decision ARC/PLC decisions made with Farm Service Agency.

The YouTube video providing an overview and describing motivations is available here:

<https://youtu.be/8nGPyG8REVc>

The PowerPoints used in the video are available [here](#).

### **Example of SCO Payment**

This video provides an example of an SCO payment:

[https://youtu.be/2l\\_0UcSxGpk](https://youtu.be/2l_0UcSxGpk)

This PowerPoint used in the video are available [here](#).

### **Likelihood and Size of SCO Payments**

Using history as a guide, SCO will make payments in about 30% to 35% of the years. Given premium assistance levels, expected payments from SCO will exceed farmer-paid premium.

This video provides ahistorical analysis of when SCO would have made payments:

<https://youtu.be/mza7e3cvE6Q>

This PowerPoint used in the video are available [here](#).