



Weekly Farm Economics: PACE for 2023

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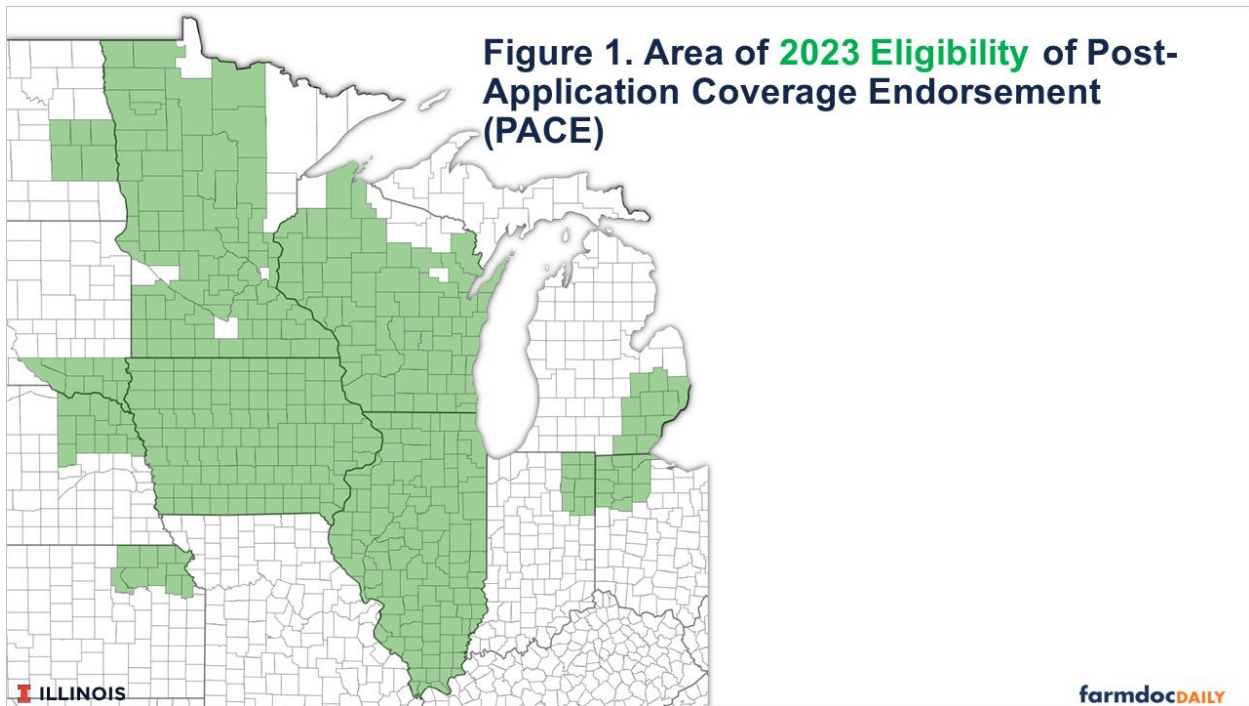
The Post Application Coverage Endorsement (PACE) begins its second year with an expanded pilot area. PACE provides payments when farmers cannot apply nitrogen to corn after planting because of weather-related causes. Recent declines in nitrogen fertilizer prices may give incentives to apply more nitrogen after planting in 2023, potentially leading to a higher benefit for PACE. We provide detail on PACE in this article.

The Basic Policy

PACE is available in the counties indicated in Figure 1. PACE's availability includes all counties in Illinois and Iowa. In addition, PACE is available in most counties in Minnesota and Wisconsin and selected counties in North Dakota, South Dakota, Nebraska, Kansas, Indiana, Ohio, and Michigan. PACE is available on non-irrigated corn acres not classified as high-risk for insurance purposes.

PACE is available if farmers choose to insure their underlying acres with one of the eligible insurance plans: Revenue Protection (RP), RP with harvest price exclusion, and Yield Protection (YP). PACE is not available on Area plans of insurance. The farmer must decide to add the endorsement by the March 15 sales closing date, the same deadline for the underlying insurance plans.

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The following two variables influence the premium and indemnity payments from PACE:

1. Post-Application Percent is the percentage of nitrogen to be applied post-planting. PACE elections range from 25% to 80% in 5% increments. For PACE, a farmer will report the total nitrogen amount expected to be applied, the pre-application percent, and the declared post-application percent by March 15. For example, suppose a farmer plans to use 180 pounds of nitrogen, 108 pounds were applied in the fall, and 72 pounds will be applied post-planting. The farmer would report that 180 pounds are expected to be applied, 60% will be pre-applied (108 / 180), and the declared post-application percent is 40% (72 pounds applied after planting / 180 pounds of N to be applied). PACE premiums will be based on declared post-application percent.
2. PACE Coverage Election ranges from 75% to 90% in 5% increments. Higher elections result in higher payments when nitrogen cannot be applied and vice versa. Higher elections also result in higher farmer-paid premiums and vice versa.

Premiums and Payouts

A Microsoft Excel spreadsheet called the [PACE Tool](#) provides premiums and payments for PACE given user entered data. Figure 2 shows the output from the tool. Inputs are given in the yellow box and include the following:

- State: States for which PACE is available are included as dropdown options.
- County: Counties for each state are given for which PACE is available.
- Unit: Alternatives are optional, basic, or enterprise. Those units match the underlying COMBO product.
- Underling Policy: Options are RP (Revenue Protection), RPhpe (RP with harvest price exclusions, and YP (Yield Protection).
- APH Yield: This entry is the guarantee yield of the underlying product.
- Projected price: The entry should reflect the projected price for 2023. This value will be known at the end of February.

- PACE Coverage Level Election: Elections can range from 75% to 90% in 5% increments.

Figure 2. Post Application Coverage Endorsement Tool

State	Indiana	
County	Adams	
Unit	Enterprise	
Underlying Policy	RP	
Underlying Policy Level		85%
APH yield		200
Base price	\$	5.50
Pace Coverage Level Election		90% (75% to 90%)



Post Application Percent	90% Pace Coverage Election	
	Farmer-Paid Premium	PACE Indemnity
25%	\$2.68	\$59
30%	\$3.58	\$79
35%	\$4.02	\$89
40%	\$4.47	\$99
45%	\$4.92	\$109
50%	\$5.81	\$129
55%	\$6.71	\$149
60%	\$7.15	\$158
65%	\$7.90	\$178
70%	\$8.64	\$198
75%	\$9.39	\$218
80%	\$10.15	\$238

¹ PACE makes payments when applications of nitrogen can not be made post-planting. More information is available at:

<https://farmdocdaily.illinois.edu/2022/01/the-post-application-coverage-endorsement-pace.html>

² For 2022, PACE is available in a limited number of counties. This tool only quotes for those counties. A map showing those counties is available at:

<https://farmdocdaily.illinois.edu/2022/01/the-post-application-coverage-endorsement-pace.html>

³ Units do not have to be the same as the underlying COMBO policy.

⁴ PACE is available for Revenue Protection (RP), RP with harvest price exclusion (RPhpe), and Yield Protection (YP).

⁵ Use the yield to determine guarantees. This will be either the Actual Production History (APH) yield or the Trend-Adjusted APH yield.

⁶ Higher PACE elections will have higher indemnities when they occur than lower PACE price elections. Farmer-paid premiums increase with higher price elections.

⁷ The post application percent is the amount of nitrogen applied after planting.

⁸ The PACE indemnity will be paid if nitrogen can not be applied because of natural causes. Final yields do not matter. Under RP, the PACE indemnity can increase if harvest price is above the projected price.

The output gives farmer-paid premiums and PACE indemnities for different Post Application Percents. For the LaSalle County example, the farmer-paid premium is \$7.30 per acre for a 70% post-application percent. For 70%, a \$178 per acre indemnity payment will be received if nitrogen cannot be applied post-plant. That indemnity payment will be received on acres where nitrogen cannot be applied.

Commentary

More detail on PACE is available in a [farmdoc daily article](#) on January 18, 2022. Farmers who post-apply nitrogen may find this policy of use. As nitrogen prices have begun to decline, there may be more benefit to waiting to apply more nitrogen after planting. Those farmers who do so may wish to purchase PACE.

References

Schnitkey, G. and B. Sherrick. "[The Post Application Coverage Endorsement \(PACE\)](#)." *farmdoc daily* (12):7, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, January 18, 2022.