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2015 ARC-CO Payments Will Vary

A very high percentage of crop producers in the U.S. are enrolled in the county-yield-based, Ag-Risk Coverage (ARC-CO) farm program on their corn and soybean base acres for the 2014 to 2018 crop years.

Most producers in the Upper Midwest earned a significant ARC-CO corn payment for the 2014 crop year, while farm operators in some counties also earned a substantial 2014 ARC-CO payment on their soybean base acres. Even though average corn and soybean price levels remain low, 2015 corn and soybean ARC-CO payments in the Upper Midwest are likely to be much more variable, due to the very strong 2015 corn and soybean yield levels across the region.

The benchmark (BM) prices for corn and soybeans for the 2015 crop year remained the same as 2014 BM prices, which are \$5.29 per bushel for corn and \$12.27 per bushel for soybeans. The BM prices are adjusted each year, using the USDA market-year-average (MYA) price for the preceding five years, dropping the high and low MYA price, and then averaging the other three MYA prices.

The county benchmark (BM) yield for 2015 is the average county yield from 2010-2014--dropping the high-yield year and the low-yield year, and then averaging the other three years.

Producers in the many areas of the Upper Midwest should be aware that 2015 county BM yields may be slightly lower than 2014 BM yields, especially for corn. This is due to the lower-than-average 2014 crop yields.

Once the county BM yield is determined for 2015, we can make

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some 2015 ARC-CO payment estimates at final 2015 county-yield levels. 2015 ARC-CO payments for all crops will be paid in October 2016. Previous county yields for crops, benchmark yields, revenues, 2014 ARC-CO-payment levels, and other farm program information is available [here](#).

The USDA National Agricultural Statistics Service (NASS) will likely release the 2015 estimated average county yields for crops in February 2016. The NASS county yields will offer a good estimate of where final 2015 ARC-CO farm program payments are likely to end up. The NASS yields may be adjusted slightly by the USDA to arrive at the final 2015 county FSA yields, which are used to calculate 2015 ARC-CO payments.

2015 ARC-CO payments for a given crop will be paid when the actual 2015 county revenue for a crop falls below the 2015 county BM revenue guarantee for that crop. The actual county revenue is the 2015 final county yield multiplied by the final MYA price for 2015.

The 2015 MYA price is the national average corn or soybean price from September 1, 2015 to August 31, 2016. The MYA prices will be finalized on September 30, 2016. The estimated 2015 MYA prices are \$3.65 per bushel for corn and \$8.90 per bushel for soybeans (as of 12-9-2015).

The relationship between the final 2015 county yield and the 2015 county benchmark (BM) yields is extremely important in calculating potential 2015 ARC-CO payments for corn and soybeans. Expressing the 2015 county yield as a "% of BM yield" is more important than the final county yield in determining estimated ARC-CO payments.

Two counties with the same 2015 yield for a crop can have a large variation in 2015 ARC-CO payments, due to differences in the county BM yield and differences in the "% of BM yield."

There will likely be a significant difference in the estimated 2015 ARC-CO payments from county to county, depending on the final 2015 county yield, expressed as a "% of BM yield." Counties in the Upper Midwest are likely to experience a wide range of 2015 ARC-CO payments for both corn and soybeans, with many counties getting some 2015 ARC-CO payments for corn. 2015 ARC-CO payments for soybeans will be less likely in many areas. The

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estimated ARC-CO payments for corn and soybeans will be different in many areas of Illinois, Indiana, and Missouri, which had much lower county yields in 2015 and likely a lower "% of BM yield." Many counties in these states are likely to witness more significant 2015 ARC-CO payments for corn and soybeans.

There can also be a wide variation in the ARC-CO payment levels for the same crop in neighboring counties within the same state. For example, one county may have a 2015 corn yield that results in a "% of BM yield" of 108 percent, and thus producers in that county would receive the maximum 2015 corn ARC-CO payment. However, a neighboring county may have the same 2015 corn yield, but have a lower 2015 BM yield, resulting in a 2015 "% of BM yield" of 120 percent, and producers would likely receive only 30 percent of the maximum 2015 ARC-CO payment for corn.

It is important to remember that 2015 ARC-CO payment estimates will change if the 2015 MYA prices for corn and soybeans change in the coming months. Producers should contact their local Farm Service Agency office for details on the farm program.

For more information, contact Kent Thiesse, Farm Management Analyst at: kent.thiesse@minnstarbank.com or 507-726-2137.

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