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Estimated Corn and Soybean ARC-CO Payments for 2015

Most crop producers in the Upper Midwest are enrolled in the county-yield-based, Ag-Risk Coverage (ARC-CO) farm program choice on their corn and soybean base acres for the 2014 to 2018 crop years.

Many farm operators in the Upper Midwest earned a significant 2014 ARC-CO payment on their corn base acres, while producers in some counties also earned a substantial 2014 soybean ARC-CO payment. Many producers are now wondering what their 2015 ARC-CO payments will be, which will be paid in October 2016.

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. BM prices are adjusted each year, using the USDA market-year average (MYA) price for the preceding five years, then dropping the high and low MYA price, and then averaging the other three MYA prices. The county benchmark (BM) yield for 2015 is calculated by taking the average county yields for the previous five years (2010-2014), dropping the high and low yield, and then averaging the other three yields. The 2015 county BM revenue for a crop is the county BM yield multiplied by the 2015 BM price.

The county BM yields in most Minnesota counties declined in 2015, as compared to 2014 BM yields, due to the very low average county yields in much of the state in 2014. Another factor was that 2009 was a very strong yield year in most areas, which was used in the 2014 BM yield calculation, but was dropped in the 2015 calculation. Many counties in southcentral, southwest, and central Minnesota witnessed county BM corn yields decline by 6-12 bushels per acre from 2014 to 2015. The declining county BM yield

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lowers the potential, maximum ARC-CO payment per crop base acre, as well as potential ARC-CO payments at similar actual corn yield levels in a given year. County soybean BM yields did not vary greatly from 2014 to 2015, except in a few counties.

2015 ARC-CO payments for a given crop are paid when the actual 2015 county revenue for the crop falls below the 2015 county benchmark (BM) revenue guarantee. The actual county revenue is the final, 2015 county FSA 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. MYA prices will be finalized on September 30, 2016. As of February 29, 2016, the estimated, 2015 MYA prices are \$3.60 per bushel for corn, and \$8.80 per bushel for soybeans.

The USDA's National Agricultural Statistics Service (NASS) recently released the 2015 estimated average county yields for corn, soybeans, and other crops. The 2015 NASS county yields will offer a good estimate of where final 2015 ARC-CO farm program payments are likely to end up, depending on the final 2015 MYA price level. 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. The 2015 NASS county yields are available [here](#).

The "% of BM yield," which is the relationship between the final 2015 county yield and the 2015 county benchmark (BM) yield, is extremely important in calculating potential 2015 ARC-CO payments for corn and soybeans. The "% of BM yield" is actually more important than the final FSA county yields for estimating payments. Now that NASS released the estimated county yields for 2015, it is possible to accurately estimate the final "% of BM yield" for each county.

For corn, any county that has a "% of BM yield" of 111 percent or less, will likely realize the maximum, estimated 2015 ARC-CO payment for that county. Counties with a "% of BM yield" of 112 percent to 119 percent will likely receive 50 to 95 percent of the maximum 2015 ARC-CO payment. Counties with a "% of BM yield" of 120 to 125 percent will likely receive 5 to 45 percent of the maximum payment. Counties that had a "% of BM yield" of 126 percent or higher will likely not receive a 2015 corn ARC-CO payment.

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For soybeans, any county that has a "% of BM yield" of 106 percent or less will likely realize the maximum 2015 ARC-CO payment for that county. Counties with a "% of BM yield" of 107 to 112 percent will likely receive 60 to 95 percent of the maximum 2015 ARC-CO payment. Counties with a "% of BM yield" of 113 to 120 percent will likely receive 5 to 55 percent of the maximum payment. Counties with a "% of BM yield" of 121 percent or higher are not likely to receive a 2015 soybean ARC-CO payment.

There will likely be a large difference in the 2015 corn ARC-CO payments from county to county, depending on the final 2015 county yield, expressed as a "% of BM yield."

It appears that most counties in southern and western Minnesota, as well as much of Iowa and the eastern Dakotas will get a partial 2015 corn ARC-CO payment. However, only a few counties in southeast Minnesota and eastern Iowa will get the maximum payment. Several counties in central Minnesota, as well as a few selected counties in other areas, will likely receive no 2015 corn ARC-CO payment. Expect for a few counties in southeast and western Minnesota, along with some counties in eastern Iowa and North Dakota, there will be little or no 2015 soybean ARC-CO payments in the region.

The estimated ARC-CO payments for corn and soybeans will greatly differ in many portions of Illinois, Indiana, Ohio, and other states in the Eastern Corn Belt, as compared to the Upper Midwest. Many areas of these states had much lower county yields in 2015, as well as a lower "% of BM yield." The likely result will be that many counties in these states will receive the maximum, or close to the maximum, 2015 ARC-CO payments for both corn and soybeans.

There can also be a wide variation in the ARC-CO payment levels in neighboring counties. For example, the southcentral Minnesota counties of Blue Earth, Le Sueur, Nicollet, and Waseca all had similar estimated 2015 NASS county corn yields. However, the estimated 2015 corn ARC-CO payment level will vary considerably, due to the difference in "% of BM yield."

The following are the estimated 2015 NASS corn yields, estimated 2015 corn ARC-CO payments, and "% of BM yield" for each county: Blue Earth = 201 Bu./A., \$50/base acre (117%); Le Sueur = 201 Bu./A., \$4/base acre (123%); Nicollet = 207 Bu./A., zero

(128%); and Waseca = 199 Bu./A., \$72/base acre (113%).

Currently-listed 2015 corn and soybean ARC-CO payments are estimates, which are based on the 2015 NASS county yield estimates and the current MYA prices. Final 2015 ARC-CO payments could vary, based on changes in the MYA price levels between now and August 31, 2016, or based on any adjustments made by the USDA to arrive at the final 2015 FSA county yields. There will likely be a 6.8 percent federal sequestration reduction on all 2015 ARC-CO payments that are paid in October 2016.

Previous county yields for corn, soybeans, and other crops, benchmark yields and revenues, 2014 FSA yields, 2014 ARC-CO payment levels, and other farm program information is available [here](#).

Kent Thiesse has prepared an Information Sheet titled: "Estimating 2015 Corn and Soybean ARC-CO Payments," along with adjoining 2015 ARC-CO payment estimate tables for most counties in Minnesota. To receive a free copy of the information sheet and tables, send an email to: kent.thiesse@minnstarbank.com.

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