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2015 ARC-CO Payment Estimates Decline

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.

Given the increase in corn and soybean market prices in late Spring, many farm operators and ag lenders are now wondering what the potential impact could be on 2015 ARC-CO payments, which are scheduled to be paid in October of this year.

For the 2015 corn and soybean crops, producers who experienced very high corn and soybean yields last year (relative to their benchmark yields), are in all likelihood, projected to get nothing or very little in terms of a 2015 ARC-CO payment.

Producers who experienced 2015 corn or soybean yields that were very near or below the 2015 benchmark yields will still likely get the maximum (or close to the maximum) ARC-CO payment. However, producers who had 2015 corn and soybean yields higher than benchmark yields, but were still scheduled to receive a significant ARC-CO payment, will likely see their 2015 ARC-CO payments reduced from earlier estimates.

Based on April 1, 2016 estimates, many counties in southern and western Minnesota, as well as in northern Iowa, were anticipating a 2015 corn ARC-CO payment of \$30 to \$80 per base acre. Except for a few counties in southeast Minnesota, most 2015 corn ARC-CO payments will now be reduced by \$20 to \$25 per base acre from the earlier figures, based on the updated June 1 estimates, following the projected increase in the market-year-average (MYA) corn price. Counties that were originally scheduled to receive less than \$25 per base acre, will not likely receive any payment or will receive a very small sum.

Only a small percentage of counties were scheduled to receive a 2015 soybean ARC-CO payment, based on the April 1 estimates, due to very strong actual soybean yields in many areas for 2015. For counties that were scheduled to receive a 2015 soybean payment, the original 2015 ARC-CO payment estimates have been lowered by \$10 to \$15 per base acre in most counties.

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The 2015 MYA prices for corn and soybeans are the U.S. average farm-level prices from September 1, 2015 to August 31, 2016, with the MYA prices being finalized on September 30, 2016.

As of June 1, 2016, the estimated 2015 MYA prices are \$3.70 per bushel for corn and \$9.05 per bushel for soybeans, which represents an increase of \$0.15 per bushel for corn and \$0.30 per bushel for soybeans from the MYA estimates on April 1, 2016. This rather large adjustment in projected MYA prices will negatively affect the estimated 2015 corn and soybean ARC-CO payments in many counties across the Upper Midwest.

The MYA price for a given crop year is used to calculate any potential payments for the price-loss coverage (PLC), ARC-CO, and Ag-Risk Coverage-Individual (ARC-IC) programs. The historical MYA prices are also used to determine the benchmark revenues for both the ARC-CO and ARC-IC program options. The MYA price for a given commodity is not based on the Chicago Board of Trade (CBOT) commodity prices, or any specific local or terminal grain prices. The MYA price is the 12-month national average price for a commodity, based on the average market price received at the first point of sale by farm operators across the United States. The USDA's National Agricultural Statistics Service (NASS) collects grain-sales data on a monthly basis, which is then weighted at the end of the year, based on the volume of bushels sold in each month.

The USDA updates the average MYA price estimates for a given marketing year on a monthly basis in the World Agricultural Supply and Demand Estimates (WASDE) Report, which is usually released around the middle of each month, and provides a pretty good price estimate for potential ARC-CO payments.

The USDA also publishes monthly and seasonal price estimates for various commodities, which are available on the FSA farm program [website](#).

Some universities also update projected MYA prices on a monthly basis for select crops. Kansas State University offers one of the best monthly updates for MYA prices of corn, soybeans, and wheat. The Kansas State information can be found [here](#).

It is important to remember that the 2015 corn and soybean ARC-CO payment levels are still estimates, which are based on the 2015 NASS county-yield estimates and current MYA prices. These payments could vary, depending upon the following situations:

MYA price levels could experience further changes between now and August 31, 2016. If MYA prices decline, the likelihood of (or the level of) ARC-CO payments increase, and vice-versa if the MYA prices increase. The likelihood of major movements in final MYA prices decreases later in the 2015-2016 marketing year, due to likely lower weightings for the monthly price averages in the final months.

2014 corn yields in some counties were adjusted considerably

downward, due to a large number of unharvested acres in those counties. This adjustment is not likely to be as significant with 2015 NASS yields in the Upper Midwest.

There will likely be a 6.8 percent federal sequestration reduction on all 2015 ARC-CO payments that are paid in October 2016, similar to ARC-CO payments that were paid last year.

Producers must be enrolled in the 2015 ARC-CO program for corn and soybeans in order to be eligible for 2015 ARC-CO payments. Any 2015 ARC-CO payments will be made in October 2016.

Producers must enroll in the 2016 ARC-CO program at local FSA offices by August 1, 2016 in order to be eligible for 2016 ARC-CO payments, which will be paid in October 2017. Given the currently-projected price levels for 2016-2017, there will be a strong possibility of 2016 corn and soybean ARC-CO payments in many areas, especially if 2016 crop yields return closer to average levels.

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

Kent Thiesse has prepared an information sheet titled: *Estimating 2015 Corn and Soybean ARC-CO Payments*, along with *2015 ARC-CO Payment Estimate Tables* for most counties in Minnesota and northern Iowa, as well as for eastern North and South Dakota. To receive a free copy of the information sheet and tables, send an email to: kent.thiesse@minnstarbank.com.

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Bankers will learn from ag industry experts and participate in discussions on critical ag issues and how they affect the financial industry.

The event will be held July 19-20. Registration and program information is available [here](#).

Questions? Contact Patti Coles, ICBM Meeting and Event Planner at pcoles@icbm.org or 651-789-3987.

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