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2015 Corn ARC-CO Payments Likely in Many Counties

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 decrease regarding corn and soybean market prices over the past few months, many farm operators and ag lenders are now wondering what the impact could be on 2015 ARC-CO payments, which are scheduled to be paid in October.

For the 2015 corn and soybean crops, producers who had very high corn and soybean yields last year (relative to their benchmark yields), were already projected to get very little or no 2015 ARC-CO payment. Producers who had 2015 corn or soybean yields that were very near or below 2015 benchmark yields will still likely get the maximum (or close to the maximum) 2015 ARC-CO payment. However, producers who had 2015 corn and soybean yields higher than the benchmark yields, but were still scheduled to receive a 2015 ARC-CO payment, will likely see their ARC-CO payments increase from earlier estimates.

Based on August 1 estimates, many counties in southern and western Minnesota, as well as in northern Iowa and the eastern Dakotas, are likely to receive an estimated 2015 corn ARC-CO payment of \$20 to \$80 per base acre. Some counties originally scheduled to receive no 2015 ARC-CO payment as of June 1, will now acquire an estimated payment of less than \$20 per base acre. There are still several counties scattered across the Upper Midwest that will likely receive no 2015 ARC-CO payment, due to a very high corn yield in 2015.

Based on August 1 estimates, only a small percentage of counties in the Upper Midwest are scheduled to receive a 2015 soybean ARC-CO payment, due to very strong actual soybean yields across many areas last year. For the counties that are scheduled to receive a 2015 soybean payment, the 2015 ARC-CO payment estimates have increased a few dollars per base acre in most counties, due to a projected decrease in the market-year-average (MYA) price since the June 1 estimate.

The 2015 MYA prices for corn and soybeans are the U.S. average

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prices from September 1, 2015 to August 31, 2016, with MYA prices being finalized on September 30, 2016. As of August 1, 2016, the estimated 2015 MYA prices are \$3.60 per bushel for corn, and \$8.95 per bushel for soybeans, which represents a decrease of \$0.10 per bushel for both corn and soybeans from the MYA estimates on June 1, 2016. This adjustment in projected MYA prices will positively affect estimated 2015 corn and soybean ARC-CO payments in many counties across the U.S. The lower MYA price for corn also means that there could potentially be a small payment in October for producers who have their corn-base acres enrolled in the price-loss-coverage (PLC) farm program option for the 2014-2018 crop years.

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 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 season-average estimated market prices 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 of MYA prices for corn, soybeans, and wheat. The website can be found [here](#).

County benchmark (BM) revenue for a given crop is the county BM yield multiplied by the BM price for the year, which is the same BM price that is used throughout the U.S. The 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's MYA price for the preceding five years, then dropping the high and low MYA price, and averaging the other three MYA prices.

The 2015 BM county yield for a given crop was calculated by taking the average county yields for the previous five years (2010-2014), dropping the high and low yield, and the averaging the other three yields. The BM corn yields in most Minnesota counties declined in 2015, with many counties in south-central, southwest, and central Minnesota having declines of 8-12 bushels per acre from 2014 to 2015.

The USDA's National Agricultural Statistics Service (NASS) released the 2015 estimated average county yields for corn, soybeans, and other crops in late Winter, which can be used to estimate potential 2015 ARC-CO payments. The NASS yields may be adjusted slightly downward by the USDA to arrive at the final 2015 BM yields and county FSA yields, which are used to calculate 2015 ARC-CO payments. The 2015 NASS county yields are available on the NASS [website](#).

There will likely be a large difference regarding 2015 corn ARC-CO payments from county to county, depending on the final 2015 county yields. It appears that most counties in southern and western

Minnesota will get a partial 2015 corn ARC-CO payment, with a few counties that will get the maximum payment. Several counties in central Minnesota, as well as a few select counties in other areas, will likely receive no 2015 corn ARC-CO payment.

Expect for a few counties in southeast and northwest Minnesota, there will be little or no 2015 ARC-CO payment for soybeans. Counties in many portions of Illinois, Indiana, and other states in the eastern Corn Belt will likely receive the maximum, or close to the maximum, 2015 ARC-CO payments for corn and soybeans, due to much lower yield levels in 2015.

Remember that 2015 corn and soybean ARC-CO payment levels are still estimates, which are based on the 2015 NASS county yields and current MYA price estimates. The final ARC-CO payments could vary, based on any changes in MYA price levels by August 31 or any adjustments made by the USDA in the announced NASS yields to arrive at the final 2015 FSA county yields, which will be used to calculate 2015 ARC-CO payments.

There will likely be a 6.8 percent federal sequestration reduction on all 2015 ARC-CO payments paid in October 2016, similar to the 2014 ARC-CO payments that were paid in 2015.

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 are available on the FSA ARC-PLC [website](#).

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