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Some Producers Receiving 2015 ARC-CO Payments

Some farm operators in the Upper Midwest are receiving a significant farm program payment during October from the USDA's Farm Service Agency (FSA), while other farm operators are receiving much smaller payments. Some producers aren't receiving any payment.

Most crop producers in Minnesota and the surrounding states are enrolled in the county yield-based Ag Risk Coverage (ARC-CO) farm program choice on their corn and soybean base acres. The price-loss coverage (PLC) farm program option is a price-only-based program, which is more popular for wheat and other small grain crops.

The direct payments that existed under the last Farm Bill, which were in place for nearly two decades, were paid to producers on the basis of crop-base acres, regardless of crop prices or yields. By comparison, the ARC-CO program payments in the current Farm Bill are based on changes in national price levels and the county-level yields for a given crop from year to year. This change has resulted in a wide variation in ARC-CO payments from one year to the next, as well as from county to county. The PLC payments are based on the national market-year-average (MYA) price, compared to pre-set target prices for various crops, and the payment rates are the same throughout the U.S.

The MYA price for a given crop year is used to calculate potential payments for the PLC, ARC-CO, and 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 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 12-month marketing year for corn and soybeans begins on September 1 in the year that a crop is harvested and continues until

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August 31 the following year. For the 2015 crop year, the 12-month marketing period to determine the final MYA price was from September 1, 2015 through August 31, 2016, with the MYA price finalized on September 30, 2016. The MYA marketing period for wheat and other small grain crops is from June 1 in the year of harvest to May 31 the following year.

[Learn More](#)

The final 2015 MYA prices that were used for farm program payment calculations include: \$3.61 per bushel for corn, \$8.95 per bushel for soybeans, and \$4.89 per bushel for wheat.

The USDA is estimating that slightly over \$6.8 billion will be paid in total farm program payments to over 1.5 million farm operators during the month of October. This includes nearly \$5.6 billion in ARC-CO payments for all crops and about \$1.2 billion in PLC payments for all crops. By crop, corn leads the 2015 ARC-CO payments with over \$3.8 billion, followed by soybeans at just over \$1 billion, and wheat at about \$600 million. For PLC payments, wheat leads the way with over \$445 million estimated in payments for 2015, with \$47.5 million expected in corn PLC payments. There will be no 2015 soybean PLC payments. These payments are based on lower MYA prices for many commodities, compared to ARC-CO benchmark prices and PLC target prices, as well as lower 2015 county average yields in some areas, which enhanced ARC-CO payments.

Generally, 2015 corn ARC-CO payments were consistently higher in Illinois, Indiana, Ohio, and other eastern Corn Belt states, which had lower corn yields in 2015, compared to Minnesota, Iowa, and other western Corn Belt States, which had excellent yields last year.

In Minnesota and the surrounding states, corn ARC-CO payments were highly variable from county to county, ranging from zero to over \$80 per acre. 2015 County ARC-CO payments for soybeans were much less prevalent, with a much smaller percentage of counties in the western Corn Belt receiving payments, as compared to corn. Similar to corn, soybean ARC-CO payments were much more likely at higher payment levels in the eastern Corn Belt.

One of the hardest things for producers to understand is why there is such a large variation in 2015 corn ARC-CO payments from county to county. For example, Blue Earth, Faribault, Martin, Nicollet, and Watonwan Counties, in south-central Minnesota, all had 2015 final FSA corn yields of over 200 bushels per acre, yet the 2015 ARC-CO payments were widely different. The 2015 ARC-CO payment levels per acre were: \$84.33 in Watonwan Co., \$76.96 in Martin Co., \$56.89 in Blue Earth Co., \$48.88 in Faribault Co., and zero in Nicollet Co.

The main reason for this variation was the difference in the 2015 benchmark corn yields from county to county. The 2015 benchmark yields are based on the county average corn yield for the previous five years (2010-2014), dropping the high and low-yield years, and averaging the other three years. The 2015 benchmark yields (bushels/acre) are: 182 in Watonwan Co., 178 in Martin Co., 175 in

Faribault Co., 172 in Blue Earth Co., and 162 in Nicollet Co.

The final 2015 FSA corn yield is factored against the 2015 benchmark yield, in order to calculate final 2015 ARC-CO payments. So, at similar final yields, having a lower benchmark yield for a given year lowers the likelihood and payment amount of potential ARC-CO payments. In some areas, there was also considerable variation in the final 2015 FSA corn yields from county to county, which will also impact ARC-CO payment levels.

Producers should be aware that most quoted ARC-CO payment rates per acre for corn, soybeans, and other crops need to be factored by 85 percent (.85), in order to arrive at an ARC-CO payment rate per crop base acre. The 2015 ARC-CO payments are also subject to the required Federal sequestration reduction of 6.8 percent, which will affect the final total payment received by farm operators.

The USDA FSA ARC/PLC website contains 2014 and 2015 ARC-CO payment maps, as well as a variety of other farm program data and information. The site can be found [here](#).

For more information, contact Kent Thiesse, Farm Management Analyst and Vice President, MinnStar Bank, Lake Crystal at: 507-381-7960 or kent.thiesse@minnstarbank.com.

Ag Network Launching Tomorrow

The inaugural meeting of ICBM's Ag Network is set for tomorrow, October 19, 2016, from 10 a.m. to 2 p.m. at the ICBM office in Bloomington.

The new Network will provide a forum for ag lenders to learn from guest presenters, tackle challenging industry issues, and share best practices.



The group is open to all ICBM bank members. There is no charge to attend and lunch will be provided.

Interested in participating? Contact Doug Krukowski at dkrukowski@icbm.org or 651-789-3981.