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No Changes for Estimated ARC-CO Payments

As farm operators are doing their mid-year, cash-flow planning, they are wondering if there have been any changes in the estimates for 2016 ARC-CO payments, which would be paid in October 2017.

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 2014-2018 crop years. Many producers in the region earned significant 2014 and 2015 corn ARC-CO payments, while farm operators in some counties also earned some ARC-CO payments on their soybean base acres. For the 2016 crop year, ARC-CO payments for corn will occur in fewer counties and in lower amounts, compared to 2014 and 2015, and soybean ARC-CO payments are not likely in most counties.

The 2016 market-year-average (MYA) price is the national average corn or soybean price from September 1, 2016 to August 31, 2017, which will be finalized on September 30, 2017. The MYA price is the 12-month national average price for a commodity, based on the average market price received by farm operators across the United States, which is then weighted at the end of the year, based on the volume of bushels sold in each month. As of May 1, 2017, the USDA is estimating 2016 MYA prices at \$3.40 per bushel for corn, and \$9.55 per bushel for soybeans.

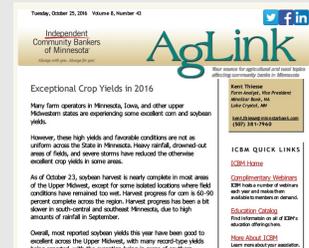
2016 ARC-CO payments for a given crop are paid when the actual 2016 county revenue for the crop falls below the 2016 county benchmark (BM) revenue guarantee. The actual county revenue is the final 2016 county FSA yield multiplied by the final MYA price for 2016. The BM prices for corn and soybeans for 2016 are \$4.79 per bushel for corn and \$11.87 per bushel for soybeans, which is down from \$5.29 per bushel for corn and \$12.27 per bushel for soybeans in both 2014 and 2015. 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 BM county yields for 2016 were calculated by taking the average county yields for the previous five years (2011-2015),

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dropping the high and low yield, and then averaging the other three yields. The 2016 county benchmark (BM) revenue for a given crop is the county BM yield multiplied by the 2016 BM price, which is then multiplied by 86 percent (0.86) to calculate the value for county-revenue guarantee.

The current 2016 ARC-CO payment estimates are based on the USDA's National Agricultural Statistics Service's (NASS) estimated county-average yields for corn, soybeans, and other crops. The NASS yields may be adjusted slightly by the USDA to arrive at the final numbers, which are used to calculate 2016 ARC-CO payments. However, any adjustments to the final 2016 county yields will likely be lower than the 2016 NASS yield estimates. This would increase the likelihood or payment level for 2016 ARC-CO payments, especially for corn. The 2016 NASS county yields are available on the NASS [website](#).

The relationship between the final 2016 county yield and the 2016 county BM yields is extremely important in calculating potential 2016 ARC-CO payments for corn and soybeans. Expressing the 2016 county yield as a "% of BM yield" is actually more important than the final county yield in determining estimated ARC-CO payments. Any county that has a corn "% of BM yield" of less than 107 percent will likely see the maximum estimated 2016 corn ARC-CO payment, and counties with a "% of BM yield" of 121 percent or higher are unlikely to receive a 2016 corn ARC-CO payment. For soybeans, counties with a "% of BM yield" of 107 percent or higher, are unlikely to receive a 2016 ARC-CO payment.

There will likely be a large difference in the 2016 corn ARC-CO payments from county to county, depending on the final 2016 county yield, expressed as a "% of BM yield." It appears that most counties in south-central and southeastern Minnesota, as well as many counties in northern Iowa, will get a partial 2016 corn ARC-CO payment. However, very few will get the maximum payment. Counties receiving higher payment levels had 2016 corn yields that were lower or very similar to 2015 corn yields. Except for a few isolated counties, most counties in southwest and west-central Minnesota will not receive a 2016 corn ARC-CO payment, due to the very high 2016 corn yields compared to the BM yields in 2016. No counties in the Upper Midwest will likely receive a 2016 soybean ARC-CO payment, as a result of very strong 2016 soybean yields, as well as the increase in the 2016 estimated soybean 2016 price, compared to 2015.

The current 2016 corn and soybean ARC-CO payment estimates are based on the 2016 NASS county yields and the current MYA prices (as of: 5-1-2017). As we get closer to the end of the 2016 MYA year on August 31, 2017, the likelihood for significant changes in the 2016 MYA prices diminish, so we are not likely to see major shifts in the current 2016 ARC-CO payment estimates. There will likely be a 6.8 percent Federal sequestration reduction on all 2016 ARC-CO payments that paid in October 2017, similar to the 2014 and 2015 ARC-CO payments.

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Previous county yields for corn, soybeans, and other crops, benchmark yields and revenues, FSA yields, 2014 and 2015 ARC-CO payment levels, and other farm program information are available on the FSA ARC-PLC [website](#).

A table showing 2016 ARC-CO payments 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.

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