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2016 Corn ARC-CO Payment Estimates Increase

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 will be on potential 2016 ARC-CO payments, which are scheduled to be paid this October.

For 2016 corn and soybean crops, producers in counties that had very high yields (relative to their benchmark yields), were already projected to not receive a 2016 ARC-CO payment. Producers in counties that had 2016 corn yields that were very near or below the 2016 benchmark yields, will likely get the maximum (or close to the maximum) 2016 corn ARC-CO payment. However, producers who had 2016 corn yields between 110-122 percent of their 2016 benchmark yield (and were previously projected to receive a 2016 corn ARC-CO payment), will likely see their 2016 ARC-CO payments increase from earlier estimates.

The 2016 market-year-average (MYA) prices for corn and soybeans (which are used to calculate potential 2016 ARC-CO payments) are the U.S. average, farm-level prices from September 1, 2016 to August 31, 2017. The 2016 MYA prices will be finalized on September 30, 2017.

As of June 1, 2017, the estimated 2016 MYA prices are \$3.35 per bushel for corn, and \$9.55 per bushel for soybeans, which represent a decrease of \$0.05 per bushel for both corn and soybeans from the MYA estimates on March 1, 2017.

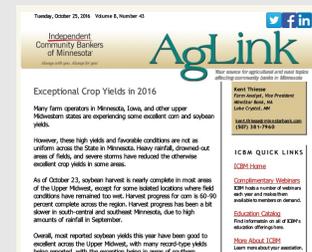
The downward adjustment in the projected corn MYA price will have a positive effect regarding the estimated 2016 corn ARC-CO payments in many counties across the Upper Midwest.

Based on the June 1, 2017 estimates, many counties in southern Minnesota and northern Iowa (as well as some counties in eastern

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South Dakota), that were already anticipating a 2016 corn ARC-CO payment, will now see ARC-CO payments increase by \$7-9 per corn-base acre. A much smaller percentage of counties in central and northern Minnesota, along with counties in eastern North Dakota, were previously scheduled to receive corn ARC-CO payments. However, counties that are scheduled to receive payments will see 2016 corn ARC-CO payments increase by \$6-\$7 per base acre from earlier figures.

Approximately six new counties in Minnesota and two new counties in both northern Iowa and eastern South Dakota are scheduled to receive a small 2016 corn ARC-CO payment, after being previously projected to not receive any payment. Five counties in Minnesota and nine counties in eastern South Dakota are now expected to receive the maximum 2016 corn ARC-CO payment, based on the June 1 MYA corn price estimate.

Even following the small decline in the projected 2016 soybean MYA price, all counties in Minnesota, northern Iowa, and the eastern Dakotas are still not likely to receive a 2016 soybean ARC-CO payment. This is due to record actual 2016 soybean yields in many counties in the Upper Midwest. Even if the 2016 MYA price drops another \$0.05-\$0.10 per bushel by August 31, 2016, it is unlikely that there would be 2016 soybean ARC-CO payments in nearly all counties in the region. Any further downward adjustment in the final 2016 corn MYA price between now and August 31 would further enhance the level of estimated 2016 corn ARC-CO payments in many counties in the Upper Midwest.

Please refer to [this table](#) for updated 2016 corn ARC-CO payment estimates for all counties in Minnesota.

The MYA price for a given crop year is used to calculate any 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'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. The WASDE Report 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](#).

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[Kansas State University](#) offers one of the best monthly updates of MYA prices for corn, soybeans, and wheat.

It is important to remember that the 2016 corn and soybean ARC-CO payment levels are still estimates, which are based on the 2016 NASS county yield estimates and current MYA prices. The final payments could vary. There will likely be a 6.8 percent Federal sequestration reduction on all 2016 ARC-CO payments that will be paid in October 2017, similar to adjustments made in the 2014 and 2015 ARC-CO payments.

Producers must be enrolled in the 2016 ARC-CO program for corn and soybeans in order to be eligible for any 2016 ARC-CO payments. Producers are required to enroll in the 2017 ARC-CO program at local FSA offices by August 1, 2017 in order to be eligible for 2017 ARC-CO payments, which will be paid during October 2018.

Given the currently-projected corn and soybean price levels for 2017-2018, along with likely increases in 2017 benchmark yields in many counties, there could be a possibility of 2017 corn and soybean ARC-CO payments in many areas, especially if the 2017 crop yields return closer-to-average yield levels.

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

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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