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2015 Estimated ARC-CO Payments

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Payments for the 2015 Agricultural Risk Coverage at the county level (ARC-CO) program will provide much needed funds for many farmers with short cash flows. These payments will be made after October 1st. At this point, not all data needed to calculate ARC-CO payments are available; however, reasonable estimates of payments can be made for those counties in which the National Agricultural Statistical Service (NASS) provides county yields. Maps showing corn and soybean level of payments across the United States are given in this article, thereby updating 2015 ARC-CO estimates from a May 27th *farmdocDaily* article ([farmdoc daily May 27, 2016](#)) using more up-to-date estimates of market year average prices.

ARC-CO Background

ARC-CO is a county revenue program that makes payments when county revenue is below a benchmark guarantee see ([farmdoc daily February 20, 2016](#)) for a description of ARC-CO payments. To estimate 2015 payments, information on these three items are needed:

- Market Year Average (MYA) prices. ARC-CO uses national, MYA prices in the calculation of revenue. The marketing year for corn and soybeans begins in September and ends in August, so the end of the marketing year has not been reached; however, the range of possible 2015 MYA prices is fairly narrow. In the July World Agricultural Supply and Demand Estimates (WASDE) report, MYA price mid-points are \$3.60 per bushel for corn and \$8.95 per bushel for soybeans. It is very likely that the final MYA price will be within \$.10 of these midpoints. The benchmark price for corn used in calculating ARC guarantees is \$5.29 per bushel. The \$3.60 MYA price for 2015 is well below the \$5.29 benchmark price, meaning that county yields would have to be relatively high compared to benchmark yields before a payment is not received. A similar situation exists for soybeans. The 2015 benchmark price is \$12.27 compared to a 2015 MYA price estimate of \$8.95.

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- County yields. FSA will release their estimates of county yields this fall before making ARC-CO payments. In this article, county yields released by the National Agricultural Statistical Service (NASS) will be used to estimate 2015 ARC-CO payments. NASS yields will not be the same as FSA yields. Where NASS data exists, FSA yields generally will be below NASS yields. Where NASS data does not exist, 2015 ARC-CO estimates are not provided in the following maps
- Federal Budget Sequester amount. Last year, commodity payments under the 2014 Farm Bill were reduced 6.8% due to sequester requirement contained in Congressional budgeting processes. A sequester likely will occur for 2015 payments. In this article, a sequester reduction is not included in payment estimates.

2015 Estimated Payments for Corn

Figure 1 shows a color-coded map of 2015 ARC-CO estimated payments for corn across the United States. Where irrigated and non-irrigated payments estimates exist, the irrigated ARC-CO payment estimated is shown in Figure 2. Counties left blank do not have a NASS yield estimates. Payments are given on a per base acre basis. As can be seen in Figure 1, many counties in the United States will receive 2015 payments. Payments of between \$40 and \$80 per base acre are common across the Midwest. However, there are lower payments and some counties will not receive a 2015 ARC-CO payment for corn.

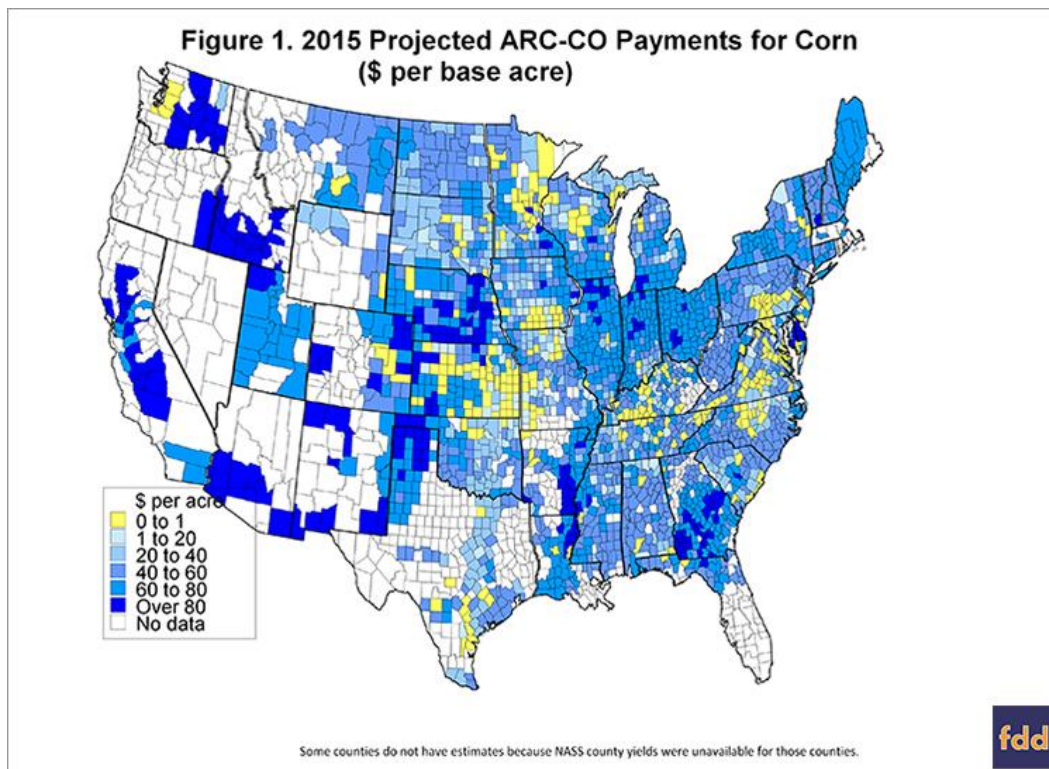
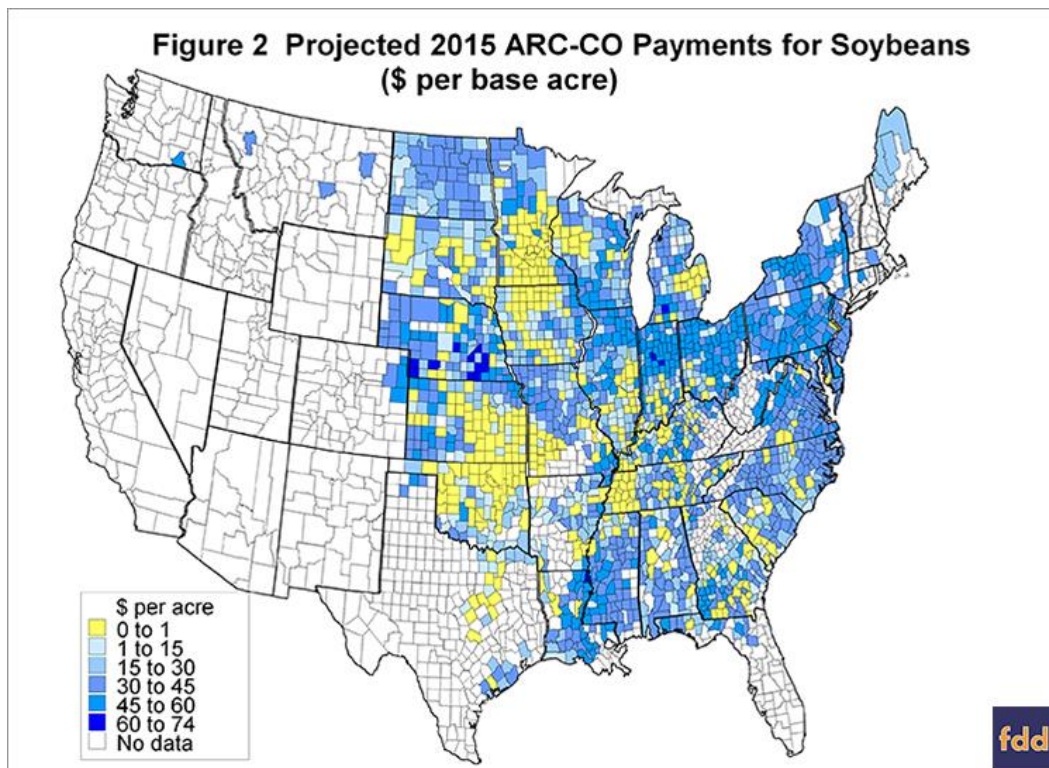


Figure 2 shows a map of estimated 2015 soybean payments. Many counties are projected to receive payments. Within the corn-belt, payments are projected in most counties in a band beginning in eastern Iowa, crossing northern Illinois and southern Wisconsin, extending across northern and central Indiana, and ending in Ohio. Many counties in northern Iowa and southern Minnesota are projected to not receive payments. ARC-CO is projected to make payments in most North Dakota counties as well.



Commentary

The above maps show ARC-CO payments. Note that there will be sizable differences in payments for counties near one another. There will be cases in which a \$0 ARC-CO payment occurs in one county while another county has an over \$50 payment per base acre (i.e., corn ARC-CO payments for Piatt County, Illinois). Less extreme examples will also occur. These variations occur because of differences in county yields compared to county benchmark yields.

The above estimates use NASS yields in arriving at ARC-CO estimates. FSA will use their own estimates of yields. Most often, FSA yields will be lower than the NASS yields used in this article, resulting in payments that are equal to or higher than those shown here.

ARC-CO payments for 2015 will be a significant positive cash flow on many grain farms as net farm incomes are projected to be low in 2016 ([farmdoc daily April 26, 2016](#)). However, these payments will not completely offset the lower prices and the remaining, stubbornly high costs that contribute to negative cash flows. An urgent need to cut cash flows now and through 2017 will exist.

References

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