



## IFES 2016: Farm Bill Program Update and Outlook

Nick Paulson and Jonathan Coppess

Department of Agricultural and Consumer Economics  
University of Illinois

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*This is a presentation summary from the 2016 Illinois Farm Economics Summit (IFES) which occurred December 12-16, 2016. A complete collection of presentations including PowerPoint Slides (PPT) and printable summaries (PDF) are available [here](#).*

The 2014 Farm Bill introduced a number of changes to farm commodity programs, allowing farmers to choose support through a revenue-based (ARC) or price-based (PLC) program. Now in the third year of the current farm bill, we have two full years of new program experience to review. In 2014, despite lower prices for corn, soybeans, and wheat, the majority of counties did not receive ARC-CO payments. Exceptions include the northern half of the state, where many counties received sizeable ARC-CO payments on corn and moderate payments on wheat base. Above average yields for all three crops tended to offset the lower price levels. In addition, price levels for corn, soybeans, and wheat were at or above their respective reference prices. Therefore, no PLC program payments were triggered for these crops.

In 2015, even lower price levels for corn, soybeans, and wheat led to ARC-CO payments being triggered across the majority of counties in Illinois. With a few notable exceptions, nearly all counties in IL received sizeable ARC-CO payments for corn acres, with a number of counties receiving the maximum level of support. ARC-CO payments on soybean acres were also triggered in most IL counties, with larger payments on soybean acreage concentrated in northern Illinois counties. Finally, ARC-CO payments on wheat were also triggered in most counties in Illinois, also with wide variation in payment levels across counties. Final MYA price levels of \$3.60 and \$4.89 resulted in small PLC payments for corn, and large payments for wheat, respectively.

Looking ahead to 2016, continued low prices suggest that ARC-CO payments could be triggered in Illinois. Given current expectations for the 2016 MYA price and yield levels, ARC-CO payments for corn are likely in northern IL and some southern IL counties. Despite low price expectations, only a handful of counties in IL are currently expected to receive payments on soybean acres for 2016. For wheat, ARC-CO payments are expected for most counties in Illinois due to the current forecast for the 2016 MYA price being well below the benchmark for wheat. Given price expectations, small to moderate PLC payments are likely for corn, while large payments will likely be triggered for wheat.

The first two years of the ARC-CO program have led to some criticisms of the program based on the amount of variation in payment levels across counties. This is particularly true for areas where neighboring counties receive dramatically different levels of support. This variation in payment levels has

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been completely driven by variation in the final county yields relative to the ARC benchmark yields in those counties.

The 5-year Olympic averages used in the ARC-CO program determine its outlook, allowing for adjustment over time to market conditions. If low prices and strong yields continue into the next few crop years, the ARC-CO program guarantees will continue to adjust to those levels, changing the likelihood and size of program payments. Farmers will need to manage through these market and program realities.

Combined, the county average yield issues and the benchmark calculations for ARC-CO are producing important feedback into the policy development discussion expected to influence the 2018 farm bill. As farmers work to manage through the new price environment and policy situation, they will also want to think through how farm policies should be designed in the future. Developing new policies, however, will be complicated by Federal budget realities and some of the same operational aspects of the current programs.

### **Additional Resources**

The slides for this presentation can be found at:

[http://www.farmdoc.illinois.edu/presentations/IFES\\_2016](http://www.farmdoc.illinois.edu/presentations/IFES_2016)

For more detailed analysis of the farm commodity programs:

Paulson, N., G. Schnitkey, J. Coppess, and C. Zulauf. "[2015 ARC-CO Payments for Corn, Soybeans, and Wheat](#)." *farmdoc daily* (6):196, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, October 18, 2016.

Schnitkey, G., N. Paulson, J. Coppess, and C. Zulauf. "[First Projections of 2016 ARC-CO Payments](#)." *farmdoc daily* (6):216, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, November 15, 2016.

Schnitkey, G., J. Coppess, N. Paulson, and C. Zulauf. "[2014 ARC-CO Payments: Release of 2014 County Yields](#)." *farmdoc daily* (5):209, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, November 10, 2015.