



First Projections of 2016 ARC-CO Payments

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Farmers and landowners recently received 2015 payments under the Agricultural Risk Coverage at the county level (ARC-CO) program (see *farmdoc daily* [October 18, 2016](#)). Herein we provide county projections of 2016 ARC-CO payments. If made, these 2016 payments will be received in the fall of 2017 and will differ from projections shown here. We provide these projections to aid in estimating 2017 cash flows and the accrued government payments for inclusion as an asset on end-of-year 2016 balance sheets.

Procedure and Caveats

ARC-CO makes payments when county revenue is below a county revenue guarantee. County revenue equals the 2016 county yield times the 2016 market year average (MYA) price. County yields used by the Farm Service Agency (FSA) in calculating ARC-CO will not be released until next fall. At this point, U.S.D.A. has not released any county yields that can be used to assess yield variability across counties. National Agricultural Statistical Service (NASS) will release county yields in late February. Unfortunately, these NASS yields will be released too late to aid most individuals as they prepare 2016 financial statements and 2017 projected cash flows. MYA prices also are not known. Corn and soybean market years end in August. As a result, both the county yields and prices used in 2016 ARC-CO projections are estimates.

County yields and MYA prices are estimated as follows:

County yields for corn: Illinois' state yield is estimated at 202 bushels per acre, two bushels higher than the 2014 yield of 200 bushels per acre (Yield estimates come from U.S.D.A.'s [Crop Production](#) publication). The 2016 county yields are estimated as the 2014 yield plus two bushels.

County yields for soybeans: Illinois' state yield for 2016 is estimated 62 bushels per acre, six bushels higher than the 2015 yield of 56 bushels per acre. The 2016 county yields for soybeans are estimated as the 2015 yield plus five bushels.

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County yields for wheat: Illinois' state yield for 2016 is estimated at 74 bushels per acre, nine bushels higher than the 2015 yield of 65 bushels per acre. County yields for wheat are estimated as the 2015 yield plus nine bushels.

Market year average prices: For all crops, the MYA price is estimated as the mid-point of the *World Agricultural and Supply Demand Estimates* (WASDE) in the [November report](#).

Projections shown below will vary from actual payments. The yield variability across counties used in 2016 will not be the same as that for the historical year used as the base for estimating 2016 yields. More refined estimates of ARC-CO payments will be released here on *farmdoc daily* after the release of NASS county yields in February.

Projections below are per base acre and include a 6.8% sequester reduction.

Corn

Many counties in northern Illinois have projected payments over \$50 per base acre. Southern Illinois has many counties with payments projected over \$30 per base acre. Central Illinois projections are more mixed with payments ranging from \$0 per base acre to over \$50 per acre.

This large range in payments is likely. However, the exact counties that receive large payments are difficult to determine and could differ from those shown in Figure 1, particularly in the central part of the state. For example, DeWitt County located in the center of the state is projected to have a payment over \$50 per acre. If its county's yield is much higher than the 2014 yield used to estimate the 2016 yield, DeWitt County could receive a much lower payment.

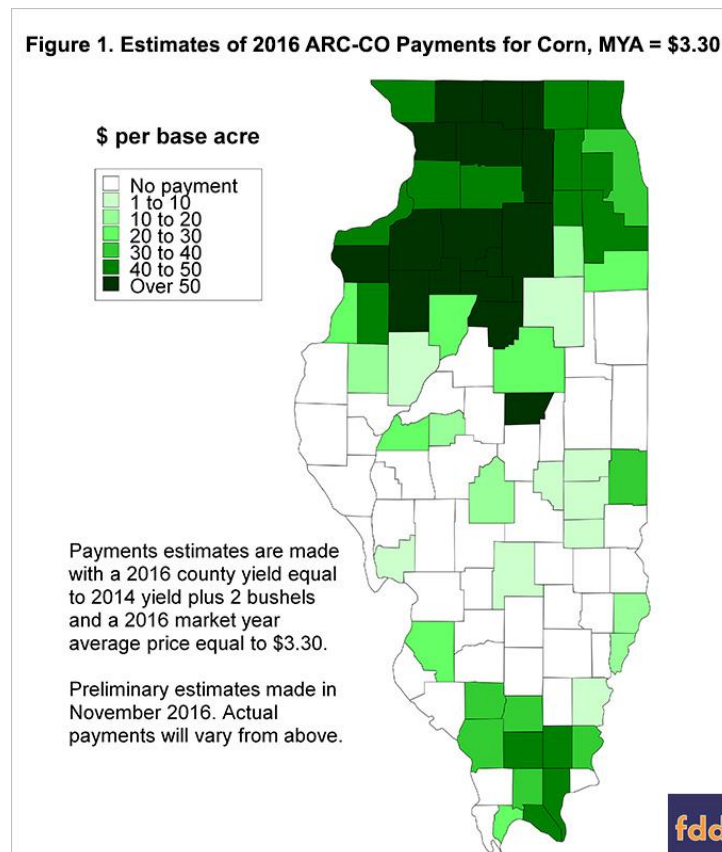
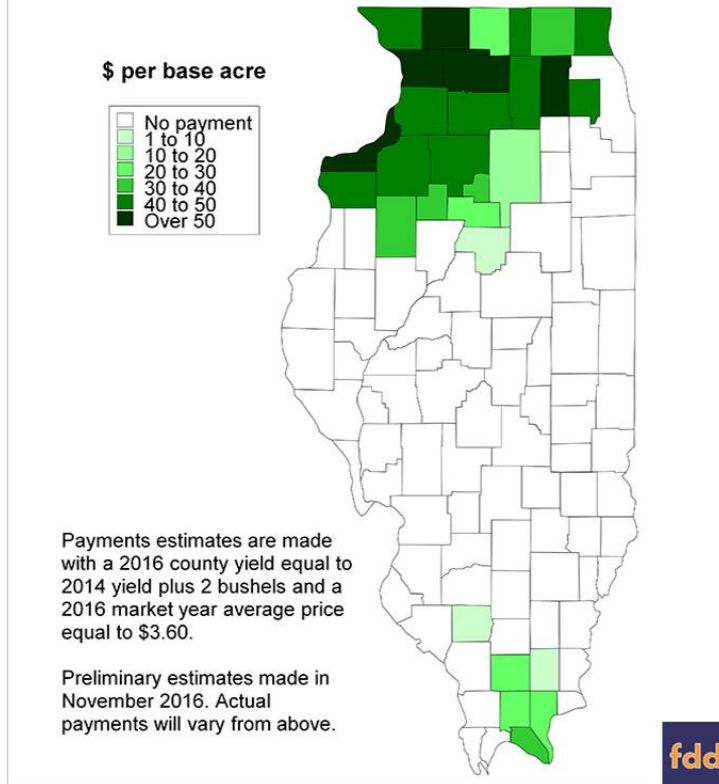


Figure 1 shows payments given a \$3.30 MYA price, the midpoint of the WASDE range. Figure 2 shows payments at a \$3.60 price, the high end of the WASDE range. At that price, only counties in northern Illinois and the tip of southern Illinois are projected to receive payments.

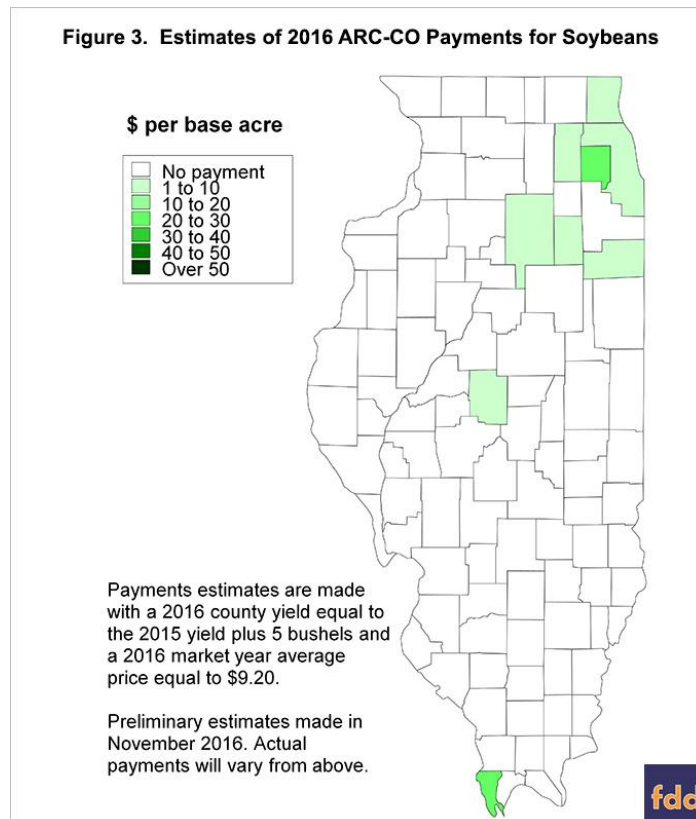
Figure 2. Estimates of 2016 ARC-CO Payments for Corn, MYA = \$3.60



Soybeans

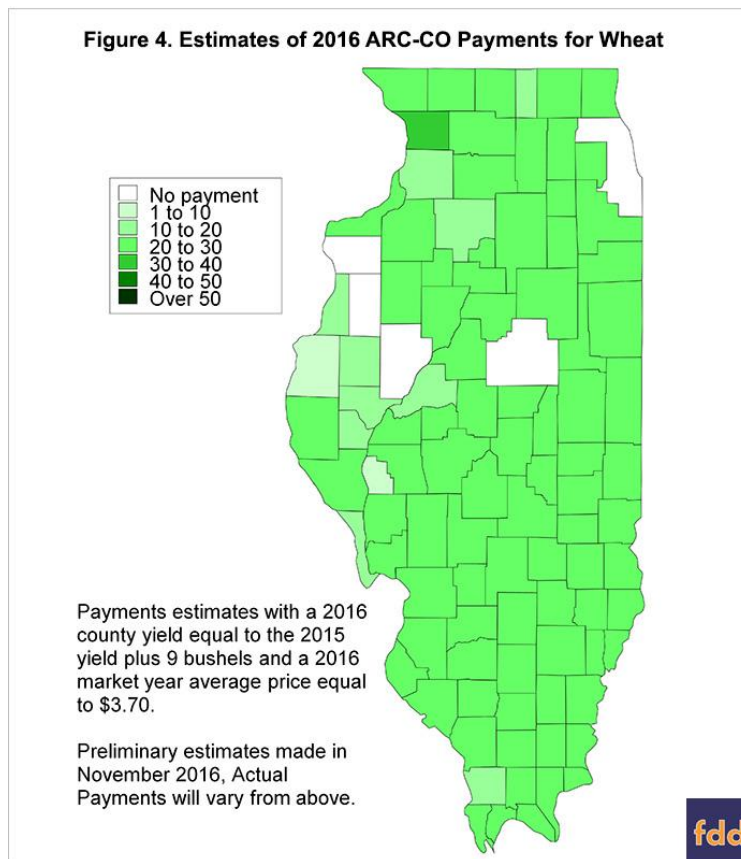
Very high soybean yields result in few counties being projected to receive soybean payments. Only nine Illinois counties are projected to receive payments at a \$9.20 price, with most of these county payments projected at less than \$10 per acre (see Figure 3).

Figure 3. Estimates of 2016 ARC-CO Payments for Soybeans



Wheat

Wheat is projected to make payments in most counties in Illinois (see Figure 4). Payments in the \$20 per base acre predominate across Illinois. The 2016 MYA price is estimated at \$3.70 per bushel. The \$3.70 estimate is well below 2012 through 2015 prices, resulting in the payments for ARC-CO.



Summary

There is considerable uncertainty about 2016 ARC-CO payments. A Microsoft Excel spreadsheet is available [here](#) for individuals to use in estimating their own payments called the ARC-CO PLC payment Estimator. This spreadsheet will allow an individual to enter their own estimates of county yields which can have a large impact on ARC-CO payments.

Three items stand out from the above maps. First, ARC-CO payments are more likely in northern Illinois than in central Illinois. Second, most counties will not receive an ARC-CO payment for soybeans. Third, ARC-CO payments are likely for wheat.

Overall, corn payments will be lower in most counties in 2016 than in 2015. Many counties received significant soybean payments in 2015. Large payments in 2016 for soybeans should not be anticipated. Averaged over all base acres on a farm, a decrease of at least 50% should be anticipated, with many counties not receiving any ARC-CO payments for 2016. Farmers in the central and southern parts of the state should be wary of building in large 2016 ARC-CO payments.

More accurate estimates of ARC-CO payments will be available once U.S.D.A. releases county yield estimates in late February 2017. Revised county estimates will be provided here on *farmdoc daily*.

References

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.

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