



## Revised Estimates of 2017 ARC-CO Payments

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In recent months, forecasts of 2017 Market Year Average (MYA) prices have increased. Higher MYA prices will result in lower 2017 payments for the Agricultural Risk Coverage at the County level (ARC-CO) commodity title program (Price Loss Coverage (PLC) will be reduced as well). We provide 2017 ARC-CO payment estimates using MYA price forecasts of \$3.40 for corn, \$9.35 for soybeans, and \$4.70 for wheat, midpoints in the May 2018 WASDE report. Few counties in Illinois are projected to receive 2017 payments on corn and soybeans. Around half of Illinois counties will receive wheat payments. National maps of payment estimates show few counties will receive payments for 2017 ARC-CO payments, except for wheat. For fall cash flow planning, most Illinois farmers and landowners should budget for no or low ARC-CO payments.

### Increasing Estimates of MYA Prices

ARC-CO will make a payment when county revenue falls below 86% of the county's benchmark revenue. Benchmark revenue is the Olympic average of the five previous yields for a county times the Olympic average of the five previous MYA prices. For 2017, county revenue equals

$$2017 \text{ county yield} \times 2017 \text{ MYA prices.}$$

Marketing years do not end until August for corn and soybeans, and May for wheat. Therefore, exact market year averages are not yet known for corn, soybeans, and wheat. As a result, MYA price forecasts must be used to estimate 2017 ARC-CO payments.

Each month, the Office of the Chief Economist of the U.S. Department of Agriculture releases the World Agricultural Supply and Demand Estimates (WASDE) report. This report gives a range for MYA prices. In this article, midpoints of these ranges are used as forecasts of the MYA price.

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In recent months, 2017 marketing year midpoints of WASDE ranges have been increasing (see Table 1). The midpoint for corn was \$3.20 per bushel in September 2017 through December 2017. Since December, midpoints have been increasing in most months reaching \$3.40 in May 2018. Soybean midpoints have increased from \$9.20 per bushel in October 2017 to \$9.35 in May 2018. Wheat midpoints have increased to \$4.70 in May 2018. If cash prices remain at their current levels throughout summer, estimates of corn and soybean MYA prices likely will increase.

**Table 1. Midpoint of Market Year Average Prices in WASDE Reports**

Month	Market Year Average (MYA) Price		
	Corn	Soybeans	Wheat
	\$/bu	\$/bu	\$/bu
May-17	3.40	9.30	4.25
Jun-17	3.40	9.30	4.30
Jul-17	3.30	9.40	4.80
Aug-17	3.30	9.30	4.80
Sep-17	3.20	9.20	4.60
Oct-17	3.20	9.20	4.60
Nov-17	3.20	9.30	4.60
Dec-17	3.20	9.30	4.60
Jan-18	3.25	9.30	4.60
Feb-18	3.30	9.30	4.60
Mar-18	3.35	9.30	4.65
Apr-18	3.35	9.30	4.65
May-18	3.40	9.35	4.70

Source: Office of Chief Economist, USDA, World Agricultural Supply and Demand Estimates (WASDE) report.

### 2017 ARC-CO Payment Estimates for Illinois

Payment estimates have been revised using MYA prices at the May 2018 WASDE midpoints. Illinois estimates are shown in Table 1. These estimates are made using National Agricultural Statistical Service (NASS) yields, which may differ from the final yields used by the Farm Service Agency (FSA). ARC-CO payments are reduced by a sequester of 6.8%. Payments are reported on a per base acre basis, accounting for the fact that payments are received on .85 base acres. If there are 100 corn base acres on an FSA farm, multiplying the per base acre payment in Table 1 by 100 should result in a payment estimate close to the final payment for that farm.

Corn payments are projected to occur in several northern Illinois counties (Kane and Lake), one county in central Illinois (DeWitt), and several counties in southeast Illinois (Calhoun, Clay, Jefferson, Marion, Monroe, Perry, Randolph, and Washington). Soybean payments are projected in several northern Illinois counties (Boone, DeKalb, Kane, McHenry, Ogle, Putnam, and Winnebago Counties) and several southern Illinois counties (Clay, Jefferson, Marion). Wheat payments are projected for many counties across Illinois.

Payment estimates in this article are lower than those made in February ([farmdoc daily, February 27, 2018](#)). Take, for example, the corn payment in Kane County. The estimate shown in Table 1 using a \$3.40 per bushel MYA price is \$26 per base acre. A \$3.30 price (the WASDE midpoint from February) results in a \$40 payment, 53% higher than the \$26 payment in Table 2.

Lower ARC-CO payments will occur for higher MYA prices. For the Kane County case, a \$3.50 MYA price results in a corn payment of \$13 per base acre, a halving of the \$26 payment at \$3.40. A \$3.60 MYA price results in no ARC-CO payment.

**Table 2. Estimated 2017 ARC-CO Payments per Base Acre in Illinois<sup>1</sup>**

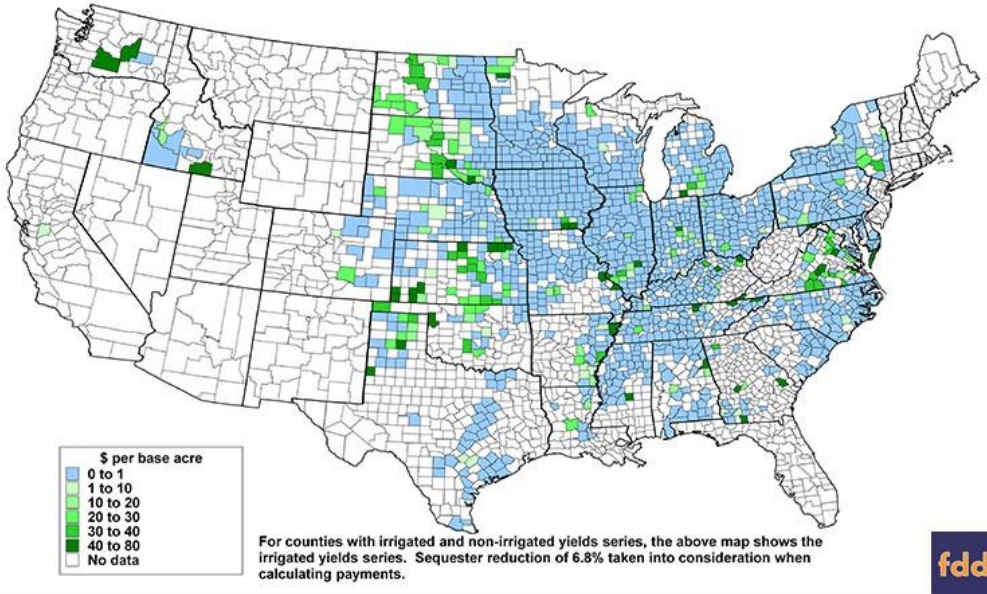
	Soy-			Soy-			Soy-			
	Corn	Beans	Wheat	Corn	Beans	Wheat	Corn	Beans	Wheat	
Adams	0	0	NA	Hardin	NA	NA	Morgan	0	0	0
Alexander	0	0	NA	Henderson	0	0	Moultrie	0	0	NA
Bond	0	0	NA	Henry	0	0	Ogle	0	22	0
Boone	0	47	0	Iroquois	0	0	Peoria	0	0	NA
Brown	0	0	0	Jackson	0	0	Perry	16	0	NA
Bureau	0	0	0	Jasper	0	0	Piatt	0	0	NA
Calhoun	13	0	20	Jefferson	8	7	Pike	0	0	2
Carroll	0	0	NA	Jersey	0	0	Pope	NA	0	NA
Cass	0	0	31	Jo Daviess	0	0	Pulaski	0	0	NA
Champaign	0	0	38	Johnson	0	0	Putnam	0	7	NA
Christian	0	0	NA	Kane	26	22	Randolph	21	0	0
Clark	0	0	0	Kankakee	0	0	Richland	0	0	0
Clay	45	7	0	Kendall	0	0	Rock Island	0	0	NA
Clinton	0	0	0	Knox	0	0	St. Clair	0	0	0
Coles	0	0	NA	Lake	21	NA	Saline	0	0	9
Cook	NA	NA	NA	LaSalle	0	0	Sangamon	0	0	33
Crawford	0	0	0	Lawrence	0	0	Schuyler	0	0	NA
Cumberland	0	0	0	Lee	0	0	Scott	0	0	NA
DeKalb	0	44	0	Livingston	0	0	Shelby	0	0	3
De Witt	13	0	NA	Logan	0	0	Stark	0	0	NA
Douglas	0	0	0	McDonough	0	0	Stephenson	0	0	0
DuPage	NA	NA	NA	McHenry	0	46	Tazewell	0	0	0
Edgar	0	0	24	McLean	0	0	Union	0	0	0
Edwards	0	0	0	Macon	0	0	Vermilion	0	0	38
Effingham	0	0	0	Macoupin	0	0	Wabash	0	0	0
Fayette	0	0	0	Madison	0	0	Warren	0	0	NA
Ford	0	0	NA	Marion	13	7	Washington	35	0	0
Franklin	0	0	0	Marshall	0	0	Wayne	0	0	NA
Fulton	0	0	2	Mason	NA	NA	White	0	0	21
Gallatin	0	0	NA	Massac	0	NA	Whiteside	0	0	NA
Greene	0	0	NA	Menard	0	0	Will	0	0	34
Grundy	0	0	NA	Mercer	0	0	Williamson	0	0	NA
Hamilton	0	0	0	Monroe	48	0	Winnebago	0	44	1
Hancock	0	0	0	Montgomery	0	0	Woodford	0	0	NA

<sup>1</sup> These payments are for a bases acre of the crop. They have been adjusted for a sequester equal to 6.8%. Payments are estimates at prices of \$3.40 for corn, \$9.35 for soybeans, and \$4.70 for wheat. NASS county yields used in estimates. NA indicates that NASS did not release a yield for that county.

### National Maps

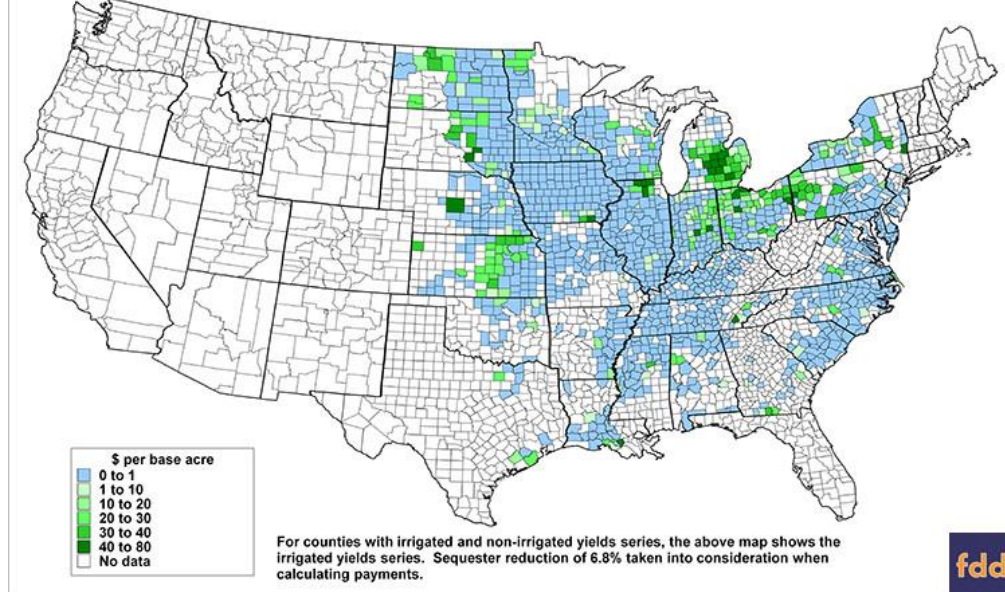
At a \$3.40 MYA price forecast, most counties are not projected to receive 2017 ARC-CO payments for corn (see Figure 1). Payments are forecast for a geographical concentration of counties in North and South Dakota, Oklahoma and Kansas, and Virginia.

**Figure 1. Estimated 2017 ARC-CO County Payments for Corn, \$ Per Base Acre  
(Estimated with a \$3.40 MYA Price)**



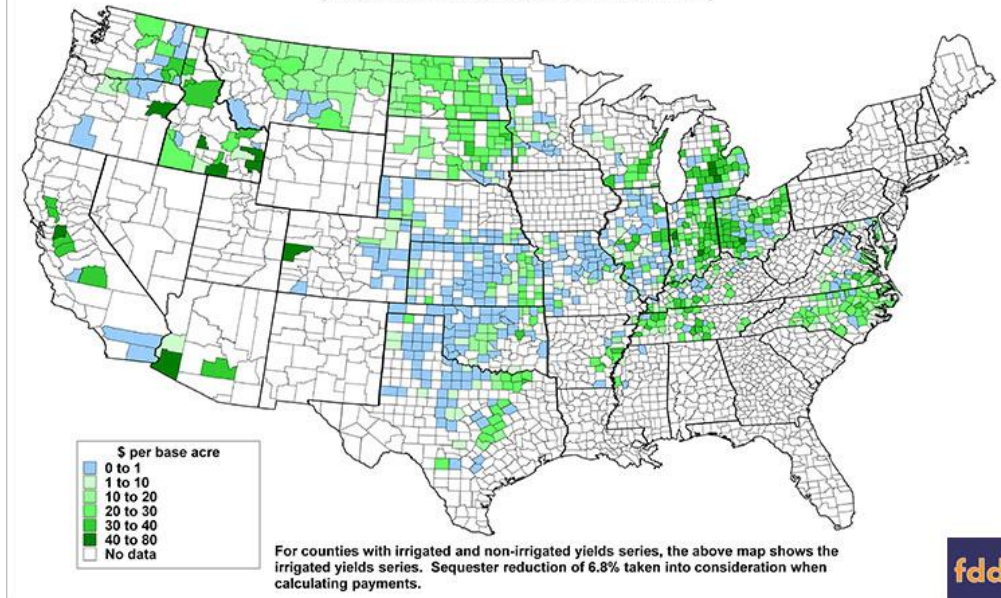
Geographical areas where ARC-CO will be expected to make payments for soybeans in 2017 include counties in western North and South Dakota; central Kansas; border counties along the Wisconsin-Illinois border; eastern Indiana, western Ohio, and Michigan; and western Pennsylvania (see Figure 2).

**Figure 2. Estimated 2017 ARC-CO County Payments for Soybeans, \$ Per Base Acre  
(Estimated with a \$9.35 MYA Price)**



Geographical areas where many counties are likely to receive 2017 ARC-CO payments for wheat include Montana, North Dakota, South Dakota, eastern Kansas, Oklahoma, central Texas, Indiana, Ohio, Michigan, and Virginia (see Figure 3).

**Figure 3. Estimated 2017 ARC-CO County Payments for Wheat, \$ Per Base Acre  
(Estimated with a \$4.70 MYA Price)**



### Summary

Estimates of 2017 ARC-CO payments remain preliminary but have declined since estimates released in February due to increases in the MYA price forecasts for corn, soybeans, and wheat. Actual MYA prices will vary from forecasts used here, resulting in different ARC-CO payments. If 2017 MYA prices for corn and soybeans continue to increase, ARC-CO payments will continue to be reduced. In addition, the yields FSA will use for determining payments will differ from the NASS yields used here.

Even given the above caveats, farmers and landowners should plan for few ARC-CO payments this fall.

### Reference

Schnitkey, G., J. Coppess, C. Zulauf, and N. Paulson. "[Estimated 2017 ARC-CO Payments](#)." *farmdoc daily* (8):34, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, February 27, 2018.