

Did the Newly Released 2014 County Yields Impact Estimated 2014 ARC-CO Payments?

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The much anticipated 2014 county level yields for corn and soybeans were released on February 19, 2015 by the U.S. Department of Agriculture (USDA), National Ag Statistics Service (NASS). With some farmers looking for more information to use during the election of programs under the current Farm Bill, county yields can provide some relevant data. While the NASS county yields have been released, the FSA yield used to determine program payments could vary from the NASS yield, but not significantly. The county yield information will be used to estimate/calculate Agriculture Risk Coverage – County (ARC-CO) payments, but is not used for the Agriculture Risk Coverage – Individual (ARC-IC) or Price Loss Coverage (PLC) programs.

If farmers have used trend or estimated county yields to calculate an estimated 2014 ARC-CO payment, it's worth the time to review those calculations and consider the newly released county yields. ARC-CO is a revenue protection program that will use county yields and the Market Year Average (MYA) price to determine a payment for losses below a calculated revenue guarantee for a county. While Ohio now has NASS county level yields, farmers will still need to use a U.S.D.A. projected MYA price to estimate a 2014 ARC-CO payment. The 2014 MYA prices for corn and soybeans will not be released until September 29, 2015.

The impact of the 2014 county yields can make a dramatic to modest change in the estimated 2014 ARC-CO payment. For this article, a couple corn examples will be discussed. Defiance County, like many Ohio counties harvested a large corn crop for 2014. Preliminary guesses by farmers were that Defiance County's corn yield may be around 170 bushels per acre (bpa) for 2014. With a projected MYA price of corn (Feb 10, 2015 WASDE Report) at \$3.65 per bushel, a county yield of 170 bpa made an estimated ARC-CO payment of approximately \$44 per acre on 85% of the corn base acres of the farm, in other words, \$37 per corn base acre. The NASS reported 2014 Defiance County corn yield was released at 184 bpa. Using the same MYA price for corn and a Defiance County yield at 184 bpa, the estimated payment for ARC-CO corn in Defiance County is \$0 for 2014.

Why did the 2014 ARC-CO corn payment estimate go to \$0 for Defiance County? The answer is all about the estimated revenue generated by the 2014 county yield and the projected 2014 MYA price compared to the ARC-CO guarantee. Defiance County's 2014 ARC-CO revenue guarantee is \$664 per acre for corn determined by Olympic averages of county corn yields and MYA prices of five previous years. When a record high 2014 county corn yield was harvested and reported by NASS, Defiance County generated revenue above the guarantee (184 bps X \$3.65 MYA price per bushel = \$672 per acre of corn), thus no estimated payment for corn.

Why do some counties still have an estimated payment for 2014 ARC-CO corn? The answer is also about the estimated revenue generated by the 2014 county yield and the projected 2014 MYA price compared to the ARC-CO guarantee. Adams County's 2014 ARC-CO revenue guarantee is \$655 per acre for corn. When the 2014 county corn yield was harvested and reported by NASS, Adams County generated revenue below the guarantee (143 bps X \$3.65 MYA price per bushel = \$523 per acre of corn), thus an estimated payment of \$65 per base acre of corn.

In the chart below shows a few selected Ohio counties at a variety of MYA prices to illustrate the estimated 2014 ARC-CO payments for corn. This chart does not consider future year's potential payments for ARC-CO, only 2014.

County	Commodity	2014 NASS County Yield	2014 ARC-CO Payment Estimates* by Projected MYA Price (\$ per base acre)		
			\$3.40	\$3.65	\$3.90
Adams	Corn	143	65	65	65
Defiance	Corn	184	33	0	0
Marion	Corn	172	78	78	78
Mercer	Corn	194	39	0	0
Paulding	Corn	192	14	0	0
Putnam	Corn	196	60	18	0
Ross	Corn	173	74	74	65
			*Payments are stated per base acre; as such they are multiplied by .85. If there are 100 base acres per farm, multiply the result above by 100.		

Every county ARC-CO estimated payment in Ohio, and the U.S. for that matter, will be impacted by 2014 county level data. That is by design of the current Farm Bill and the objective of the ARC-CO program choice. If a farmer anticipated an ARC-CO payment in 2014 for corn, it will be wise to recalculate the estimate using the NASS county level yield data. Corn payments appear to be more impacted by the release of NASS county level data than soybean payments. For final payment calculations, the USDA Farm Service Agency will use a county yield that may be similar to the NASS yield released on February 19, 2015, but not guaranteed to be the same.

This analysis should not be the exclusive information in electing ARC-CO or not electing ARC-CO, but rather an illustration of how payments will be calculated. Monitor the MYA price projections monthly at: <http://www.fsa.usda.gov/arc-plc> This analysis used the ARC-CO PLC Comparison Tool which can be downloaded at: <http://farmdoc.illinois.edu/fasttools/> Farmers are encouraged to consider all risks associated with price and yields before electing a Farm Bill program. Please remember, if a farmer has an FSA farm number that includes land in more than one Ohio county, you must use the county yield from the county where you administer your Farm Bill for that FSA farm number.