

ARC-CO Payment Estimates for 2022/2023 Corn, Soybeans, Grain Sorghum and Wheat

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With a large region of Kansas experiencing severe drought conditions during the 2022 growing season, many counties will be receiving maximum Agricultural Risk Coverage (ARC-County) payments in October 2023. To assist producers, lenders, and other agribusiness professionals in payment expectations, the K-State Agricultural Economics Department has released estimates of these payments in interactive map form here:

<https://www.agmanager.info/ag-policy/20222023-arc-county-payment-projections/20222023-kansas-arc-county-payment-projections>

This estimated payment, if any, will be received October 2023 for the crop harvested in 2022, where the marketing year concluded on May 31st, 2023, for wheat and will conclude on August 31st, 2023, for corn, grain sorghum and soybeans.

USDA Risk Management Agency (RMA) yields for Supplemental Coverage Option (SCO) payments were used in estimating 2022 county-level crop yields. These will not be the final county yields Farm Service Agency (FSA) uses to determine ARC-County payments, but are the best estimates to date of the county-level yields that FSA will use. FSA can make adjustments to the RMA yields before they certify the county yields used to make ARC-County payments. For example, in a county that has only a small amount of a crop's acres insured, FSA may adjust the RMA county yield using other data and the State Committee to account for the production on uninsured acres before FSA certifies the county yield.

There are also discrepancies between irrigation designations for the ARC-County program and what RMA releases for SCO county yields. For example, the SCO program names an irrigated and non-irrigated yield for each county, where ARC-County looks at a blended yield in many counties. Therefore, estimates of these blended yields were made based on percentages of insured acres of each.

These payments are listed as a per acre rate, which would be paid on 85% of base acres in that commodity. If your county is not displayed, you need to change the type to "All" or "Irrigated" and "Non-irrigated" in the dropdown menu to match your county's irrigated designation.

Estimates of 2022/2023 Marketing Year Average (MYA) price, can be found here and are updated each month: <https://www.agmanager.info/crop-insurance/risk-management-strategies/mya-price-estimates-updated-arc-and-plc-commodity-0>. While 2022/2023 MYA prices are significantly higher than ARC Benchmark prices (based on a 5-year Olympic Average), many counties will still see ARC-County payment because of catastrophic yield loss.



Comparing the corn benchmark price of \$3.70 and the forecasted MYA price of \$6.48, actual county yield in 2022 would need to be 49% of the benchmark to start generating a payment. Similarly, soybean yield at the county-level will need to be 55% of the benchmark to start generating a payment if the MYA stays at the current estimate of \$14.21 compared to the benchmark of \$9.12. Grain Sorghum MYA price is currently forecasted at \$6.61. Comparing that to the benchmark of \$3.95, the 2022 county yield would need to be 51% of the benchmark yield to start generating an ARC-County payment. Similarly, wheat has a final MYA of \$8.83 relative to the \$5.50 benchmark price. This means that county yield would need to be 54% of the benchmark to start generating a payment.

Here are the key variables to note when looking at the detail for the county as you hover your cursor over it (see Figure 1):

2022 Benchmark County Yield: 5-Year Olympic Average of trend adjusted county yields

2022 Benchmark Price: 5-Year Olympic Average of National Marketing Year Prices

2022 Benchmark Revenue: 2022 Benchmark Yield X 2022 Benchmark Price

2022 Guaranteed Revenue: 86% of Benchmark Revenue

Estimated 2022/2023 MYA: National Marketing Year Average Price estimated from KSU

Estimated 2022 County Yield: County yield as reported by RMA for SCO program (blended if needed)

Estimated 2022/2023 Revenue: Estimated 2022/2023 MYA Price X Estimated 2022 County Yield

Estimated 2022/2023 ARC Payment: The difference between the 2022 Guaranteed Revenue and the 2022/2023 Estimated Revenue, subject to the Maximum Payment Rate. This is your estimated payment per acre, that would be paid on 85% of the base acres in that crop

***Yield to Trigger ARC-CO Payment:** This is the maximum yield a county can have to trigger ANY ARC-CO payment at the projected MYA price

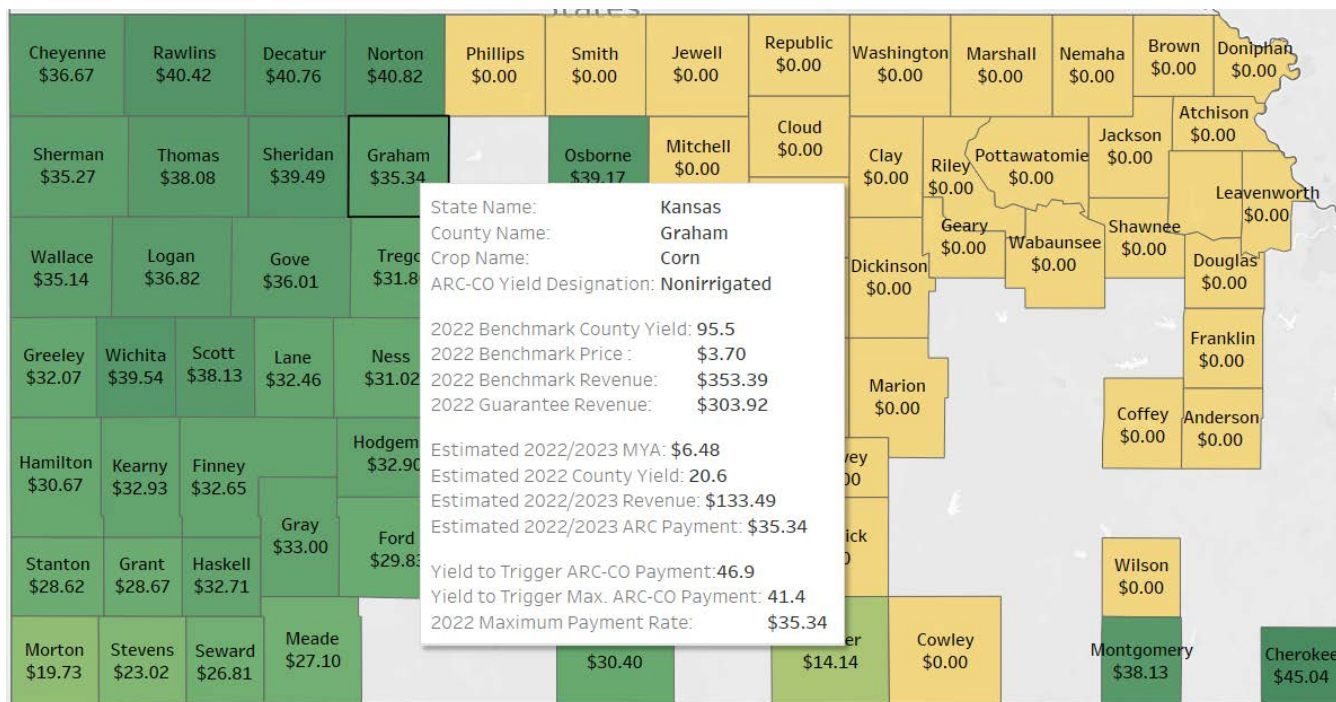
***Yield to Trigger Max. ARC-CO Payment:** This is the maximum yield a county can have to trigger the MAXIMUM ARC-CO payment at the projected MYA price

2022 Maximum Payment Rate: 10% of Benchmark Revenue, which is the maximum payment rate per acre by law

**This information is insightful if estimated yields are significantly less than the yield trigger required for an ARC-County payment, giving some certainty to the payment even with known errors around the county yield data source.*



Figure 1. Screenshot of ARC-County Corn payment estimate detail for Graham County, KS



In the Graham County example in Figure 1, the SCO county yield was 20.6 bushels. This is significantly below the 41.1 bushels that would trigger the maximum payment rate of \$35.34 per acre, so it is very certain that Graham County non-irrigated corn will receive the maximum payment.

Final payments rates will be released by FSA in early October, when ARC- County payments are issued. No guarantees are offered by KSU based on these estimates for educational purposes only.

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