

## All or Nothing: 2014 ARC-CO Payment Rates

Under one of the new programs created by the 2014 farm bill, payment rates can differ greatly across the country. In the first year of the program's operation, payments were at their maximum feasible levels in many counties and zero in many other counties. For three major crops, smaller payments were fairly uncommon—most payment rates were either zero or the maximum.

The county version of the agricultural risk coverage (ARC-CO) program sets payment rates in each county based on past and present county yields and national prices. Payments are triggered when an indicator of current revenues (county yield times the higher of the loan rate or the national marketing year average price) falls below 86 percent of a benchmark level of revenue (a five-year Olympic average of county yields times a five-year Olympic average of national prices). When payments for a particular crop are triggered, they make up the gap between benchmark and current revenue on 85 percent of the base acres on a farm, but in no case can they exceed 10 percent of the benchmark value. In counties with substantial amounts of both irrigated and non-irrigated cropland, the county yields used in the calculation are differentiated by practice.

For the crop harvested in 2014, USDA's Farm Service Agency ([http://www.fsa.usda.gov/programs-and-services/arcplc\\_program/index](http://www.fsa.usda.gov/programs-and-services/arcplc_program/index)) has reported ARC-CO payment rates by crop, county and irrigation practice. In the case of corn (Table 1), there are a total of 2,787 county/practice combinations reported. In 35% of the cases, no ARC-CO payments were made for the 2014 corn crop. This occurred in counties where 2014 county average yields were well above the Olympic average of the previous five years. Note that the share of county/practice combinations receiving no payments ranged from just 1% in Minnesota to 91% in Missouri, among the states selected.

In contrast, 2014 corn ARC-CO payments were at their maximum permissible level, 10 percent of the county benchmark revenue, in 39% of the county/practice combinations. This occurred in counties where yields were comparable to or lower than the recent five-year average. Participating producers in nearly all counties in Minnesota received the maximum feasible payment rate, and a majority of the county/practice combinations in Iowa and Nebraska also received maximum payments.

In just 26 percent of the nation's county/practice combinations were 2014 corn ARC-CO payments greater than zero but less than the maximum feasible rate. Of seven selected states, only in Indiana were payment rates of less than the maximum amount more common than either zero payments or maximum feasible rates.

For both soybeans and wheat, the most common ARC-CO payment rate

### Summary:

*ARC-CO payments for the 2014 crop varied greatly across the country. In most counties, either no payments were made or payments were at the maximum levels allowed.*

### For more on this topic, see these FAPRI-MU publications:

Report #02-16  
2016 U.S. Baseline Briefing Book

Report #06-13  
Impacts of Selected Provisions of  
the House and Senate Farm Bills

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**2014 payment rates by county and practice under the county ARC-CO program**

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	County/practice combinations in FSA data*	Share where the 2014 ARC-CO payment rate was:		
		Zero	0.01% to 9.99% of county benchmark	10% of county benchmark (the maximum allowed)
<b>Corn</b>				
U.S.	2787	35%	26%	39%
Illinois	103	63%	29%	8%
Indiana	95	41%	46%	13%
Iowa	100	23%	23%	54%
Kansas	132	48%	27%	25%
Minnesota	93	1%	1%	98%
Missouri	102	91%	7%	2%
Nebraska	131	11%	35%	54%
<b>Soybeans</b>				
U.S.	2255	71%	18%	11%
Illinois	103	93%	7%	0%
Indiana	93	96%	4%	0%
Iowa	101	50%	46%	4%
Kansas	120	69%	18%	13%
Minnesota	90	32%	30%	38%
Missouri	106	90%	9%	1%
Nebraska	112	51%	38%	11%
<b>Wheat</b>				
U.S.	2621	71%	10%	19%
Illinois	104	48%	10%	42%
Indiana	94	91%	7%	2%
Iowa	94	91%	2%	7%
Kansas	112	35%	7%	58%
Minnesota	90	70%	17%	13%
Missouri	100	78%	8%	14%
Nebraska	113	63%	7%	30%

\*Some counties have separate payment rates for irrigated and non-irrigated production, so the number of county/practice combinations can exceed the number of counties in the state.

across the country was zero. In 71% of the county/practice combinations for both crops, no ARC-CO payments were made for the 2014 crop. For wheat, maximum payments were more common than payments for less than the maximum amount. For soybeans, the reverse was true.

In the case of soybeans, the national average price for the 2014 crop was about 82 percent of the five-year average, so the payment rate was between zero and its maximum value if county yields were about the same as the 2009-2013 Olympic average. Most counties receive zero soybean payments for the 2014 crop because yields were well above the five year average.

We expect these patterns to change every year. For example, some of the counties that had high corn yields in 2014 had much lower yields in 2015, and the reverse is also true. As a result, there will be many counties that received maximum corn payments in 2014 that will receive no payments in 2015 and many counties that

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received no corn payments in 2014 that will receive maximum payments in 2015.

Why are payments positive, but less than the maximum amount, in relatively few counties? County yields vary a lot across the country, and they vary a lot from year to year. Just a ten-percent difference in the yield in a given year is the difference between a zero payment and a maximum payment, so it is not surprising that payment rates tend to be at one extreme or the other.

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