



2015 ARP and SCO Payments for Corn and Soybeans in Illinois

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For 2015, county level insurance products made payments in some Illinois Counties. Area Risk Protection (ARP) made payments in 25 counties for corn and three counties for soybeans. Supplemental Coverage Option (SCO) made payments in 16 counties for corn and one county for soybeans. For corn, some of the ARP payments were large.

Area Revenue Protection (ARP) Payments

ARP makes payments based on county revenue where yields are determined based on county yields. Of the plans within the Area Risk Protection Insurance policy, APR is the most used in Illinois. For corn, the 2016 projected price was \$4.15 per bushel and the 2016 harvest price was \$3.83 per bushel. The harvest price was 8% lower than the projected price, indicating that the county yield needed to be lower than the expected county yield before a payment occurred.

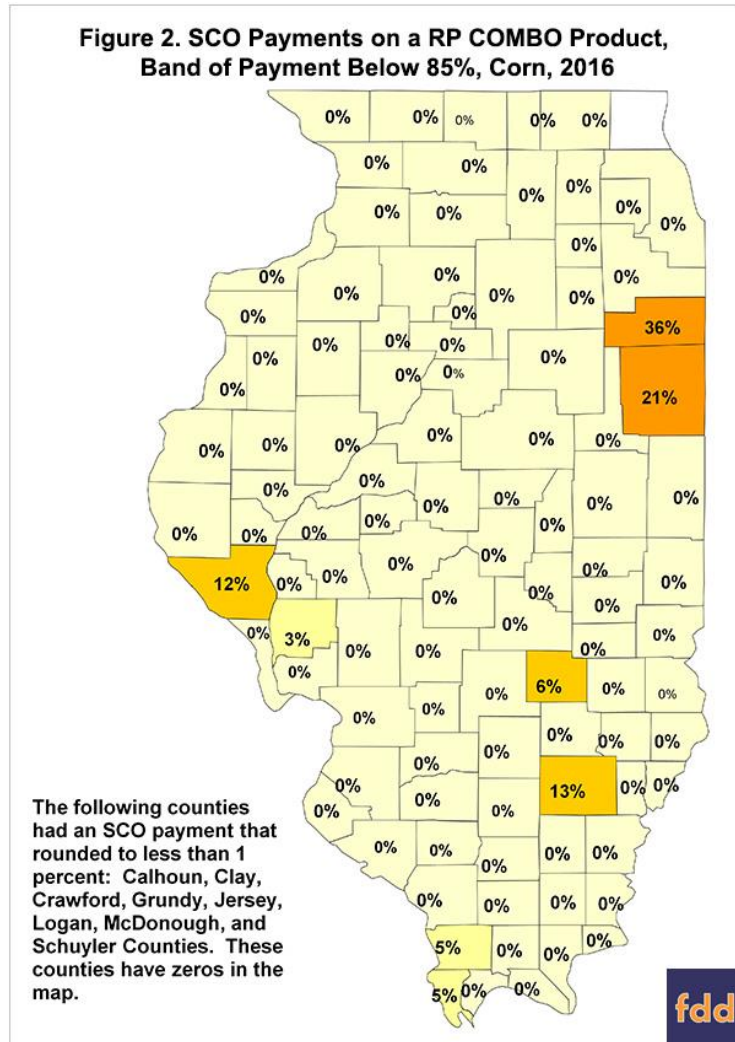
Figure 1 shows payments for corn given that ARP was purchased at a 90% coverage level and the maximum protection level was selected. Lower protection levels result in lower payments than those shown in Figure 1.

ARP at the 90% coverage level made payments in 25 counties spread throughout Illinois. Notable for high payments were two counties in northeast Illinois: Kankakee with a \$673 per acre payment and Iroquois with a \$345 per acre payment. Both counties had exceptionally low yields. Kankakee County's actual yield was 90.5 bushels per acre, 77 bushels per acre below the expected yield of 167.6 bushels per acre. Iroquois County's actual yield was 122.4 bushels per acre, 52.7 bushels per acre below the expected yield of 175.1 bushels per acre. Wet weather in spring and early summer likely caused low yields in both counties.

For soybeans, the projected price was \$9.73 per bushel and the harvest price was \$8.91 per bushel. The harvest price was 8% lower than the projected price, indicating that county yield needed to be lower than the expected yield before ARP payments occurred. ARP at the 90% made payments for soybeans in three counties. At the maximum protection level, payments were \$326 per acre in Alexandra County, \$12 per acre in Kankakee County, and \$1 per acre in Pike County.

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Figure 2. SCO Payments on a RP COMBO Product, Band of Payment Below 85%, Corn, 2016



For soybeans, SCO made a payment in one county in 2016. In Alexandra County, SCO would make payments on a 31% band below the 86% SCO coverage level.

Summary

Most counties had average to above average yields in 2015, resulting in those counties having no ARP and SCO payments. Some counties had exceptionally low yields. In these counties, ARP payments were large and SCO payments could be large if the coverage level on the COMBO product were low.

Reference

Paulson, N., and J. Coppess. "2014 Farm Bill: The Supplemental Coverage Option." *farmdoc daily* (4):37, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, February 27, 2014.