



## Weekly Farm Economics: 2019 Commodity Title Payments – Updates for Corn and Soybeans with Lower MYA Prices

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Expectations for 2019 commodity title payments continue to increase as projections for 2019 market year average prices decline. Herein we provide an update of 2019 commodity title payments for corn and soybeans given these MYA price declines.

### Declines in Market Year Average Prices

In last week's article, estimates of Market Year Average (MYA) prices were presented given the large decline in cash prices experienced since Coronavirus has become a concern (see *farmdoc daily*, [April 28, 2020](#)). For 2019, the MYA price for corn declined from \$3.85 for the pre-COVID scenario to \$3.50 for the post-COVID scenario. The soybean MYA price declined from \$8.75 per bushel for the pre-COVID scenario to \$8.50 for the post-COVID scenario.

### Impacts on Corn Commodity Title Payments

These lower prices will have impacts on 2019 commodity title programs. For corn, 76% of corn base acres enrolled in Price Loss Coverage (PLC), 19% in Agricultural Risk Coverage at the County level (ARC-CO) and 6% in ARC at the individual coverage level (ARC-IC) (see *farmdoc daily*, [April 30, 2020](#)).

For farms enrolled in PLC, a decline in the 2019 MYA price to \$3.50 increases expectations for a 2019 PLC payment. PLC makes payments when the MYA price is below the effective reference price, with the payment equal to;

$$.85 \times \text{PLC payment yield} \times (\text{effective reference price} - \text{MYA price})$$

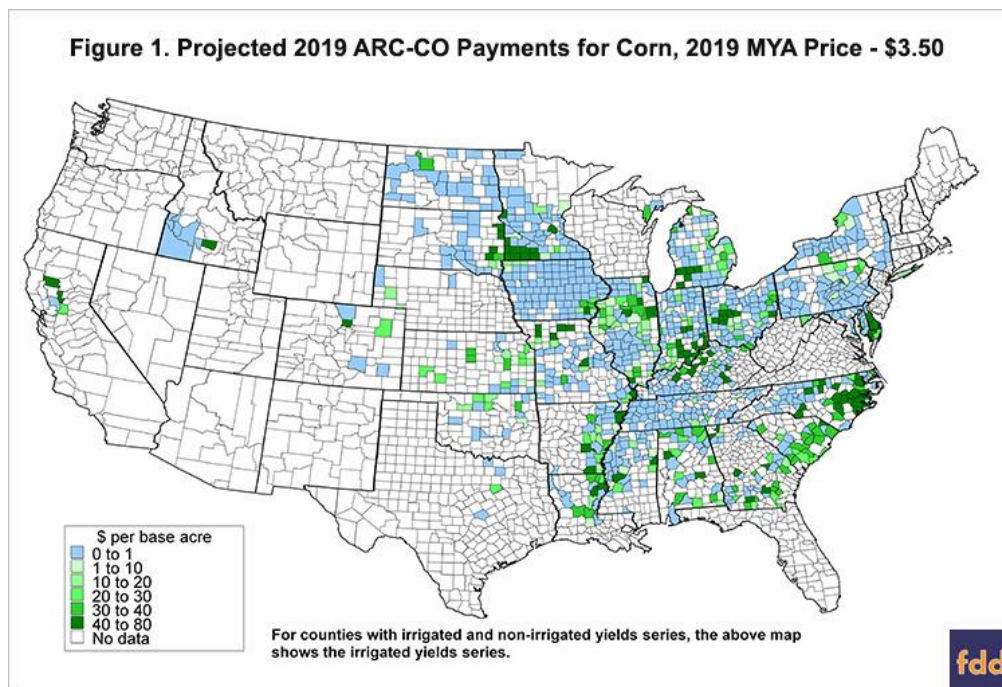
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where the PLC payment yield will be specific to a farm. Given a 180 bushel per acre PLC yield, a representative yield for central Illinois, the PLC payment will equal to \$30 per base acre (.85 x 180 PLC yield x (\$3.70 - \$3.50)). The pre-COVID price of \$3.85 would not have resulted in payments.

For farms with corn base enrolled in ARC-CO, the impact of the lower projected MYA price varies. Some counties will not realize an increase in payments because ARC-CO will not trigger payments (due to insufficient county yield losses) or, at the other extreme, because ARC-CO was already projected to trigger the maximum payment (10% of benchmark revenue) even at a \$3.85 MYA price.

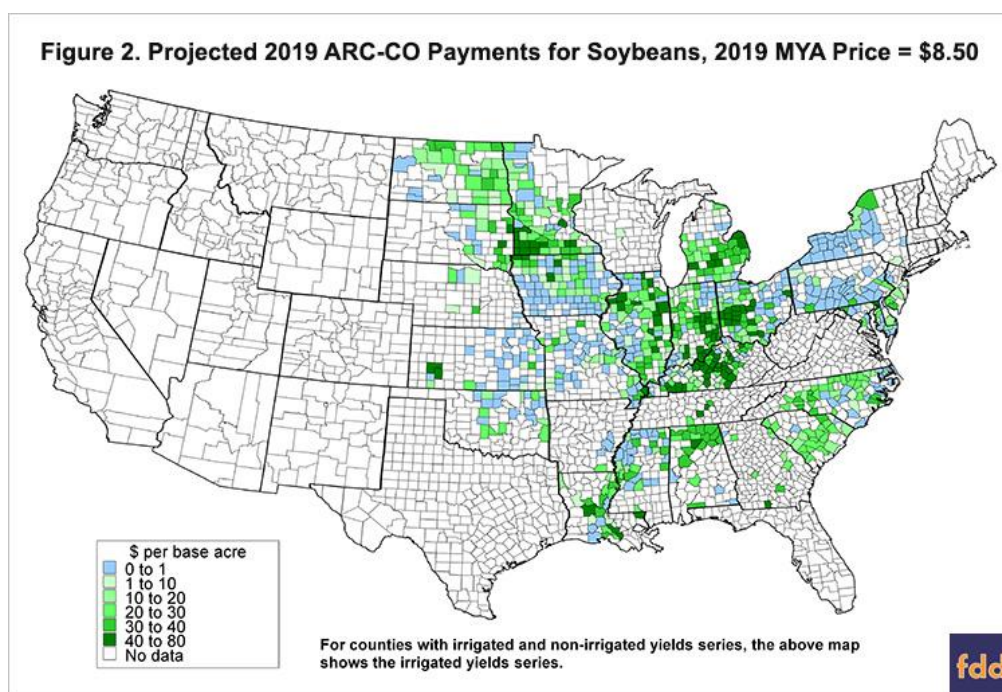
The Farm Service Agency (FSA) has not yet released official county yields used for 2019 ARC-CO payments. However, estimates can be made using yields released by NASS (see *farmdoc daily* from [February 21, 2020](#) for methodology, as well as estimates given a \$3.85 MYA prices). Figure 1 shows estimates of 2019 ARC-CO payments given a \$3.50 MYA price for counties where NASS yields are reported. Given a \$3.50 MYA price, many counties in central and southern Illinois are projected to have payments.



### Impacts on Soybean Commodity Title Payments

Nationally, 80% of soybean base acres are enrolled in ARC-CO, 14% in PLC, and 6% in ARC-IC (see *farmdoc daily*, [April 30, 2020](#)). An \$8.50 post-COVID price is still above the effective reference price of \$8.40. As a result, revised 2019 MYA prices still would not result in a PLC payment for soybeans.

Figure 2 shows a map of soybean ARC-CO payments for counties where NASS yields are reported. Significant ARC-CO payments are projected for much of the eastern Corn Belt, with some payments over \$40 per acre. Central and southern Iowa counties tend to have low payments while northeast Iowa and southern Minnesota tend to have higher payments.



## ARC-IC

Lower MYA prices will not lower expectations for ARC-IC payments. In some cases, expected ARC-IC payments will increase given the lower MYA prices post-COVID as actual revenues used in payment calculations decline.

Many farmers took ARC-IC on acres that were entirely prevent plant. Because these payments were at the maximum before, lower MYA prices will not increase ARC-IC payments for farms in this situation.

## Summary

Some farmers will see their commodity title payments increase because of lower MYA prices currently projected for corn and soybeans compared with projections in February. Commodity title payments for the 2019 crop year will be received in October 2020.

## References

Coppess, J., N. Paulson, K. Swanson, G. Schnitkey and C. Zulauf. "[Farm Program Update: ARC/PLC Enrollment.](#)" *farmdoc daily* (10):80, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, April 30, 2020.

Schnitkey, G., K. Swanson, C. Zulauf, J. Coppess and N. Paulson. "[2019 ARC-CO Payment Estimates for Corn and Soybeans Based on NASS County Yields.](#)" *farmdoc daily* (10):32, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, February 21, 2020.

Schnitkey, G., K. Swanson, T. Hubbs, C. Zulauf, N. Paulson, J. Coppess "[Estimates of MYA Prices for 2019 through 2021, Pre and Post COVID-19, Corn and Soybeans.](#)" *farmdoc daily* (10):78, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, April 28, 2020.