

Factoring ARC-County Payments Leases

For the past two years operators have been receiving government payments under new programs implemented in the most recent Farm Bill. In Iowa, approximately 98% of farms were enrolled under the ARC-CO program. You have probably heard the ARC-CO program mentioned across a number of ag publications. Yet, there are landlords who are not familiar with this program or how much money is involved. Without going into complete details here is a brief overview of the factors involved in determining a payment. Payment amounts are determined by a combination of county average yield and the Olympic average price. Farmers receive their annual payment each October.

For the second year in a row many southern Iowa counties will receive little to no payment but northern Iowa is in line for near maximum payments in many counties, which can be over \$70 per acre. Similar to 2015, not all Iowa counties will receive payments. In fact, 15 southern Iowa counties did not receive a payment for corn acres and 33 counties did not get a payment on soybean acres. With so much discrepancy from county to county it is important to know what your tenant's payment is, if anything. For some farmers this payment could be the difference between net profit or loss in 2016. There is little doubt that cash rental rates remaining stable have been supported in part by these ARC-CO payments, specifically in central and northern Iowa.

Many landowners ask, "Why do these payments matter to me?" The short answer is rental rates have traditionally been established as a percentage of the gross income of the farm. A good rule of thumb is cash rent on corn acres has traditionally been 35% of gross income and 40% on soybean acres. ARC-County payments are part of this gross income and therefore should be taken into account when analyzing your farm in order to get a true picture of how the tenant fared in 2016. ARC-County is in place for a minimum of three more years under the current farm bill, but it may be in place for much longer. Now is the time to get familiar with this and other government programs in order for you to make informed decisions concerning your land.

When negotiating lease terms for 2017 these government payments should be taken into consideration by the landowner. At Farmland Stewardship Solutions we keep up with all of these government payments and make sure it is included in our analysis for clients. If you are interested in what your county payment was or have additional questions on this topic we would like to discuss this with you. Call us at 515-243-9352.