



Producer Decisions Under the 2014 Farm Bill: Program Yield Update Decisions

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The Agricultural Act of 2014 (the “2014 Farm Bill”) contains several provisions that are important for landowners and tenants. In particular, the 2014 Farm Bill requires decisions on three issues that landowners and tenants will need to address in the next few months. First, owners will be permitted to update the program yields on their farms. Second, owners will be permitted to reallocate the base acres on their farms. Finally, landowners and/or tenants will be required to elect either the new Agricultural Risk Coverage (ARC) or Price Loss Coverage (PLC) programs for each covered crop on their farms. This Fact Sheet provides information on the program yield update decisions facing landowners and tenants in late 2014. Additional Fact Sheets will address the base reallocation and ARC versus PLC decisions.

Program Yields: Their Use in USDA Commodity Programs

Commodity programs are administered by the Farm Service Agency of the U.S. Department of Agriculture (FSA). Under the FSA system, each farm eligible for program benefits is assigned a “farm number” for purposes of distributing program benefits. The program yield on each FSA farm is the “crop-specific yield per acre established for a farm based on agricultural legislation and administrative rules” (Young, et. al.) and is used to calculate a farm’s program payments.

This is the first time since 1985 (for all covered commodities), 2002 (for covered commodities with updated base acres) or 2008 (for pulse crops) that owners will be allowed to update payment yields. Thus, a gap can exist between a farm’s program yield and its actual production yield. As a result, Congress included an opportunity for owners to update a farm’s program yields to better reflect today’s crop yields.

General Rules for Yield Update Decisions

Each owner and operator received a letter and report that included the farm’s covered commodity base acres and counter-cyclical (CC) yield, as of September 30, 2013, along with the planted and considered planted acres on the farm as reported to FSA for all covered commodities in the years 2008 through 2012 (covered commodities in Michigan would be corn, soybeans, wheat, oats and barley). Owners should review the CC yields for the covered commodities with crop base acres listed on the report and determine whether the yield data for the 2008 to 2012 years would support increasing the farm’s existing CC yields for the covered commodity on the farm. If the owner also decides to reallocate the base acres on the farm, then the farm’s updated yields would be applicable to the reallocated base acres of covered commodity crops.

The rules for yield update decisions will be:

1. Owners are allowed to make a 1-time decision to retain or update CC yields for covered commodities yields on a commodity-by-commodity basis.
2. The owner of the farm must make the decision to retain or update the yield for the covered commodity during the period from September 29, 2014 to February 27, 2015.
3. If the owner chooses not to update the yield(s) on the farm or does not make the necessary updates before the yield update period ends, then the farm's 2013 CC yield(s) for each covered commodity will be carried forward as the farm's program yield(s) for the 2014 through 2018 crop years.
4. Owners may exercise either of the following options:
 - a. Retain the CC yield, as listed on the farm record as of September 30, 2013, for each covered commodity with base acres or.
 - b. Update the yield for each covered commodity to 90 percent of the simple average of the covered commodity's yield per planted acre on the farm for the 2008 to 2012 crop years, excluding any year in which the covered commodity was not planted
5. If the farm's yield in any of the years 2008 through 2012 is less than 75 percent of the simple county average yield, then 75 percent of the 2008 through 2012 county yield will be substituted for that year.
6. Yields may be updated regardless of the election of the Price Loss Coverage (PLC), Agriculture Risk Coverage-County Coverage (ARC-CO) or Agriculture Risk Coverage-Individual Coverage (ARC-IC) program. Yield update decisions must be made on a farm before the farm's ARC/PLC program election can be made.
7. The updated yield for a covered commodity that is from both irrigated and non-irrigated acreage will be based on total production on the farm for the covered commodity divided by the total irrigated and non-irrigated planted acres of the covered commodity on the farm for each applicable year, 2008 through 2012.
8. If the owner elects to update the yield(s) on a farm, then the owner must certify to an actual yield for each covered commodity that was planted on the farm for each year during the 2008 to 2012 crop years. The certified yield will be made at the farm level. Yields may be reported by the operator or owner of the farm and can include yield data from the current or previous producer(s) on the farm. In cases where yields cannot either be determined or are not available the yield for that acreage in that year will be substituted according to the substitute yield policy in rule 5 above.
9. If the owner elects to update the yield(s) on a farm, then the owner must retain copies of acceptable production evidence used to certify the covered commodity yields. Production evidence used to update yield(s) will not be accepted by FSA at the time of yield certification, but must be retained by the producers and made available upon request in the event they are selected for review by FSA.
10. Some landowners have granted power of attorney to their tenant(s) for purposes of enrolling in FSA commodity programs. The form FSA-211, "Power of Attorney" may be used to complete the yield update decision on behalf of an owner. The form FSA-211

must be marked “All Current and Future Programs” and “All Actions” to be used to make the yield update decision.

11. Acceptable records of corn silage production are converted from tons to bushels by multiplying the tonnage times a factor of 7.94 (for example, if a producer harvests 739.5 tons of corn silage, then the actual corn production for that year would be 739.5 tons multiplied by 7.94 equals 5,872 bushels).
12. Producers of hybrid seed may use separate methods to certify and update yield(s) for any covered commodities grown for hybrid seed for each crop year. If more than 1 method is applicable to the farm, the farm owner may select the method to be used. If the owner does not select a method, the farm’s yield shall remain unchanged from the CC yield. Table 1 provides the separate methods to be used by hybrid seed producers.

Table 1. Separate yield certification methods to be used by hybrid seed producers.

IF...	AND...	THEN the producer may certify to
both commercial crop acreage and hybrid seed acreage are grown on the farm	both the commercial and the hybrid acres are irrigated or non-irrigated	yield per planted acre from the commercial acreage to the hybrid seed acreage.
the producer and company entered into an agreement to use a commercial equivalent yield to calculate payments under the seed contract based on harvested commercial production	the producer has evidence that the calculation was based on actual harvested yields Note: Evidence may include the nomination form, selection of field form, or other form showing actual harvested commercial production	commercial equivalent production used for payment by the seed company, not to exceed 120 percent of the county average yield.
the entire county grows hybrid seed	neither of the previous methods apply	county average yield of an * adjacent county as determined by STC.
none of the above apply		county average yield

A Sample Calculation of a Yield Update

An example of the yield update rules can be seen in the following case. Assume that Jones had a CC yield for soybeans on his farm of 35 bushels per acre on September 30, 2013. Jones’ actual

soybean yield and the actual county average soybean yield for the 2008 to 2012 crop years are:

	<u>Jones</u>	<u>County</u>
2008	40	45
2009	44	40
2010	45	40
2011	Zero – none planted	50
2012	25	45
	2008-2012 county average:	44

Applying the rules to Jones' yield update decision provides the following results:

1. Jones is permitted to update his yield to 90 percent of the farm's 2008-12 average.
2. Because Jones planted no soybeans in 2011, the 2011 crop year is excluded from the yield update calculation.
3. Because Jones' 2012 yield is less than 75 percent of the average county yield for 2008-12 ($25/44 = 57$ percent), Jones is permitted to use 75 percent of the 2008-12 average county yield for the 2012 crop year ($75\% * 44 = 33$).
4. Because Jones planted no soybeans in 2011, the year 2011 is excluded and Jones' updated yield is 36.4 bushels per acre ($0.90 \times (40+44+45+33)/4 = 0.90 \times 40.5 = 36.4$).
5. Jones' base reallocation options are either of the following:
 - a. Retain the farm's 2013 CC soybean yield of 35 bushels per acre, or
 - b. Update the farm's program soybean yield to 36.4 bushels per acre.

Conclusions: Some Final Considerations on the Yield Update Decision

Some additional factors should be considered when examining the program yield update decision:

1. All owners should consider exercising this opportunity to update program yields. First, the decision to update program yields could affect the program benefits available to the farm for the life of the 2014 Farm Bill (the 2014 to 2018 crop years). Second, because Congress rarely provides opportunities to update program yields, failure to exercise this opportunity in 2014 could affect a farm's program benefits for several years after 2018 if Congress does not provide another opportunity in the near future.
2. As a general rule, the greater the difference between a farm's 2013 program yield and the farm's actual production yield in recent years, the greater will be the advantage of updating the program yield.
3. Cooperation and sharing of information between landowners and tenants in making yield update decisions is likely to result in the best financial benefit for the farm.

References and Other Sources of Information on the Yield Update Decision

For other sources of information on the 2014 Farm Bill's yield update decision, go to:

1. County average yields for all covered commodities (can be used to determine if a farm's yield is less than 75 percent of the county yield and determine substitute yields)
<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=arpl&topic=landing>
2. U.S. Department of Agriculture, Farm Service Agency, *Agricultural Act of 2014 (2014 Farm Bill)*, Title I Information About the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) Programs. Notice ARCPLC-4, May 23, 2014. Available at:
https://www.fsa.usda.gov/Internet/FSA_Notice/arcplc_4.pdf
3. U.S. Department of Agriculture, Farm Service Agency, *Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) Base Reallocation Provisions*. Notice ARCPLC-7, August 3-, 2014. Available at:
http://www.fsa.usda.gov/Internet/FSA_Notice/arcplc_7.pdf
4. U.S. Department of Agriculture, Farm Service Agency, *Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) Base Acre Reallocation and Yield Update Provisions*. Notice ARCPLC-12, September 26, 2014. Available at:
http://www.fsa.usda.gov/Internet/FSA_Notice/arcplc12.pdf
5. Young, Edwin C. David W. Skully, Paul C. Westcott, and Linwood Hoffman. *Economic Analysis of Base Acre and Payment Yield Designations Under the 2002 U.S. Farm Act*. Economic Research Report No. (ERR-12) 46 pp, September 2005.

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