For: Upland Cotton State and County Offices

Price Loss Coverage (PLC) Yield Update for Seed Cotton

Approved by: Acting Deputy Administrator, Farm Programs

1 Overview

A Background

The 2014 Farm Bill was amended and authorizes owners of farms having seed cotton base acres a 1-time opportunity to update the farm’s seed cotton payment yield, with either of the following options:

- retain the counter-cyclical (CC) yield, as listed on the farm record as of September 30, 2013, for upland cotton, multiplied by 2.4
- update the upland cotton yield to 90 percent of the simple average of upland cotton yield per planted acre on the farm for each of the 2008 through 2012 crop years, excluding any year in which the covered commodity was not planted, multiplied by 2.4.

Note: The retained or updated yield becomes the PLC yield for the farm for the 2018 crop year, similar to CC yields of other covered commodities in the 2014 Farm Bill.

The following provisions apply to the PLC yield update option:

- the PLC seed cotton yield may be:
  - retained from the September 30, 2013, farm record, multiplied by 2.4
  - updated on each farm regardless of the subsequent program election for seed cotton, PLC, ARC-CO, or ARC-IC
  - a current farm owner makes the decision to retain or update the PLC yield for seed cotton during the base and yield update process.

Disposal Date

December 1, 2018

Distribution

Upland Cotton State Offices; State Offices relay to applicable County Offices
1 Overview (Continued)

A Background (Continued)

The following process will be used when a current farm owner decides to update 1 or more yields for covered commodities, including seed cotton:

- determine whether yield update is needed for seed cotton
- certify the yield produced for each year from 2008 through 2012 on planted acres of upland cotton
- retain upland cotton yield records used to certify the updated yields for FSA review, if requested.

Note: If during the allocation process a new covered commodity is established with base acres, and a PLC yield does not exist, then the current farm owner can complete the yield update process for that new covered commodity base acre crop according to 1-ARCPLC, paragraph 61.

B Purpose

This notice provides policy or examples for:

- yield update
- yield decision
- PLC yield establishment
- yield certification
- CCC-864 and instructions.

2 Seed Cotton PLC Yield Overview

A Yield Update Option

The 2014 Farm Bill, as amended, allows current farm owners a 1-time opportunity to update the PLC yields for seed cotton and new covered commodity base acre crops for the 2018 crop year. The decision to update a yield is made by a current farm owner.

Program payment yields are used only with PLC and are referred to as PLC yields.
Seed Cotton PLC Yield Overview (Continued)

A Yield Update Option (Continued)

The PLC yield for seed cotton is either the farm’s former CC yield for upland cotton in effect on September 30, 2013, multiplied by 2.4, or an updated yield for upland cotton, multiplied by 2.4. A current farm owner may choose to retain the former CC yield, multiplied by 2.4, or update the yield on all applicable FSA farms regardless of program election for PLC, ARC-CO, or ARC-IC. The retained or updated yield will only be used under the PLC program to calculate PLC payments for seed cotton base acres on the farm.

Note: This is the first time since 1985 or 2002 that farm owners will be allowed to update the payment yield for upland cotton, now known as seed cotton.

Example: The following is an example of direct and CC yields under the prior Farm Bill. Only the CC yields will be used under the PLC program and only those yields may be updated if requested by the farm owner. In this example, if a farm owner retains the CC yield for upland cotton, the seed cotton PLC yield will be 1286 (536 X 2.4).

B Yield Update Formula

The formula for updating the PLC yield for seed cotton is calculated by multiplying 90 percent of the simple average of the pounds of lint per planted acre for upland cotton for each of the 2008 through 2012 crop years, excluding any year in which the covered commodity was not planted, multiplied by 2.4.

A substitute upland cotton yield is authorized if the farm’s yield per planted acre, in any year, falls below 75 percent of the 2008 through 2012 simple county average yield per planted acre for the covered commodity.

Note: Substitute yield is the simple average of the yield per planted acre of upland cotton in each county multiplied by 75 percent. Therefore, the 2008 through 2012 per acre planted yield will be averaged and substituted in any year in which a farm’s certified yield is below the substitute yield.
3 Seed Cotton Yield Update Decision

A Decision to Update or Retain CC Yield

The decision to update the seed cotton yield or retain the upland cotton CC yield multiplied by 2.4, will be made by a current farm owner. The current farm owner will choose either of the following during the yield update period:

- keep the upland cotton CC yield multiplied by 2.4
- update that yield as described according to this subparagraph.

If a current farm owner chooses not to update the PLC yield on the farm or does not make the necessary updates before the base and yield update period ends, the farm’s 2013 upland cotton CC yield multiplied by 2.4 will be carried forward as the farm’s PLC yield for the 2018 program year.

A current farm owner has the option of updating the seed cotton yield regardless of PLC, ARC-CO, or ARC-IC program participation.

The PLC yield is used in the payment calculation for the PLC program only, and is not used in the ARC calculation. The updated PLC yield for seed cotton, even if ARC is elected for seed cotton, will be maintained on the farm by FSA.

The ARC program uses county level yields for ARC-CO or individual farm yields, for ARC-IC in the 5 years immediately preceding, when determining guarantees and payments, if applicable. The PLC yield, which is based on 2008 through 2012 data, is not used for ARC.

B Irrigated and Nonirrigated Yields

The 2014 Farm Bill does not allow for establishment of separate irrigated and nonirrigated payment yields for covered commodities in PLC.

The PLC yield for seed cotton, which comes from both irrigated and nonirrigated acreage, will either be the farm’s CC yield multiplied by 2.4 or an updated yield. The updated yield is based on total production on the farm for upland cotton divided by the total irrigated and nonirrigated planted acres of upland cotton for each applicable year, 2008 through 2012, multiplied by 90 percent, then multiplied by 2.4.

C Yield Update Revision and Deadline

A current farm owner’s decision to update the yield can be made through the end of the base acre allocation and yield update period.

If a request to update yields is not filed in the yield update period, the former CC yield, multiplied by 2.4, will be used as the farm’s seed cotton PLC yield.
Establishing Seed Cotton PLC Yields

A Assigning Yields

A PLC yield for seed cotton must be assigned when a yield for upland cotton does not exist in farm records as of September 30, 2013. COC’s must use the provisions of 1-ARCPLC, paragraph 61, and assign a CC yield for upland cotton based on similar farms.

Once the CC yield for upland cotton is established for the farm, that yield will be multiplied by 2.4 to establish a PLC yield for seed cotton. Once the PLC yield has been established for the farm, that yield may be updated during the yield update period, as determined by the farm owner, using certified yield data for the 2008 through 2012 crop years according to subparagraph 2 B.

B Yield Certification at Farm Level

The PLC yield for seed cotton, as determined by the farm owner, will be certified on the FSA farm level.

The farm level yield for seed cotton will then be replicated down to the tract level for each tract with base acres of seed cotton. If there is more than 1 tract on the farm, then all tracts with seed cotton crop base will have the same yield on the initial farm record.

C Yield Adjustments

If the farm owners choose to adjust PLC yields between tracts on the farm, they may do so; however, all affected farm owners must agree in writing to the yield adjustments on the tracts according to policy in 10-CM, paragraph 37.

County Offices must use the policy in 10-CM to adjust PLC yields between tracts on the farm. The tract yields will be weighted back to the farm level and must not result in an increase or decrease of the farm level yield.

Certification of Seed Cotton Yields

A Certified Yields

PLC yields can be updated as determined by the farm owner.

Farm owners will certify to an actual yield of upland cotton that was planted on the farm during each of the 2008 through 2012 crop years. The certified yield shall be made at the farm level, not tract level.

Note: The yield certification policy differs from policy used under the 2002 Farm Bill or the 2008 Farm Bill’s ACRE program, where certified production records for each year were required. County Offices do not have the resources to accept production evidence for verification purposes as certifications are made.

Certification of Seed Cotton Yields
B Yield Policy

The certified PLC yield must represent the total harvested and/or appraised production divided by the planted acres of upland cotton on the farm for each year:

- certified yield data may be provided by either the farm operator or owner
- the decision to retain or update the PLC yield belongs solely to the farm owners
- the certified PLC yield will be required to be supported by acceptable production evidence, if requested by FSA
- FSA-658’s from the ACRE program may be provided to the farm operator or owner by request and may be used to certify PLC yields
- the certified PLC yield may be verified, if requested, by certified and determined yields accepted by RMA
- RMA yields may include yields used in either the indemnification process or the yearly certified yield included in the APH yield data base
- the RMA APH yield cannot be used since it is a 4- to 10-year average of actual and/or adjusted yields in the APH database
- copies of production evidence used to certify the covered commodity yields will not be accepted by FSA at the time of yield certification, but must be available to FSA upon request.

Note: Yields supported by RMA yield data will be considered to have met the review criteria as these yields have already been reviewed or have been subject to review by RMA.

C Who Certifies Seed Cotton Yields

Yields may be reported by the farm operator or owners and can include yield data from the current or previous farm producers (Exhibit 1). In cases where yields either cannot be determined or are not available, the yield for that acreage in that year will be substituted according to substitute yield policy in subparagraph D.

Production data used to certify yields must be retained by the farm producers making the certification in the event they are selected for review by FSA.
Certification of Seed Cotton Yields (Continued)

D Substitute Yield

A substitute yield is authorized to be used in the 2008 through 2012 period, if the farm’s yield per planted acre for any of those years falls below 75 percent of the 2008 through 2012 simple county average yield per planted acre for upland cotton.

The substitute yield is calculated at 75 percent of the 2008 through 2012 county average yield. The same substitute yield, as calculated, will be used for each of the 5 years in the yield update period.

Note: There is 1 substitute yield per upland cotton per county that will be used in all years 2008 through 2012.

A substitute yield is not used in years of zero planting of upland cotton during the 2008 through 2012 crop years. By statute, zero planting years of upland cotton are excluded in the PLC yield calculation.

E RMA and NAP Data

Farm owners may use yield data to establish and update the RMA and NAP APH database for certification of yields for ARCPLC. Farm owners will make the NAP APH yield information available upon request.

The following is an example of RMA yield data that can be used to assist in the yield certification process. Yield data is from a Production and Yield Report used by crop insurance companies. The “Yield” column can be used by the producer to certify yields for the 2008 through 2012 program years.

Note: The example reflects the same FSA farm and RMA unit structure.
Certification of Seed Cotton Yields (Continued)

E RMA and NAP Data (Continued)

**Example:** Upland Cotton Yield – All years 2008 through 2012 have yield data and may be used to certify the yield for use in the yield update calculation.

![Image of yield data table]

F CCC-864 and Instructions

See Exhibit 2 for CCC-864 and instructions.

G Yield Update Software

Information on the software used to update yields and instructions for using the software will be provided in a forthcoming notice.
6 Action

A State Office Action

SED’s and State Office Specialists will provide guidance and training to County Offices about yield update policies and timelines.

B County Office Action

County Office employees will:

- follow this notice to inform producers of their yield update options
- ensure that producers understand the yield update process
- enter the yields provided on CCC-864 in the yield software when provided
- emphasize to current farm owners that providing this yield information assists the County Office. Once yield software is provided, current farm owners must certify the new yield during the yield update process.
Seed Cotton Yield Update Examples

A Yield Update Calculation

The following are yield update examples.

Example 1: In this example, the producer planted upland cotton in all 5 years of the yield period 2008 through 2012. The 2008 and 2011 crop year yields are lower than the substitute yield (75 percent of the 2008 through 2012 county average yield). The substitute yield will be used.

The 5-year average yield on the farm is calculated at 1006 lbs. per acre. The PLC yield is 90 percent of 1006 lbs. per acre multiplied by 2.4, or \textbf{2172 lbs. per acre}.

The farm owner may choose to keep the CC yield of 2302 lbs. per acre (959 lbs. \times 2.4) or update the yield to 2172 lbs. per acre.

<table>
<thead>
<tr>
<th>Farm 1</th>
<th>Upland Cotton</th>
<th>Counter-Cyclical Yield 959 lbs.</th>
<th>PLC Yield 2302 lbs.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>Upland Cotton Yield</td>
<td>840</td>
<td>1207</td>
<td>1183</td>
</tr>
<tr>
<td>Substitute Yield</td>
<td>840</td>
<td>840</td>
<td>840</td>
</tr>
</tbody>
</table>

1/ Total – total of 2008 through 2012 upland cotton year yields

\[840 + 1207 + 1183 + 724 + 958 = 5028\]

2/ Average yield – total of all yields (higher of actual or substitute yield), divided by the number of years with planted acres of upland cotton

\[5028 \div 5 = 1006\]

3/ 905 \times 2.4 = 2172

Yield Update Decision – Retain the PLC Yield of 2302 lbs.
Seed Cotton Yield Update Examples (Continued)

A Yield Update Calculation (Continued)

Example 2: In this example, the producer planted upland cotton in 3 years of the yield period 2008 through 2012. The 2012 crop year yield is lower than the substitute yield (75 percent of the 2008 through 2012 county average yield). The 2012 yield will be substituted.

Using the 3 years of yields from the years that upland cotton was planted on the farm, the average yield is calculated at 1141 lbs. per acre. The PLC yield is 90 percent of 1141 lbs. per acre multiplied by 2.4, or **2465 lbs. per acre**.

The farm owner may choose to keep the CC yield of 2407 lbs. per acre (1003 lbs. x 2.4) or update the yield to 2465 lbs. per acre.

<table>
<thead>
<tr>
<th>Farm 2</th>
<th>Upland Cotton</th>
<th>Counter-Cyclical Yield 1003 lbs.</th>
<th>PLC Yield 2407 lbs.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>Upland Cotton Yield</td>
<td>Zero Planted</td>
<td>Zero Planted</td>
<td>1183</td>
</tr>
<tr>
<td>Substitute Yield</td>
<td>840</td>
<td>840</td>
<td>840</td>
</tr>
</tbody>
</table>

1/ Total – total of 2008 through 2012 upland cotton year yields

1183 + 1399 + 840 = 3422

2/ Average yield – total of all yields (higher of actual or substitute yield), divided by the number of years with planted acres of upland cotton

3422 ÷ 3 = 1141

3/ 1027 x 2.4 = 2465

Yield Update Decision – Update the PLC Yield to 2465 lbs.
Seed Cotton Yield Update Examples (Continued)

A Yield Update Calculation (Continued)

**Example 3:** In this example, upland cotton was planted in 4 of the 5 years, 2008 through 2012. In 2009, the farm owner did not provide a yield certification as the farm was operated by a different producer who would not provide the yield records. Also, the 2012 crop year yield is lower than the substitute yield (75 percent of the 2008 through 2012 county average yield). Both the 2009 and the 2012 yields will be substituted.

Using the 4 years of yields from the years that upland cotton was planted on the farm, the average yield is calculated at 875 lbs. per acre. The PLC yield is 90 percent of 875 lbs. per acre multiplied by 2.4, or **1891 lbs. per acre**.

The farm owner may choose the current CC yield of 2129 lbs. (887 lbs. X 2.4) or the calculated PLC yield of 1891 lbs.

<table>
<thead>
<tr>
<th>Farm 3</th>
<th>Upland Cotton</th>
<th>Counter-Cyclical Yield 887 lbs.</th>
<th>PLC Yield 2129 lbs.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>Upland Cotton Yield</td>
<td>Zero Planted</td>
<td>Planted – No Production Evidence</td>
<td>922</td>
</tr>
<tr>
<td>Substitute Yield</td>
<td>840</td>
<td>840</td>
<td>840</td>
</tr>
</tbody>
</table>

1/ Total – total of 2008 through 2012 upland cotton year yields

\[ 840 + 922 + 899 + 688 + 840 = 3501 \]

2/ Average yield – total of all yields (higher of actual or substitute yield), divided by the number of years with planted acres of upland cotton

\[ 3501 \div 4 = 875 \]

3/ 788 x 2.4 = 1891

**Yield Update Decision – Retain the PLC Yield of 2129 lbs.**
Seed Cotton Yield Update Examples (Continued)

A  Yield Update Calculation (Continued)

**Example 4:** In this example, the producer planted upland cotton in 1 year of the yield period 2008 through 2012. The yield for the 1 year of planting is above the substitute yield level (75 percent of the 2008 through 2012 county average yield).

Using 1 year of yield data from the 2010 crop year when the upland cotton crop was planted on the farm, the average yield is calculated at 1471 lbs. per acre. The PLC yield is 90 percent of 1471 lbs. per acre multiplied by 2.4, or **3178 lbs. per acre**.

The farm owner may choose to keep the CC yield of 2561 lbs. per acre (1067 lbs. X 2.4) or update the yield to 3178 lbs. per acre.

<table>
<thead>
<tr>
<th>Farm 4</th>
<th>Upland Cotton</th>
<th>Counter-Cyclical Yield 1067 lbs.</th>
<th>PLC Yield 2561 lbs.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>Upland Cotton Yield</td>
<td>Zero Planted</td>
<td>Zero Planted</td>
<td>1471</td>
</tr>
<tr>
<td>Substitute Yield</td>
<td>840</td>
<td>840</td>
<td>840</td>
</tr>
</tbody>
</table>

1/ Total – total of 2008 through 2012 upland cotton year yields

1471

2/ Average yield – total of all yields (higher of actual or substitute yield), divided by the number of years with planted acres of upland cotton

1471 ÷ 1 = 1471

3/ 1324 x 2.4 = 3178

**Yield Update Decision – Update the PLC Yield to 3178 lbs.**
CCC-864, Seed Cotton, and Newly Allocated Covered Commodity Price Loss Coverage (PLC) Worksheet

A  Completing CCC-864

Complete CCC-864 according to this table.

<table>
<thead>
<tr>
<th>Item</th>
<th>Instruction</th>
</tr>
</thead>
<tbody>
<tr>
<td>2A</td>
<td>Enter County Office name and address (optional).</td>
</tr>
<tr>
<td>2B</td>
<td>Enter County Office telephone number (optional).</td>
</tr>
<tr>
<td>2C</td>
<td>Enter County Office FAX number (optional).</td>
</tr>
<tr>
<td>3 and 4</td>
<td>Enter State and county codes.</td>
</tr>
<tr>
<td>5</td>
<td>Enter FSA farm number.</td>
</tr>
<tr>
<td>6</td>
<td>Complete this section to report a yield at the farm level only in the years the covered commodity was planted in 2008 through 2012.</td>
</tr>
<tr>
<td>6A</td>
<td>Enter the covered commodity name planted in the years 2008 through 2012.</td>
</tr>
<tr>
<td>6B</td>
<td>Enter the actual yield resulting from planted acres of the applicable covered commodity for the years 2008 through 2012. If a covered commodity was not planted for the particular year, leave blank.</td>
</tr>
<tr>
<td>6C</td>
<td>Enter the certified yield’s “Record Type”. Enter 1 of the following:</td>
</tr>
<tr>
<td></td>
<td>• “1” for RMA Data</td>
</tr>
<tr>
<td></td>
<td>• “2” for production sold/commercial storage including gin receipts</td>
</tr>
<tr>
<td></td>
<td>• “3” for FSA loan record</td>
</tr>
<tr>
<td></td>
<td>• “4” for FSA NAP record</td>
</tr>
<tr>
<td></td>
<td>• “5” for other.</td>
</tr>
<tr>
<td>Note:</td>
<td>Enter the other record type in item 7, “Remarks”.</td>
</tr>
<tr>
<td>7</td>
<td>Enter any remarks, if applicable.</td>
</tr>
<tr>
<td>8A</td>
<td>Enter person to contact concerning yields (optional).</td>
</tr>
<tr>
<td>8B</td>
<td>Enter contact person’s telephone number (optional).</td>
</tr>
<tr>
<td>8C</td>
<td>Enter contact person’s e-mail address (optional).</td>
</tr>
</tbody>
</table>
Notice ARCPLC-51

Exhibit 2

CCC-864, Seed Cotton, and Newly Allocated Covered Commodity Price Loss Coverage (PLC) Worksheet (Continued)

**B  Example of CCC-864**

The following is an example of CCC-864.

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**CCC-864 Worksheet (Continued)**

<table>
<thead>
<tr>
<th>CCC-864</th>
<th>U.S. DEPARTMENT OF AGRICULTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>(05-07-18)</td>
<td>Commodity Credit Corporation</td>
</tr>
</tbody>
</table>

1. Program Years: 2018

2A. County FSA Office Name and Address (including Zip Code)

2B. County FSA Office Telephone Number (including Area Code)

2C. County FSA Office FAX Number (including Area Code)

3. State Code

4. County Code

5. Farm Number

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**Example of CCC-864**

The following is an example of CCC-864.

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**TOTAL FARM YIELD WORKSHEET**

Complete this form only for upland cotton and/or newly allocated covered commodities if an owner chooses to update the yield. If upland cotton or a newly allocated covered commodity was not planted for a particular year, then leave that year blank. Enter the source of the data used to support the yield in item 6 C. Rec Type: 1 for “RMA Data”, 2 for “production sold/commercial storage including gin receipts”, 3 for “FSA loan record”, 4 for “FSA NAP record”, or 5 for “other”. Please enter the other record type in Remarks. Item 7. This is only a worksheet. It is NOT the yield update. You may be used by any current owner of the farm if the current owner decides to update a yield during the yield update period.

<table>
<thead>
<tr>
<th>6A. Commodity</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>6B. Yield</td>
<td>6C. Rec Type</td>
<td>6B. Yield</td>
<td>6C. Rec Type</td>
<td>6B. Yield</td>
<td>6C. Rec Type</td>
</tr>
</tbody>
</table>

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**Upland Cotton**

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7. Remarks

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8A. Contact Person’s Name

8B. Contact Person’s Telephone Number

8C. Contact Person’s Email Address