

For: State and County Offices

Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) Yield Update Provisions

Approved by: Deputy Administrator, Farm Programs



1 Overview

A Background

The Agricultural Act of 2014 (2014 Farm Bill) authorizes owners of a farm a one-time opportunity to update the farm’s payment yield for covered commodities, with either of the following options:

- retain the counter-cyclical (CC) yield, as listed on the farm record as of September 3, 2013, for each covered commodity with base acres
- update the yield for each covered commodity with a base to 90 percent of a simple average of the covered commodity’s 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.

Note: The retained or updated yield becomes the PLC yield, similar to CC yields in previous years, for the farm for the 2014 through 2018 crop years. Direct payment yields will no longer be used.

Each owner and operator received a letter and report that included the farm’s covered commodity base acres and CC yield, as of September 30, 2013, along with the planted and considered planted acres on the farm as reported to FSA, of all covered commodities for each year 2008 through 2012.

Owners should review the CC yields for the covered commodities with crop base acres listed on the report and determine if there is yield data for the 2008 through 2012 years to support increasing the current covered commodity yields. The yield review would also be applicable to new base acres of covered commodity crops if base reallocation is selected for the farm.

Disposal Date	Distribution
December 1, 2014	State Offices; State Offices relay to County Offices

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1 Overview (Continued)

A Background (Continued)

The following provisions apply to the yield update option.

- The PLC yield may be:
 - retained or updated, on a covered commodity by covered commodity basis
 - updated for each covered commodity on each farm regardless of the subsequent program election for the covered commodity or farm – PLC, Agriculture Risk Coverage-County Coverage (ARC-CO) or Agriculture Risk Coverage -Individual Coverage (ARC-IC).
- A current owner of the farm makes the decision to retain or update the PLC yield for the covered commodity during the base and yield update process.

Note: Base and yield update decisions must be made on a farm before the farm program election can be made.

The following process will be used when a current owner decides to update 1 or more yields for covered commodities.

- Determine which covered commodities, with base acres on the farm, will require yield updates.

Note: This could apply to historic or reallocated base acres.

- Certify to the yields produced on planted acres of the covered commodity for each of the years the crop was planted, 2008 through 2012, for those covered commodities that yield update is requested.
- Retain yield records used to certify the updated yields to provide to FSA for review, if requested by FSA.

B Purpose

This notice provides:

- yield update policy
- yield decision policy
- PLC yields
- yield certification policy
- yield update examples
- yield software
- example of CCC-859 and instructions.

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2 PLC Yield Overview

A Yield Update Option

The 2014 Farm Bill allows owners of a farm a one-time opportunity to update the PLC yields for each covered commodity with base acres for the 2014 through 2018 crop years. The decision to update a yield is made on a covered commodity by covered commodity basis as determined by a current owner on the farm.

Program payment yields under the 2014 Farm Bill are used only with the PLC and are referred to as PLC yields.

The PLC yield under the 2014 Farm Bill, is either the farm's former CC yield for the covered commodity in effect on September 30, 2013, or the updated yield. A current owner of the farm may choose to retain the former CC yield or update the yield on all applicable FSA farms regardless of program election PLC, ARC-CO, or ARC-IC. The retained or updated yield will only be used under the PLC Program to calculate PLC payments for covered commodities on the farm.

Notes: 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.

The following is an example of direct and CC yields under the prior Farm Bill. Only the CC yields will be used under the ARC and PLC Program and only those yields may be updated if requested by the farm owner.

Crop	Base Acreage	Direct Yield	CC Yield
WHEAT	112.4	26	37
CORN	56.7	55	132
SOYBEANS	132.1	37	44

See Exhibit 1 for examples of yield updates.

B Yield Update Formula

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

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2 PLC Yield Overview (Continued)

B Yield Update Formula (Continued)

A substitute 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.

Notes: Substitute yield is the simple average of the yield per planted acre of covered commodity in each county multiplied by 75 percent. Therefore, the 2008 through 2012 per acre planted yield will be averaged and substituted in any year where a farm's certified yield is below the substitute yield.

The yield update software will use the larger of the actual yield or the substitute yield when making the yield update calculation.

See Exhibit 1 for examples of yield updates.

3 Yield Update Decision

A Decision to Update or Retain CC Yield

The decision to update or retain the yield for covered commodities can be made on a covered commodity by covered commodity basis. For covered commodities with base acres, the current owner will have a choice of either of the following during the yield update period:

- keeping the covered commodity's existing CC yield
- updating that yield as described according to this subparagraph.

Note: The farm's PLC yield, after the update decision is completed, will be equal to or greater than the farm's CC yield depending upon the yield update decision made by the owner.

If a current owner chooses **not** to update the PLC yields on the farm or does **not** make the necessary updates **before** the base and yield update period ends, the farm's 2013 CC yields for each covered commodity will be carried forward as the farm's PLC yields for the 2014 through 2018 covered commodity years.

Owners have the option of updating yields regardless of program participation: PLC, ARC-CO, or ARC-IC.

Example: A producer elects PLC for the wheat base and ARC-CO for the corn base. The producer may update the PLC yield for both wheat and corn on the farm.

The PLC yields are used in the payment calculation for the PLC program only and are not used in the ARC calculations. However all updated PLC yields, including those for covered commodities for which ARC was elected, will be maintained on the farm by FSA.

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3 Yield Update Decision (Continued)

A Decision to Update or Retain CC Yield (Continued)

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.

Cotton is no longer a covered commodity under the 2014 Farm Bill. There are no provisions for updating CC yields or establishing PLC yields for cotton.

B Irrigated and Nonirrigated Yields

The statute does not allow for establishment of separate irrigated and nonirrigated payment yields for covered commodities in the ARCPLC program.

The PLC yield for a covered commodity that is from both irrigated and nonirrigated acreage will either be the farm's current CC yield or an updated yield which is based on total production on the farm for the covered commodity divided by the total irrigated and nonirrigated planted acres of the covered commodity on the farm for each applicable year, 2008 through 2012.

C Yield Update Revision and Deadline

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

If a request to update yields is not filed in the yield update period, the former CC yield will be used as the farm's PLC yield.

4 Establishing PLC Yields

A Assigning Yields

PLC yields must be assigned when:

- new covered commodity crop bases are established under the base reallocation process
- farms have planted 1 or more new covered commodities on generic base acres.

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4 Establishing PLC Yields (Continued)

B Assigning Yields – Reallocated Base Acres

The PLC yield for covered commodities with planting history from 2009 through 2012, when new base acres are created during reallocation, will be established with the county average CC yield. Once the PLC yield has been established, that yield may be updated during the yield update period, as determined by the owner of the farm, using certified yield data for the 2008 through 2012 crop years.

C Assigned Yields – Generic Base Acres

The PLC yield may be needed if a covered commodity is planted on generic base acres and that covered commodity has no PLC yield. Initially, this yield will be established with the county average CC yield. Once the PLC yield has been established, that yield may be updated during the yield update period, as determined by the owner of the farm using certified yield data for the 2008 through 2012 crop years, if the crop was planted during those years.

Yields may be assigned annually on farms with generic base acres. This occurs when new covered commodities are planted on generic base acres during any year between 2014 through 2018 contract years. A PLC yield that is assigned to a covered commodity because of planting on generic base acres in the 2014 through 2018 crop years **cannot** be revised or updated in a subsequent year.

Further instructions will be provided to update assigned yields based on location, productivity, farming practice, and land capabilities on generic base acres.

D Yield Certification at Farm Level

The PLC payment yield, as determined by the farm owner, may be certified on the FSA farm level.

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

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4 Establishing PLC Yields (Continued)

E Yield Adjustments

If owners of the farm choose to adjust yields between tracts on the farm, they may do so, however, all affected owners on the farm must agree in writing to the yield adjustments on the tracts according to policy in 10-CM, paragraphs 36 and 37.

County Offices shall 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 **cannot** result in an increase or decrease of the farm level yield.

5 Certification of Yields

A Certified Yields

PLC yields can be updated on a covered commodity by covered commodity basis as determined by the farm owner.

Owners will certify to an actual yield for each covered commodity that was planted on the farm for each year, during the 2008 through 2012 crop years. The certified yield shall be made at the farm 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.

B Yield Policy

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

- Certified yield data may be furnished by either the farm owner or operator.
- The decision to retain or update the PLC yield is solely the owner(s).
- 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 operator or owner of the farm 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.

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5 Certification of Yields (Continued)

B Yield Policy (Continued)

- 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 data base.
- 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 upon request by FSA.

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 Yields

Yields may be reported by the operator or owner(s) of the farm and can include yield data from the current or previous producer(s) on the farm (Exhibit 2). 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 substitute yield policy in subparagraph D.

Production data used to certify yields must be retained by the producers of the farm making the certification in the event they are selected for review by FSA.

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 year 2008 through 2012, falls below 75 percent of the 2008 through 2012 simple county average yield per planted acre for each covered commodity.

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 covered commodity per county which will be used in all years 2008 through 2012.

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

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5 Certification of Yields (Continued)

E RMA/NAP Data

Owners may use yield data to establish and update the RMA and NAP APH data base for certification of yields for ARCPLC. The NAP APH yield information will be made available upon request.

The following:

- are examples 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 MPCCI companies. The column titled “Yield” can be used by the producer to certify yields for the 2008 through 2012 covered commodity years.

Note: The examples reflect the same FSA farm and RMA unit structure.

Example: Corn Yield - all years 2008 through 2012 have yield data and may be used to certify yields for use in the yield update calculation.

REQUIRED Field Review ___ Inspection ___			Added Land/New Crop/Practice/Type/TMA <input type="checkbox"/>		
PROC NO./NAME &/OR # OF TREES/VINES			Map Area	T Yld 126.0	% Share 100
YEAR	PRODUCTION	ACRES	YIELD	YA YIELD	DESC
04	14,428.8	200.4	72.00		A
05	28,693.8	167.8	171.00		A
06	29,058.0	200.4	145.00		A
07	36,246.5	241.1	150.00		A
08	35,303.9	200.4	176.00		A
09	24,911.0	188.5	132.00		A
10	12,069.1	73.3	165.00		A
11	47,419.3	316.4	150.00		A
12	17,178.6	100.7	171.00		A
13L	49,122.4	315.5	156.00		A

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5 Certification of Yields (Continued)

E RMA/NAP Data (Continued)

Example: Wheat Yield – only 2010 has yield data that may be used to certify yields for use in the yield update calculation. The years 2008, 2009, 2011, and 2012 were zero planted years and are **not** used in the yield update calculation.

REQUIRED Field Review ___ Inspection ___			Added Land/New Crop/Practice/Type/TMA <input type="checkbox"/>		
PROC NO./NAME &/OR # OF TREES/VINES			Map Area	T Yld 55.0	% Share 100
YEAR	PRODUCTION	ACRES	YIELD	YA YIELD	DESC
87	2,448.0	48.0	51.00		A
89	4,028.0	76.0	53.00		A
90	5,398.4	96.4	56.00		A
91	6,060.0	101.0	60.00		A
92	3,465.0	55.0	63.00		A
93	7,332.0	156.0	47.00		A
95	6,068.0	151.7	40.00		A
97	5,928.0	156.0	38.00		A
99	3,990.0	70.0	57.00		A
10	2,463.4	27.4	90.00		A

F Yield Certification Form and Instructions

See Exhibit 2 for the yield certification form and instructions.

G Yield Update Software

The software used to update yields and instructions will be provided in a forthcoming notice.

6 Hybrid Seed

A Hybrid Seed

Producers of hybrid seed may use separate methods to certify and update PLC yields 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.

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6 Hybrid Seed (Continued)

B Separate Methods

Following are separate methods to be used by hybrid seed producers.

IF...	AND...	THEN the producer may certify to the...
both commercial crop acreage and hybrid seed acreage are grown on the farm	both the commercial and the hybrid acres are irrigated or nonirrigated	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.

7 Action

A State Office Action

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

B County Office Action

County Office employees shall:

- follow this notice to inform producers of their yield update options
- ensure that producers understand the yield update process and timeline for completing the process.

Yield Update Examples

A Yield Update Calculation

The following are yield update examples.

Example 1: In this example, the producer planted peanuts in all 5 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 substitute yield will be used.

The 5 year average yield on the farm is calculated at 3506 lbs. per acre. The PLC yield is 90 percent of 3506 lbs. per acre or 3155 lbs. per acre.

The owner may choose to keep the CC yield of 2972 lbs. per acre or update the yield to 3155 lbs. per acre.

Farm 1		Covered Commodity Peanuts				Counter-Cyclical Yield 2972 lbs. Per Acre		
	2008	2009	2010	2011	2012	Total <u>1/</u>	Average Yield <u>2/</u>	PLC Yield at 90 Percent
Covered Commodity Yield	3819	3557	3441	4111	2422	17,529	3506	3155 lbs. per acre
Substitute Yield at 75 Percent	2601	2601	2601	2601	2601			
<p><u>1/</u> Total - total of 2008 through 2012 covered commodity year yields.</p> <p><u>2/</u> Average yield - total of all yields (higher of actual or substitute yield), divided by the number of years with planted acres of the covered commodity.</p> <p>- 5 Year average of Planted acreage $(3819+3557+3441+4111+2601)=17529/5=3506$</p>								
Yield Update Decision – Update the peanut PLC yield to 3155 lbs. per acre.								

Yield Update Examples (Continued)

A Yield Update Calculation (Continued)

Example 2: In this example, the producer planted corn 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 the covered commodity was planted on the farm, the average yield is calculated at 136 bu. per acre. The PLC yield is 90 percent of 136 bu. per acre or 122 bu. per acre.

The owner may choose to keep the CC yield of 112 bu. per acre or update the yield to 122 bu. per acre.

Farm 2		Covered Commodity Corn				Counter-Cyclical Yield 112 Bu. Per Acre		
	2008	2009	2010	2011	2012	Total <u>1/</u>	Average Yield <u>2/</u>	PLC Yield at 90 Percent
Covered Commodity Yield	Zero Planted	Zero Planted	135	150	119	407	136	122 bu. per acre
Substitute Yield at 75 Percent	122	122	122	122	122			
<p><u>1/</u> Total - total of 2010 – 2012 covered commodity year yields. 2008 and 2009 years are Zero planted and excluded from the calculation.</p> <p><u>2/</u> Average yield - total of all yields (higher of actual or substitute yield), divided by the number of years with planted acres of the covered commodity.</p> <p>- 3 Year average of Planted acreage $(135+150+122)=407/3=136$</p>								
Yield Update Decision – Update the corn PLC yield to 122 bu. per acre.								

Yield Update Examples (Continued)

A Yield Update Calculation (Continued)

Example 3: In this example, soybeans were planted in 4 of the 5 years, 2008 through 2012. In 2009, the 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 the covered commodity was planted on average yield is calculated at 40 bu. per acre. The PLC yield is 90 percent of 40 bu. per acre or 36 bu. per acre.

The owner may choose the current CC yield of 32 or the calculated PLC yield of 36.

Farm 3		Covered Commodity Soybeans				Counter-Cyclical Yield 32 Bu. Per Acre		
	2008	2009	2010	2011	2012	Total <u>1/</u>	Average Yield <u>2/</u>	PLC Yield at 90 Percent
Covered Commodity Yield	Zero Planted	Planted No Production Evidence	47	51	26	158	40	36 bu. per acre
Substitute Yield at 75 Percent	30	30	30	30	30			
<p><u>1/</u> Total - total of 2009 through 2012 covered commodity year yields. 2008 covered commodity year is zero planted and excluded from the calculation. 2009 and 2012 yields are substituted yields.</p> <p><u>2/</u> Average yield - total of all yields (higher of actual or substitute yield), divided by the number of years with planted acres of the covered commodity.</p> <p>- 4 Year average of Planted acreage (30+47+51+30)=158/4=40</p>								
Yield Update Decision – Update the soybean PLC yield to 36 bu. per acre.								

Yield Update Examples (Continued)

A Yield Update Calculation (Continued)

Example 4: In this example, the producer planted wheat 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 wheat crop was planted on the farm, the average yield is calculated at 60 bu. per acre. The PLC yield is 90 percent of 60 bu. per acre or 54 bu. per acre.

The owner may choose to keep the CC yield of 32 bu. per acre or update the yield to 54 bu. per acre.

Farm 4		Covered Commodity Wheat				Counter-Cyclical Yield 32 Bu. Per Acre		
	2008	2009	2010	2011	2012	Total <u>1/</u>	Average Yield <u>2/</u>	PLC Yield at 90 Percent
Covered Commodity Yield	Zero Planted	Zero Planted	60	Zero Planted	Zero Planted	60	60	54 bu. per acre
Substitute Yield at 75 Percent	45	45	45	45	45			
<p><u>1/</u> Total - total of the 2010 covered commodity average year yield. 2008, 2009, 2011 and 2012 years are zero planted and excluded from the calculation.</p> <p><u>2/</u> Average yield - total of all yields (higher of actual or substitute yield), divided by the number of years with planted acres of the covered commodity.</p> <p>- 1 Year average of Planted acreage (60/1=60)</p>								
<p>Yield Update Decision – Update the wheat PLC yield to 54 bu. per acre.</p>								

CCC-859, Price Loss Coverage (PLC) Yield Worksheet

A Completing CCC-859

Complete CCC-859 according to this table.

Item	Instruction
2A	Enter County Office name and address (optional).
2B	Enter County Office telephone number (optional).
2C	Enter County Office FAX number (optional).
3 and 4	Enter State and county codes.
5	Enter FSA farm number.
6	Complete this section to report a yield at the farm level only in the years the covered commodity was planted in 2008 through 2012.
6A	Enter the covered commodity name planted in the years 2008 through 2012.
6B	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.
6C	Enter the certified yield's "Record Type". ENTER "1" for RMA data, "2" for production sold/commercial storage, "3" for on-farm storage, "4" for livestock feed records, "5" for FSA loan record, "6" for FSA NAP record, or "7" for other. Enter the other record type in the remarks section.
7	Enter any remarks, if applicable.
8A	Enter person to contact concerning yields (optional).
8B	Enter contact person's telephone number (optional).
8C	Enter contact person's e-mail address (optional).

