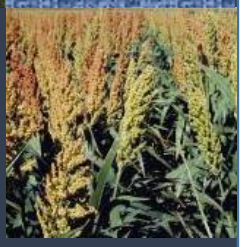

Updating Payment Yields

2014 Farm Bill

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Disclaimer: This publication is designed to aid farmers with their marketing and risk decisions. This information is based on the author's interpretation of the 2014 Farm Bill. Some details may change after final rules and regulations are released by FSA. This information is intended for educational purposes only.

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www.AgManager.info

UPDATING PAYMENT YIELDS-2014 FARM BILL

The 2014 Farm Bill gives landowners a one-time opportunity to reallocate base acres and update payment yield. Unlike the 2002 Farm Bill, which required a farmer to do both of these or nothing at all, this time the farmer has the option to update payment yields without reallocating base acres and vice versa. This is an important decision, since the new Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC) programs through Farm Service Agency (FSA) determine payments by commodity base acres, not actual planted acres. PLC also uses established payment yield to calculate support payments, not actual yield.

Landowners have already received letters informing them of their current payment yields and historical planted acres from 2008-2012. Many wonder how these established yields were determined and why they might be low. Payment yields were first established by the 1996 Farm Bill as an average 1981-1985 yields. It is estimated that only 39% of base acres in the United States were updated with 1998-2001 yields in the 2002 Farm Bill because producers would have had to reallocate base acres at the same time, which for many would have switched their base acres to commodities that were not forecasted to receive the most government payments (*USDA Economics Research Service Website*). From advancements in seed technologies, fertilizer, and other cropping practices, yields have increased substantially in most areas. Therefore, most landowners would benefit from updating their payment yields now.

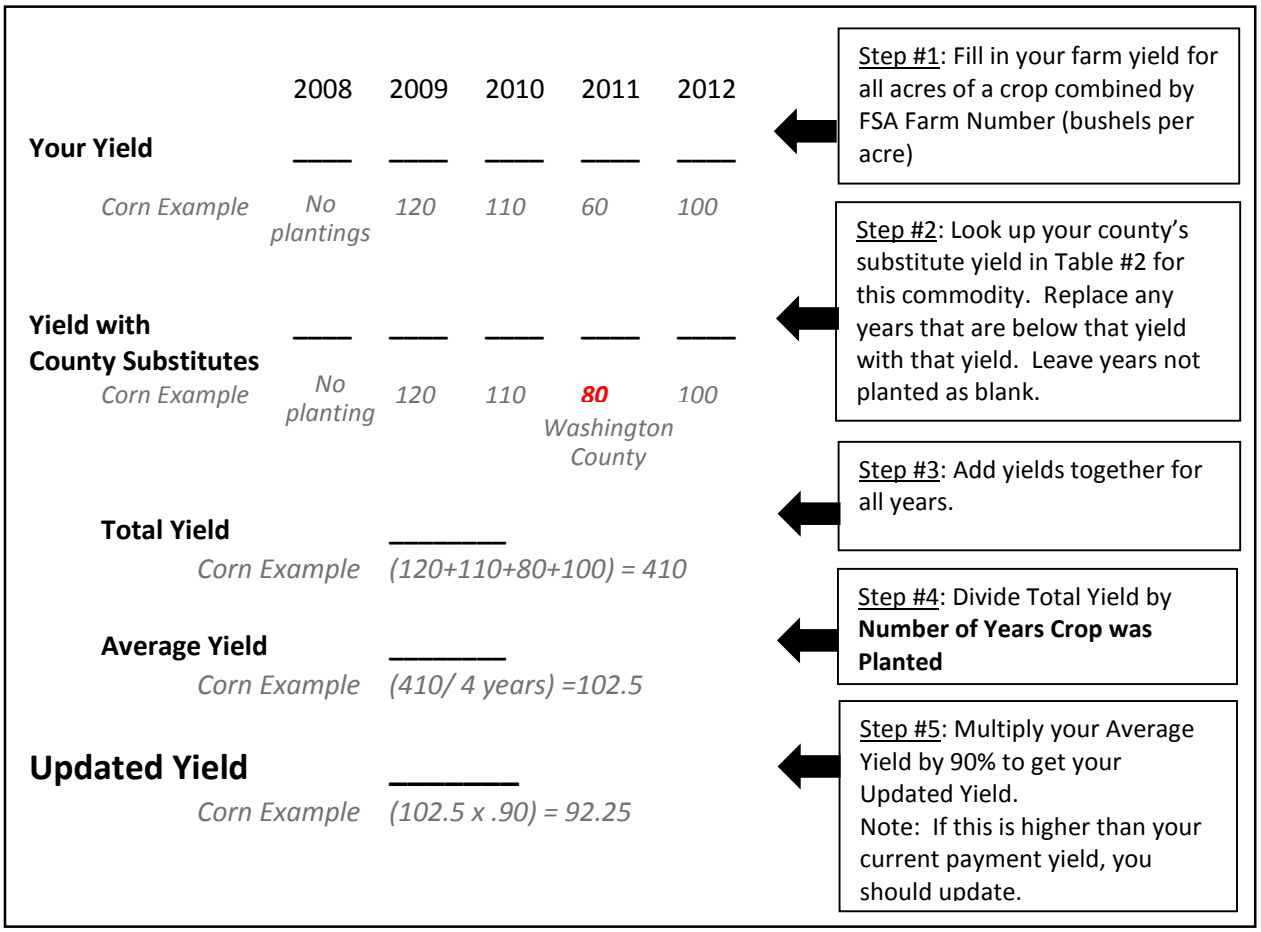
Payment yields can be updated crop by crop. For example if corn would benefit from the yield update but soybeans would not, the farmer can retain the soybean yield and update the corn yield. The 2014 Farm Bill defines the payment update as a simple average of each crop yield from 2008-2012, multiplied by 90%. If the commodity was not planted in some of those years due to crop rotation, that year will drop out of the average (i.e. a zero yield is not used when a crop was not planted). For years of large yield losses, there is also a "plug yield" or "substitute" yield that the farmer can use to replace their actual yield that year. This is calculated as 75% of the 2008-2012 average county yield. They may also use this yield for years that historical yield information is not available, such as acquiring new land or leases. Values for these substitute yields for all Kansas counties can be found in Table #2. Producers should use the values from their administrative county, not the county in which the land is actually located. The updated payment yield will take effect starting with any 2014 PLC payments.

The landowner will make the determination if they will update or not, unless the tenant has FSA Power of Attorney for them. All crop acres per FSA farm number will be used to determine the payment yield. If a landowner has multiple FSA farm numbers, they will update yields independently for each farm. If a farmer has irrigated and non-irrigated ground, yields will be combined to determine one payment yield per commodity. Farmers will sign a document to self-certify their yields with FSA, but need to have supporting documentation since they will subject to spot checks later on. Crop insurance records will be accepted as documentation, but the farmer needs to make sure their crop insurance units match with FSA farm numbers.

Generally, if the updated payment yield is higher than the current payment yield, the landowner should update. This will increase PLC payments, it they are made. Even if the ARC program is chosen, the update may benefit the producer for future Farm Bill programs, where an update may or may not be offered again. Some producers may be disappointed that their potential update is lower than the current payment yield because of the multiple-year drought that has occurred across the Midwest. If they infrequently planted that crop from 2008-2012, they may also find their average only reflecting one or two years of yields.

UPDATING PAYMENT YIELDS-2014 FARM BILL

Producers can use the following outline to calculate their updated yield for each program crop:



Producers would do this calculation for each program commodity on their farm and then decide which ones to update and which to retain. An example is shown below:

Table 1: Example Update Scenario for a Saline County, KS Producer

	Corn		Sorghum		Soybeans	
	Producer Yield	With Substitutes	Producer Yield	With Substitutes	Producer Yield	With Substitutes
2008	106	106	--	--	39	39
2009	115	115	106	106	--	--
2010	95	95	--	--	28	28
2011	45	**67**	--	--	15	**22**
2012	30	**67**	--	--	20	**22**
Sum		450		106		111
Average for planted years		90		106		27.8
Updated Yield (90% of avg.)		81		95.4		25
Current Payment Yield		75		70		35
Choice		Update		Update		Retain

Note: Producer yields and current payment yields are examples. Substitute yields are taken from Table #2.

In the Saline County example, the farmer used substitute yields for corn and soybeans in 2011 and 2012, when the drought severely reduced their own yields. This farmer also received a large yield advantage on sorghum, since they only grew it once in the 5-year period and it happened to be a bumper crop year. Soybeans had the opposite effect because more was grown in the drought years, so the updated number was less than the current payment yield.

If the farm reallocates base to a commodity that did not previously have base acres, they are also given an assigned yield to start with as their "current" yield. This yield was established using the county average counter-cyclical (CC) yield and can be obtained from the following website: http://www.fsa.usda.gov/Internet/FSA_File/ccp_county_yields.xls . The owner still has the opportunity to update this yield using 2008-2012 production records via the normal payment update procedure.

The decision to update payment yields is a straightforward comparison of current and updated yield. If the updated yield in higher than the current, the producer should update. Producers should start running the numbers and working with their local FSA office to perform the update, if they choose to do so. More information can be found at www.AgManager.info by clicking on the "2014 Farm Bill". An excel spreadsheet tool is also available that will help run the base acre and program yield updates, and then evaluate the ARC/PLC decision using different price scenarios. There is also a "Quick Calculator" and other tools on FSA's website at www.fsa.usapas.com that will make these calculations.

Producers have until March 31st to update their payment yield with their local FSA office.

Table #2: SUBSTITUTE COUNTY YIELDS FOR UPDATING PRICE LOSS COVERAGE (PLC) PAYMENT YIELDS

(75 percent of the average of 2008-2012 county yields) Sec. 1113(d)(4) (http://www.fsa.usda.gov, posted 3/4/2015)

State	County	Corn	Wheat	Soybean	Oats	Grain Sorghum	Barley	Peanuts	Sunflowers	Dry Peas	Canola	Flaxseed	Safflowers	Chickpeas_Lg	Sesame Seed
		Bu.	Bu.	Bu.	Bu.	Bu.	Bu.	Lbs.	Lbs.	Lbs.	Lbs.	Bu.	Lbs.	Lbs.	Lbs.
KS	ALLEN	61	26	17	36	41	31		682	584	865				
KS	ANDERSON	61	26	20	34	44	31		682	584	865				
KS	ATCHISON	86	29	29	37	65	31		790	584	865				
KS	BARBER	79	27	17	32	30	31		658	584	1,064		758		342
KS	BARTON	95	28	23	31	54	31		815	584	865		758		
KS	BOURBON	56	26	17	34	37	31		682	584	865				
KS	BROWN	108	35	34	35	55	31		771	584	865	12			
KS	BUTLER	61	28	20	35	42	31		682	584	865				
KS	CHASE	58	29	21	34	41	31		682	584	865				
KS	CHAUTAUQUA	47	22	17	35	41	31		682	584	865				
KS	CHEROKEE	56	29	19	35	44	31		682	584	865				
KS	CHEYENNE	90	39	33	34	45	31		1,078	584	865	12	758		
KS	CLARK	96	22	12	34	35	31		863	584	865				
KS	CLAY	110	34	30	37	72	31		872	584	865				
KS	CLOUD	107	34	30	36	69	31		858	584	865				
KS	COFFEY	59	26	19	34	35	31		682	584	865				
KS	COMANCHE	93	24	24	32	39	31		658	584	865				
KS	COWLEY	54	27	18	35	38	31		577	584	865				342
KS	CRAWFORD	57	31	19	37	42	31		682	584	865				
KS	DECATUR	66	37	25	34	50	31		1,136	584	865				
KS	DICKINSON	68	36	23	30	55	31		864	584	865				
KS	DONIPHAN	118	29	36	35	69	31		790	584	865				
KS	DOUGLAS	70	27	22	34	47	31		682	584	865				
KS	EDWARDS	120	30	39	32	48	26		855	584	865		758		
KS	ELK	62	21	18	35	37	31		682	584	865				
KS	ELLIS	44	30	17	29	49	31		812	584	865				
KS	ELLSWORTH	48	31	20	30	53	31		934	584	865				
KS	FINNEY	115	30	36	34	39	31		876	584	865				
KS	FORD	115	30	36	34	48	31		863	584	865				
KS	FRANKLIN	60	29	21	34	32	31		682	584	865	12			
KS	GEARY	90	33	26	34	69	31		682	584	865				
KS	GOVE	66	31	19	34	53	33		1,104	584	865		758		

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State	County	Corn	Wheat	Soybean	Oats	Grain Sorghum	Barley	Peanuts	Sunflowers	Dry Peas	Canola	Flaxseed	Safflowers	Chickpeas_Lg	Sesame Seed
		Bu.	Bu.	Bu.	Bu.	Bu.	Bu.	Lbs.	Lbs.	Lbs.	Lbs.	Bu.	Lbs.	Lbs.	Lbs.
KS	GRAHAM	63	31	20	31	54	31		1,041	584	865		758		
KS	GRANT	120	25	35	34	31	31		720	584	865		758		
KS	GRAY	132	30	41	36	47	31		859	584	852				
KS	GREELEY	62	24	13	34	41	31		921	584	865				
KS	GREENWOOD	59	25	19	35	33	31		682	584	865				
KS	HAMILTON	73	20	35	34	29	31		627	584	865		758		
KS	HARPER	36	25	11	32	28	31		570	584	644				342
KS	HARVEY	79	33	22	32	42	31		658	584	865				
KS	HASKELL	132	26	34	34	44	31		989	584	865				
KS	HODGEMAN	91	27	35	34	39	31		807	584	865		758		
KS	JACKSON	80	28	26	35	41	31		790	584	865				
KS	JEFFERSON	86	28	28	35	49	31		790	584	865				
KS	JEWELL	92	33	31	39	78	31		845	584	865				
KS	JOHNSON	63	29	20	34	45	31		682	584	865				
KS	KEARNY	116	23	29	34	34	31		889	584	865				
KS	KINGMAN	103	27	18	33	33	31		650	584	865				342
KS	KIOWA	126	27	38	32	49	31		658	584	865				
KS	LABETTE	53	27	17	35	44	31		682	584	865				
KS	LANE	71	26	19	34	38	31		1,065	584	865		758		
KS	LEAVENWORTH	77	27	27	35	43	31		802	584	865				
KS	LINCOLN	55	32	24	32	56	31		612	584	865				
KS	LINN	57	24	19	34	39	31		682	584	865				
KS	LOGAN	58	28	20	34	48	31		978	584	865		758		
KS	LYON	54	25	17	34	38	31		682	584	865				
KS	MCPHERSON	92	36	23	30	48	31		799	584	865				
KS	MARION	53	32	19	30	44	31		664	584	865				
KS	MARSHALL	86	31	28	35	77	31		790	584	865				
KS	MEADE	147	25	42	34	44	31		863	584	865				
KS	MIAMI	63	34	21	34	43	31		682	584	865				
KS	MITCHELL	80	36	25	36	68	31		933	584	865				
KS	MONTGOMERY	55	27	17	35	41	31		682	584	865				
KS	MORRIS	55	28	20	34	45	31		732	584	865				

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State	County	Corn	Wheat	Soybean	Oats	Grain Sorghum	Barley	Peanuts	Sunflowers	Dry Peas	Canola	Flaxseed	Safflowers	Chickpeas_Lg	Sesame Seed
		Bu.	Bu.	Bu.	Bu.	Bu.	Bu.	Lbs.	Lbs.	Lbs.	Lbs.	Bu.	Lbs.	Lbs.	Lbs.
KS	MORTON	98	18	31	34	23	31		530	584	865		758		
KS	NEMAHA	87	32	29	36	63	31		770	584	865				
KS	NEOSHO	58	25	18	36	42	31			584	865				
KS	NESS	41	27	16	34	44	31		916	584	865		758		
KS	NORTON	65	33	24	38	57	31		1,071	584	865		758		
KS	OSAGE	57	25	20	34	42	31		682	584	865				
KS	OSBORNE	68	31	24	40	63	31		930	584	865				
KS	OTTAWA	72	33	24	38	56	31		920	584	865				
KS	PAWNEE	101	31	34	32	50	31		784	584	865		758		
KS	PHILLIPS	72	32	25	39	63	31		969	584	865				
KS	POTTAWATOMIE	94	29	29	33	58	31		790	584	865				
KS	PRATT	113	31	31	32	41	31		605	584	865				342
KS	RAWLINS	66	37	20	34	51	29		1,082	644	865		758		
KS	RENO	94	28	22	32	42	31		703	584	865				
KS	REPUBLIC	109	29	32	42	75	31		843	584	865				342
KS	RICE	75	34	20	29	52	31	506	876	584	865				
KS	RILEY	85	32	29	35	69	31		790	584	865				
KS	ROOKS	57	27	20	38	56	31		764	584	865		758		
KS	RUSH	81	28	20	32	50	31		738	584	865		758		
KS	RUSSELL	48	32	20	29	57	31		849	584	865				
KS	SALINE	67	33	22	29	52	31		847	584	865				
KS	SCOTT	77	30	30	34	43	29		845	719	865		758		
KS	SEDGWICK	84	28	22	32	39	31		658	584	865				
KS	SEWARD	129	26	38	34	42	31		1,063	584	865		758		
KS	SHAWNEE	91	27	27	34	48	31			584	865				
KS	SHERIDAN	86	33	39	34	57	31		1,450	584	865				
KS	SHERMAN	96	34	36	34	51	31		1,091	584	865		758	407	
KS	SMITH	78	33	29	38	74	31		1,131	584	865				
KS	STAFFORD	95	28	33	32	40	31		658	584	865				342
KS	STANTON	114	27	35	34	28	31		650	584	865		758		
KS	STEVENS	118	26	36	34	32	24		965	584	865				
KS	SUMNER	50	27	17	32	37	31		798	584	865		758		342

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		Bu.	Bu.	Bu.	Bu.	Bu.	Bu.	Lbs.	Lbs.	Lbs.	Lbs.	Bu.	Lbs.	Lbs.	Lbs.
KS	THOMAS	77	33	33	34	48	29		1,242	584	865				
KS	TREGO	48	29	26	34	46	31		1,026	584	865				
KS	WABAUNSEE	76	28	23	34	44	31		682	584	865		758		
KS	WALLACE	88	28	20	34	39	31		915	584	865		758		
KS	WASHINGTON	80	33	30	35	75	31		872	584	865	12			
KS	WICHITA	94	29	26	40	45	31		1,210	584	865				
KS	WILSON	63	27	17	35	44	31		682	584	865				
KS	WOODSON	59	26	18	35	39	31		682	584	865				
KS	WYANDOTTE	82	31	26	35	69	31		790	584	865				