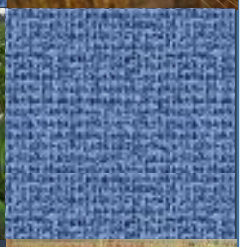

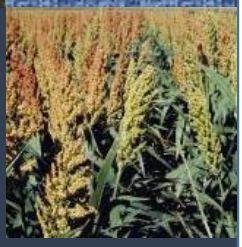

Updating Payment Yields

2014 Farm Bill

September 2014

Robin Reid
Extension Associate
Kansas State University
785-532-0964
robinreid@k-state.edu

Mykel Taylor
Assistant Professor
Kansas State University
785-532-3033
mtaylor@k-state.edu

G.A. "Art" Barnaby
Extension Specialist
Kansas State University
785-532-1515
barnaby@k-state.edu

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.

KANSAS STATE UNIVERSITY
DEPARTMENT OF AGRICULTURAL ECONOMICS
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 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. Values for these substitute yields for all Kansas counties can be found in Table #2. 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. 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:

	2008	2009	2010	2011	2012
Your Yield	____	____	____	____	____
Corn Example	*No plantings*	*120*	*110*	*60*	*100*
Yield with County Substitutes	____	____	____	____	____
Corn Example	*No planting*	*120*	*110*	***79.6*** *Washington County*	*100*

Total Yield _____

Corn Example *(120+110+79.6+100) = 409.6*

Average Yield _____

Corn Example *(409.6/ 4 years) =102.4*

Updated Yield _____

Corn Example *(102.4 x .90) = 92.2*

Step #1: Fill in your farm yield for all acres of a crop combined by FSA Farm Number (bushels per acre)

Step #2: Look up your county's substitute yield in Table #2 for this commodity. Replace any years that are below that yield with that yield. Leave years not planted as blank.

Step #3: Add yields together for all years.

Step #4: Divide Total Yield by **Number of Years Crop was Planted**

Step #5: Multiply your Average Yield by 90% to get your Updated Yield.
Note: If this is higher than your current payment yield, you should update.

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	**66.4**	--	--	15	**21.8**
2012	30	**66.4**	--	--	20	**21.8**
Sum		448.8		106		110.6
Average for planted years		89.8		106		27.7
Updated Yield (90% of avg.)		80.8		95.4		24.9
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.

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. Some situations that may arise causing a producer not to update include not having documentation to prove yields, or recently acquiring land or a new lease and not having yield data for all 5 years.

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.

Table 2: SUBSTITUTE COUNTY YIELDS FOR UPDATING PRICE LOSS COVERAGE (PLC) PAYMENT YIELDS
(75 percent of the average of 2008-2012 county yields) ***(published at www.usda.fsa.gov on 5/23/14)***

County	Corn (bushels)	Wheat (bushels)	Soybean (bushels)	Sorghum (bushels)	Oats (bushels)
Allen	57.5	26.7	17.5	39.0	36.5
Anderson	59.4	27.5	19.4	43.1	
Atchison	85.7	28.4	28.6	65.0	
Barber	81.8	27.4	19.2	39.0	
Barton	94.9	28.1	22.1	52.3	31.0
Bourbon	56.9	26.2	17.2	37.4	34.2
Brown	108.4	35.0	34.4	66.1	
Butler	61.5	28.3	19.4	41.9	34.5
Chase	63.8	28.9	19.5	40.9	
Chautauqua	53.8	21.9	17.1	40.7	34.5
Cherokee	55.8	30.4	19.1	43.0	34.5
Cheyenne	86.5	38.9		50.3	
Clark	120.9	22.3	35.0	35.5	
Clay	96.4	34.3	29.7	70.9	
Cloud	101.7	33.9	29.9	68.9	
Coffey	59.5	26.8	18.5	45.5	
Comanche	93.0	24.4	24.3	33.1	
Cowley	52.0	26.6	17.9	40.0	34.5
Crawford	58.1	30.4	19.3	40.4	36.9
Decatur	69.4	36.6		51.8	
Dickinson	75.8	35.7	22.4	54.5	30.2
Doniphan	113.4	30.8	34.3	69.2	
Douglas	70.1	27.3	22.2	45.1	
Edwards	120.4	29.7	36.8	47.4	
Elk	59.1	21.4	17.6	36.7	34.5
Ellis	66.4	30.1	19.7	50.5	28.7
Ellsworth	73.5	30.9	19.8	51.0	29.8
Finney	114.6	29.5	34.7	38.1	
Ford	113.5	29.6	34.7	42.5	
Franklin	61.7	28.9	21.4	41.9	
Geary	90.4	33.0	24.6	68.3	
Gove	66.0	31.2		52.1	
Graham	63.6	30.5		52.6	
Grant	117.9	24.9	35.0	36.2	
Gray	128.6	30.2	37.6	45.1	
Greeley	67.2	23.7		45.4	
Greenwood	56.9	27.5	17.6	38.5	34.5
Hamilton	87.3	19.7	35.0	30.6	
Harper	86.3	24.9	15.6	32.2	
Harvey	78.8	33.4	21.9	44.1	
Haskell	127.9	26.2	33.7	38.3	
Hodgeman	117.9	27.1	33.7	37.9	
Jackson	81.0	28.1	25.8	69.2	
Jefferson	90.2	28.0	28.0	56.7	
Jewell	89.4	32.7	30.6	77.7	
Johnson	62.5	27.4	20.3	45.1	
Kearny	117.5	23.3	35.0	35.1	
Kingman	98.4	26.6	18.4	36.0	
Kiowa	108.8	27.3	26.3	44.3	
Labette	55.2	26.8	16.4	44.3	35.1
Lane	70.8	26.9		37.1	
Leavenworth	94.8	27.0	28.7	69.2	
Lincoln	58.5	32.5	22.3	55.0	31.7
Linn	59.3	26.0	18.5	41.9	

UPDATING PAYMENT YIELDS-2014 FARM BILL

County	Corn (bushels)	Wheat (bushels)	Soybean (bushels)	Sorghum (bushels)	Oats (bushels)
Logan	60.7	28.2		49.5	
Lyon	56.8	24.8	17.4	38.9	
McPherson	91.9	35.8	22.6	47.2	29.8
Marion	53.3	32.3	18.7	44.9	30.4
Marshall	85.6	31.1	27.7	74.4	
Meade	130.5	25.2	37.8	41.0	
Miami	63.4	33.8	20.6	42.0	
Mitchell	82.7	35.9	24.9	67.9	
Montgomery	55.4	27.0	17.9	39.3	34.5
Morris	58.4	28.3	19.3	44.4	
Morton	103.1	17.7	35.0	26.7	
Nemaha	87.3	30.9	29.0	66.0	
Neosho	56.3	24.7	17.6	42.2	35.5
Ness	65.3	26.8		39.0	
Norton	66.5	33.4		51.0	
Osage	57.3	24.8	20.4	43.4	
Osborne	75.2	30.9	23.6	61.7	
Ottawa	71.7	32.6	23.7	57.4	
Pawnee	100.8	30.8	33.8	48.2	
Phillips	75.8	32.1	24.8	62.2	
Pottawatomie	94.3	29.0	29.1	61.2	
Pratt	113.3	31.2	25.1	39.5	
Rawlins	66.8	36.7		49.1	
Reno	94.8	27.7	22.2	40.2	
Republic	108.4	29.2	31.7	72.0	
Rice	75.4	33.7	20.2	51.2	28.6
Riley	85.4	31.6	28.7	68.9	
Rooks	66.7	27.1	19.8	55.1	
Rush	80.1	28.0	19.5	49.7	29.8
Russell	64.2	31.5	19.6	55.1	28.8
Saline	66.4	33.4	21.8	51.2	28.6
Scott	75.1	29.7		42.3	
Sedgwick	84.5	28.2	21.7	37.5	
Seward	125.5	25.9	36.3	39.5	
Shawnee	85.9	27.0	26.8	44.6	
Sheridan	85.7	32.7		53.1	
Sherman	95.5	33.6		53.7	
Smith	78.6	33.1	28.1	73.7	
Stafford	93.8	29.0	29.3	38.8	
Stanton	114.4	26.9	35.0	33.9	
Stevens	118.7	25.3	35.0	30.9	
Sumner	50.2	26.5	16.7	35.4	
Thomas	77.5	32.8		48.7	
Trego	47.0	28.7		41.1	
Wabaunsee	71.5	28.3	21.3	43.5	
Wallace	83.5	28.5		42.0	
Washington	79.6	32.7	29.8	74.6	
Wichita	93.6	28.5		44.7	
Wilson	61.4	27.5	17.3	40.6	34.5
Woodson	59.0	25.7	17.8	37.9	34.5
Wyandotte	94.8	30.8	29.7	69.2	