Glossary of Farm Bill Terms

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Base Acres

If Farm Bill programs paid farmers on what they actually planted, farmer's planting decisions would be impacted based on what commodities might receive the largest support payments. Therefore, by not having payments tied to actual plantings (commonly called being decoupled) farmers will plant what is best for their operation and be paid on their "base" acres.

Base acres are meant to reflect the long-term average planted acres of each commodity on the farm. They were established in 1996, as 1991-1995 average acres planted of covered commodities. There are many farms today that actually plant more acres than what they have in total base acres. This is because they may have had acres in pasture, hay, or other uncovered commodities when base was established. The 2014 Farm Bill gave producers the option reallocate base acres into proportions of covered commodities that were planted from 2009-2012, but they could not increase the amount of base acres. The 2018 Farm Bill does not allow producers to change their base acres.

FSA Farm number

Each "farm" is given a unique number as it's identifier for FSA programs. Landowners and/or producers many times have multiple sets of acreage that will have unique FSA farm numbers.

Sign-up for FSA programs will be by FSA farm number, so anyone involved in production risk on that farm number will need to be involved in making the program selection. Producers can make different selection decisions for each FSA farm number.

FSA yield

This is also referred to as the "PLC Yield" or "Program Yield". This is an established yield that is assigned to a given FSA farm number to reflect its own crop yields. Once established, this yield does not change year-to-year with actual production. This is why producers should take advantage of the one-time opportunity to update FSA yields coming in 2020. FSA yield is used in the PLC program to determine payments after price loss is established. It is not used in the ARC programs.

PLC

Price Loss Coverage. Payment is made if the Marketing Year Average (MYA) price falls below the effective reference price. The payment is calculated by taking the difference in the MYA price and the effective reference price, multiplied by the farm's program yield, multiplied by 85% of base acreage in that commodity.

ARC-CO

This stands for Agricultural Risk Coverage at the County level. The ARC-CO guarantee is set by multiplying the 5-year moving Olympic average MYA price by the 5-year moving Olympic average County Yield (with plug yields and trend adjustment applied) and then by 86% (to factor in the 14% deductible). Actual county revenue is determined by the current year's MYA price multiplied by the current year's county yield. The payment (if any) is the difference in the guarantee and the actual revenue, multiplied by 85% of base acres. ARC-CO payments cap out at 10% of the benchmark revenue (before multiplying by 86%). ARC-CO looks at each commodity independently.

ARC-IC

This stands for Agricultural Risk Coverage at the Individual farm level. The ARC-IC benchmark is set by determining an Olympic average of the previous 5 year's revenue (MYA price multiplied by individual farm yield) for each commodity and then weighting each commodity revenue by the percent of planted acres in that year. There is also a 14% deductible, which then determines the guarantee. All covered commodities are combined together and loss is determined by comparing actual revenue to the guarantee. Payment is made on 65% of the total base acres and also caps out at 10% of the benchmark revenue.

Plug yields

In years of really poor yield, "plug" yields (also called "substitute" yields) are used to reduce the severity of the impact on a producer's or county's average yields. In the 2018 Farm Bill, there are a number of places these are used and in different percentages.

For updating FSA program yield in 2020, a producer can replace a year of poor yields with 75% of the county average in 2013-2017, before taking their 5-year average. This way, their FSA program yield is not penalized as much by low-yielding years from drought or other reasons.

When calculating the 5-year Olympic average County Yield for the ARC-CO program, plug yields in the amount of 80% of the transitional yield are used to replace poor-yielding years. These same plugs are also used for an individual farm's yield in ARC-IC.

MYA

Marketing Year Average is the average price of the commodity in that marketing year. A marketing year corresponds to when the crop was harvested until the next harvest. For corn, sorghum, and soybeans, the Marketing Year starts on September 1 and ends on August 31 of the next year. For wheat, the Marketing Year starts on June 1 and ends on May 31 of the next year. The National Average price each month is multiplied by the percentage of the crop marketed that month and then these weighted prices are added up to become the Marketing Year Average.

Olympic Average

An Olympic average drops the highest and lowest numbers and then averages the remaining values. Typically Farm Bill items use a 5-year Olympic average, so only 3 numbers actually get averaged.

Statutory Reference Price

These reference prices are written in the statutes of the 2018 Farm Bill, and used as a floor price when calculating the "effective reference price". Statutory reference prices for common Kansas commodities are $5.50 for wheat, $3.95 for sorghum, $3.70 for corn, and $8.40 for soybeans. These prices will not change for the life of the current Farm Bill.

Effective Reference Price

The effective reference price was created with the 2018 Farm Bill. It allows reference prices to increase up to 115% of statutory reference prices, but go no lower than statutory reference prices. The formula uses an Olympic average of the last 5 years of MYA prices, multiplied by 85%. Because of the low prices in recent years, it is unlikely that the effective reference price will be any higher than statutory prices for Kansas commodities.

APH

Actual Production History. This is used in crop insurance (including SCO) and is generated based on the actual yields of the farm. It represents an average long-term yield for that farm and is adjusted each year to include current year's yields. Many times you will hear terminology of the 5-year APH, or 10-year APH. This just means that APH is based on the previous 5 or 10 year's actual yields. For FSA program purposes, records for APH can be used for updating FSA yield on the farm.

SCO

Supplemental Coverage Option. SCO is designed to cover some of the deductible on the crop insurance contract, up to 86%. For example, if an insurance policy provides 75% coverage, SCO may be purchased for an additional 11% of coverage (86%-75%). SCO covers all planted acres, not just base acreage. There is no payment limit and it is not subject to budget sequestration. It can be purchased by talking to your crop insurance agent. Farmers must be in conservation compliance to be eligible for this program, have a crop insurance contract, and not be enrolled in ARC. If the farm does not have base acreage in the planted commodity, but it is a covered commodity, they can still purchase SCO with their crop insurance even if their base acreage is enrolled in ARC with a different commodity.

T-yield

Transitional Yield. This is a yield figure generated by the Risk Management Agency for each crop in each county based on historical average county yields. It is updated periodically, but not every year. Eighty percent of its value is used as a plug yield in the ARC-CO and ARC-IC programs.

Shallow Revenue loss

Small losses in revenue. If there is a downturn in prices and/or a lower-than-average yield resulting in revenue loss, the term "Shallow Revenue loss" would refer to the first amount of loss a producer experiences. The ARC program can be considered a "Shallow Revenue Loss" program because it covers revenue losses after 14%, but then caps out at 10% of benchmark revenue. This way, only a small amount of revenue loss is covered.

This publication is brought to you by the Kansas State University Farm Bill Team:

Robin Reid Extension Associate 785-532-0964 robinreid@ksu.edu	Dr. Mykel Taylor Associate Professor 785-532-3033 mtaylor@ksu.edu	Dr. Rich Llewelyn Extension Assistant 785-532-1504 rvl@ksu.edu
Dr. Monte Vandeveer Area Extension Economist 620-275-9164 montev@ksu.edu	Dr. Dan O'Brien Associate Professor 785-462-6281 dobrien@ksu.edu	

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