FARM BUREAU®
2018 Farm Bill

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Actual Production History Yield Exclusion from the 2014 Farm Bill

BACKGROUND

Crop insurance guarantees are derived from the Actual Production History (APH) yields from the insured property. APH rules dictate that up to 10 actual yields be maintained in the APH database. In the past, a year of particularly low yields that occurred due to severe weather beyond the farmer's control would reduce the amount of insurance available to the farmer in future years. If a farmer rotates corn and soybeans on a particular tract for example, that could equate to 20 calendar years before a low yield could be removed from the database, thus significantly lowering available coverage for that entire period.

The 2014 Farm Bill included a new crop insurance option called APH Yield Exclusion (YE) that potentially allows farmers to exclude actual yields from their APH history. By excluding eligible bad years, natural disasters will not reduce the available amount of insurance coverage for years to come.

Crop years are eligible to be excluded when the average per planted acreage yield for the county was at least 50 percent below the simple average for the previous 10 consecutive crop years. If a county is eligible for a particular crop in a particular crop year, then all farmers in that county, and contiguous counties, have the option to exclude their farm's yield for that crop year from their APH database.

Using county yields as the eligibility trigger introduces the potential that a farmer may have had a bad yield in a specific year and still not be eligible for YE if in that same year the county overall was not at least 50 percent below the simple average yield of the previous 10 consecutive crop years. In that case the farmer's low yields could not be excluded from his or her APH database.

Crop years eligible to be excluded are identified by the Risk Management Agency (RMA).

Farmers who have Catastrophic Risk Protection (CAT) or buy-up insurance policies including Yield Protection (YP), Revenue Protection (RP), or Revenue Protection with the Harvest Price Exclusion (RP-HPE), can use the YE option.

The following example illustrates how excluding two corn yields, 1996 and 2012, from this particular farm in Illinois would increase the farm's APH from 156.6 to 172 bushels per acre when YE is used.

APH without YE			
Year	Prod	Acres	Yield
1992	4,621	30.4	152
1996	3,344	30.4	110
1997	11,696	73.1	160
1998	11,945	75.6	158
2004	13,033	74.9	174
2007			
2012	8,077	76.2	106
2013			
2014	13,541	65.1	208
2015	14,097	76.2	185
		APH	156.6

APH with YE			
Year	Prod	Acres	Yield
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If excluding a yield results in an increased approved yield, a higher insurance guarantee and greater indemnity payment could occur due to the yield exclusion. This requires an increase in the premium rate to account for the increased risk of loss. The premium charged reflects the higher effective coverage level and higher risk of loss due to the yield exclusion. The higher premium is only applied to those farmers who choose to utilize YE. Those who do not use it do not have their premiums adjusted.

Choosing the YE option will automatically exclude all eligible crop years from the APH database unless the farmer specifically opts out of the exclusion for specific crop year(s). Certain farms within the county may have had good yields in a crop year even though that county was eligible to have yields excluded that year. In these situations, farmers would need to opt out of the exclusion for that year if they want to retain their actual yield.

The following table shows the level of usage and corresponding impact of approved yields gained from use of the new YE option in reinsurance year 2015, the first year the new YE option was available.

APH Yield Exclusion (YE) - 2015 Participation				
		Percent of All Insured Acres		
Crop	**All Insured Acres***	**YE Eligible**	**YE Selected**	**Avg YE Impact of Approved Yields**
Barley	2,607,795	79%	4%	8%
Canola	1,714,369	37%	1%	8%
Corn	76,353,243	66%	17%	7%
Cotton	8,484,086	90%	23%	22%
Grain Sorghum	6,768,885	100%	17%	12%
Peanuts	1,493,065	52%	2%	7%
Popcorn	189,298	49%	4%	7%
Rice	2,628,872	3%	0%	3%
Soybeans	73,002,384	52%	5%	7%
Sunflowers	1,685,942	99%	9%	8%
Wheat	46,585,151	16%	2%	7%

*Acres insured under insurance plans eligible for YE

ISSUE

While current Farm Bureau policy does not specifically address the ability to modify APH via an option such as YE, it does address APH adjustments in several ways:

We support:

- Actual Production History (APH) not being affected when a crop is unable to be planted and prevented planting payments are accepted;
- APH reflecting actual yield with no reduction for quality losses;
- The exclusion of crop losses caused by other parties' negligence in the calculation of APHs;
- The structuring of crop insurance policies so that premiums do not continue to increase for producers whose APH yields are lowered due to multi-year losses;
- Provisions that allow increasing APH when adopting new technologies such as drip irrigation;
- Allowing harvested apples and peaches, regardless of the intended use, to be counted toward yield and APH; and
- A producer receiving an APH based on the settlement yield when a canning field is "passed" for harvest.

OPTION #1

Modify the county eligibility trigger to 65 percent of the 10-year average rather than the current 50 percent of the 10-year average in order to allow additional years to be excluded as long as premium rates adequately cover the enhanced risk of loss. The rationale for this option is that 50 percent of the 10-year average is only at the CAT level of yield protection.

OPTION #2

Require RMA to develop a secondary trigger in which a farmer can obtain eligibility based on farm-level low yields (yield below 50 percent of the farm's APH) in years in which the farmer's county does not qualify, as long as premium rates adequately cover the enhanced risk of loss.

OPTION #3

Allow farmers the option to exclude low yields from their APH database based on criteria similar to YE, except using farm level yields rather than county yields, as long as premium rates adequately cover the enhanced risk of loss.

OPTION #4

Allow farmers to shorten their APH to fewer than 10 years as a way of updating their APH to reflect more modern-day yields, as long as premium rates adequately cover the enhanced risk of loss.

OPTION #5

Reduce the 50 percent eligibility trigger to a lower level to reduce years available to be excluded to ensure farmers are not able to "over insure" their production.

OPTION #6

Eliminate YE as an option to reduce overall expenditures of the crop insurance program