

For: FSA Offices

**P&CP History Update for Agriculture Risk Coverage-County Coverage (ARC-CO)
Counties and Crops Approved for the Historical Irrigated Percentage (HIP)**

Approved by: Deputy Administrator, Farm Programs



1 Overview

A Background

As required by the 2014 Farm Bill, separate irrigated (IR) and nonirrigated (NI) benchmark revenues, guarantees, and actual revenues will be used to calculate ARC-CO payments for qualifying counties and crops as determined by the Secretary.

Only the county and crop combinations that meet the IR and NI criteria established by the Secretary will have a HIP payment factor calculated for the applicable covered commodity on a farm enrolled in ARC-CO. These counties and crops are identified in 1-ARCPLC, Exhibit 16.

HIP means the percentage acreage of the covered commodity that was IR (P&CP, including subsequently planted crop acreage) divided by the total acreage of the covered commodity (P&CP and subsequently planted crop acreage) between the years 2009 through 2012 on the farm.

Notes: Farms without generic base acres that did not plant the covered commodity (including subsequently planted crop acreage) in the 2009 through 2012 crop years, or there is no IR acreage planted of the crop, will have a zero HIP calculated value for that crop of zero. These farms will only be eligible for an ARC-CO payment if there is an NI revenue loss for the county. All base acres of the crop will be paid at the NI payment rate.

The HIP payment factor will remain with the farm and covered commodity for the 2014 through 2018 crop years and will not change unless the farm is reconstituted by combining farms. A new “weighted” HIP will be calculated in these situations.

Crops on farms with a Price Loss Coverage (PLC) or Agriculture Risk Coverage-Individual Coverage (ARC-IC) election are not impacted by HIP calculations or policy. Only approved covered commodities in approved counties on farms elected and enrolled in ARC-CO are impacted by the HIP policy.

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|----------------------------|--|
| Disposal Date | Distribution |
| February 1, 2016 8-3-15 | All FSA Offices; State Offices relay to County Offices |

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1 Overview (Continued)

A Background (Continued)

The initial HIP will be prefilled into 2015 MIDAS Farm Records and 2014 Farm Records System (FRS) with the best available data from the Crop Acreage Reporting System (CARS) from 2009 through 2012. For farms having a different farm structure (different FSN's) in 2009 and 2015, there can be situations where the HIP value is populated, but the value may not correctly reflect the actual percentage of IR covered commodities on the farm over the 4-year period (2009 through 2012). This value must be corrected using the acreage history of the covered commodity (P&CP and subsequently planted crop acreage) in 2009 through 2012.

Situations also exist where HIP could not be calculated because of a 2013 or 2014 reconstitution. County Offices must research and calculate HIP in these cases. County Offices will be provided a report listing the farms required to have HIP calculated because of a reconstitution in 2013 and/or 2014. County Offices will manually calculate HIP for these reconstituted farms and enter the HIP value into FRS for 2014 and MIDAS for 2015.

Notes: Some fields are displayed as “none”. “None” must be corrected to a numeric value (such as “zero” or “0”) before any payment will process.

When reviewing P&CP and subsequently planted crop acreage history, the intended uses “Cover Only (CO)”, “Left Stand (LS)”, “Green Manure (GM)”, and “Leaves (LV)”, as outlined in 2-CP, are **excluded** as P&CP and subsequently planted crop acreage of a covered commodity.

B Purpose

This notice provides:

- policy for processing HIP corrections
- policy to research and find missing P&CP acreage (including subsequently planted crop acreage) of applicable covered commodities for farms listed on the Missing HIP Report that were reconstituted in 2013 and/or 2014 where HIP was not calculated

Notes: Farms will be using acreage history information as the farm is constituted in 2014. As such, all tract divisions, combinations, and farm transfers in 2013 and/or 2014 will **require** County Office research for the correct P&CP acreage (including subsequently planted crop acreage), by practice, of covered commodities for approved HIP crops and counties where the farm is enrolled in ARC-CO.

Farms with base acres of covered commodities for which HIP has been calculated, but HIP is incorrect because of a farm or tract reconstitution in 2009 through 2012, must have HIP recalculated.

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1 Overview (Continued)

B Purpose (Continued)

- instructions to calculate the applicable HIP using P&CP acreage (including subsequently planted crop acreage) of covered commodities for impacted tracts and farms. County Offices will load the manually calculated HIP into FRS for 2014 and MIDAS for 2015 for the applicable crop.

Note: An Excel spreadsheet has been developed and can be used to assist County Offices when a manually calculated HIP is being completed.

2 HIP Correction Policy

A Policy

Farms and covered commodities in an approved HIP county will have HIP calculated if acreage of the covered commodity could be identified before issuing the final base, PLC yield, and election notice. However, as stated in this notice, the best available data was used in calculating that HIP may not be correct.

Corrections to HIP's must be made as soon as possible, but no later than **January 29, 2016**.

For farms having different FSN's in 2009 and 2015, or farms that were reconstituted in 2013 or 2014, the County Office will research the applicable farm acreage reports to identify the IR and NI acreage of the HIP applicable covered commodity for 2009 through 2012. The County Office will recalculate HIP for the applicable covered commodity and enter the recalculated HIP in 2014 Web Farm Records.

Once the corrected HIP's have been determined for the 2014 Farm Records, HIP's for any subsequent year farm records resulting from reconstitution of the 2014 farm must be recalculated using the corrected HIP and applicable HIP policy for reconstituted farms. If the 2014 farm has not been reconstituted, the corrected HIP's must also be entered for 2015 and subsequent year farm records for the farm.

2014 ARC-CO payments could be delayed if HIP corrections are not performed before 2014 ARC-CO payments are issued.

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2 HIP Correction Policy (Continued)

B Notification Policy

All producers on a farm must be notified of the corrected HIP's for the farm at the time the HIP correction is loaded into farm records. Notification of changes to HIP's on reconstituted farms, made as a result of HIP correction to a 2014 farm, is also required. Notification of corrected and revised HIP's will include a copy of the updated base and yield notification.

3 Farms and Covered Commodities Missing a Calculated HIP

A Farms Missing a HIP Report

County Offices will access the report from the ARCPLC SharePoint site at <https://sharepoint.fsa.usda.net/mgr/dafp/PECD/arcplc/sitepages/home.aspx>, which will list the applicable farms missing a calculated HIP for an approved covered commodity in an approved county where the crop has elected ARC-CO. As discussed previously, HIP's could not be automatically calculated for any farm reconstituted in 2013 or 2014.

Note: County Offices will be required to manually research FSA-578's to obtain the missing acreage, by practice, of P&CP (including subsequently planted crop acreage) for the applicable covered commodity on the farm.

B Example

Farm 1, Tract 100 was divided into Tracts 1000 and 1001 in 2013. The County Office will be **required** to manually research and obtain both the "irrigated" and "total" reported acreage history of the applicable covered commodity for both Tracts 1000 and 1001 for 2012, 2011, 2010, and 2009, since both tracts did not exist in those years and HIP has not been calculated.

| Farm 1, Tract 1000 and Tract 1001 | | | |
|--|------------------------|------------------------|------------------------|
| 2009 | 2010 | 2011 | 2012 |
| No "Irrigated" History | No "Irrigated" History | No "Irrigated" History | No "Irrigated" History |
| #1000 | #1000 | #1000 | #1000 |
| #1001 | #1001 | #1001 | #1001 |

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4 Researching Acreage History to Manually Calculate HIP

A Review of Records

County Offices must research and recalculate HIP's for:

- farms having different farm numbers in 2009 and 2015 and farms reconstituted in either 2013 or 2014
- farms listed on the report provided by the National Office where HIP was not automatically calculated.

The research process will include manually reviewing FSA-578's for the applicable farms, which may include parent farms and/or tracts when a reconstitution was involved. 2009 through 2012 will be researched for each applicable covered commodity identified as needing a new HIP calculated.

When completing the manual acreage history research, County Offices will include the following "Planting Status" crop codes:

- "**Planted**" from CARS for any of the applicable 21 covered commodities with an initial code of "I" or "IF"
- "**Prevented**" from CARS for any of the applicable 21 covered commodities with a code of "IP"
- "**Double**" from CARS for any of the applicable 21 covered commodities with an initial code of "D", "DF", "DP", "E", "EP", or "EF"
- "**Subsequent**" from CARS for any of the applicable 21 covered commodities with an initial code of "J", "JP", or "JF".

The County Office will use 1 of the following formulas when completing the manual HIP calculation.

- **Without generic base acres**, by dividing the sum of the 2009 through 2012 P&CP IR acres (including subsequently planted crop acreage) of that crop on the farm by the sum of the total 2009 through 2012 P&CP acres (including subsequently planted crop acreage) for that same crop.
- **With generic base acres and the applicable crop was grown on the farm** from 2009 through 2012, by dividing the sum of the 2009 through 2012 P&CP IR acres (including subsequently planted crop acreage) of that crop on the farm by the sum of the total 2009 through 2012 P&CP acres (including subsequently planted crop acreage) for that same crop.

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4 Researching Acreage History to Manually Calculate HIP (Continued)

A Review of Records (Continued)

- **With generic base acres and the applicable crop (including subsequently planted crop acreage) was not grown on the farm** from 2009 through 2012, by dividing the sum of the 2009 through 2012 IR acres (including subsequently planted crop acreage) of upland cotton on the farm by the sum of the total 2009 through 2012 P&CP acres (including subsequently planted crop acreage) for upland cotton.

B HIP Calculator

An Excel spreadsheet has been developed for County Offices to use when completing the manual HIP calculations. Once HIP has been calculated for the approved covered commodity in an approved county, HIP will be loaded into FRS and MIDAS as outlined in Notice CM-762.

5 Reconstitution Policy for HIP Crops on Combined Farms

A Combination HIP Policy for Nongeneric Base Acre Farms for 2015 and Subsequent Years

Producers may request to combine farms according to 10-CM policy where a different HIP has been calculated for the same crop on each farm. 10-CM policy must still be followed to only combine farms with similar elections for base crops on each farm.

Upon approval of the reconstitution, County Offices will calculate new HIP's for the resulting farm by "weighting" the applicable crop HIP from each parent farm in the combination by the base acres of the crop associated with each parent farm. The resulting new HIP will be:

- manually entered in MIDAS for the resulting farm
- effective starting with that year forward.

The weighting formula for farms not having generic base acres is as follows:

- multiply the crop base acres times the applicable HIP for the crop for each parent farm in the combination to calculate the HIP-factored base acres
- total the HIP-factored base acres for the crop
- divide by the total base acres of the crop on the child farm.

B Combination HIP Policy for Generic Base Acre Farms for 2015 and Subsequent Years

A forthcoming ARCPLC notice will be issued to provide guidance for combinations involving generic base acre farms.

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5 Reconstitution Policy for HIP Crops on Farms Combined (Continued)

C Example

The following are 2 parent farms (101 and 204) with associated base acres and HIP's to calculate the weighted HIP for the resulting farm.

| FSN | Corn Base Acres | HIP | HIP-Factored Base Acres |
|--|------------------------|------------|--------------------------------|
| 101 (parent) | 100 | 75 | 75 |
| 204 (parent) | 175 | 30 | 52.5 |
| Calculation: $75 + 52.5 = 127.5 \div 275 = 46\%$ | | | |
| 1008 (resulting) | 275 | 46% | |

The County Office will manually enter “46” as the new HIP in MIDAS for FSN 1008 (round to 2 decimal places before the percentage sign).

Note: For farm divisions, the resulting child farms will maintain the same HIP's as applied to the parent farm.

D Weighted HIP Calculation Spreadsheet

A spreadsheet will be provided to assist County Offices in the calculation of weighted HIP's for farm combinations.

6 Action

A State Office Action

State Offices will provide guidance and training to County Offices about the contents of this notice.

B County Office Action

County Offices will follow this notice to correct HIP's, as necessary, by researching and identifying the missing acreage history by practice (IR or NI) of covered commodity crops for 2009 through 2012 for approved covered commodities in an approved county.

After the covered commodity acreage research by practice has been completed for each current tract on the farm, County Offices can use the HIP calculator to determine HIP for the crop.

Once HIP has been determined, the County Office will manually load the information into FRS and MIDAS and send a new base and yield notification to all producers on the farm.