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2014 Farm Bill: Reallocating Base Acreage

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Continuing the discussion and evaluation of the provisions of the new farm bill (the series is available here), today's post turns to the topic of base acreage. The PLC and County ARC commodity programs are all tied to historical base acreage rather than current production. The Individual ARC program is tied to both current planted and historical base acreage (see *farmdoc daily* February 20, 2014 for more discussion on the PLC and ARC programs). The 2014 Farm Bill provides the owners of a farm with a one-time opportunity to reallocate their base acres on each Farm Service Agency (FSA) farm. There is no requirement that the farm owner reallocate base acres; the decision to update is voluntary and the owner of the farm may decide to simply retain the current configuration of base acres on the farm. Failure to make an election operates as a decision to retain the current base acre allocation for the farm.

Base Acreage Reallocation

If reallocation is elected, the reallocation is determined using the ratio of the simple average acres planted on the farm to each covered commodity during the 2009 and 2012 crop years. Since the ratio of plantings is used, the total base acres on the farm cannot increase or decrease through reallocation; electing to update base acres only changes how the base is divided up among the program crops on the farm. This acreage will include program crops that were harvested (including for silage) as well as crops that were used for haying and grazing or other similar purposes. The planted acreage calculation will also include any acreage on the farm that the producer was prevented from planting during those crop years because of a natural disaster. Reallocation will be in proportion to the ratio of the four-year average of planted acres of the commodity to the four-year average of acreage planted to all program crops on the farm. If the farm owner elects to reallocate, the decision applies to all covered commodities on the farm and all four years must be included, even if a program crop was not planted.

For acres that were prevented from being planted, but subsequently planted to another program crop, the farm owner will be permitted to elect the commodity that will be used for the crop year in the four-year average calculation. For example, if the farm had prevented planting corn acres but then planted soybeans in a given crop year during the 2009 to 2012 period, the farmer could choose whether to use corn or soybeans for that year in the reallocation calculations. The farm owner, however, may not include both the

initial commodity and the subsequent commodity, unless the farm has an established practice of double cropping.

Table 1 provides some example base acreage reallocation calculations for three example farm scenarios (Example Farm 1, 2 and 3). All example farms currently have 100 total base acres with 50 corn base acres and 50 soybean base acres.

Example farm 1 has planted acreage equal to total base. In 2009 corn was planted on 60 acres and soybeans planted on 40 acres. In 2010 all acreage was planted to corn. In 2011 and 2012 corn and soybeans were rotated. The 2009 to 2012 average planted acreage was 65 acres of corn and 35 acres of soybeans, implying reallocation weights of 0.65 for corn (65/100 total planted acres = 0.65) and 0.35 for soybeans (35/100 total planted acres = 0.35). Applying the weights to the total base results in an optional base reallocation to 65 base acres of corn (0.65*100 total base acres) and 35 base acres of soybeans (0.35 x 100 total base acres).

Example farm 2 differs in that all acres are planted to a single crop each year and total planted acreage exceeds total base acreage. Corn was planted to the full 120 acres in 2009, 2010, and 2012. Soybeans were planted in 2011. From 2009 to 2012, the average planted acreage for corn is 90 acres and the average planted acreage is 30 acres. Dividing these by total planted acreage of 120 acres results in the reallocation weights of 0.75 for corn (90/120 = 0.75) and 0.25 for soybeans (30/120 = 0.25). These imply an optional base reallocation of 75 corn base acres (0.75 x 100 total base acres = 75) and 25 soybean base acres (0.25 x 100 total base acres).

Example farm 3 is similar to farm 2 in that one crop is planted to the entire farm each year. However, total planted acreage is less than total base each year. In 2009 and 2010, 80 acres of corn were planted. In 2011 there were 90 acres planted to beans, and in 2012 90 acres were planted to corn. Average planted acres were 62.5 for corn and 22.5 for soybeans, with an average total planted acreage of 85 acres. This results in reallocation weights of 0.735 for corn (62.5/85 = 0.735) and 0.265 for soybeans (22.5/85 = 0.265). The base reallocation would be 73.5 corn base acres (0.735 x 100 total base acres) and 26.5 soybean base acres (0.265 x 100 total base acres).

Table 1. Example Base Acreage Reallocation Calculations

	Example Farm 1			Example Farm 2			Example Farm 3		
	Corn	Soybeans	Total	Corn	Soybeans	Total	Corn	Soybeans	Total
Current Base Acreage	**50**	**50**	**100**	**50**	**50**	**100**	**50**	**50**	**100**
Planted Acreage									
2009	60	40	100	120	0	120	80	0	80
2010	100	0	100	120	0	120	80	0	80
2011	40	60	100	0	120	120	0	90	90
2012	60	40	100	120	0	120	90	0	90
2009 to 2012 Average	65	35	100	90	30	120	62.5	22.5	85
Reallocation Weight	0.65	0.35		0.75	0.25		0.735	0.265	
Base Reallocation	**65**	**35**	**100**	**75**	**25**	**100**	**73.5**	**26.5**	**100**

For example farm 1, the owner would have the option of leaving the base acreage at 50 corn base acres and 50 soybean base acres, or reallocating to 65 corn base acres and 35 soybean base acres. For example farm 2, the owner would have the option of leaving the base acreage at 50 corn base acres and 50 soybean base acres, or reallocating to 75 corn base acres and 25 soybean base acres. For example farm 3,

the owner would have the option of leaving the current base configuration or reallocating to 73.5 corn base acres and 26.5 soybean base acres.

Generic Base Acres

Due to the dispute with Brazil at the World Trade Organization (WTO), cotton is no longer a covered commodity and is ineligible for PLC, County ARC or Individual ARC payments. Cotton base acres under this farm bill are now called "generic base acres" and are treated different for purposes of commodity title programs. Generic base acres (i.e., upland cotton base) do not count in the reallocation calculation and cannot be reallocated if the farm elects to reallocate base acres. The generic base acres on the farm do not change. If those generic base acres are planted to a program crop (i.e., corn, soybeans, wheat, etc.) in a given year, then those acres are considered base acres for that program crop in that crop year for purposes of calculating payments for the program elected on the farm. For example, if a farm with 100 cotton base acres (now generic base acres) plants 50 of those generic base acres to soybeans, and the farm elected County ARC for soybeans, then those 50 generic base acres planted to soybeans will be treated as soybean base in that crop year and receive a County ARC payment if one is triggered. If the other 50 acres were planted to corn, those 50 generic base acres would be covered under the commodity program elected for corn.

Other Base Adjustments

Additionally, the base acres on a farm can be adjusted whenever a Conservation Reserve Program (CRP) contract with respect to the farm expires or is voluntarily terminated or if cropland is released from a CRP contract. When acreage comes out of the CRP and the base acres adjustment is first made, the owner of the farm will be provided a single opportunity to make the election to receive Price Loss Coverage (PLC), Agriculture Risk Coverage at the county level (Count ARC) or Agriculture Risk Coverage at the individual farm level (Individual ARC) for those acres leaving the CRP and added to the farm. The farm can choose to receive payments under those programs or a pro-rated CRP contract payment but cannot receive both.

As noted above, the farm may not increase or decrease the total base acres through the decision to reallocate. If the sum of the base acres for the farm (including any new oilseed acreage and generic base acres) plus any acreage on the farm enrolled in CRP or the Wetlands Reserve Program (WRP or successor programs) or other Federal conservation program that makes payments in exchange for not producing an agricultural commodity exceeds the actual cropland acreage on the farm, the Secretary is required to reduce the base acres. The owner of the farm will be allowed to select the program crop base acres upon which the reduction will be made.

An owner may elect to reduce the farm's base acres at any time and the reduction will be permanent for the farm. Additionally, the Secretary is required to reduce a farm's base acres proportionately any time that the land on the farm has been subdivided and developed for multiple residential units or other non-farming uses, so long as the size of the tracts and the density of the subdivision indicates that the land is unlikely to return to farming.

Summary

The 2014 Farm Bill provides farmers a one-time option to reallocate base acreage on their farm based on planted acreage from 2009 to 2012. This post provided three relatively simple base acreage reallocation calculation examples. For many farms, these calculations may be more complicated and final regulations from the FSA will determine how those situations are handled. Beyond the base reallocation decision and calculations, a number of other adjustments could be made to a farm owner's base acreage. These include adjustments due to acreage exiting conservation programs and base reductions.

With cotton no longer being a covered program commodity, cotton base acreage is being converted to "generic" base acreage. The commodity program that covers these generic base acres (i.e. PLC/ARC) will be determined by the program crop actually planted on those generic base acres and the program chosen by the operators and landowners for that commodity. Thus, even though the commodity programs are

“decoupled” from current production decision, program coverage on generic base acres is coupled to current planting decisions.

Reallocation decisions will be influenced by a number of factors. These include the farm owners’ and operators’ commodity program choices and intentions for future crop plantings. Future posts will analyze these decision factors and examine some of the regional implications for base reallocation.

References

Coppess, J., and N. Paulson. "Agriculture Risk Coverage and Price Loss Coverage in the 2014 Farm Bill." *farmdoc daily* (4):32, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, February 20, 2014.