



## Weekly Farm Economics: Base Acre Updating in the Next Farm Bill

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Updating base acres will again receive attention in upcoming farm bill deliberations. Both the [House](#) and [Senate](#) committees have released proposals that included limited updates targeted at producers with no base acres or limited resource farmers. Those proposals would aid a subset of producers while not addressing two larger issues associated with updating:

1. base acres of individual program crop do not match actual planted acres on farms. Even on farms that have base acres, base acres of individual crops can vary substantially from how they are planted, and
2. total of all base acres does not match total plantings of program crops on farms. Even on farms that have base acres, total acres planted to program crops can differ notably from total base acres on the farm, with many farms having substantially higher planted acres than base acres.

A primary challenge with revising base acres is the impact on Federal outlays associated with updating. "Voluntary" updates, which allow farm owners to make choices, typically are more politically palatable than mandatory updates, which require base acres to reflect recent plantings of crops. However, voluntary updates increase federal outlays more than under mandatory updating schemes. Furthermore, individual farmers may see the value of current support decline under mandatory updates. Those losses will vary by region.

### Current Base Acres Relative to Current Plantings

The Commodity title makes payments on 23 "program crops" through two programs: Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC). Both PLC and ARC pay on base acres, not on planted acres. Base acres are specific to a Farm Service Agency (FSA) farm and do not change over time unless authorized by Federal legislation, usually through a farm bill.

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Current base acres trace to the 1996 Farm Bill; a watershed bill often referred to as the "Freedom to Farm Act" (see, *farmdoc daily*, [July 20, 2023](#)). This Act eliminated set-asides and allowed planting decisions to be made according to market signals. If ARC or PLC payments are triggered those payments are made on 85% of the base acres rather than acres planted to the crop. Base acres were granted to seven program crops (corn, wheat, cotton, rice, barley, oats, grain sorghum) using historical plantings from 1981 to 1985 (see [CRS, May 31, 2023](#)). Notably, the 1996 Farm Bill did not authorize base acres for peanuts, soybeans, and other oilseeds.

Since 1996, base acres have changed through several legislative acts:

1. The 2002 Farm Bill added new base acres for oilseed and pulse crops and allowed producers to make voluntary changes to their base acre allocations. Those changes were implemented through a series of choices given to FSA owners (see *farmdoc daily*, [August 30, 2002](#), for a discussion of how those were implemented on Midwest farms).
2. The 2014 Farm Bill removed cotton as a program crop to resolve a World Trade Organization (WTO) case brought by Brazil and four other countries against the U.S. over cotton subsidies. The 2014 Farm Bill also allowed the potential to reallocate base acres by providing landowners two general options: a) keep old base acres or b) reallocate acres based on considered planted acres from 2008 to 2012. Under this voluntary reallocation, total base acres did not change, but allocation of acres to program crops depended on the landowner's chosen options.
3. The most recent change came in the Bipartisan Budget Act of 2018, which reinstated cotton as a program crop.

Since the 1996 Farm Bill, the number of acres planted to program crops in the U.S. has changed. According to data on planted acres from the National Agriculture Statistics Services (NASS),

1. Corn acres in the U.S. increased by 20% from 75.8 million acres in 1991 through 1995 to 91.1 million acres from 2020 to 2023,
2. Soybean acres increased by 40% from 60.5 million acres to 86.4 million,
3. Wheat acres decreased 30% from 70.7 million acres to 46.7 million,
4. Cotton acres decreased 20% from 14.1 million acres to 11.9 million,
5. Peanut acres decreased 10% from 1.7 million to 1.6 million, and
6. Rice acres decreased 20% from 3.1 million to 2.6 million.

Adding to discrepancies between current planted and base acres were voluntary updates in 2002 and 2014. Historically, per acre payments from the six major crops from largest to smallest are peanuts, long-grain rice, seed cotton, wheat, corn, and soybeans (see *farmdoc daily*, [November 7, 2023](#)). That order largely continues in Congressional Budget Office (CBO) projections for 2024 to 2033, released in February 2024 (see second column of Table 1). Of the six crops with the most commodity title payments, peanuts have the highest projected payment (\$101 per base acre), followed by rice (\$52), seed cotton (\$26), corn (\$21), soybeans (\$9), and wheat (\$7). When given the opportunity, many farm owners chose the allocation with the highest expected commodity title payments. For farmers in the southern U.S., those allocations usually have more peanuts and rice acres. For Midwest farmers, allocations with more corn were chosen.

**Table 1. Projected Payments, Base Acres, and Considered Planted Acres, Program Crops**

Program Crop	CBO Projected Payments <sup>1</sup>	2023 Base Acres <sup>2</sup>	Considered Planted Acres <sup>3</sup>	Difference <sup>4</sup>
	(\$/base acre)	(acres)	(acres)	(acres)
Corn	21	93,117,000	92,909,000	-208,000
Soybeans	9	52,824,000	85,237,000	32,413,000
Wheat	7	62,227,000	49,982,000	-12,245,000
Seed Cotton	26	8,396,000	11,781,000	3,385,000
Rice (long-grain)	52	3,875,000	2,256,000	-1,619,000
Peanuts	101	2,433,000	1,588,000	-845,000
Barley	1	5,350,000	2,787,000	-2,563,000
Canola	19	1,455,000	2,291,000	836,000
Chickpeas (Large)	9	71,000	209,000	138,000
Chickpeas (Small)	0	21,000	44,000	23,000
Crambe	0	2,000	0	-2,000
Dry peas	4	433,000	1,206,000	773,000
Flaxseed	15	228,000	274,000	46,000
Grain Sorghum	11	8,533,000	8,700,000	167,000
Lentils	15	279,000	609,000	330,000
Mustard	0	24,000	165,000	141,000
Oats	2	2,072,000	2,147,000	75,000
Rapeseed	0	2,000	9,000	7,000
Rice (Japonica)	na	496,000	479,000	-17,000
Rice (medium grade)	na	170,000	319,000	149,000
Safflower	11	75,000	154,000	79,000
Sesame	0	5,000	101,000	96,000
Sunflower	27	1,620,000	1,539,000	-81,000
Totals		243,708,000	264,786,000	21,078,000

<sup>1</sup> Average of projected payments from 2024 to 2023 made by the Congressional Budget Office in its February 2023 estimates of mandatory spending.

<sup>2</sup> Reported by Farm Service Agency.

<sup>3</sup> Summarized from Farm Service Agency recorded for the four years from 2020 to 2023. Considered planted acres include planted and prevented planted acres.

<sup>4</sup> Difference equals considered planted acres minus 2023 base acres.  
na payment estimates were not available.

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Table 1 illustrates current discrepancies. Base acres enrolled in 2023 total 244 million acres. Farmers who receive program payments report acres to the FSA. From 2020 to 2023, the number of acres considered planted (i.e., planted and prevented planted) averaged 265 million. Overall, farmers planted 21 million more acres to program crops than base acres enrolled in the programs. Among the six major crops, discrepancies are:

- Corn considered planted acres of 92 million are 1 million acres lower than the 93 million base acres. Corn planted and enrolled areas are the closest of any major program crop.
- Soybeans considered planted acres of 85 million acres are 32 million higher than the 53 million base acres. Soybean acres have increased over time. Moreover, farm owners often were not

incentivized to switch allocations that contained more soybean base acres as soybeans have very low program payments.

- Wheat considered planted acres of 50 million acres is 12 million less than the 62 million base acres. Wheat acres have declined over time. Previous allocation decisions often favored wheat over soybeans.
- Seed cotton considered planted acres of 12 million are 4 million more than the 8 million base acres.
- Rice considered planted acres of 2.2 million acres are 1.7 million lower than the 3.9 million base acres. Voluntary updating decisions favor keeping rice base acres because of their high per-acre payments.
- Peanuts considered planted acres of 1.6 million are 0.8 million less than the 2.4 million base acres. Voluntary updating decisions favor keeping peanut base acres because of their high per-acre payments.

### Issues with Base Acre Updating

Any consideration by the committees to update base acres in a 2024 reauthorization will likely raise the following issues:

**Base acres do not match planted acres across crops:** The current commodity title programs are premised as risk management tools. PLC makes payments when market year average (MYA) prices are below reference prices. ARC makes payments when revenue is below county benchmarks. More closely matching base to planted acres improves the risk management function of the programs. Therefore, the current discrepancies in base acres to program acres further reduce the risk management benefits of the programs.

**Total base acres are below planted acres:** Due to the increase in planted acres of program crops, base acres are below the current level of planted acres in program crops. Farms with fewer planted acres than base acres, often called under-based farms, do not receive the risk management benefits from PLC and ARC that match their acres. Furthermore, some FSA farms have no base acres, usually because of decisions made by individuals who are no longer involved in the farming operation. The House proposal suggested an emphasis on those acres. However, that proposal would address a limited subset of farms.

**Federal budget costs:** Any change to base acres will have impacts on Federal spending. Budget rules require that spending offsets must be found for any projected increases in Farm Bill programs, while decreased spending projections can be used to offset increased costs elsewhere. CBO estimates will depend on two main issues:

1. Will a base acre update be voluntary or mandatory? A voluntary update typically gives a farm owner a choice between 1) keeping current base acres or b) updating acres based on recent plantings. Voluntary updates normally increase Federal outlays. A mandatory update typically causes base acres to better reflect recent plantings. Typically, mandatory updates have lower Federal outlays than voluntary updates.
2. Will base acres be added? Adding base acres increases Federal outlays but reduces the discrepancy between base and planted acres.

CBO estimates the costs of both PLC and ARC to be \$43.7 billion over the eleven years from 2024 to 2033 or roughly \$4.0 billion for each year of the program. The following sections address how costs and other issues are impacted by different types of base acre updates (mandatory vs. voluntary; total base acres increased vs. held fixed at current levels)

**Voluntary Update, No Increase in Total Base Acres:** A voluntary update could be similar to the 2014 reallocation in which farm owners decided to keep current base acres or reallocate relative to recent plantings. This voluntary update is politically palatable because no farm owner "loses" in the update.

However, as no farm owner is made worse off by the update, Federal spending will also increase. The 2014 update can be used as a guide for the impacts (see *farmdoc daily*, [September 26, 2022](#)):

1. Program crops with increased planted acres will increase base: corn and soybeans,
2. Program crops with higher expected payments will increase base: peanuts, rice, seed cotton, and corn,
3. Program crops with relatively low payments and lower planted acres will lose base: wheat.

A *farmdoc* analysis showed that the update increased costs by 4.8%. Given a similar increase, the federal government would be expected to increase outlays by \$2.2 billion over the entire 2024-2033 period (\$2.1 billion = \$43.7 billion total spending x .048). This type of update would:

- Not equalize base acres relative to planted acres, leading to a higher number of program acres in crops with high expected program payments.
- Keep base acres at current levels, still leaving concerns about under-based farms.
- This approach would not add farms with no base or address issues associated with limited resource farmers.
- Increase costs by at least \$2.1 billion over 2024-2033.

**Voluntary Update, Increase in Total Base Acres:** A voluntary update could be instituted, allowing farms to add base acres for underplanted acres. Overall, FSA's annual acreage report has, for the US, 10% more considered planted acres than base acres. Even more acres could be added as:

1. FSA data only includes acres reported to FSA. Some farms are not in USDA programs and do not have to report acres to FSA. From 2020 to 2023, NASS reported 1.3% more planted acres than reported by FSA.
2. Farms that have more base acres than planted acres are not required to reduce acres since it is a voluntary update.

Hence, a minimum increase is expected to be 10%. Given that a voluntary update occurred on remaining acres, Federal spending increases would be estimated at \$6.6 billion over 2024-2033 (\$2.1 billion for mandatory increase + (\$43.7 billion + 2.1 billion) x .10 for increase for added acres). Relative to the previously mentioned issues, this type of update would:

- Not equalize base acres relative to planted acres, with more program acres in crops expected to receive higher program payments.
- Allow base acres to increase to current program crop planting levels.
- This update could allow base acres to be added for farms without base.
- Increase costs by at least \$6.7 billion over 2024-2033.

**Mandatory Update, No Increase in Total Base Acres:** Farms could be required to update their current base acres to reflect recent planting. Doing so would not increase total base acres. Given that the proportion of program acres equal 2020-23, and total base acres remain the same, updating to considered planting from 2020 to 2023 would decrease costs by \$1.8 billion. Costs decline because commodities with higher commodity payments are replaced with commodities with lower premiums. Relative to the previously mentioned issues, this type of update would:

- Base acres would more closely match planted acres in proportional terms.
- Keep base acres below current planting levels.
- This update would not address those farms without no base acres.

- Decrease costs by \$1.8 billion over 2024-2033.

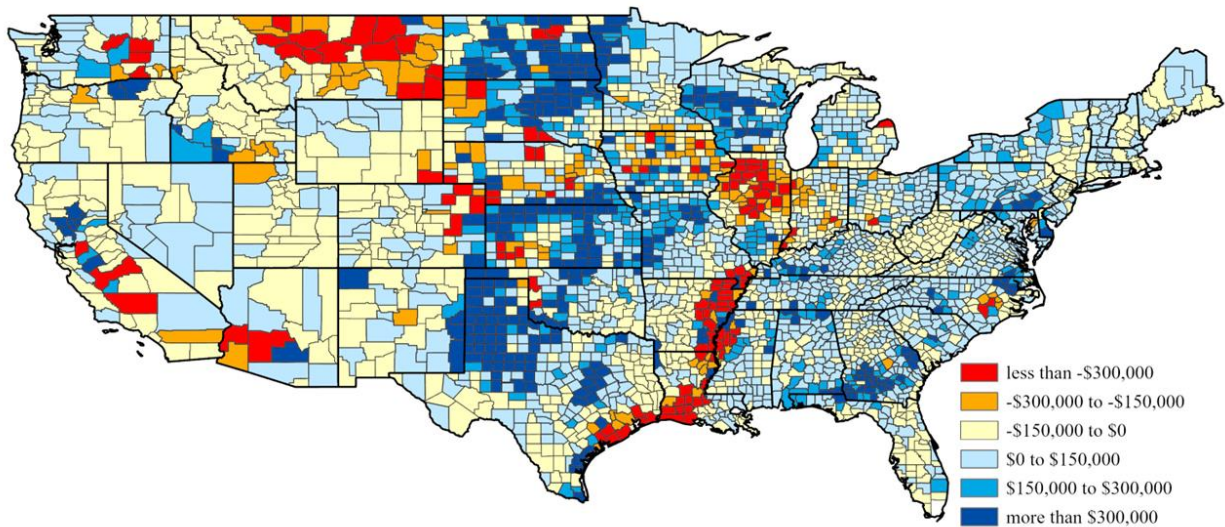
**Mandatory Update, Increase in Total Base Acres:** Acres could be required to equal recent considered planted acres. If farms were needed to update to 2020-2023 planting, Federal spending would be estimated to increase by \$1.6 billion. Relative to the previously mentioned issues, this type of update would:

- Cause base acres to match recent plantings.
- Allow base acres to increase to current program crop planting levels.
- This proposal could allow for acres to be added for those with no base acres.
- Increase costs by \$1.6 billion over 2024-2033.

Overall, the increase in Federal outlays are relatively small when compared to alternatives that increase reference prices across crops. The main disadvantage would be that some farms would lose funding because of changes in base acres. Farms with lower payments would occur across the country but would follow general geographical distributions. Figure 2 shows changes in commodity title spending by county with a mandatory update that allows total base acres to increase to 2020-2023 planting levels. Areas where producers would be expected to have lower payments are:

1. The Midwest will loss as corn acres are replaced by soybean acres.
2. The lower Mississippi Delta region through the Texas gulf coast as program acres decline, with that decline particularly pronounced for current rice base acre.
3. Montana and the western Great Plains due to a loss in total base acres, mainly for wheat.

**Figure 1. Change in Yearly Spending for Mandatory Update (Base Acre Increase) from Current Base Acres**



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**Summary**

Voluntary base acre updates will not reduce discrepancies between base acres from current planting. Solving under-based issues with a voluntary update can occur, but Federal spending will increase. Mandatory updates can more effectively reduce differences between base and planted acres. Moreover, adding base acres with a mandatory update is possible at lower costs than with a voluntary update.

However, mandatory updates will cause some farms and regions to lose commodity title support relative to current levels.

A mandatory update is likely needed in the future to cause base acres to be more reflective of actual planted acres. The 1981-1985 period used to set base acres in the 1996 Farm Bill is forty years in the past. The 1996 Farm Bill is 28 years ago. As the 1990s become further in the past, base acres likely will continue to diverge from planted acres, especially if more voluntary updates occur. Not having a closer match between planted and base acres raises equity concerns.

The House and Senate talking points do not seem to suggest a change in base acres on most farms. As a result, increase in Federal outlays may be relatively low. However, that approach would leave the larger matching and under-based issues unresolved. Moreover, the choosing of farms to receive updates seem arbitrary. Why are farms with no base or limited resource farmers allowed to increase base. There are many farms with base acres that are under recent plantings that would not be benefited by the current House and Senate proposals.

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