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Farmland Owners Designate Base Acres to Maximize Payments

[C. Edwin Young](#)

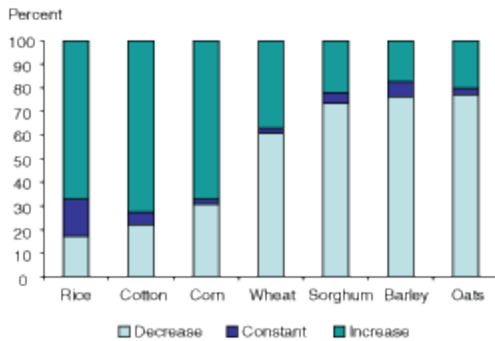


The 2002 Farm Act provided farmland owners the opportunity to designate commodity program *base acres* and *payment yields*, program parameters that are used to determine direct and counter-cyclical payments. The Act provided five options for farmland owners to select commodity program base acres and, in some cases, payment yields. These payments are made independent of current production, continuing an approach initiated under the 1996 Act. For example, a farm with 100 base acres of corn has 85 payment acres (85 percent of base acres); if it has a direct payment yield of 100 bushels per acre, it would receive direct payments based on 8,500 bushels of corn, regardless of whether corn is planted on the base acres.

The five alternatives for designating base acres and program yields reflected the farm's historical area and yields. Farmland owners could keep as their base the 1996 Act's contract acreage, established for fixed production flexibility contract (PFC) payments. Owners of farmland on which oilseeds had been planted during 1998-2001 had three options for adding oilseed base or exchanging other crops' base acres for oilseed base. Finally, farmland owners could use 1998-2001 average plantings for all crops as their base acres. These farmland owners were also permitted to update program yields for counter-cyclical payments.



Percent of counties increasing or decreasing base acres by commodity, 2003



Source: Compiled by USDA's Economic Research Service with data from the USDA's Farm Service Agency and USDA's National Agricultural Statistics Service.

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Program signup results indicate that a majority of farmland owners elected not to update program base acres to 1998-2001 plantings. Many farmland owners opted to keep PFC acreage as base acres and augment them with oilseed acreage when advantageous. Less than 20 percent of farmland owners updated their base acres, representing 39 percent of all base acres. This higher share of acres relative to owners indicates that, in general, farmland owners who updated base acreage had larger-than-average sized farm operations.

Farmland owners generally chose the alternative that provided the highest direct and counter-cyclical payments, a distinctly different economic decision than that underlying year-to-year planting decisions. In general, farmland owners replaced low-payment base acres with high-payment acres whenever possible. They kept or expanded base acres with high payments, such as rice, cotton, and corn, and reduced bases acres for commodities with relatively low payments, such as wheat, sorghum, and barley. Base acres for oats, the commodity with the lowest per-acre payments, were reduced the most.



This article is drawn from...

[Economic Analysis of Base Acre and Payment Yield Designations Under the 2002 U.S. Farm Act](#), by C. Edwin Young, David W. Skully, Paul C. Westcott, and Linwood Hoffman, ERR-12, USDA, Economic Research Service, September 2005.

[Farm Program Acres data](#)



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