May 31, 2023

U.S. Farm Commodity Support: Base Acres and Payment Yields

The Agriculture Improvement Act of 2018 (2018 farm bill; P.L. 115-334) reauthorized the Price Loss Coverage (PLC) and the Agriculture Risk Coverage (ARC) programs for crop years 2019-2023. These programs provide income support to producers of certain eligible commodities. The amount of support varies by commodity and from year-to-year based on program enrollments and market conditions. The U.S. Department of Agriculture (USDA) administers PLC and ARC. For additional information about these programs, see CRS Report R45730, *Farm Commodity Provisions in the 2018 Farm Bill (P.L. 115-334)*.

USDA calculates payments from the PLC and ARC programs based on a farm's enrolled *base acres* and *payment yields*. Base acres and payment yields are units of production that Congress authorized USDA to give to eligible producers at specific points in time and in proportion to the farm's historical production of certain commodities. Providing PLC and ARC payments per base acre and payment yield—as opposed to per planted acre or per harvested quantity—decouples payments from annual production. Prior to the 1990s, commodity support programs provided payments based on annual production, which incentivized farmers to plant crops based on program payments instead of market conditions. Decoupling commodity support from planting decisions has been a goal of agricultural policy since the 1990s and helps fulfill U.S. commitments under the World Trade Organization (WTO) Agreement on Agriculture. As it considers the next farm bill, Congress may consider changes to the PLC and ARC programs and base acre and payment yield allotments.

Base Acres

Base acres and payment yields are associated with specific tracts of farmland. USDA allocated these units to eligible farmers in proportion with historical production in accordance with 7 U.S.C. §9011. Base acre allocations may transfer to the new owner when the associated land is sold. Landowners can reallocate base acres between tracts of land owned by the same farm under certain conditions. Landowners may permanently reduce their base acres voluntarily at any time and are required to reduce base acres associated with land that is permanently removed from agricultural production (e.g., land sold for redevelopment). Statute requires USDA to ensure that a farm's total base acres do not exceed the farm's actual cropland acreage, with limited exceptions.

USDA originally allocated base acres to farmers for specific commodities (i.e., covered commodities) (**Table 1**). In the Federal Agriculture Improvement and Reform Act of 1996 (1996 farm bill; P.L. 104-127), Congress granted base acres—then called "contract acres"—for wheat, corn, grain sorghum, barley, oats, cotton, and rice. At the time, peanuts were eligible for support through a different mechanism. Farmers received base acre allocations in proportion to their 1981-1985 plantings. The Farm Security and Rural Investment Act (2002 farm bill; P.L. 107-171), the Food, Conservation, and Energy Act of 2008 (2008 farm bill; P.L. 110-234), and the Agricultural Act of 2014 (2014 farm bill; P.L. 113-79) changed the list of eligible commodities, added new base acres for oilseed and pulse crops, and allowed for producers to make voluntary changes to their base acre commodity allocations.

Table 1. Millions of Total Base Acres, Enrolled Base Acres, and Planted Acres, by Commodity

Covered Commodity	Total Base Acres	Enrolled Base Acres	Total Planted Acres
Barley	6.23	5.39	2.79
Corn	100.74	94.81	90.56
Cotton (Seed)	13.86	11.38	12.70
Oats	2.67	2.09	2.74
Minor Oilseeds	3.55	3.46	4.18
Peanuts	2.60	2.46	1.53
Pulses	0.85	0.82	1.95
Rice	5.01	4.65	2.59
Sorghum (Grain)	9.83	8.65	6.19
Soybeans	55.84	53.55	83.52
Wheat	69.72	63.28	45.60
Total	270.90	250.55	254.36

Source: CRS calculations using USDA Farms Service Agency (FSA) program records and USDA National Agricultural Statistics Service (NASS) Quick Stats database.

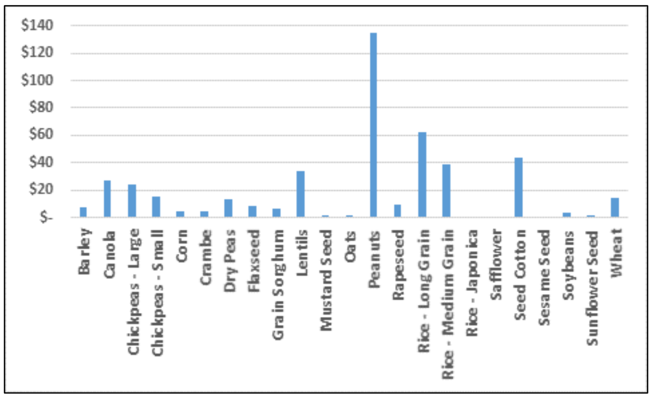
Notes: Total base acres are values for the 2021 crop year and exclude acres without a commodity allocation. Enrolled base acres and total planted acres are averages for the 2019-2022 crop years. Enrolled base acres participate in the Agricultural Risk Coverage Program or the Price Loss Coverage Program. Minor oilseeds include canola, crambe, flaxseed, mustard seed, rapeseed, safflower, sesame, and sunflower seed. Pulses include large and small chickpeas, dry peas, and lentils. Rice includes long, medium, and japonica varieties.

The 2014 farm bill excluded cotton as a covered commodity in response to a WTO dispute settlement case with Brazil. Cotton base acres were renamed generic base acres, and farms with generic base acres were potentially eligible for PLC and ARC payments if they planted eligible crops on land associated with generic base acres. The

Bipartisan Budget Act of 2018 (P.L. 115-123) added seed cotton as a covered commodity and required farmers to convert their generic base acres into either a covered commodity or unassigned base acres.

In total, there were more total base acres in 2021 than average acres planted with covered commodities in 2019-2022 and more average acres planted than enrolled in PLC and ARC (**Table 1**). Barley, corn, grain sorghum, peanuts, rice, and wheat had more average enrolled base acres than planted acres—reflecting farmers' preferences for maintaining base acre allocations to crops grown historically on the land and changes in planting patterns after 2018 in response to market conditions. Farmers may prefer to maintain base acre allocations to certain crops due to variations in average PLC and ARC payments across commodities (**Figure 1**).

Figure 1. Average Total PLC and ARC Payments per Enrolled Base Acre by Commodity, 2019-2022



Source: CRS calculations using USDA FSA program records for the 2019-2022 crop years and Congressional Budget Office estimates for ARC and PLC payments for the 2022 crop years.

Note: Mustard seed, oats, japonica rice, safflower, sesame seed, and sunflower seed each averaged less than $2 per base acre per year.

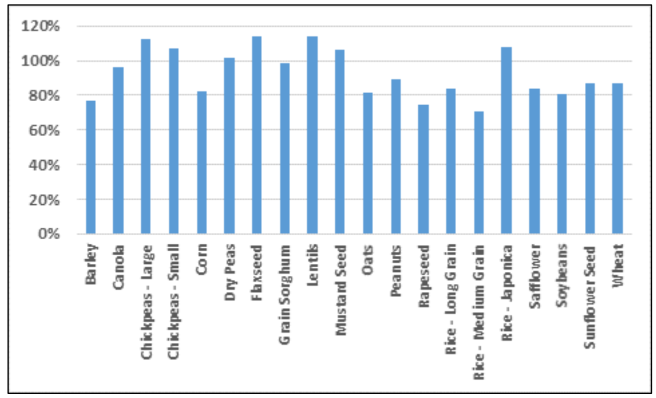
Base Acre Enrollment in PLC and ARC

Base acre allocations do not need to match planted acre allocations in order to enroll in PLC or ARC. Statute requires reductions in PLC and ARC payments if farmers plant fruits, certain vegetables, and/or wild rice on land with associated base acres. Farmers—except socially disadvantaged, limited resource, veteran, and beginning farmers—must have at least 10 base acres to be eligible to receive PLC or ARC payments. Base acres associated with land enrolled in the Conservation Reserve Program (CRP) cannot be enrolled in PLC or ARC. Total base acre enrollments in PLC and ARC may vary from year to year due to many factors, including changes in CRP enrollments.

Payment Yields

Payment yields are a farm's average historical yield per acre per covered commodity and can be based on yields from the 1980s. Actual yields have increased on average since the 1980s with changes in seed genetics and other innovations. Congress allowed farmers to voluntarily update their payment yields in the 2002 farm bill, the 2014 farm bill, and the 2018 farm bill. Some commodities have average payment yields that are greater than recent average yields (**Figure 2**) because of recent relatively poor harvests and/or past years of relatively good harvests. A mandatory update of payment yields based on recent actual yields would require USDA to reduce certain payment yields and increase payment yields for other commodities. A voluntary update of payment yields would allow farmers to retain certain existing payment yields while updating payment yields for other commodities.

Figure 2. Ratio of Average Payment Yield to Actual Yield by Commodity, 2019-2022



Source: CRS calculations using USDA FSA program records and USDA NASS Quick Stats database.

Note: Actual yields not available for crambe, seed cotton, or sesame seeds.

Issues for Congress

Base acres and payment yields are long-standing features of agricultural commodity support policy. Since the 1990s, Congress has expanded the list of commodities available for support and given farmers opportunities to voluntarily update their base acres and payment yields at specific points in time. Farmers who began producing covered commodities after the last time new base acres were granted may be ineligible for PLC or ARC due to lack of base acres. Farmland with base acres may be more expensive to purchase or rent than farmland without base acres due to the potential to receive PLC and ARC payments. Limited resource farmers may be at a competitive disadvantage to rent or purchase land with base acres. Producers of color are less likely to own base acres than other producers due to a variety of factors, including smaller average land holdings and a tendency to specialize in production of non-covered commodities. For additional background on producers of color, see CRS Report R47066, *Racial and Ethnic Equity in U.S. Agriculture: Selected Current Issues*.

Agricultural stakeholder groups assert that additional grants of base acres, additional voluntary commodity reallocations, and/or payment yield increases could increase the usefulness of the PLC and ARC programs for producers. Funding additional base acres and/or payment yield increases could increase the costs of the PLC and ARC programs, which may require additional funding or reductions for other farm bill priorities. Congress may consider the impacts of mandatory or voluntary updates of existing allocations.

Stephanie Rosch, Analyst in Agricultural Policy
Christine Whitt, Research Associate

Disclaimer