Calculating Whether to Retain or Reallocate Base Acres

The Agricultural Act of 2014 allows farmland owners and operators to make a one-time election of commodity programs. These program choices are among Price Loss Coverage (PLC), the Agricultural Risk Coverage at the County Level (ARC-CO), and the Agricultural Risk Coverage at the Individual Farm Level (ARC-IC) a 5-year period of 2014 through 2018. This will allow the operator to enroll annually in the program elected.

However, before making those decisions, farmland owners will have a one-time option to reallocate base (or program) acres that determine potential payments and another one-time option to update the program payment yields for PLC.

The choice to update base acres and/or yields is one that owners and operators should consider closely. These opportunities to update base and yields in the future may be limited due to budgetary constraints of the federal government. Also, updating allows realignment between the farm’s more recent production pattern and the payment formulas for commodity programs. For some farms, the base acreage and yields were determined with planted acres and yield data from the early 1980s, early 1990s or the period of time 1998 through 2001. The base reallocation choice will update base acreage to 2009 through 2012 plantings. The yield update could provide potentially larger payments, should the ARC-IC or PLC program be elected for the 5-year period 2014 through 2018, and the farm enrolled annually. The ARC-CO program will use county yields, not farm yields thus not impacted by the new PLC yields.

The USDA Farm Service Agency (FSA) has designed a Base Reallocation Tool (Excel spreadsheet) to help farmland owners with the base acreage reallocation decisions.

Summary Acreage History Report

The information required to use this tool (2009-2012 planted and considered planted acres (P & PC), current base acres, and current CC yields) was mailed by the FSA to farmland owners and operators in early August. The other information contained on this report is the Counter-Cyclical (CC) Yield referred to as the CC Yield.

This report may be missing planted and considered planted (P&PC) history of covered commodities where a tract division, tract combination, new tract, or farm transfer occurred between 2009 through 2014. The FSA county offices can research and document missing P&CP acreage and load it into the Farm Bill Acreage History Software once available. The owner or operator should notify their local FSA office of any missing or incomplete data within 60 days of receipt of this letter and report.

Base Acreage Reallocation Tool

On the top part of the report, identify your FSA farm number. Using the Base Reallocation Tool, input your 2014 Base Acres (historic base) for each program crop. Then, input P&CP acres for each crop on that farm for each year 2009 through 2012.

The worksheet calculates the base acres referred to as the 2014 Reallocated Base Acres, but will not
increase the total number of base acres on that farm. This reallocation percentage reflects the actual planted acres of commodity crops for that four year period. Therefore, the total number of base acres will be exactly the same before and after the reallocation, and only the number of acres assigned to each crop might vary.

The strategy prior to election and enrollment in the PLC, ARC-CO or ARC-IC programs would be to understand that all 3 programs use base acres to calculate potential payments that might be made annually over this 5-year period. Corn base acres generally provide payments more often than soybean base acres. In the past, the payments associated with corn base also tend to be larger than those made for soybean base.

PLC Yield Update

Iowa State University is preparing online tools that will be very similar to FSA’s Base Reallocation Tool. Late summer, they will be adding a component that allows for the CC Yield on the farm to be updated to a PLC Yield and featured on the ISU Ag Decision Maker 2014 Farm Bill web site.

The CC Yield can be updated to create a new PLC yield using the actual farm yields for 2008 through 2012 on a planted acre basis. This production evidence will need to be recovered from crop insurance and other farm records. The owner or operator of the farm can begin to compile the yield per crop per year, but not submit the yields to the FSA county office until yield software becomes available, likely this fall.

Both FSA and Iowa State University calculators will require you designate the county where the farm resides. The updated PLC yields are the historical average of the highest of 90% of the farm yield or 75% of the 2008-2012 average county yields. If the updated payment yields are higher than the CC Yield, then it makes sense to update the yield.

The 3 Step Process for New Farm Program

Remember, the ARC/PLC Program process has three different steps:

1) Update – Farmland owners and operators can reallocate base acres and/or update the CC Yield on the farm.
2) Election – Once the Base Acres and Yields are set, then the Election by FSA farm number of PLC, ARC-CO or the ARC-IC program takes place.
3) Enrollment – Once the Election has been completed, then the farm can be enrolled by the “entity at risk” annually in the program elected.

The first step for the owner or operator should be to determine whether to retain the 2014 Base Acres on the farm or create 2014 Reallocated Base Acres. Owners or operators should measure the potential impact these base acres will have for the election and enrollment of the ARC-CO and PLC (equal to 85% of the base acres) from 2014 through 2018.

The ARC-IC (equals 65% of base acres) and is uses the base acres to determine the potential payments. Annually, the commodity crops must also be planted on that farm for the ARC-IC payment to be made.

Be patient as FSA finalizes regulations, develops software and trains their county office staff. The land-grant universities such as Iowa State University will provide much of the training and develop additional Excel spreadsheets for analyzing these decisions.

Currently, the only timeline concerns the need to review the Summary Acreage History Report received in early August and any missing or incomplete acreage data. The owner or operator of the farm should notify their local FSA office of any data errors within 60 days of receipt of the letter and report.