The “Agricultural Act of 2014,” commonly called the farm bill, gives farmers the opportunity to update their base yields and reallocate their base acres. This fact sheet discusses these decisions on updating and reallocating. Others in the series describe other parts of the bill. Please note that the final rules and interpretations will come from the USDA at a future date.

**UPDATING PAYMENT YIELDS**

Landowners have a one-time opportunity to update their current payment yields established under the 2008 farm bill to 90% of their 2008-2012 average yields. This can be done on crop by crop basis.

As an example, consider a farm that has a current payment yield for corn of 142 bushels per acre. This farm owner has the opportunity to keep this payment yield of 142 bushels or update to 90% of the average yield per planted acre on the farm for the 2008 through 2012 crop years. This example farm has had corn yields of 188, 195, 185, 178, and 154 in 2008 through 2012 for an average yield of 180 bushels per planted acre. The potentially new payment yield is 90% of this 2008-12 average or 162 bushels per acre (180 * 0.90). Since 162 is obviously larger than the current payment yield of 142, this is an easy decision to update the payment yield to 162.

Since the potential payment yield is easy to calculate from historical yields, the comparison to the current payment yield is straightforward and the decision to update or not will be just as straightforward. For many farms, the current payment yields are 93.5% of their 1998-2001 average yields, so if the 2008-2012 average yield is more than 3.9% higher (0.935/0.90) than the 1998-2001 average, the choice will be to update. For most crops in most locations, yields have increased more than this so this chance to evaluate and probably update payment yields should not be missed.

**REALLOCATING BASE ACRES**

Landowners also have a one-time opportunity to reallocate their current base acres to reflect their cropping pattern in 2009-2012. Landowners can choose to keep their current base acres for their covered commodities.
(typically the average of their 1998-2001 acreages) or reallocate their current base acre total according to the mix of crops in 2009-2012. The current total cannot be increased.

This reallocation choice is not as straightforward as the choice to update payment yields. If the acreage has changed, the decision to reallocate depends on the projection of whether payments for one crop will be higher in 2014-18 than other crops. The base acre allocation does not affect the choice of what to plant in a specific year, but it does affect potential payments.

As an example, consider a farm that has a current of total base acreage of 936 allocated to 468 acres for corn and 468 acres for soybeans. Because of economic conditions and other considerations, this example farm increased the acreage of corn and decreased the acreage of soybeans over the years. For 2009-2012, this example farm has had an average of 495 acres of corn and 441 acres of soybeans. The total acreage is the same. This farm owner has the opportunity to change the allocation of base acres from 468 acres of corn and 468 acres of soybeans to 495 acres of corn and 441 acres of soybeans.

As a second example, consider a farm that has increased the acreage of both crops and changed the mix of corn and soybeans. This farm has a current of total base acreage of 828 allocated to 406 acres for corn and 422 acres for soybeans.

The acreages of both corn and soybeans have increased over the years. For 2009-2012, this example farm has had an average of 576 acres of corn and 407 acres of soybeans for a total of 983 which works out to 58.6% corn and 41.4% soybeans.

The farm bill does not allow the total base acreage of 828 to be increased, but the allocation can be adjusted based on the mix of crops in 2009-2012. Multiplying the 2009-2012 percentages by the current total base acres of 828, this example farm owner has the opportunity to change the allocation of base acres to 485 acres of corn and 343 acres of soybeans.

If the owner(s) of this example farm think future payments under the 2014 farm bill will be higher for corn than for soybeans (and considering only this information), the best decision is to reallocate the base towards corn and its higher expected payments. However, if their expectation is for higher payments to soybeans, then the best decision is not to reallocate.

Current planting decisions, for 2014, for example, should not affect the decision to reallocate base acres or not. Base acres are used to calculate the payment under PLC or either ARC option, not planted acres. Current planted acres are used to calculate actual revenue per acre for ARC-Individual, but total base acres are used in the payment calculation, not the allocation of base acres. So if market conditions signal a change in the crop mix during 2014-2018, go ahead; this shift will not affect farm bill payments.

For more information: extension.umn.edu/agriculture/business/farm-bill