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Where Is the Base? Farm Bill Enhancements Could Be Negligible Without a Base Acre Update

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The current farm safety net can be found in Title 1 of the farm bill, a piece of omnibus legislation that authorizes the funding for key risk management programs, such as Price Loss Coverage (PLC). The currently authorized farm bill is an extension of the 2018 farm bill which is another version of the 2014 farm bill with some improvements to the safety net, essentially leaving us with a 10-year-old farm bill. The next farm bill is being debated now with an unlikely passage in 2024 given the many political factors influencing work in Congress, such as a presidential election, eight Senate seats up for grabs, and all House seats open for election. There are three farm bill proposals, or frameworks, being considered, one moving forward in the House of Representatives and two competing proposals from different parties that are being debated in the Senate. In this article, we discuss the impact of the House Committee on Agriculture proposal, led by Chairman G.T. Thompson, on Kentucky net farm income at the county level. Our findings indicate that a base acre update may be the most important farm bill discussion for Kentucky corn producers.

Thompson's proposal calls for a 10-20% increase in the statutory reference price (SRP) across all crops and is the only proposal with specific SRPs laid out by crop. The House proposal also calls for increases in the marketing loan rates which influence the determination of the effective reference price and calls for a base acre update. Two other proposals currently under consideration originate from the Senate Committee on Agriculture, Nutrition, and Forestry. Chairwoman Debbie Stabenow's proposal is expected to propose SRP increases smaller than the House; whereas Ranking Member John Boozman's proposal is expected to propose larger SRP increases. Each of these bills points to some sort of base acre update. Base acres are important to farm safety net programs as they decouple payments from production; but are the unit on which PLC payments are made. If a county has a small amount or no base acreage, producers within the county receive little to no support from the PLC program.

To investigate the impacts of the current House proposal, we use various sources to calculate county-level net farm income by year excluding land rent. We additionally account for historic PLC payments per base acre. We then use a ratio to estimate the average impact of SRP increases by county. In an attempt for brevity, a full paragraph on methods can be found at the end of the article. As we are not yet sure what a base acre update could look like, we assume that base acreage is consistent with the prior bill. Findings indicate that the stabilizing effects of the new proposal vary by county, but more importantly, the amount of base acreage currently allocated to each county. We thus pin much of our conversation on the need for base acreage reallocation within the state of Kentucky.

Figure 1. Net Farm Income Under Current Farm Bill - Corn

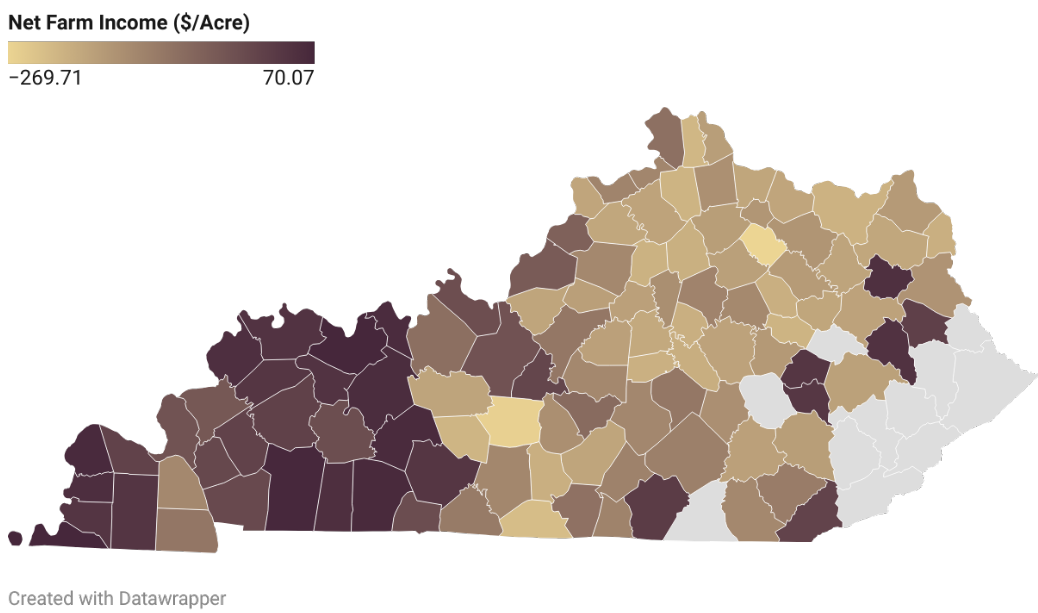

Figure 1 provides a county-specific look at the impact of the current PLC SRP for corn on net farm income. We note that 64% of Kentucky counties (i.e., 72 of 113 counties with PLC base acreage) producing corn incurred net losses when only using PLC as a risk management tool when we only account for average yields, crop prices, and costs across the period. The map may look misrepresentative; however, we do not account for crop insurance indemnities and thus very bad years drag the average to negative across the period.

Figure 2. G.T. Thompson Proposal (U.S. House) – Corn

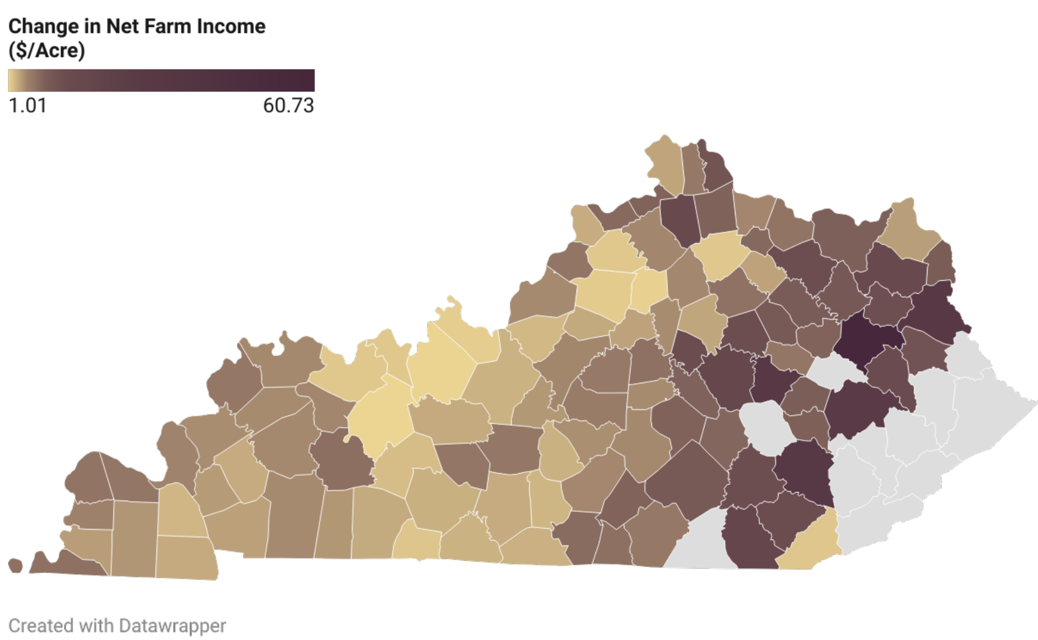

Figure 2 provides the change in average net farm income under the House proposal to the farm safety net across the period 2014-2023 for corn. We find wide differences in payments per planted acre with payments spanning from $1.01 to $60.73/acre. The average under the House proposal is $7.07/acre. To estimate impacts on a per-acre basis we have to multiply the payments per base acre by the ratio of base to planted acres within a county. The percentage of base to planted acres can be found in the interactive map in the online version of this publication. Findings indicate that counties with lower percentages of base-to-planted acres have to spread PLC payments across more planted acres and thus the effectiveness of SRP increases diminish. This points to the importance of a base acre update in the creation of a stronger farm safety net for Kentucky producers.

Base to planted percentages across the period span from 4% to 1800% in counties where corn is no longer planted. The base was first established in the 1985 farm bill and small changes have been made since. As we look back, many counties have added cropland whereas others have lost it. For example, Hancock County planted over 8,000 acres of corn on average throughout the period and only averaged 300 base acres. Thus payments would only occur on 300 acres of corn and our analysis spreads these payments across each planted acre. In reality, the payments would only be obtained by producers with base. On the contrary, Lee County has around 380 acres of base and only planted 40 acres on average across the period. Base varies widely by county and smaller base percentages center in areas that were primarily pasture or planted in other crops. In general, the benefit of farm bill safety net programs diminishes as planted acres further outweigh base acres. Looking forward, the most important aspect of current farm bill discussions is likely the inclusion of base acre updates for many Kentucky producers.

Methods: We calculate county-level net farm income for each year spanning 2014-2023 by using yields reported by the USDA Risk Management Agency (RMA), cash prices reported by USDA National Agricultural Statistics Service (NASS), and regional costs reported by USDA Economic Research Service (ERS). Land rent is not included in the cost estimate. Next, we calculate county and crop-specific PLC payments using data on base acreage and PLC payment yields reported by the USDA Farm Service Agency (FSA) and Marketing Year Average (MYA) Prices reported by NASS. Using these data, we calculate net farm income per planted acre and PLC payments per base acre and account for the ratio of base to planted acres by converting the PLC payment per base acre to per planted acre. After arriving at these annual net farm income estimates, we take the average to arrive at the average net farm income with support for the current farm safety and compare it to the average net farm income with each of the SRP listed for the proposal.

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