Evaluating the Base Updating Decision

After determining the best yield designation under option 4, the farmland owner compares the yield value with the value of the optimal designation under options 1, 2, 3, and 5. The greater of these two local maxima is the global maximum of the payment maximization choice problem.

Incentives to update base acres using option 4 depended primarily on the relationship between plantings in 1998-2001 and PFC acres. The larger the recent plantings of higher payment program crops, the greater the likelihood of choosing option 4 to update base acres. The incentive was particularly strong when the expansion was to high-payment crops, such as cotton. However, in regions where corn production expanded, farmers also had a strong incentive to update base acres.

Case Studies

An examination of three case studies will help address the rationale behind the updating decision. An indepth look at three counties in South Dakota illustrates county- and farm-level economic incentives of the base designation choice and is supported by an analysis of the updating decision in all counties in South Dakota. Next, the decision to update base for a single commodity—cotton—is analyzed. Lastly, we look at the updating decision for the Heartland region, where corn and soybeans dominate planting decisions.

South Dakota

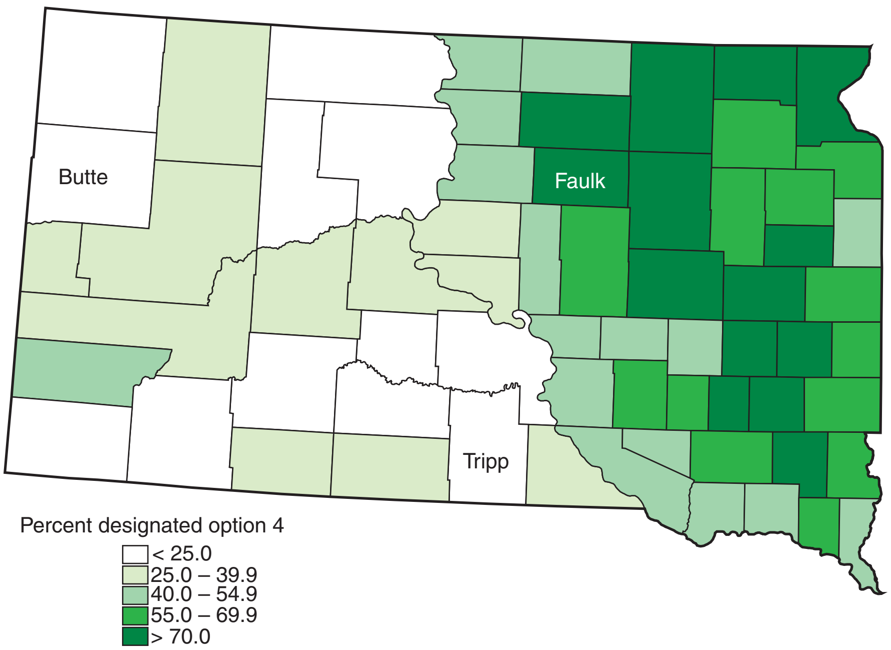
An analysis of base designation in South Dakota provides evidence of variations in incentives to update base acres by county and by farm (fig. 10). Statewide, 56 percent of base was updated—that is, designated for option 4. The Missouri River divides South Dakota roughly in half. About 63 percent of crop base east of the Missouri River was updated; west of the river, only 27 percent was updated. Though the east side is characterized by better soil and more rainfall, these natural endowments alone do not explain the large differences in observed updating rates.

County-level. Base decisions in three counties in South Dakota illustrate the difference in base designation incentives facing farmland owners and operators east and west of the Missouri River. Butte County, in the State's far west, designated the lowest percentage of option 4 base of any county in South Dakota as well as the highest percentage of option 1 base (table 3); Faulk County, in the northeastern part of the State, chose a high proportion of option 4 base and a very low proportion of option 1 base. Tripp County, in the south-central part of the State, is more of an intermediate example, where PFC augmentation (options 2, 3, and 5) dominated base designation.

Since 1986, farmers in Butte County have gradually reduced the acreage planted to program crops (fig. 11). Planting flexibility, partial after the 1990 Act and more complete following the 1996 Act, led to a reduction in barley, sorghum, corn, and wheat acreage. Oats, the least-valuable program payment crop, was the only crop to expand acreage. Updating base to align with recent

Figure 10

Percent of eligible acreage that updated base acreage to 1998-2001 plantings by county, South Dakota, 2002 Farm Act



Percent of base acres designated option 4, South Dakota

Share of acres designated option 4	Acres designated option 4	All base acres enrolled	Number of producers designating option 4	Number of producers designating base	Number of counties
Percent	*—— 1,000 acres ——*				
Under 25.0	303	1,554	1,166	4,035	12
25.0 to 39.9	632	1,840	1,467	3,859	11
40.0 to 54.9	1,233	2,621	4,357	8,032	15
55.0 to 69.9	2,188	3,490	7,383	11,206	14
Over 70.0	3,507	4,455	7,946	10,517	14

Source: Compiled by USDA's Economic Research Service from the Farm Service Agency.

Table 3

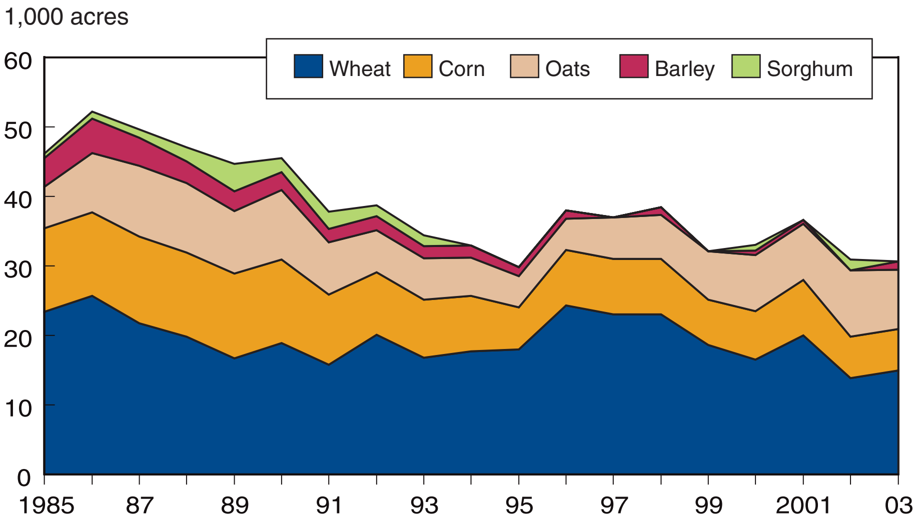
Base acres designations by five options, South Dakota, 2002 Farm Act

	Share of acres		
Region/County	Option 1 (keep PFC acreage)	Options 2, 3, and 5 (augment PFC acreage with oilseeds)	Option 4 (update to 1998-2001 plantings)
		Percent	
Statewide	10.3	33.4	56.3
East of Missouri River	3.7	33.5	62.8
West of Missouri River	40.1	33.0	26.9
Butte County	73.6	7.1	12.2
Tripp County	18.8	65.3	15.4
Faulk County	3.4	21.3	75.3

Source: Calculated by USDA's Economic Research Service from the Farm Service Agency.

Figure 11

Planted acres, Butte County, South Dakota, 1985-2003



Source: Compiled by USDA's Economic Research Service from the National Agricultural Statistics Service.

planting and yields would cause the county (viewed as single operation) to reduce its current program payments, so low levels of option 4 (12 percent) are not surprising. USDA's National Agricultural Statistics Service (NASS) reports no oilseed planting for Butte County in 1998-2001; consequently, choosing options 2, 3, and 5, which allow program participants to add oilseed base to current PFC acres, did not apply. In fact, the county preserved 74 percent of PFC acres under option 1. Butte County is representative of the shifts in acreage in the western Dakotas, Wyoming, and Montana. Total acreage planted to program crops in the region has declined and oilseeds are rarely planted; thus, the share of acres designated with options 1 and 2 is high, and relatively few acres were designated with option 3, 4, or 5.

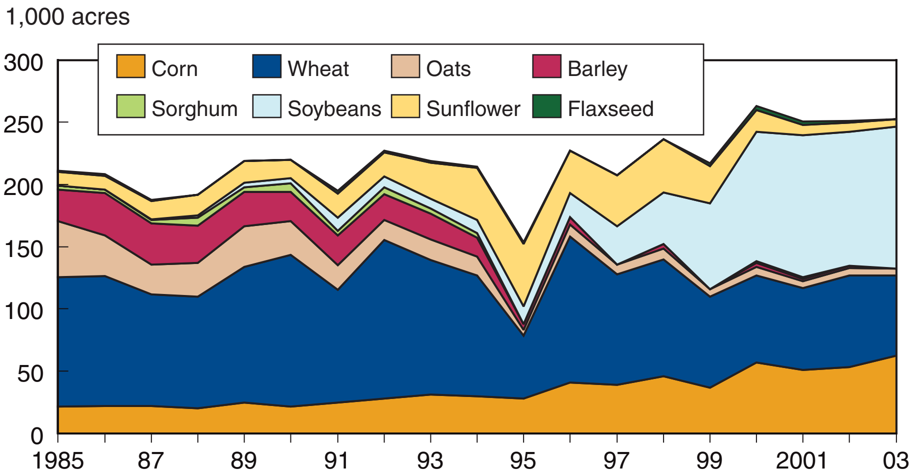
In contrast, acreage planted to program crops (including oilseeds) increased in Faulk County (fig. 12). Partial planting flexibility after 1990 allowed a shift of acreage from barley, oats, and sorghum to oilseeds, particularly sunflower seed.[10] Full planting flexibility allowed a rapid shift into soybeans and out of wheat and other noncorn feed grains. Corn acreage in the county doubled between 1994 and 2002. Farmers elected to update 75 percent of acreage base to 1998-2001 averages (option 4); yields were updated as well. Only 3 percent of the county's PFC acres were retained unchanged (option 1). On the balance of acres, farmland owners chose to add oilseeds or substitute oilseed base for lower payment oat or barley base.

Faulk County is representative of the large group of counties along the Missouri River in Kansas, Nebraska, South Dakota, and eastward into Minnesota and northwest Iowa where wheat, barley, and oats production shifted to corn and oilseed production. In part, this transformation stemmed from breeding innovations that enabled producers to grow both corn and soybeans profitably further north and west than before. For example, from the late 1970s until the late 1990s, average corn yields increased by over 60 percent in North Dakota and soybean yields increased by almost 50 percent; in contrast, the State's wheat yields increased by only 20 percent. The overall effect on the region has shifted the boundary of the area in which corn can be

[10]The James River and its tributaries flooded in spring 1995, causing the sharp drop in acreage that year, particularly for wheat.

Figure 12

Planted acres, Faulk County, South Dakota, 1985-2003



Source: Compiled by USDA's Economic Research Service from the National Agricultural Statistics Service.

grown profitably to the northwest in the last decade. Changes in commodity programs also helped effect the shift in crop mix: planting flexibility allowed farmers to switch out of oats or wheat to soybeans and to expand corn acreage.

In general, where cropping patterns shifted to include a higher payment mix of commodities—the benefits of base updating increased. Where cropping patterns shifted to a lower payment mix of commodities, the benefits of keeping PFC acres for base were higher.

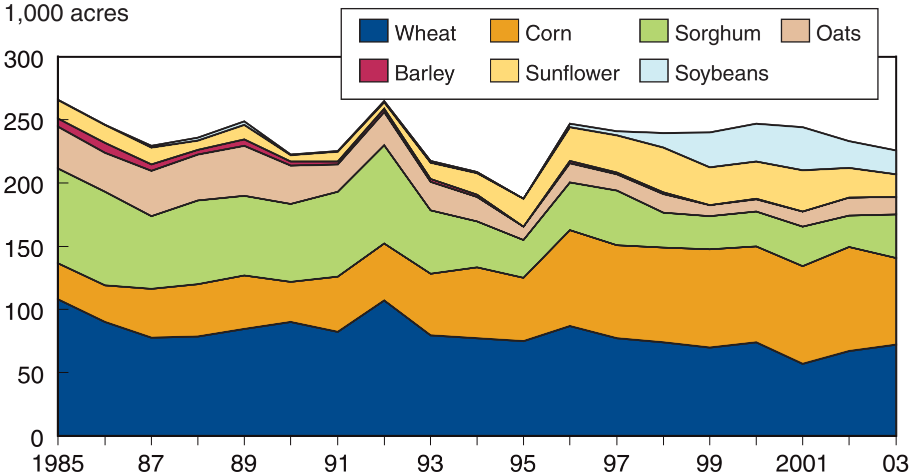
Tripp County is in central South Dakota near the border with northern Nebraska. It has the highest proportion (65 percent) of base acres in South Dakota designated under options 2, 3, or 5. Tripp County is west of the Missouri River but far enough east to get sufficient moisture to sustain sunflowers and soybeans. Total acreage planted to program crops (including oilseeds) has declined slightly since 1985 (fig. 13): this trend generally lessens the likelihood of updating (option 4). Planting flexibility, as well as new corn and oilseed varieties, allowed the county to shift acreage out of oats and barley and into corn and sunflowers. The shift accelerated after 1996: soybean acreage increased tenfold, corn expanded, and wheat acreage decreased. Corn program payment yields were relatively low in Tripp County, which reduced the incentive for many farmers to give up wheat base for corn base. Overall, the most attractive options for Tripp County farmland owners were options 2, 3, or 5, adding higher payment oilseed base and, where possible, switching from lower payment oat and barley base.

To determine whether generalizations about the factors influencing base designation decisions apply to all counties in South Dakota, it is necessary to estimate the payments in each county for each base designation option.

A county's direct payment amount for option 1 was derived by combining county-level data on endowments of PFC acreage and program payment yields, available from FSA with the direct payment values specified in the 2002 Farm Act. Calculating amounts for the other options requires information about acreage planted and "prevented from being planted" in 1998-

Figure 13

Planted acres, Tripp County, South Dakota, 1985-2003



Source: Compiled by USDA's Economic Research Service from the National Agricultural Statistics Service.

2001. The analysis that follows uses NASS data on planted acres and yields to construct county-level estimates of program payments for options 2, 3, 4, and 5. The estimate for option 4 is relatively straightforward: the 1998-2001 planting averages equate to the new base acreage. Estimating direct payments for options 2, 3, and 5 draws on the payment maximization hypothesis to determine which oilseeds to add to base and which nonoilseed crops to exclude from base (if any).

Butte County, which had no NASS oilseed acreage, has identical payment estimates for options 1, 2, 3, and 5: $660,000 (table 4). For option 4 the county's payment drops by about one-third to $450,000. Tripp County farmland owners maximize payments under options 3 and 5. At the PFC and NASS-observed yields, farms producing oilseeds in Tripp County maximized payments if sunflower and soybean base were added as long as lower payment oat base is displaced. Faulk County farmland owners maximized direct payments with option 4; payments under option 4 are roughly twice the value of payments under option 1. The ratio of the option 4 direct payment to the maximum payment of the other options represents the incentives confronting the base-designation decision for each county as a whole. If the county were a single farm with one decisionmaker, the decision to update base (to designate all acreage as option 4) would be determined by this ratio. If the ratio exceeded 1.0, all farmland owners in the county would update; if the ratio were less than 1.0, none would update.

Of course, each county has many farms; in fact, on average, South Dakota has 800 participating FSA farms and 570 participating (FSA) producers per county. Individual farms vary considerably in the base endowments and 1998-2001 planting histories of farms within a county. For example, some farms specialize in large-scale cash grain production, and others specialize in cow-calf operations with some minor feed grain acreage. This intracounty variation underscores the fact that our estimated payment ratio is the average for the county: perhaps no individual farm in the county shares this exact ratio.

Statewide. Based on these county-level data, we then statistically tested the relationship between the proportion of base acres in each county updated for 1998-2001 plantings (option 4) and the estimated payment ratio (see box, "Statistical Analysis of Base Updating in South Dakota"). We found that the higher the ratio, the greater the percentage of base acreage updated (fig. 14). A strong relationship was found between the decision to update and the ratio of the value of option 4 to the value of options 1, 2, 3, and 5. In fact, the estimates for Butte and Faulk Counties are close to the observed values, but the estimate for Tripp County is higher than the actual level of updating.

Statistical Analysis of Base Updating in South Dakota

The payment maximization hypothesis for base updating decisions was tested using county-level data for South Dakota. The share of program area in a county that updated base acres is hypothesized to be a function of an estimated payment ratio that represents the payment value of updating base acres under option 4 relative to the maximum payment value among the other base augmentation options. The higher the payment ratio, the higher the share of program area in the county that would be expected to have updated base acres.

Since the proportion of program area updated was used as the dependent variable, a logit regression procedure was used to avoid potential estimation problems with the limited range of the dependent variable. Results in equation 1 indicate a strong, significant positive relationship between the estimated payment ratio and the share of program acreage updated in a county. The nonlinear nature of a logit regression complicates interpretation of the estimated coefficients, since the coefficients measure the impact of a one-unit increase in the payment ratio on the "log of the odds of a given choice" (Studenmund). The equation's explanatory power of 71 percent of the observed variation is high, particularly given the cross-sectional nature of the data, the heterogeneity of farms within and across counties, and the fact that the estimated payment ratio does not account for acres prevented from planting in 1998-2001 that could be considered planted in the update option.

$$\text{(1)} \quad \text{Logit option 4} = \underset{(-12.57)}{-4.481} + \underset{(12.68)}{3.505} * \text{payment ratio}$$

where:

D = Proportion of base acres designated under option 4

Logit option 4 = Ln(D/(1- D))

Payment ratio = (Direct payments, option 4)/
(Maximum direct payments, options 1, 2, 3, 5)

Values in parentheses are "t values"

Adjusted R^2 = 0.711

Number of observations: 66

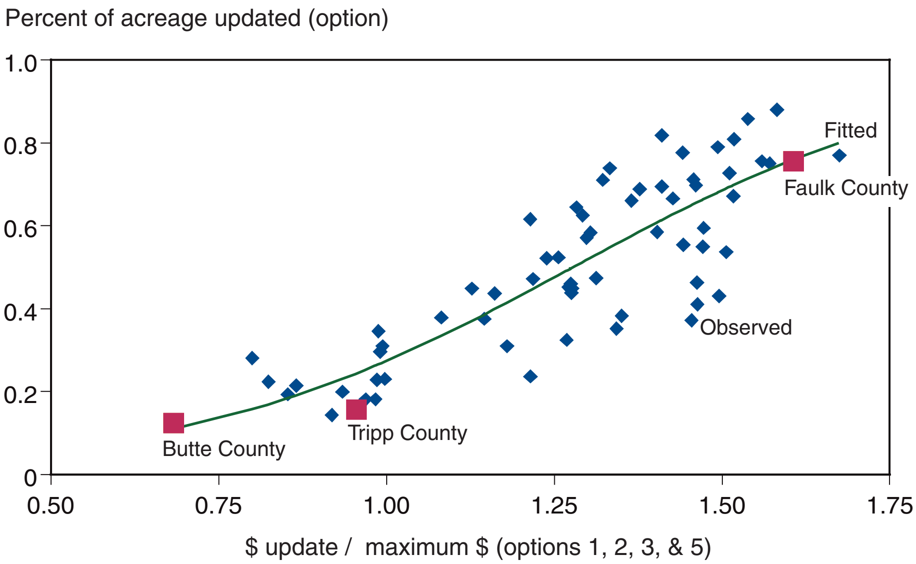
Table 4
Calculated value of direct payments for three counties in South Dakota, 2002 Farm Act[1]

County	Payment values: Option 1 (keep PFC (PFC acreage acreage)	Option 2 (keep maximum (PFC acreage adding oilseeds)	Options 3 and 5 (replace some (PFC acreage with oilseeds)	Option 4 (update to 1998-2001 plantings)	Value of option 4 relative to maximum value of options 1, 2, 3, and 5
	$ million				*Percent*
Butte	0.66	0.66	0.66	0.45	68.1
Tripp	2.83	2.83	3.08	2.93	95.3
Faulk	1.60	2.21	2.36	3.16	160.5

[1]See pages 10-11 for definitions of base designation options.

Source: Calculated by USDA's Economic Research Service from the Farm Service Agency.

Figure 14
Proportion of base acres updated by county, South Dakota



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

Cotton Updating

Cotton is one of the more lucrative sources of direct and counter-cyclical payments per base acre among the program crops. For payment purposes under the 2002 Farm Act, farmland owners opted to preserve and, if possible, expand cotton base. As noted previously, full planting flexibility under the 1996 Farm Act allowed farmers to expand cotton planting in the Southeast in the mid-to-late 1990s as eradication of the boil weevil increased the relative profitability of cotton. Cotton plantings in 1996-2000 in Georgia, for example, averaged about 50 percent higher than enrolled cotton PFC acres.

How well does the payment maximization hypothesis account for the observed updating of cotton base? Because cotton base has a higher payment value than most other competing base crops, it is possible to skip the detailed payment calculations conducted for South Dakota counties and focus simply on how acreage planted to cotton and cotton yields changed in 1998-2001 relative to the county's historical endowment of cotton base and payment yields—that is, its cotton PFC acre payment quantity. Farmers in counties that increased cotton planting in 1998-2001 relative to their PFC cotton acres are likely to update a higher proportion of cotton base than counties that reduced cotton planting relative to PFC acreage (fig. 15) (see box, "Statistical Analysis of Cotton Updating Decisions"). As was the case in South Dakota, when farmers could increase higher payment (cotton) base, they did so. Otherwise they elected not to update and designated their former PFC acreage as base with oilseeds.

Statistical Analysis of Cotton Updating Decisions

For our analysis of the cotton updating decision, we used observed average county-level planting and yields in 1998-2001 and PFC acreage under the 1996 Farm Act to explain farmers' decisions to update cotton base acreage (select option 4 for cotton). The proportion of cotton base in a county that updated is hypothesized to be a function of a measure of cotton acres planted in 1998-2001 relative to PFC acres. A measure of yield change is included because when option 4 was designated, the landowner could update payment yields for counter-cyclical payments.

Since the proportion of cotton area updated is the dependent variable, a logit regression procedure is used to avoid potential estimation problems with the limited range of the dependent variable. Results are shown in equation 2, which indicates a strong, significant positive relationship between the cotton acres planted relative to PFC acres. The measure of yield change was also found to exert a significant influence on the updating decision. As noted in the box on statistical analysis of base updating, the nonlinear nature of a logit regression complicates interpretation of the estimated coefficients. The equation's explanatory power of 75 percent of the observed variation is high, particularly given the cross-sectional nature of the data and the heterogeneity of farms within and across counties.

(2) Logit cotton option 4 =

$$\underset{(-24.79)}{-4.954} + \underset{(33.72)}{9.130}^{*}\,(\text{PFC area planted}) + \underset{(2.05)}{0.342}^{*}\,(\text{Yield change})$$

where:

C = Proportion of cotton base acres designated option 4

Logit cotton option 4 = Ln(C/(1- C))

PFC area planted = Ave.(cotton acres planted, 1998-2001)/
(Ave.(cotton acres planted, 1998-2001) + PFC cotton acres)

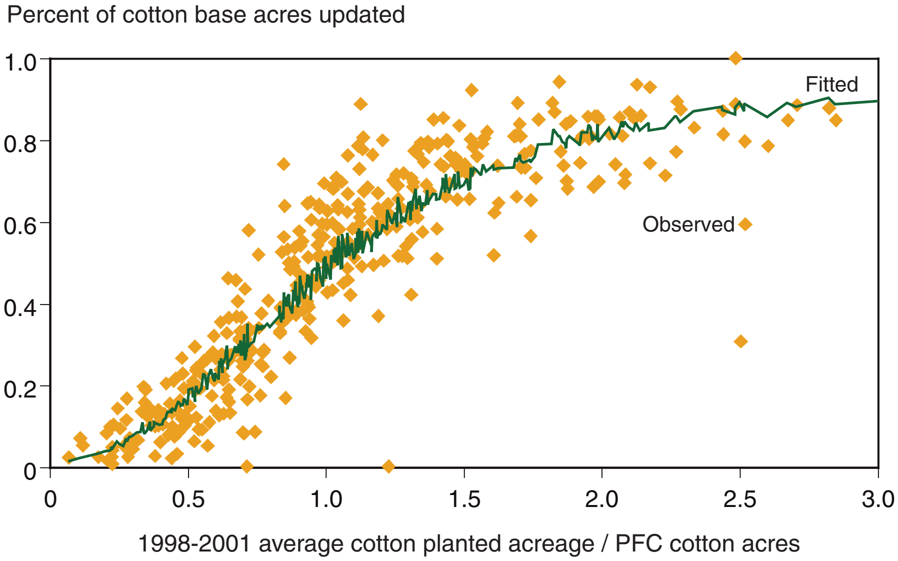
Yield change = Ave.(cotton yield, 1998-2001)/(PFC cotton payment yield)

Values in parentheses are "t values"

Adjusted R^2 = 0.754

Number of observations: 421

Figure 15
Proportion of cotton base acres updated by county



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

Updating in the Heartland: Corn Is King

Corn and soybeans are the predominant crops in the Heartland region, which includes all of Indiana, Illinois, and Iowa, most of Missouri, western Ohio, and adjoining parts of Kentucky, Nebraska, South Dakota and Minnesota (Heimlich). Corn is the primary crop as well as the highest paying crop base in the Heartland. The overall decision to update is largely determined by changes in corn acreage planted (see box, "Statistical Analysis of Updating Decisions in the Heartland"). However, changes in corn yields have a smaller, yet significant influence as well. Some landowners who had large yield increases may have elected to update base even when their plantings were similar to their PFC contract acres so that they could possibly benefit from higher counter-cyclical payments. As shown in figure 16, when corn production increased relative to PFC payment quantities, farmers elected to update base. Otherwise, they elected not to update and retained their former base acreage.

National-Level Signup Results

The relationship between the ranking of payments per base acre and changes in base acreage exhibited in South Dakota, in the Cotton Belt for cotton, and in the Heartland for corn provides a robust explanation of base updating decisions at the national level. As shown in table 2, the majority of producers elected not to update program base to 1998-2001 plantings, having determined that it was more lucrative to keep their PFC acreage as base acreage and add oilseed acreage when economically advantageous.

For the seven PFC crops, aggregate base acreage of 211.5 million acres is virtually unchanged from PFC acres under the 1996 Farm Act (table 5). The

Statistical Analysis of Updating Decisions in the Heartland

For our analysis of the updating decision in the Heartland, we used average corn plantings and yields in 1998-2001 to explain the overall decision to update base to option 4. We aggregated observed county-level information to National Agricultural Statistics Service crop reporting districts[1] to reduce the influence of smaller counties that had large changes in corn production.

Since the proportion of area updated is used as the dependent variable, a logit regression procedure is used to avoid potential estimation problems with the limited range of the dependent variable. Results are shown in equation 3, which indicates a strong, significant positive relationship between the corn acres planted relative to PFC acres. The measure of yield change was also found to exert a significant influence on the updating decision. As noted in the previous boxes, the nonlinear nature of a logit regression complicates interpretation of the estimated coefficients. The equation's explanatory power of 53 percent of the observed variation is high, particularly given the cross-sectional nature of the data and the fact that the dependent variable is all updating, not just corn updating. The Heartland is much more heterogeneous than the Cotton Belt or South Dakota, thus the lower explanatory power of the equation is expected.

(3) Logit option 4 =

$$\underset{(-7.84)}{-7.217} + \underset{(4.47)}{8.482} \text{ *(PFC corn area planted)} + \underset{(4.82)}{2.202} \text{ *(Corn yield change)}$$

where:

D = Proportion of all base acres designated option 4

Logit option 4 = Ln(D/(1- D))

PFC corn area planted = Ave.(corn acres planted, 1998-2001)/ (Ave.(corn acres planted, 1998-2001) + PFC corn acres)

Corn yield change = Ave.(corn acres yield, 1998-2001)/ (PFC corn payment yield)

Values in parentheses are "t values"

Adjusted R^2 = 0.534

Number of observations: 50

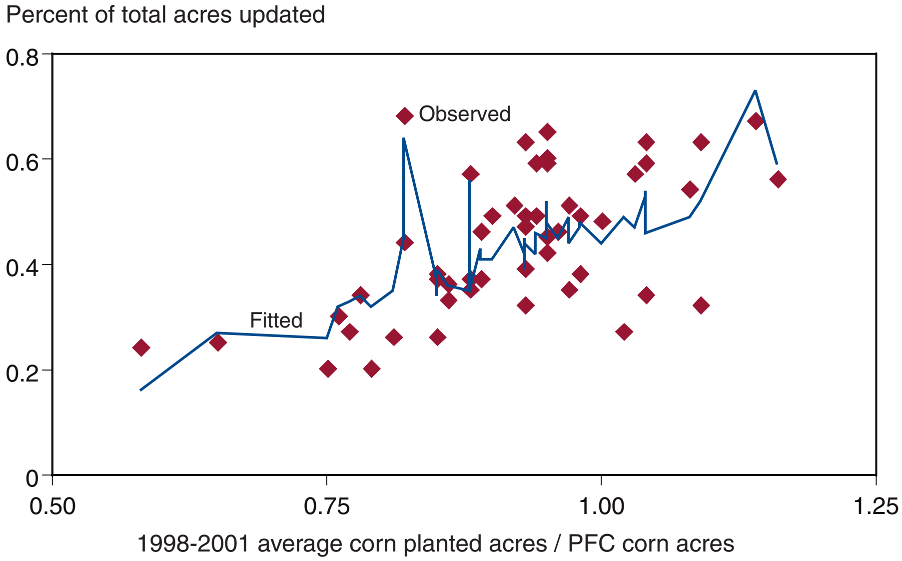
[1]Most States are divided into nine crop reporting districts (CRD). A CRD usually contains between 4 and 10 counties. The Heartland region has 50 CRDs.

composition of base acreage changed somewhat as wheat, sorghum, barley, and oats base declined by over 9 million acres while the more valuable rice, cotton, and corn base increased by a comparable amount. In addition, farmland owners enrolled about 58 million acres of oilseed base (including peanuts). Farmers elected to update over 40 percent of their corn and cotton base acres to 1998-2001 average plantings.

Cotton (46 percent), corn (41 percent), and soybean (56 percent) base had the largest percentage enrolled under option 4 (updated). The higher-than-

Figure 16

Proportion of base updated by crop reporting district, Heartland region



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

Table 5

Comparison of program acres and yields: 2002 Farm Act and 1996 Farm Act

Crop	Contract acreage for 1996 Farm Act	2002 base acres for 2002 Farm Act: Not updated[1] (options 1, 2, 3, 5)	Updated (option 4)[2]	Total	Units	Yields: 1996 Farm Act	Direct and counter-cyclical payment yield (options 1, 2, 3, 5)	Direct payment (option 4)[2]	Counter-cyclical payment (option 4)[2]
	Million acres								
Wheat	78.44	55.09	21.11	76.20	Bushels	34.5	34.6	34.3	40.0
Rice	4.14	2.99	1.52	4.51	Pounds	4,814.1	4,754.0	4,938.8	5,848.5
Cotton	16.22	10.15	8.71	18.86	Pounds	605.0	620.6	585.4	660.2
Corn	81.63	51.47	36.39	87.86	Bushels	102.6	103.5	100.5	129.4
Sorghum	13.55	9.37	2.71	12.08	Bushels	57.0	56.6	55.9	62.9
Barley	11.05	7.35	1.44	8.79	Bushels	46.6	47.1	50.8	57.2
Oats	6.49	2.04	1.11	3.15	Bushels	50.6	46.6	51.4	55.7
Subtotal	211.53	138.45	72.99	211.44		NA	NA	NA	NA
Soybeans	0.00	23.32	30.23	53.55	Bushels	NA	30.2	31.2	37.1
Peanuts[3]	0.00	0	1.47	1.47	Pounds	NA		2,988.7	2,988.7
Sunflower	0.00	0.91	0.95	1.85	Pounds	NA	1,032.8	1,133.1	1,293.3
Canola	0.00	0.42	0.31	0.73	Pounds	NA	1,042.1	1,035.4	1,130.6
Other oilseeds	0.00	0.16	0.18	0.34		NA	NA	NA	NA
Total	211.53	163.25	104.66	269.38		NA	NA	NA	NA

NA = Not available

[1]Options 2, 3, and 5 allow for adding oilseed base.

[2]Option 4 allowed updating to 1998-2001 average acres planted and yields.

[3]Peanut data are for 2003 crop year.

Source: Calculated by USDA's Economic Research Service from Farm Service Agency.

average percentages for updating cotton and corn base reflect the higher per acre value of these types of base (see fig. 9). Since soybean base did not exist prior to 2002, producers had the option of retaining base acres from the 1996 legislation and adding soybean and other oilseed base as the residual to account for the remainder of their available cropland. Thus, the soybean base associated with options 1, 2, 3, and 5 does not reflect retention of prior soybean base; it represents the addition of oilseeds to account for total cropland planted in 1998-2001.

Farmland owners who experienced significantly higher yields in 1998-2001, relative to their program yields, had an additional incentive to update base acreage. Farmland owners who selected option 4 could then elect to update counter-cyclical yields to reflect actual 1998-2001 yields. About a third of the owners who updated to option 4 also updated CCP yields. Comparison of direct payment yields and counter-cyclical payment yields on updated farms (option 4) indicates that counter-cyclical payment yields increased by 10-30 percent over PFC program yields. On farms where corn planting increased during 1998-2001, a strong incentive existed to update yields. The average corn counter-cyclical payment yield is 29 percent greater than the direct payment yield.

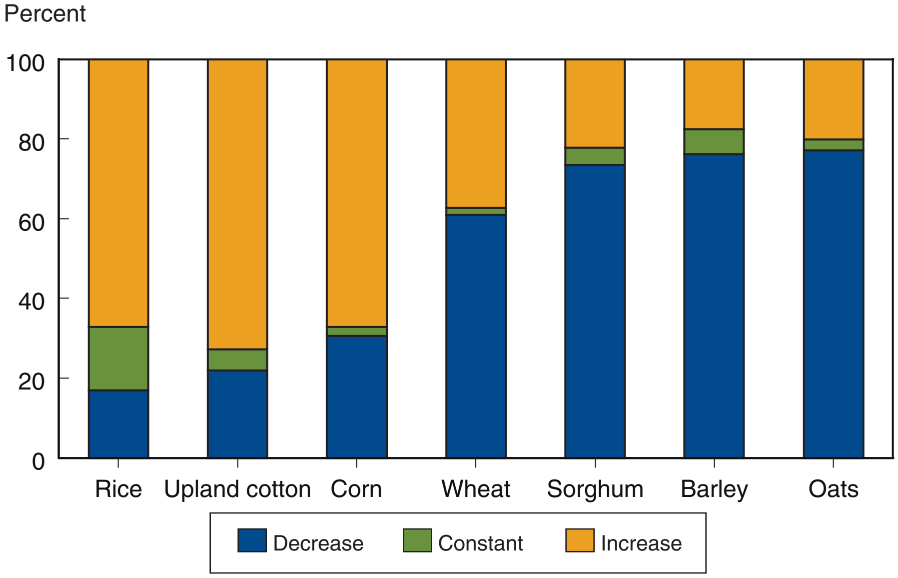
One reason that farmland owners chose not to update to 1998-2001 plantings is that during 1996-2001, farmers took advantage of the planting flexibility provisions of the 1996 Farm Act and switched to other crops or elected not to plant their entire PFC acres. Nationally, planted acreage of wheat, corn, grain sorghum, barley, oats, upland cotton, and rice averaged only 82 percent of PFC acres in 2001 (see table 5). Those who "underplanted their base" in 1998-2001 would have given up the direct and counter-cyclical payments associated with acreage that was not planted to covered crops if they had elected option 4. This effect was observed in Butte County, South Dakota.

The relationship between the ranking of payments per base acre and changes in the base acreage is robust across measures. For example, consider the proportions of counties that decreased, kept constant, or increased the base acreage of a particular (PFC) crop as a result of the base designation requirement in the 2002 Farm Act (fig. 17). The lowest proportion of counties decreasing base acres for an individual commodity was found among those counties with the highest valued per acre PFC crops under the 1996 Act. Counties with rice PFC acres tended to have the lowest amount of updating. Alternatively, counties with low-valued oats PFC acres accounted for the highest share of counties' decreasing oats base, 78 percent. The share of counties' decreasing base acreage (by PFC crop) varies inversely with crop payments per acre.

Base acres for the seven commodities that had received PFC payments could only be increased by choosing option 4, and then only if a farm had actually increased its planted acreage of a specific crop in 1998-2001 relative to its PFC acres. Planting history for oilseeds could be used to add base under options 2, 3, and 5. It has been shown that changes in the acreage planted of relatively valuable commodity base (rice, cotton, corn) is the primary determinant of updating base to option 4. Thus, direct and counter-cyclical payment base for PFC crops can exceed PFC acres only

Figure 17

Percent of counties increasing or decreasing base acres by commodity, 2002



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

by updating.[11] Options 3 and 5 allowed a farm to switch PFC acreage to oilseed base acres to the extent that the farm's planting history allowed. Thus, it was possible to reduce PFC acreage endowments for less valuable PFC crops, such as oats and barley. Finally, one could elect to hold PFC acreage constant by designating the base acres under options 1 or 2.

[11]There are two exceptions to this statement. First, farms that were eligible to enroll for PFC payments in 1996, but choose not to, could have designated base under the 2002 Farm Act. Second, land that had been enrolled in the Conservation Reserve Program (CRP) at the time of PFC enrollment that came out of the CRP in 2002 could be enrolled in 2002/03. Both cases allow for an increase in base acres relative to PFC acres; however, the magnitudes involved were very small and do not significantly influence the result reported in this section.