

## Conclusions

The 2002 Farm Act provided farmland owners the opportunity to update commodity program base acres and program yields, which are used to determine direct and counter-cyclical payments for the period 2002-07. Findings suggest that decisionmakers viewed the update decision in economic terms related to those payments: program participants selected the update alternative that resulted in the greatest expected flow of direct and counter-cyclical payments.

The majority of farmland owners chose not to update base to 1998-2001 plantings. Most farmland owners elected to keep production flexibility contract (PFC) acreage under the 1996 Farm Act as their base acres, to augment PFC acres with oilseeds, or to exchange existing PFC acres for base for soybeans or other oilseeds. Selected State, regional, and national data suggest that the base designation decision was influenced primarily by the desire to maximize direct and counter-cyclical payments under the farm program. If updating base provided a greater flow of these payments than not updating, program participants updated base acres. For example, updating decisions in the Heartland reveal that farmland owners who expanded corn production in 1998-2001 had a tendency to update to this higher payment commodity. Conversely, landowners of farms that maintained or reduced plantings of corn generally elected to designate their PFC acreage as base acres rather than give up the more valuable payment acres. Similarly owners of farms with other high-payment commodity base acres, such as rice and cotton, held on to those base acres and, whenever possible, expanded them. And owners of farms with low-payment commodity base acres, such as oats and barley, switched to higher payment commodity base acres whenever possible.

Findings do not support an alternative hypothesis that program participants wanted to align base acres and payment yields (and thus payments) to current plantings and production. In many cases, participants elected crop base acres that differed substantially from current crop production because payments were higher. Additionally, in many areas, 2001 plantings differed from PFC acreage and 2003 plantings differed from base acres.

These results suggest, in general, that maximizing direct and counter-cyclical payments was more important to farmland owners making base designation decisions than aligning base to current or recent plantings. The choice of base acres is a distinctly different economic decision than that underlying year-to-year planting choices. Further, the lack of a strong link between program acres (base or PFC) and year-specific plantings is consistent with the proposition that direct and counter-cyclical payments are largely perceived as cash transfers that are separate from commodity production decisions and output levels.