



Farm Service Agency



A Report to Congress on Base Acre Reduction When Base Acres are Converted to a Non-Agricultural Use

September 2011

Introduction

The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) contained language that reduces base acres in situations where land is subdivided and used for residential or non-agricultural purposes. Base acres that are reduced are no longer eligible for direct, counter-cyclical, or Average Crop Revenue Election (ACRE) payments.

An example helps understand such situations prior to the 2008 Farm Bill language. Suppose 100 base acres were subdivided into multiple 10 acre parcels. The owner of any of these parcels could build a house on 1 acre and use the remaining 9 acres for any purpose. Prior to passage of the 2008 Farm Bill, that owner could continue to receive direct and counter-cyclical payments on the 9 acres if the land was devoted to agricultural uses. Such situations were reported in the media (for example, see <http://www.washingtonpost.com/wp-srv/nation/interactives/farmaid/>).

In response, Section 1101(c), paragraph (2) of the 2008 Farm Bill provides the following:

“The Secretary shall proportionately reduce base acres on a farm for covered commodities for land that has been subdivided and developed for multiple residential units or other nonfarming uses if the size of the tracts and the density of the subdivisions is such that the land is unlikely to return to the previous agricultural use, unless the producers on the farm demonstrate that the land –

- (i) remains devoted to commercial agricultural production; or
- (ii) is likely to be returned to the previous agricultural use.”

This report responds to Section 1101(c)(3), which reads:

“Each year, to ensure, to the maximum extent practicable, that payments are received only by producers, the Secretary shall submit to Congress a report that describes the results of the actions taken under paragraph (2).”

This report contains information on the manner in which the Department of Agriculture is monitoring base acres under the 2008 Farm Bill. It also contains data regarding the number of base acres reduced by state and commodity type for 2009 and 2010, as well as an estimate of outlay savings due to this new provision.

FSA Determination of Land Use and Base Reduction Criteria

The 2008 Farm Bill requires reduction of base acres on a farm for covered commodities if the land is subdivided and developed for residential or commercial purposes. To continue to qualify for direct, counter-cyclical, or ACRE payments, a producer must show that the subdivided land is either currently used for commercial agricultural purposes or is likely to return to its previous agricultural use (see below for more detail). Commercial agricultural production, although not defined by statute, is generally considered to be “the propagation and cultivation of agricultural products for commercial sale or barter having gross receipts or sales annually in excess of \$1,000.” Land used for agricultural production includes cropland, pastureland, forestry, ponds, or land devoted to conserving uses. When the size of the tracts and the density of the

subdivisions are such that the land is unlikely to return to its previous agricultural use, those acres cannot qualify for payments.

The Farm Service Agency (FSA) uses a number of longstanding practices to determine how land is used. Current FSA policy requires that producers participating in the programs listed in the table below submit an annual report regarding all cropland use on those farms. Failure to file an accurate and timely acreage report for all crops and land uses can result in loss of program benefits. Producers are required to self report all cropland on each farm to FSA annually.

Table 1—Acreage Reporting Requirements by Program Type

Benefit	Acreage Reporting Requirement	Reason for Requirement
Direct and counter-cyclical payments	All cropland on the farm.	<ul style="list-style-type: none"> • Authorized by the 2008 Farm Bill.
ACRE Program	All cropland on the farm.	<ul style="list-style-type: none"> • Authorized by the 2008 Farm Bill. • Needed to establish eligibility of the crop and producer for ACRE benefits.

To maintain eligibility for payments in a given fiscal year, land must meet cropland criteria for the entire year. County offices rely on the “eligible” and “ineligible” land use categorization below. Based on the 2008 Farm Bill language, the final bullet in the “ineligible” category was added regarding land subdivided and developed for multiple residential units or other nonfarming uses.

Eligible Land Uses

- Land meeting DCP cropland definition.
- Sod.
- Farm ponds.
- Aquaculture ponds.
- Nursery acreage devoted to in-ground plants.
- Wildlife habitats.
- Pasture.
- Acreage used to raise domesticated game for restaurants.
- Trees planted for harvest, conservation purposes, recreational uses, or Biomass Crop Assistance Program.
- Temporary hoop houses for nursery agriculture.
- Temporary nonagricultural uses, such as parking for a field day, etc.

Ineligible Land Uses

- Golf courses and other recreational facilities.
- Land used for commercial development, buildings, or parking lots strip mines.
- Permanent structures, including those for agricultural uses.
- Land subdivided and developed for multiple residential units or other nonfarming uses if the size of tracts and density of the subdivision is such that the land is unlikely to return to the previous agricultural use.

According to 7 CFR 1412.45—the final rule was published December 29, 2008, when base acres on a farm are subdivided into multiple residential units or other nonfarming uses, base acres are proportionally reduced if, in the judgment of FSA, the size of the tracts and the density of the subdivision is such that the land is unlikely to return to the previous agricultural use, unless:

- The producers on the farm demonstrate that the land remains devoted to commercial agricultural production or is likely to be returned to previous agricultural use and such land has not been divided from the farm with a farm reconstitution; or
- A constituted or reconstituted farm contains sufficient land that has not yet been subdivided and developed for multiple residential units or other nonfarming uses, and the producers on the farm demonstrate that the land remains devoted to commercial agricultural production or is likely to be returned to the previous agricultural use.

By comparing the reported cropland on a farm from year to year, FSA is able to determine as a first step if cropland has moved from production agriculture to a residential or other non-farming use. Prior to reducing base acres (and thus removing payment eligibility), however, additional information is required beyond crop acreage data comparisons to determine if the above two exclusions are met. For example, county offices also review Geographic Information System (GIS) imagery (which is updated every three years) to determine whether land has been devoted to nonagricultural uses and reclassify the acreage as necessary. (GIS imagery is used both to proactively identify land use changes as well as to confirm changes in land use.) In addition, FSA policy requires that each State Office concur with all nonagricultural land use determinations as a second party review of the county offices' determination of nonagricultural, commercial, or industrial land.

Findings Regarding Base Acre Reduction

Base acre reduction due to conversion of land to residential and other nonfarming uses totaled 129,488 acres from the time of passage of the 2008 Farm Bill—approximately June 1, 2008, through September 30, 2009, (Table 2). States with the highest base acreage reduction included Texas (nearly 12,000 acres, consisting of wheat, grain sorghum, cotton, and corn base); Indiana (nearly 9,500 acres, largely corn and soybean base); and Wisconsin (slightly more than 8,000 acres, consisting largely of corn and soybean base). Corn and soybean base acre reduction accounted for more than 64 percent of the total base reduced.

For fiscal year 2010, (October 1, 2009, through September 30, 2010), base acre reduction for residential and other nonfarm purposes was down significantly, to 61,109 acres, largely due to the drop in home construction activity and other economic uncertainties. Top states in this more recent period included Illinois (over 7,000 acres), Indiana (over 4,700 acres), Ohio (nearly 3,700 acres), and Texas (nearly 3,700 acres). Similar to the prior year's situation, corn and soybean base accounted for about 62 percent of the total base reduced in fiscal year 2010.

As a point of comparison, the Natural Resources Inventory (NRI) indicates that, for the 25 years from 1982-2007, an average of 440,000 cropland acres are converted to developed uses annually. FSA estimates of base acres converted to urban uses in 2009 (about 129,000 acres) and in 2010 (about 61,000 acres) are likely low relative to the NRI data because the geographical distribution of base acres and development are different. For example, the bulk of base acres are located in the Midwest and Great Plains states, where there tends to be less urban pressure than in the Northeast and parts of California. The most overlap between base acres and urban pressure occurs in Illinois, Indiana, and Ohio—States that rank relatively high for base acre reduction.

Relatively low FSA estimates of base acre conversions compared to the NRI data on cropland conversions could also be due to the fact that a significant portion of fruit and vegetable farms are often located near urban areas. Such farms may not have base acres and thus not be subject to program eligibility considerations or base acre reduction.

The savings associated with the reduction in base acres due to development are modest. For the period from June 1, 2008 to September 30, 2009, savings are estimated at approximately \$1.75 million nationally, or about \$7 million over the life of the farm bill. For the October 1, 2009 through September 30, 2010 period, savings are estimated at about \$1 million nationally, or \$3 million over the life of the farm bill. The approximately 190,000 acre reduction in these two years results in total savings of \$10 million over the life of the farm bill. Direct payments to those with corn base acres account for about half of the total savings.

Table 2--Base Acreage Reductions Made by State and Commodity Base (Passage of the Farm Bill - September 30, 2009)

State	Grain																Totals
	Barley Acres Reduced	Canola Acres Reduced	Corn Acres Reduced	Cotton Acres Reduced	Flaxseed Acres Reduced	Sorghum Acres Reduced	Oat Acres Reduced	Peanut Acres Reduced	LG Rice Acres Reduced	MG Rice Acres Reduced	Safflower Acres Reduced	Soybean Acres Reduced	Sugarcane Acres Reduced	Sunflower Acres Reduced	Wheat Acres Reduced		
Alabama	0	0	577.1	1015.3	0	55.7	7.2	14.8	0	0	0	433	0	0	304	2407.1	
Alaska	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Arizona	123.1	0	3.5	1093.8	0	32.1	0	0	0	0	0	0	0	0	79.9	1332.4	
Arkansas	0	0	39.2	52.7	0	105.7	10.6	0	39.3	0	0	707.7	0	0	684.8	1640	
California	168.3	0	251.4	485	0	0.5	52.4	0	0	9.7	0	0	0	0	372.9	1340.2	
Colorado	0	0	108.1	0	0	3.7	0	0	0	0	0	0	0	0	0	111.8	
Connecticut	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Delaware	242.8	0	326.1	0	0	13.6	3.2	0	0	0	0	2486.5	0	1	172	3245.2	
Florida	0	0	0.2	22.9	0	0.1	0	0	0	0	0	0	0	0	2.9	26.1	
Georgia	9.6	0	692	1168.5	0	323.3	70.4	63	0	0	0	127.1	0	0	874.4	3328.3	
Hawaii	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Idaho	462.5	0	82.2	0	0	0	39.8	0	0	0	0	0	0	0	395.9	980.4	
Illinois	0.9	0	4596.4	0	0	11	29.2	0	0	0	0	2732.2	0	0.2	582.1	7952	
Indiana	0.2	0	3269.8	0	0	2.1	20.9	0	0	0	0	5669.4	0	0	484.2	9446.6	
Iowa	0	0	2973.5	0	0	14.2	138.7	0	0	0	0	4435.2	0	0	0	7561.6	
Kansas	30.6	0	81.5	7.5	0	631.9	27	0	0	0	0	837.3	0	21.8	1639.3	3276.9	
Kentucky	10.7	2.9	629.4	0	0	28.8	7.5	0	0	0	0	568	0	0	275	1522.3	
Louisiana	0	0	15.9	61	0	24	0.3	0	190.2	0	0	102.1	176.8	0	95.7	666	
Maine	0	0	1.1	0	0	0	0	0	0	0	0	0	0	0	0	1.1	
Maryland	98.4	0	776.4	0	0	4.9	4.7	0	0	0	0	1005.4	0	2.6	246.6	2139	
Massachusetts	0	0	19.1	0	0	4.7	0	0	0	0	0	0	0	0	0	23.8	
Michigan	26.6	0	2673	0	0	0.8	165.2	0	0	0	0	3762.1	0	5.7	1040.3	7673.7	
Minnesota	413	45	3314	0	0	1	543	0	0	0	0	4128	0	9	1130	9583	
Mississippi	0	0	545.7	412.6	0	357.8	0	0	0	0	0	543.2	0	0	954.4	2813.7	
Missouri	0	0	291.4	6.8	0	78.3	0.6	0	0	0	0	1419.1	0	0	470.7	2266.9	
Montana	603.4	0	56.4	0	0	0	8.7	0	0	0	0	0	0	0	427.4	1095.9	
Nebraska	2.7	0	1389.9	0	0	157.5	25.7	0	0	0	0	1021.7	0	0	272.3	2869.8	
Nevada	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
New Hampshire	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
New Jersey	93.9	0	488	0	0	555	35.3	0	0	0	0	342.5	0	0	388	1902.7	
New Mexico	7.2	0	192.3	5.1	0	74.4	0	0	0	0	0	0	0	0	257.4	536.4	
New York	54.3	0	801.1	0	0	0	195.5	0	0	0	0	155	0	0	235.6	1441.5	
North Carolina	59.9	0	1079.7	624.7	0	99.7	76.8	11.4	0	0	0	3018.2	0	0.6	1335.3	6306.3	
North Dakota	194.3	43.1	48.5	0	23.2	0	54.3	0	0	0	0.7	274.6	0	74.9	783.8	1497.4	
Ohio	1.9	0	1412.6	0	0	1.9	73.1	0	0	0	0	2972.2	0	4	704.5	5170.2	
Oklahoma	15.8	0	11.2	28.8	0	164.5	93.4	0	0	0	0	57.2	0	0	2500.6	2871.5	
Oregon	30.8	0	78.2	0	0	0	7	0	0	0	0	0	0	0	155.8	271.8	
Pennsylvania	170.1	0	1633	0	0	39.5	159.5	0	0	0	0	1199.6	0	0	537.3	3739	
Rhode Island	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
South Carolina	5.7	0	543.9	49.6	0	1.8	31.4	0	0	0	0	350.4	0	8.7	694.9	1686.4	
South Dakota	59.6	0	873	0	0	6.8	197.1	0	0	0	0	1328.6	0	0.9	296.6	2762.6	
Tennessee	15.5	0	786.1	936.4	0	116	17	0	0	0	0	1967.3	0	0	763.1	4601.4	
Texas	25.4	0	1938.3	2374.7	0	3247.8	265.7	9.2	579	0	0	78.4	0	0	3419.2	11937.7	
Utah	61.7	0	24	0	0	0	0	0	0	0	0	0	0	0	17.1	102.8	
Vermont	0	0	52.7	0	0	0	0	0	0	0	0	0	0	0	0	52.7	
Virginia	70.9	0	578.6	83.1	0	12.3	4.3	43.3	0	0	0	732.8	0	0.9	649.9	2176.1	
Washington	25.3	0	0	0	0	0	0	0	0	0	0	0	0	0	18.3	43.6	
West Virginia	41.4	0	402.1	0	0	0	60	0	0	0	0	67	0	0	45.9	616.4	
Wisconsin	76.5	0	4591.1	0	0	7.8	423.7	0	0	53.9	0	2401	0	31.4	539.9	8071.4	
Wyoming	73	0	18	0	0	0	13.3	0	0	0	0	0	0	0	292.8	397.1	
Totals	3276	91	38265.7	8428.5	23.2	6179.2	2862.5	141.7	808.5	9.7	0.7	44922.8	176.8	161.7	24140.8	129488.8	

Table 3--Base Acreage Reductions Made by State and Commodity Base (October 1, 2009 - September 30, 2010)

State	Barley Acres Reduced	Canola Acres Reduced	Large Chickpea Acres Reduced	Corn Acres Reduced	Cotton Acres Reduced	Crambe Acres Reduced	Flaxseed Acres Reduced	Grain Sorghum Acres Reduced	Lentil Acres Reduced	Mustard Seed Acres Reduced	Oat Acres Reduced	Peanut Acres Reduced	Pea Acres Reduced	LG Rice Acres Reduced	MG Rice Acres Reduced	Safflower Acres Reduced	Soybean Acres Reduced	Sunflower Acres Reduced	Wheat Acres Reduced	Totals
Alabama	0	0	0	168.1	363.2	0	0	211.4	0	0	0.1	5.8	0	0	0	0	133.6	0	442.8	1325
Alaska	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Arizona	147.6	0	0	29.3	1035.3	0	0	12.7	0	0	7.8	0	0	0	0	0	0	0	137.8	1370.5
Arkansas	0	0	0	0.4	67.5	0	0	12.5	0	0	0	0	0	30.8	3.4	0	378.4	0	121.4	614.4
California	128.3	0	2.5	466	642	0	0	7.3	0	0	109.8	0	0	0	67.9	117.2	0	0	602.7	2143.7
Colorado	68.5	0	0	69.9	0	0	0	0.9	0	0	6.7	0	0	0	0	0	0	0	62.8	208.8
Connecticut	0	0	0	41.5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	41.5
Delaware	136.1	0	0	213.5	0	0	0	1	0	0	0	0	0	0	0	0	534.3	0.5	63.4	948.8
Florida	0	0	0	10.9	9.3	0	0	0	0	0	2.8	39	0	0	0	0	0	0	110.9	172.9
Georgia	2.6	0	0	159.7	132.9	0	0	31.5	0	0	8.1	20	0	0	0	0	122.2	0	179.4	656.4
Hawaii	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Idaho	154.1	0	0	117.4	0	0	0	0	55.3	0	9.9	0	36.7	0	0	0	0	0	293.4	666.8
Illinois	5	0	0	3356.4	0	0	0	6.6	0	0	43.7	0	0	0	0	0	3306.7	4.6	404.9	7127.9
Indiana	1.2	0	0	1827	0	0	0	9.8	0	0	11.3	0	0	0	0	0	2611.2	0	259.1	4719.6
Iowa	0	0	0	1301.1	0	0	0	0.1	0	0	35.6	0	0	0	0	0	237.1	0	11.3	1585.2
Kansas	44.9	0	0	28.2	0	0	0	575.8	0	0	23.1	0	0	0	0	0	348.5	17.1	990.2	2027.8
Kentucky	7.2	0	0	54.1	0	0	0	1.5	0	0	0	0	0	0	0	0	113.5	0	88.6	264.9
Louisiana	2	0	0	339	134	0	0	34	0	0	472	0	0	30	4	0	1275	0	420	2710
Maine	0	0	0	1.4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1.4
Maryland	15.6	0	0	158.3	0	0	0	2.6	0	0	15	0	0	0	0	0	597.4	0	55.6	844.5
Massachusetts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Michigan	25.1	0	0	762.6	0	0	0	0.1	0	0	42.1	0	0	0	0	0	762.2	0	330.1	1922.2
Minnesota	58.1	0	0	970	0	0	0	0	0	0	64.9	0	0	0	0	0	904.1	0	106.6	2103.7
Mississippi	0	0	0	23.7	113.1	0	0	36.7	0	0	4.2	0	0	6.2	0	0	183.2	0	223.2	590.3
Missouri	0	0	0	135.4	0.4	0	0	19.5	0	0	2.3	0	0	0	0	0	553.1	0	144.9	855.6
Montana	63.1	0	0	49.5	0	0	0	0	0	0	2.4	0	0	0	0	0	0	0	40.8	155.8
Nebraska	0	0	0	945	0	0	0	174.6	0	0	14.9	0	0	0	0	0	904.5	0	874.2	2913.2
Nevada	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
New Hampshire	0	0	0	17.6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	17.6
New Jersey	18.9	0	0	452.2	0	0	0	1	0	0	14	0	0	0	0	0	340.3	0	173.5	999.9
New Mexico	0	0	0	0	7.3	0	0	114.4	0	0	4.4	0	0	0	0	0	0	0	592	718.1
New York	3.5	0	0	301.6	0	0	0	0	0	0	57.8	0	0	0	0	0	62.2	0	51.9	477
North Carolina	123.4	0	0	963	404.7	0	0	359.2	0	0	661.3	9.5	0	0	0	0	1862.3	0	944.6	5328
North Dakota	153.5	21.4	5.1	104.5	0	5.8	32	0	27.9	0.4	44.3	0	0	0	0	0	210.3	119	591.1	1315.3
Ohio	0	0	0	832.8	0	0	0	0.5	0	0	24.2	0	0	0	0	0	2364.2	0	471.4	3693.1
Oklahoma	2.2	0	0	19.5	0	0	0	11.3	0	0	84	24.6	0	0	0	0	181.3	0	685.4	1008.3
Oregon	6	0	0	4.1	0	0	0	0	0	0	0.1	0	0	0	0	0	0	0	23.2	33.4
Pennsylvania	30.2	0	0	720.6	0	0	0	0.3	0	0	84.8	0	0	0	0	0	356.8	0	245.5	1438.2
Rhode Island	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
South Carolina	4.6	5	0	162.8	39	0	0	0.8	0	0	24.9	0	0	0	0	0	242.3	0.6	168.4	648.4
South Dakota	9.1	0	0	260.5	0	0	0	0.2	0	0	18.2	0	0	0	0	0	253.7	16.8	204.2	762.7
Tennessee	5.3	0	0	49.6	1.3	0	0	11.7	0	0	0	0	0	0	0	0	243.6	0	136.4	447.9
Texas	32.6	0	0	370.4	1179.7	0	0	917.9	0	0	22.5	6.7	0	23.6	0	0	26.3	0	1113.1	3692.8
Utah	30	0	0	45.2	0	0	0	0	0	0	1.9	0	0	0	0	0	0	0	356.7	433.8
Vermont	2.7	0	0	7.6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10.3
Virginia	93.8	0	0	448.1	30.5	0	0	37.5	0	0	12.9	20.6	0	0	0	0	979.3	0	332.3	1955
Washington	27.4	0	0	60	0	0	0	0	0	0	0	0	0	0	0	0	0	0	80.4	167.8
West Virginia	0	0	0	35.3	0	0	0	0	0	0	2.5	0	0	0	0	0	0	0	17.5	55.3
Wisconsin	11.4	0	0	994.9	0	0	0	1.7	0	0	85.8	0	0	0	0	0	667	2.8	116.3	1879.9
Wyoming	48.1	0	0	0	0	0	0	0	0	0	7.5	0	0	0	0	0	0	0	0	55.6
Totals	1462.1	26.4	7.6	17078.7	4160.2	5.8	32	2595.1	83.2	0.4	2027.8	126.2	36.7	90.6	75.3	117.2	20754.6	161.4	12268	61109.3