



2008 Farm Bill: ACRE Overview

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Average Crop Revenue Election (ACRE)

- ✓ ACRE provides a revenue target based on a 2-year moving average of U.S. crop season average price and a 5-year Olympic moving average of state yields
- ✓ Payment is made if a state's realized revenue is less than its target revenue
- ✓ Payment is based on planted acres:
 - 83.3% for 2009 – 2011
 - 85% for 2012





Average Crop Revenue Election (ACRE)

- ✓ Enrollment in ACRE is conducted by farm number
 - If you own multiple farms (different FSA farm numbers) you may make enrollment decision for each farm separately
 - Enrollment decision is for the entire farm-all crops must be enrolled
 - Payments are still calculated on a commodity-by-commodity basis





Average Crop Revenue Election (ACRE)

- ✓ You may choose to enroll in any crop year during the program's life, 2009-2012
- ✓ However, once ACRE is selected, the choice applies to all subsequent years covered in this farm bill. No reversing the selection.
- ✓ ACRE selection is binding to the farm, regardless of future ownership or tenancy changes
- ✓ There are no advanced payments with ACRE





How Does ACRE Work?

- ✓ There are two trigger levels for the ACRE program:
 - State Level
 - Farm Level

- ✓ Both triggers must be met for a payment to be distributed





ACRE: State Benchmark

ACRE state revenue benchmark equals:

- ✓ ACRE benchmark yield per planted acre times ACRE price times 90%
- Yield = quantity produced divided by number of acres planted
- Benchmark yield = Olympic average of state's yields for 5 most recent crop years (throw out high and low yields and average remaining 3 yields)
- ACRE price = simple average of U.S. marketing year price average for **2 most recent crop years**





State Benchmark Revenue Corn Example

2008: 177
2007: 175
2006: 163
2005: 143
2004: 179

172 bushel per acre 2009 benchmark yield

$$172 \text{ bpa} \times \$4.20^* \times 90\% = \$650/\text{acre}$$

(*\$4.20 is just an estimate as of 06/10/09; 2008 average price will not be known until September 2009)





State Benchmark Revenue Soybean Example

2008: 47
2007: 44
2006: 48
2005: 47
2004: 50

47 bushel per acre 2009 benchmark yield

$47 \text{ bpa} \times \$10.05^* \times 90\% = \$425/\text{acre}$

(*\$9.98 is just an estimate as of 06/10/09; 2008 average price will not be known until September 2009)





State Benchmark Revenue Wheat Example

2008: 62
2007: 50
2006: 67
2005: 59
2004: 59

60 bushel per acre 2009 benchmark yield

$$60 \text{ bpa} \times \$6.67^* \times 90\% = \$360/\text{acre}$$

(*\$6.67 is just an estimate as of 06/10/09; 2008 average price will not be known until September 2009)





ACRE: State Revenue Benchmark

- ✓ For 2010 – 2012, the revenue benchmark cannot change more than 10% from previous year's revenue benchmark
- ✓ If ACRE state benchmark in 2009 equals:
 - ✓ Corn: \$650, then 2010 benchmark will be capped between \$585 and \$715
 - ✓ Soybeans: \$425, then 2010 benchmark will be capped between \$383 and \$467





ACRE: Actual State Revenue

ACRE actual state revenue equals:

- ✓ State yield per planted acre times the higher of a) the national average market price, or b) 70% of loan rate
- Loan rate: Keep in mind that due to ACRE participation cost, the loan rate for ACRE participants is already 70% of normal marketing assistance loan rates





ACRE: Farm Level Trigger

- ✓ To receive an ACRE payment, the **Actual Farm Revenue** for the crop must be less than the **Farm ACRE Benchmark Revenue** for that crop year
 - **Actual Farm Revenue** for a crop: the farm's actual yield for the current crop year times the higher of:
 - a) National average market price received for that crop in that crop year, or
 - b) 70% of the loan rate





ACRE: Farm Level Trigger

- **Farm ACRE Benchmark Revenue =**
Olympic average of farm's planted yield for 5 most recent years times ACRE guarantee price
- **plus** the crop insurance premium per acre paid by the farmer for that crop for that year





Farm Benchmark Yield

Producers have 2 options when establishing their Farm Benchmark Yield:

- Accept the preliminary Benchmark Farm Yield which uses 95% of the ACRE County Yield for each of the five years (plug yields)
- Certify farm yields for any or all of the five previous years





Preliminary Farm Benchmark Yield

Preliminary Benchmark Farm Yield (BFY) is equal to the Olympic average of 95% of each year's ACRE County Yield (ACY)

Example

Corn	2004	2005	2006	2007	2008	BFY
ACY	180	160	175	195	185	
95% of ACY	171	152	166	185	176	171

$$(171 + 166 + 176) / 3 = 171$$





County Plug Yields

County plug yields for all states may be found at: <http://www.fsa.usda.gov/dcp/>

➤ Click on “ACRE County Yields” - XLS

County plug yields for Illinois counties may also be found at ILFB.org

<http://www.ilfb.org/viewdriveline.asp?dlid=137>

➤ Click on Illinois ACRE County Plug Yields





Certifying Farm Yields

Producers may certify farm yields for the five previous years by the production reporting date of July 15 (August 14 for 2009)

- Yields may only be used from the most recent break in continuity, excluding zero planted years
 - Break in continuity occurs when acreage is reported for a covered commodity and no production is reported
- Missing or incomplete production years, zero planted years, or years prior to the break in continuity will be “plugged” with the 95% yield for that year



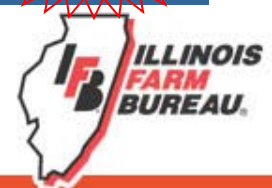


Certifying Farm Yields Example

Corn		2004	2005	2006	2007	2008	BFY
95% of ACY		171	152	166	185	176	171 p
Producer Records (FSA-658)	Yield	195	?	181	0	188	
	Acres	60	100	80	0	40	
Benchmark Farm Yield (BFY)		171	152	181	185	188	179

↑
 Did not certify a yield
Break in continuity

↑
 Zero Planted





FSA-658

- Production evidence must be reported on FSA-658
- Producers will be required to certify, but not submit, documents to support their production at the time FSA-658 is filed
- The documentation will be required at a later date





Commodities Sold or Stored: Off the Farm

Acceptable documentation:

- Settlement sheets
- LDP or MAL records
- Warehouse receipts
- Warehouse ledgers
- Warehouse load summaries
- Scale tickets or weight slips
- Computer-generated documents from a licensed warehouse
- RMA yield production records
- RMA records of loss appraisals
- Measured quantities of farm-stored production
- Measured quantities performed by uninterested third parties

All amounts will be net quantity.





Farm-stored Production or Production used: On the Farm

Crops remaining in storage:

- Measured quantities if measurements were completed and documented by an FSA or crop insurance representative
- LDP and/or loan records

Production used for seed: Production used for the producer's own use is acceptable if **both** of the following apply:

- Producer provides written certification, indicating the following:
 - Disposition was for planting
 - Production is not included in LDP, loan, or any other record
 - Seeding rate
 - Acreage planted
- FSA determines that:
 - The quantity used is reasonable
 - Evidence is satisfactory
 - Using farm-raised seed is customary in area





Fed Production

Acceptable proof that production was used on the farm as livestock feed:

- Existing FSA records
- Crop insurance records





Fed Production

IF...	AND...	THEN...
Grain was measured by FSA or crop insurance representative and/or producer obtained LDP or loan	Records are on file to indicate the grain was fed or will be used for feed	LDP, loan, or measured quantity is acceptable
Grain was measured by FSA or crop insurance representative	Records were not filed to indicate grain was fed or will be used for feed	The measured quantity is acceptable, only if , other production records dated after the measurement date are not submitted
Grain was not measured	LDP or loan was either: <ul style="list-style-type: none"> •Not obtained •Obtained on a portion of production 	The ACRE plug yield will be used



Grazed, Silaged, or Hayed Acres

Acceptable documentation to prove that acreage was grazed, silaged, or hayed:

- FSA records, including LDP records, NAP records, or FSA-578, documented during the applicable crop year or by the final date to request LDP
- Crop insurance records, including loss adjustment records or appraisal records, documented during the applicable crop year or by the final date to file claims

If existing records do not indicate the acreage was grazed, silaged, or hayed the credited production will be 0





Silage Production

Acceptable records of silage production will be converted from tons to bushels by multiplying the tonnage times the following factors:

- 6.47 for barley
- 7.94 for corn
- 3.114 for grain sorghum
- 4.08 for oats
- 5.00 for soybeans
- 6.99 for wheat





No Production Evidence Available

If the current owners and producers of a farm:

- Are unable to obtain acceptable production records from a previous producer, and,
- Did not have an interest in the crop,

Then,

The ACRE plug yield will be assigned, provided;

- Existing FSA or crop insurance records clearly document the planted acreage of the crop on the farm, and
- The current owner or producer did not have an interest in the crop

The use of similar farms is not authorized in assigning production





Hybrid Seed

The following methods may be used to convert hybrid seed production to commercial production.

If more than 1 method is applicable to a farm:

- The farm owner may select the method to be used
- FSA shall use the applicable method in the order stated if the owner does not make a selection





Hybrid Seed

IF...	AND...	THEN...
Both commercial crop acreage and hybrid seed acreage are grown on the farm	Both the commercial and the hybrid acres are irrigated or non-irrigated	FSA shall assign the actual per acre production from the commercial acreage to the hybrid seed acreage
The producer and company entered into an agreement to use a commercial equivalent yield to calculate payments under the seed contract based on harvested commercial production	The producer has evidence that the calculation was based on actual harvested yields	The commercial equivalent production used for payment by the seed company shall be used, not to exceed 120% of the ACRE plug yield
Neither of the above apply or the owner elects not to use either of the above		FSA will assign the ACRE plug yield



Commingled Production: Basic Option, Planted Acres

FSA is authorized to apportion commingled production, but only production that is represented by acceptable records that cannot be identified with a specific farm or year

If commingled production cannot be separated by year or by farm, FSA will apportion production based on **planted** acres in each applicable year or farm

If production is commingled between crop years and farms, FSA will apportion the production to applicable **crop years before** apportioning production to farms





Example using; Basic Option, Planted Acres

Producer has settlement sheets for:

- 10,000 bushels after 2006 harvest
- 20,000 bushels after 2007 harvest & before 2008 harvest

Planted acres were:

- 90 acres in 2006; 45% of total planted acres
(90 + 110 = 200, 90/200 = .45)
- 110 acres in 2007; 55% of total planted acres
(90 + 110 = 200, 110/200 = .55)

30,000 total bushels X 45% = 13,500 bushels attributed to 2006

30,000 total bushels X 55% = 16,500 bushels attributed to 2007





Commingled Production: Alternative Methods

FSA may allow the apportioning of acceptable production evidence, based on;

- Harvested acres in each applicable year or each applicable farm
- Crop insurance records for each year
- Other available records FSA determines can reasonably be used for apportioning, such as custom harvesting records, producer load summaries, or weight tickets

FSA will only allow alternative methods to be used if they are satisfied that method used will result in yields comparable to other similar farms





Example using : RMA Records

In this example, the producer requested to apportion production evidence between farms for the 2008 crop year, based on multi-peril crop insurance APH records

Producer has:

- 20,000 bu. production certified on multi-peril units 1, 2, & 3 (FSN 100)
- 35,000 bu. Production certified on multi-peril units 4, 5, & 6 (FSN 200)
- Commingled settlement sheets with commingled production totaling 54,650 bushels

- Total APH quantities for the 2008 crop year = 55,000
(20,000+ 35,000)





Example using : RMA Records

Divide APH quantities for each respective FSN by the sum of the APH quantities to determine a percentage applicable to each FSN;

- FSN 100: $20,000/55,000 = .3636$
- FSN 200: $35,000/55,000 = .6364$

Multiply commingled production on the settlement sheets times the APH quantity percentage for each FSN;

- $54,650$ production $\times .3636 = 19,871$ bushels to FSN 100
- $54,650$ production $\times .6364 = 34,779$ bushels to FSN 200





ACRE Payments

- ✓ ACRE payments will be made if BOTH revenue triggers are met for a planted covered commodity:
 - Actual State Revenue is less than the ACRE State Benchmark Revenue, and,
 - Actual Farm Revenue is less than the Farm ACRE Benchmark Revenue
- ✓ Farmer would receive ACRE payment beginning on October 1 (a year after harvest), or as soon as possible after that for the 2009-2012 crop years-cannot defer ACRE payments





ACRE: Farm Payment

ACRE payments to a farm equals:

1. The lesser of a) ACRE state revenue benchmark minus state actual revenue, or b) 25% of ACRE state revenue benchmark
(in other words ACRE payments per planted acre cannot exceed 25% of the ACRE state benchmark in any given crop year)
2. Times 83.3% of the farm's acres planted to the crop (85% for 2012 crop)
3. Times the farm's Olympic average yield for the 5 most recent years divided by the state's ACRE benchmark yield





ACRE: Farm Payment

For a loss:

✓ Less than 25% of State Benchmark:
 $[\$650 - \$550] \times 0.833 \times \frac{185}{172} = \$89.60/\text{eligible planted acre}$

✓ Greater than 25% of State Benchmark:
(\$650 X 25% = \$163)
 $[\$650 - \$450] \times 0.833 \times \frac{185}{172} = \text{NA}$
 $\$163 \times 0.833 \times \frac{185}{172} = \$146/\text{eligible planted acre}$





ACRE Planted Acre Limitation

- ✓ Planted acres that receive an ACRE payment cannot exceed a farm's total base acres (all commodities base acres)
- ✓ If a farm's total planted acres exceed the farm's total base acres, the farmer may designate crop priority order for the farm by September 30





Crop Priority Order

- Designation is prior to trigger determinations
- If the crop priority order is not designated, the payment acreage will be prorated for each crop, including crops that do not “trigger”





ACRE: Payment Acreage Limit Example

When planted & prevented acres (PPA) do not exceed total base

Crop	Triggers Met?	Base	Planted/PPA	Potential Crop Payment Acres (acres x 83.3%)
Corn	Yes	100.0	125	104.1
Soybeans	No	100.0	75	62.4
Total		200.0	200.0	166.6

Maximum Payment Acres 





ACRE: Payment Acreage Limit Example

- Prioritizing crops
- 3 crops
- 2 crops eligible for payments
- Payment acres exceed base acres

Crop	Triggers Met?	Base	Planted/ PPA	Potential Crop Payment Acres (acres x 83.3%)	Crop Priority	Payment Acres
Corn	Yes	600.0	800.0	666.4	1	666.4
Soybeans	No	50.0	100.0	83.3	2	33.6
Wheat	Yes	50.0	100.0	83.3	3	0
Total		700.0	1,000.0			700.0

Remaining Acres:

$700.0 - 666.4 = 33.6$

$33.6 - 33.6 = 0$

No Payment: no trigger

Maximum Payment Acres



ACRE: Payment Acreage Limit Example

Same farm, but with Prorating Acreage

Corn: 800/1000

Crop	Triggers Met?	Base	Planted/ PPA	Potential Crop Payment Acres (acres x 83.3%)	Crop Factor	Payment Acres (Crop factor x total base)
Corn	Yes	600.0	800.0	666.4	0.800	X 700 = 560.0
Soybeans	No	50.0	100.0	83.3	0.100	X 700 = 70.0
Wheat	Yes	50.0	100.0	83.3	0.100	X 700 = 70.0
Total		700.0	1,000.0			700.0

No payment:
No trigger

