

Summary and Benefits of ACRE

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Presentations

- **2008 FARM BILL: ACRE OVERVIEW**
 - Doug Yoder, Illinois Farm Bureau

- **ACRE ELECTION AND ENROLLMENT**
 - Stan Wilson, Farm Service Agency, U.S. Department of Agriculture



Topics

- 1. Benefits (and costs) to ACRE**
- 2. ACRE details**
- 3. Sign-up process**



ACRE Tradeoff

Give up 20% of Direct Payments

for

ACRE Payments

Pays in 30% of years for corn

Pays in 15% of years for soybeans

**Over time, average expected value of
ACRE payments exceeds 20% direct payments**



Traditional Versus ACRE Program

	Traditional	ACRE
Direct Payments	Full Payments	80% of Full
Loan Payments Loan deficiency payments or marketing loans	Full Loan Rates Corn - \$1.95 Soybeans - \$5.00 Wheat - \$2.94	70% of Loan Rate Corn - \$1.365 Soybeans - \$3.50 Wheat - \$2.058
Price (Revenue) Program	Counter-Cyclical Program Pays when national <i>season average price</i> is below Corn - \$2.35 Soybeans - \$5.36 Wheat - \$3.40	ACRE Program Pays when <i>state revenue</i> is below a <i>guarantee</i> . <i>Guarantee</i> depends on: 5 previous state yields 2 season average prices



TM

Farm-Level ACRE Payments per Planted Acre

	Percent of Years State Trigger is Met ¹	Payment in Years When They Occur ^{2,3}	Average Payment Across All Years ^{2,4}
		----- \$ Per Acre -----	
Corn	32%	\$51	\$17
Soybeans	16%	\$41	\$7
Wheat	25%	\$51	\$13

1 Percent of years state trigger is met.

2 Based on a farm having a historical yield equal to the state average.

3 In the year a payment occurs, the average amount of the payment.

4 Average payment in the year of the payment.



ACRE Based on State Revenue

(from ACRE FAST Tool on farmdoc)

Calculation of Per Acre State Payment

Year	Illinois State Yield ¹	Market-Year-Avg. Price ²	5-year Olympic Average Yield ³	2-year Average Price ⁴	State Guarantee ⁵	State Revenue ⁶	State ACRE Payment ⁷
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Panel A. Corn

(All entries are made in shaded yellow boxes with blue lettering)

Year	bu/acre	\$/bu.	bu/acre	\$/bu.	\$/acre	\$/acre	\$/acre
2004	179						
2005	143						
2006	163						
2007	175	4.20					
2008	177	4.20					
2009	167	3.50	172	4.20	650	585	66

$172 \times 4.20 = 650$
 $650 - 585 = 66$



2009 State ACRE Payment, Corn, Illinois

	Season Average Price (\$ per bu.)		
Yield	\$3.00	\$3.50	\$4.00
(bu. per acre)	----- \$ per acre -----		
147	\$163	\$136	\$62
157	163	101	22
167	149	66	0
177	119	31	0



ACRE Based on State Revenue

(from ACRE FAST Tool on farmdoc)

Calculation of Per Acre State Payment

Year	Corn State Yield ¹	Market-Year-Avg. Price ²	5-year Olympic Average Yield ³	2-year Average Price ⁴	State Guarantee ⁵	State Revenue ⁶	State ACRE Payment ⁷
Year	bu/acre	\$/bu.	bu/acre	\$/bu.	\$/acre	\$/acre	\$/acre
2004	50						
2005	47						
2006	48						
2007	44	10.10					
2008	47	10.00					
2009	46	8.50	47	10.05	425	414	34

Soybeans from *ACRE Comparison Tool*

Microsoft Excel Spreadsheet

On *farmdoc* (www.farmdoc.uiuc.edu)



ACRE Details

See also
Doug Yoder
2008 Farm Bill: ACRE
Overview



Choice of Traditional and ACRE

- Starts with 2009 crop year
- Traditional programs are default
- Can make decision to go to ACRE for 2009-2012, 2010-2012, 2011-2012, 2012
- If ACRE is chosen, that choice lasts through the life of the farm bill (through 2012)
- Choice on a FSA farm basis



ACRE Program

- ACRE based on a state-level revenue index for each program crop
- Payments are crop specific, but whole farm must be enrolled in ACRE
 - Cannot enroll corn base under ACRE and soybean base under traditional
- Revenue guarantee cannot change by more than 10% from previous year
 - 10% cups and caps



Two Triggers Before Payments

1. Actual *state* revenue must fall below state guarantee level
 2. Actual *farm* revenue must fall below farm guarantee level (farm benchmark)
- **Implications**
 - ACRE could pay at state level and some farms may not get payments



State Revenue Trigger

State Guarantee		State Revenue
.90	Must Exceed	
X		
5-year Olympic Avg. State Yield (Planted Acre)		State Yield (Planted Acre Basis)
X		X
2-year U.S. Market Average Price		U.S. Market Avg. Price
Capped at +/- 10% from previous year		



Farm Revenue Trigger

Farm Guarantee
5-year Olympic Avg Farm Yield
x
2-year U.S. Market Average Price
+
Crop Insurance Premium

Must Exceed

Farm Revenue
Farm Yield
x
U.S. Market Average Price



Implies that historical farm-level yield information will need to be provided.

ACRE Payment

If both triggers are met, then the payment will be:

Payment Acres

Planted acres
X .833 (.85 in 2012)

*Sum across crops can
not exceed base acres*

X State-level payment (state guarantee minus state revenue)

X Avg Historic Farm Yield / Avg Historic State Yield

Maximum state level payment is 25% of state guarantee



Payment Limitations

With Traditional:

- ✓ Direct Payments: \$40,000
- ✓ Counter-Cyclical Payments: \$65,000

With ACRE:

- ✓ Direct Payments: \$40,000 minus the amount of the reduction in direct payments under ACRE
- ✓ ACRE Payments: \$65,000 plus the amount of the reduction in direct payments under ACRE

No payment limit on marketing loan program benefits (LDP's and MLG's)



Sign-Up Process

1. Sign-up for ACRE (August 14th)
2. Indicate priority crops (September 30th)
3. Update benchmark yields by production reporting date (July 2010 for corn and soybeans)



See Stan Wilson "Acre Election and Enrollment"

ACRE Signup

- For 2009, deadline is August 14th
 - Need to complete Form CCC – 509 ACRE
- All producers on a farm need to agree to switch to ACRE
- FSA farm unit basis
- After 2009, deadline will be June 1



Crop Priority

- **Deadline September 30**
- **Determines which acres will receive priority for ACRE payments**
- **Only a concern if planted acres x 1.2 exceed base acres and more than one crop is planted**



ACRE Payment

If both triggers are met, then the payment will be:

Payment Acres

Planted acres
X .833 (.85 in 2012)

*Sum across crops can
not exceed base acres*

X State-level payment (state guarantee minus state revenue)

X Avg Historic Farm Yield / Avg Historic State Yield

Maximum state level payment is 25% of state guarantee



No Priority Example

- 60 base acres
- 100 planted acres:
 - Corn: 60 acres (*max payment: $60 \times .833 = 50$ acres*)
 - Soybeans: 40 acres (*max pay. $40 \times .833 = 33$ acres*)
- **If no priority, ACRE payments received on:**
 - 36 corn acres (60 base acres x 60% of planted acres)
 - 24 soybean acres (60 base acres x 40% of planted acres)
 - 60 payment acres (36 corn + 24 soybeans)
- **If no corn ACRE payments, 36 corn acres get zero payment**



Priority Example

- 60 base acres
- Planted acres:
 - Corn: 60 acres (*max payment: $60 \times .833 = 50$ acres*)
 - Soybeans: 40 acres (*max pay. $40 \times .833 = 33$ acres*)
- Priority
 - Corn is number 1
 - Soybeans is number 2
- Given the above priority, ACRE payments received on:
 - 50 corn acres ($60 \text{ corn acres} \times .833$)
 - 10 soybean acres ($60 \text{ base acres} - 50 \text{ corn acres}$)
- If corn has no ACRE payment and soybeans does, receive payments on 10 soybean acres



Priority

Best priority in Illinois in most years

**1 – corn
2 – wheat
3 – soybeans**

Can change priority each year



Production Evidence

- Yields from 2004 and 2008
- If no yield, can use 95% of county average yield
- Don't need any production evidence
- If a break in yield history while crop has been planted, plug yields have to be used prior to break



Example



ACRE Program
Olympic Average Farm Yields



Name _____

County **Champaign**

Corn

Year	Plug Yield	No Corn Planted	Yield Available	Farm Yield	Used Yield	Source of Used Yield
2004	171.9	yes	yes	195	195.0	farm
2005	155.8	no	yes		155.8	plug
2006	171.0	yes	yes	180	180.0	farm
2007	178.6	yes	yes	178	178.0	farm
2008	165.8	yes	yes	185	185.0	farm

Olympic Average Farm Yield 181.0

Olympic Average Using all County Plugs 169.6



Production Evidence

- **Crop insurance history**
- **Commercial receipts, settlement sheets, warehouse ledger sheets, load summaries**
- **Truck sales or contemporaneous diaries (for grain fed to livestock)**
- **Loan and LDP records.**



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