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CROP PRIORITY IN ACRE

Farmers who signed up for the Average Crop Revenue Election (ACRE) can change their crop priority by September 30. Crop priority determines which crop receives priority for ACRE payments. If corn is picked as the first priority and soybeans the second priority, ACRE payments will be received on the maximum number of planted corn acres and the remainder of eligible acres will be allocated to soybeans. Conversely, ACRE payments will be received on the maximum number of soybean acres if soybeans are chosen as the first priority. The default is "no priority", in which case ACRE payments are received in proportion to planted acres

Crop priority only matter on farms that meet the following two conditions:

1. Total acres planted to eligible crops times .833 exceeds total base acres. In this comparison, the base of an individual crop does not matter. It is total base acres – equal to the sum of base acres in each crop – that matters. As an example, take a farm with 30 base acres in corn and 30 in soybeans. This farm has 60 total base acres. If planted acres exceed 72, or 60 acres divided by .833, then crop priority may influence ACRE payments from that farm. (Note: This condition can be stated equivalently as the sum of planted acres exceeds total base acres times 1.2. This is equivalent because 1.2 equals 1 divided by .833.)
2. The farm plants more than one crop.

If these conditions are not met, priority will not influence ACRE payments and leaving the priority at the "no priority" default is appropriate. On the other hand, if these conditions are met, there may be a desire to change priority. The priority that maximizes payments is the one giving priority to the crop with the largest per acre payment. At this point, ACRE payments for 2009 are not known. Hence, estimates of expected payments need to be made when choosing crop priority.

ACRE payments for 2009 appear likely. Current price and yield forecasts suggest that 2009 ACRE payments in Illinois will average about \$55 per planted acre for corn, \$44 per planted acre for wheat, and \$15 per planted acre for soybeans. These payments will vary from farm to farm depending on the ratio of farm historic average yields to state historic average yields. Given the above expectations, choosing corn as the first priority, followed by wheat (if it is grown), followed by soybeans will maximize ACRE payments. Obviously, the estimates of average ACRE payments may change over time. Hence, the above priority may not result in the highest payments. Perhaps the most unclear choice is whether corn or wheat should be chosen as the first priority on farms that grow both crops. Current forecasts put corn and wheat ACRE payments close to one another. Which crop will have the highest ACRE payment is an open question.

Crop priority can be changed each year. Hence, choices made in 2009 can be changed in later years if expected payments look different in future years.

Example of Priority

For an eligible planted crop, the ACRE payment for that crop equals

planted acres x .833 x state ACRE payment x the ratio of historic farm yield to state yield

when "planted acre x .833" summed across all eligible crops is less than total base acres. When this sum is above total base acres, ACRE payments will be received on less than planted acres.

Limitations will be illustrated for a farm with 30 base acres in corn and 30 base acres in soybeans, giving a total of 60 base acres. Suppose this farm plants 70 corn acres and 30 soybean acres. This farm has 100 planted acres.

Planted acres times .833 is 83 acres, which exceed the 60 total base acres. Hence, ACRE payments will not be received on all planted acres.

If “no priority” is chosen, ACRE payments will be received in proportion to planted acres. ACRE payments will be received on 42 corn acres and on 18 soybean acres:

$$\begin{aligned}42 \text{ corn acres} &= 60 \text{ total base acres} \times (70 \text{ planted corn acres} / 100 \text{ planted acres}) \\18 \text{ soybean acres} &= 60 \text{ total base acres} \times (30 \text{ planted soybean acres} / 100 \text{ planted acres})\end{aligned}$$

If the farm chooses corn as the first priority, ACRE payments will be received on the maximum number of corn acres. Maximum number of corn acres equals 70 planted acres x .833, or 58 acres. Soybean ACRE payments are received on the remaining base acres, or 2 acres.

$$\begin{aligned}58 \text{ corn acre} &= 70 \text{ planted acres} \times .833 \\2 \text{ soybean acres} &= 60 \text{ total base acres} - 58 \text{ corn acres.}\end{aligned}$$

If soybeans are chosen as the first priority, ACRE payments will be received on the maximum number of soybean acres. Maximum soybeans acres equal 30 planted acres x .833, or 25 acres. Corn ACRE payments would then be received on the remaining total base acres, or 35 acres.

$$\begin{aligned}25 \text{ soybean acres} &= 30 \text{ planted acres} \times .833 \\35 \text{ corn acres} &= 60 \text{ total base acres} - 25 \text{ soybean acres}\end{aligned}$$

Suppose that a farm's historic yield equals the state's historic yields for each crop. This means that the ratio of a farm's historic yield to a state's historic yield equals 1 in the ACRE payment calculation. If the state ACRE payment for corn equals \$50 and for soybeans equals \$15, then ACRE payments by crop priority option are:

$$\begin{aligned}\text{No priority: } & \$2,370 = 42 \text{ corn acres} \times \$50 \text{ corn payment} + 18 \text{ soybean acres} \times \$15 \text{ soybean payment} \\ \text{Corn No 1: } & \$2,930 = 58 \text{ corn acres} \times \$50 \text{ corn payment} + 2 \text{ soybean acre} \times \$15 \text{ soybean payment} \\ \text{Soybeans No. 1: } & \$2,125 = 35 \text{ corn acres} \times \$50 \text{ corn payment} + 25 \text{ soybean acres} \times \$15 \text{ soybean payment}\end{aligned}$$

As another example, suppose that the state ACRE payment for corn equals \$50 and the state ACRE payment for soybeans equals \$0. Then ACRE payments by option equals

$$\begin{aligned}\text{No priority: } & \$2,100 = 42 \text{ corn acres} \times \$50 \text{ corn payment} + 18 \text{ soybean acres} \times \$0 \text{ soybean payment} \\ \text{Corn No 1: } & \$2,900 = 58 \text{ corn acres} \times \$50 \text{ corn payment} + 2 \text{ soybean acre} \times \$0 \text{ soybean payment} \\ \text{Soybeans No. 1: } & \$1,750 = 35 \text{ corn acres} \times \$50 \text{ corn payment} + 25 \text{ soybean acres} \times \$0 \text{ soybean payment}\end{aligned}$$

Suppose now that the state ACRE payment for corn equals \$0 and the state ACRE payment for soybeans equals \$20 per acre. Then ACRE payments by option are:

$$\begin{aligned}\text{No priority: } & \$360 = 42 \text{ corn acres} \times \$0 \text{ corn payment} + 18 \text{ soybean acres} \times \$20 \text{ soybean payment} \\ \text{Corn No 1: } & \$40 = 58 \text{ corn acres} \times \$0 \text{ corn payment} + 2 \text{ soybean acre} \times \$20 \text{ soybean payment} \\ \text{Soybeans No. 1: } & \$500 = 35 \text{ corn acres} \times \$0 \text{ corn payment} + 25 \text{ soybean acres} \times \$20 \text{ soybean payment}\end{aligned}$$

Summary

Crop priority only matters on farms where planted acres exceed base acres by a factor of 1.2 ($1.2 = 1 / .833$). For many farms in Illinois, priority will not influence ACRE payments. For those that do, it appears that choosing corn as the first priority, wheat as the second (if wheat is grown), and soybeans as the third will maximize ACRE payments from a farm. Expectations could change causing the above priority to not result in the highest payments. In addition, farms should check their historic yields relative to state yields as relative yields could change ACRE payments.

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