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ACRE PAYMENT ESTIMATES: RELEASE OF FAST ACRE PAYMENT ESTIMATOR

A new Microsoft Excel spreadsheet has been developed to estimate the amount of Average Crop Revenue Election (ACRE) payments a farm will receive for the 2009 crop. This *ACRE Payment Estimator* spreadsheet is available for download from the *FAST* section of *farmdoc* (www.farmdoc.illinois.edu).

ACRE Payment Estimator Spreadsheet

Users of the *ACRE Payment Estimator* will enter their state and crop for which ACRE payment estimates are desired (see Figure 1). The program then will estimate the state ACRE payment. This estimate equals the state guarantee minus state revenue. The state guarantee is known for 2009 and equals the benchmark yield times a benchmark price. The Acre Payment Estimator includes state guarantees for corn, soybeans, and wheat for most states in the United States.

Figure 1. Layout of *ACRE Payment Estimator*

2009 ACRE Payment Estimator

State and Crop Choice

State: Illinois
Crop: Corn
Series: Total
Estimated State Acre Payment: \$0 per acre
Updated on: 12/17/2009

Help
Update Database
Print

FAST

(Items in blue can be changed)

STATE GUARANTEE AND PAYMENT CALCULATIONS

State Revenue Guarantee

	2004	2005	2006	2007	2008	Benchmark
Yield	199	148	163	175	177	172
Price	xx	xx	xx	\$4.20	\$4.06	\$4.13

State guarantee **\$639 per acre**
\$639 = 172 bu. benchmark yield x \$4.13 benchmark price x 90%

FARM GUARANTEE AND PAYMENT CALCULATIONS

Farm Revenue Benchmark

	2004	2005	2006	2007	2008	Benchmark
Yield	179	143	163	175	177	172
Price	xx	xx	xx	\$4.20	\$4.06	\$4.13

2009 Farmer-paid crop insurance premium: \$20.00
Farm benchmark **\$730 per acre**
\$730 = 172 bu. Bench. yield x \$4.13 bench. price + \$20.00 ins. prem.

2009 State Revenue Calculation

2009 State Yield
Projected state yield: 174 bu.
Use Default Yield

2009 Marketing Year Average (MYA) Price

Month	Forecast	Price	Weight	Price info
Sept	Actual	3.25	5%	
Oct	Actual	3.61	9%	
Nov	Actual	3.63	12%	
Dec	Forecast	3.75	9%	
Jan	Forecast	3.70	13%	
Feb	Forecast	3.71	6%	
Mar	Forecast	3.72	10%	
Apr	Forecast	3.81	7%	
May	Forecast	3.81	9%	
June	Forecast	3.68	7%	
July	Forecast	3.91	7%	
Aug	Forecast	4.08	6%	wt = 1 - sum of wghts

Estimated MYA price **\$3.72**
(Weighted average of monthly prices)

Use Defaults

2009 State Revenue

State revenue **\$648 per acre**
\$648 = 174 bu. state yield x \$3.72 MYA price

State ACRE Payment

State ACRE payment **\$0 per acre**
No payment because state revenue is greater than state guarantee
A state ACRE payment will occur if remaining forecast prices are below \$3.71

ACRE Triggers

Two triggers must be met before a farm can receive an ACRE payment.

1. State revenue must be less than the state guarantee
State guarantee (\$639) is greater than state rev. (\$648)
State trigger is not met
2. Farm revenue must be less than farm benchmark rev.
Farm revenue (\$648) is less than farm bench. rev. (\$730)
Farm trigger is not met

This farm is not eligible for ACRE payments

Farm ACRE Payment

Farm ACRE Payment **\$0 per acre**

Credits

This worksheet is available for download from the FAST section of farmdoc: www.farmdoc.illinois.edu/fasttools

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State revenue equals the state yield times the market year average (MYA) price. At this point, neither the state yield and MYA price is known with certainty. The *Acre Payment Estimator* projects both state yield and MYA price. State yields are projected using estimates released by the National Agricultural Statistical Service. MYA price is estimated

with a combination of actual monthly and forecast prices, weighted by historical marketings. A forecast price equals futures price traded on the Chicago Board of Trade minus historical basis.

Through time, estimates of state yields and MYA prices will be updated as new information becomes available. Users of the Acre Payment Estimator can update these estimates by clicking on the "Update Database" button located at the top of screen of the *ACRE Payment Estimator* (see Figure 1). Clicking this button will pull data from the *farmdoc* website and put it in the *ACRE Payment Estimator*. The date that the data were updated on *farmdoc* will be indicated in the "State and Crop Choice" box. In the example in Figure 1, data were updated on "12/17/2009". The database on *farmdoc* will be updated at least monthly.

Users can adjust state ACRE payments to their farm situation by entering their farm yields (left side of Figure 1). The spreadsheet to check that the farm meets the two criteria necessary to meet ACRE payments: 1) state revenue must be less than a state guarantee and 2) farm revenue must be less than a farm trigger. If both triggers are met, the ACRE Payment Estimator will project the farm ACRE payment.

State ACRE Payment Estimates

The *ACRE Payment Estimator* was used to project state ACRE payments for states in the Midwest using data and futures prices available on December 17, 2009. For corn, the state ACRE payment for Illinois is projected to be \$0 per acre (see Figure 1). Using December 17th information, Illinois' state yields is projected at 174 bushels per acre and the estimated MYA price is \$3.72, yielding state revenue of \$648 per acre. The \$648 state revenue is above the \$639 state guarantee, indicating that an ACRE payment will not occur. For corn, remaining monthly prices must average below \$3.71 before an ACRE payment is received. Given that \$3.71 break-even price is close to current market prices, there is a chance that prices decline, yielding an ACRE payment. Currently, all Midwest states have a forecast state ACRE payment of \$0 (see Table 1).

Table 1. Estimated 2009 State ACRE Payments and Break Prices, December 2009.

	Crop		
	Corn	Soybeans	Wheat
Panel A. Forecast 2009 State ACRE payment			
	\$ per acre		
Illinois	0	0	90
Indiana	0	0	66
Iowa	0	0	75
Minnesota	0	0	65
Missouri	0	0	68
Ohio	0	0	40
Panel B. ACRE payment occurs if remaining monthly prices average below:			
	\$ per bushel		
Illinois	3.71	9.41	9.73
Indiana	3.50	9.46	7.99
Iowa	3.45	8.63	10.09
Minnesota	3.45	8.83	8.85
Missouri	3.40	6.91	9.18
Ohio	3.29	8.20	6.55

For soybeans, ACRE payments in Midwest states are forecast at \$0 per acre (see Table 1). In Illinois, ACRE payments will occur if remaining monthly prices average below \$9.41. In Illinois, a state ACRE payment of \$90 per acre is projected for wheat. Remaining prices need to average below \$9.73 for an ACRE payment to occur. An ACRE payment for wheat is almost certain. All states in the Midwest are projected to have wheat ACRE payments (see Table 1).

Summary

A new FAST spreadsheet, entitled the ACRE Payment Estimator has been released. This tool can be used to estimate 2009 ACRE payments. Currently, ACRE payments are not projected for corn and soybeans. Large ACRE payments will be made for wheat. Updating the database in the ACRE Payment Estimator throughout the cropping year will provide forecasts based on up-to-date yield and prices.

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