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2008 SURE WINDOW CLOSES SEPTEMBER 30

The Supplemental Revenue Assistance Payments Program, or SURE, is a standing disaster assistance program instituted as part of the 2008 Farm Bill. Payments under the program will be received. This program was instituted in 2008 for the first time. SURE has made large payments, in some cases approaching \$50 per acre.

The Farm Service Agency (FSA) announced that the last day farmers can sign up for the 2008 SURE is September 30th, 2010. In an August 2nd FSA press release, producers were encouraged "to visit their FSA county office to file a 2008 SURE program payment application no later than September 30, 2010."

Estimates made using Illinois Farm Business Farm Management data indicate that about 10% of Illinois producers will be eligible for SURE payments. While the chance of receiving a payment is low, it still may be worth signing up for the 2008 program because of the large payments that can result from SURE

Eligibility for 2008 SURE Program

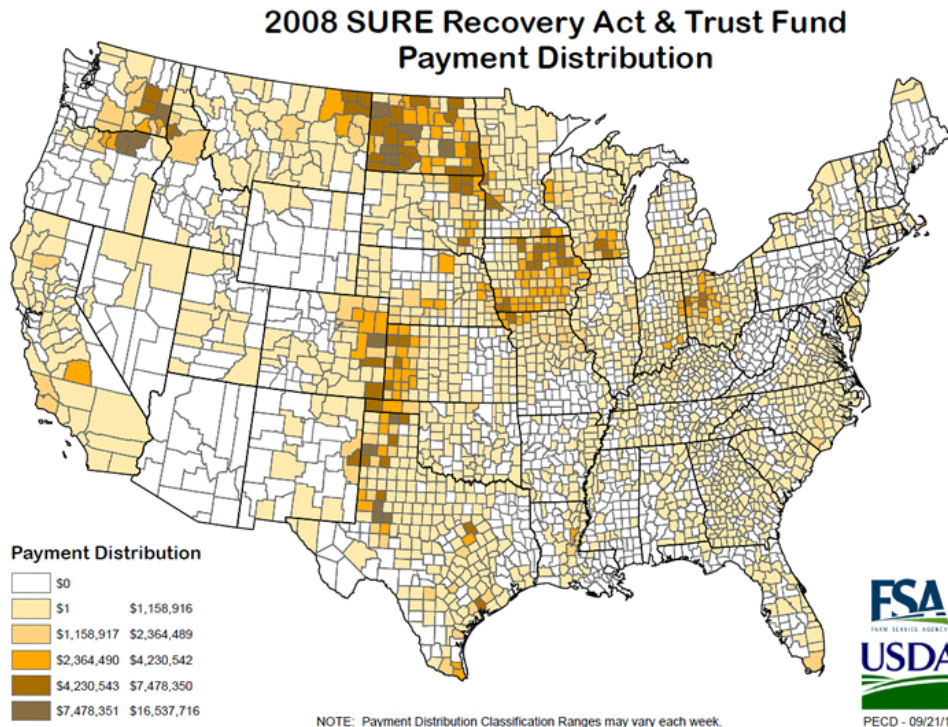
SURE is a whole farm program, covering all acres. To be eligible for the 2008 SURE program, a farm must meet the following five criteria:

1. Gross income as reported to the Internal Revenue Service must be less than \$2.5 million, unless 75% of the income comes from agriculture.
2. Purchase crop insurance for all economically significant crops in 2008. An economically significant crop is one that contributes at least 5% towards gross revenue. Note that pasture does not count in SURE requirements.
3. Farm in a county that is designated or is adjacent to a county designated as a disaster area in 2008. For Illinois, all but the following seven counties were eligible for 2008 disaster payments: Cook, DuPage, Grundy, Kendall, Marshall, Putnam, and Will.
4. SURE revenue must be less than the SURE guarantee. SURE is a whole farm program, hence the guarantee and revenue calculation are based on insurance guarantees and whole farm production, respectively. While 2008 was generally viewed as a good income year, a quirk in calculations causes many farmers to have SURE revenue less than the SURE guarantee. Base prices (i.e., \$5.40 for corn and \$13.36 for soybean in 2008) are used in guarantee calculation while season average prices (\$4.05 for corn and \$10.00 for soybeans) are used in revenue calculation. Because base prices for corn and soybeans are significantly above season average prices, the majority of farms have revenue less than the guarantee.
5. Experience a 10% yield loss on at least one crop. In most cases, Actual Production Yield (APH) yields are compared to actual yields when checking whether a farm met this criterion. Most farms had a good production year in 2008. As a result, many farmers will not receive 2008 SURE payments. We estimated that about 10% of the farms will meet this criterion. In many cases, soybeans are the crop that causes this criterion to be met.

To summarize, most farms in Illinois will not receive SURE payments because they did not have a 10% yield loss on one crop. While the chances are low, it may be worth considering signing up for SURE, given that payments can be large.

2008 Payments

The nearby map shows the geographical distribution of SURE payments. It was downloaded from the Farm Service Agency website (www.fsa.usda.gov) and is current as of September 21st, 2010. SURE payments will likely increase from those shown in this map as signup continues. As can be seen, darkly shaded counties receiving over \$2.3 million tend to be concentrated in Northwest (Washington), Great Plains (Texas, Oklahoma, Kansas, Nebraska, South Dakota, and North Dakota), Upper Midwest (Minnesota, and Wisconsin), Ohio, and Iowa. Iowa has more 2008 SURE payments than Illinois because Iowa had lower 2008 yields as compared to Illinois.



Commentary on Multiple Criteria

SURE is a complex program in which multiple criteria have to be met before a farm is eligible for payments. While there may be good policy reasons for multiple criteria, there are a number of issues with programs with multiple criteria. Multiple criteria cause a SURE to have a "roulette wheel" nature. In Illinois in 2008, one bushel of yield could cause the difference between a large SURE payment and no payment. Hence, one bushel – which generally would not make much difference in income – could cause farms to have dramatically different incomes after considering the SURE program payments in revenue. Whether or not this is fair is an open question.

Multiple criteria also reduce the safety net offered by a program. If revenue is of concern, then that should be the criteria used in making program payments. The existence of other criteria reduces the ability of farmers to count on the revenue safety net. For SURE, a farm could have low revenue but not have a 10% yield loss. In this case, SURE would not make a payment.

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2008 SURE Recovery Act & Trust Fund Payment Distribution

