

# ACRE

2008 Farm Bill Information  
Webcast  
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## Average Crop Revenue Election (ACRE)

- ACRE is a revenue-based counter-cyclical payment program
  - Based on state and farm-level yields per planted acre and national prices
- Producers choose between the current price-based counter-cyclical payment (CCP) program and ACRE

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## Farmer Choice

- Starting in 2009, producers will be given the option of choosing ACRE or not
  - Can choose to start ACRE in 2009, 2010, or beyond
  - Once you're in ACRE, you stay in ACRE until the next farm bill
  - If you sign up for ACRE, you must do so for all eligible crops
  - Deadline for sign-up, Aug. 14 (this year)
- Producers choosing ACRE agree to 20% decline in direct payments and 30% decline in loan rates

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## ACRE Settings

- ACRE is based on planted acres
- Total acres eligible for ACRE payments limited to total number of base acres on the farm
- Farmers may choose which planted acres are enrolled in ACRE when total base area is exceeded (choice needs to be made by Sept. 30)

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## ACRE Set-up for Iowa Soybeans

Year	Yield per Planted Acre (bu./acre)	Year	Season-average Price (\$/bu.)
2004	49.0	2007	10.10
2005	52.0	2008	10.00
2006	50.5	Average	10.05
2007	52.0		
2008	45.5		
Olympic Average	50.5		

The 2008 yield and price are USDA's May 2009 estimates.

So the expected state yield would be 50.5 bushels per acre and the ACRE price guarantee would be \$10.05 per bushel.

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## ACRE Structure

- ACRE revenue guarantee =  $90\% * \text{ACRE price guarantee} * \text{Expected state yield}$ 
  - For our example, the ACRE revenue guarantee is  $90\% * \$10.05/\text{bu.} * 50.5 \text{ bu./acre}$
  - \$456.77/acre
- ACRE actual revenue =  $\text{Max}(\text{Season-average price, ACRE Loan rate}) * \text{Actual state yield per planted acre}$

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## ACRE Structure

- ACRE Farm revenue trigger = Expected farm yield \* ACRE price guarantee + Producer-paid crop insurance premium
  - Let's assume farm yields equal to state yields and use the average producer-paid crop insurance premium for 2008
  - $50.5 \text{ bu./acre} * \$10.05/\text{bu.} + \$17.58/\text{acre}$
  - $\$525.11/\text{acre}$

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## ACRE Payment Triggers

- ACRE actual farm revenue =  $\text{Max}(\text{Season-average price, ACRE Loan rate}) * \text{Actual farm yield per planted acre}$
- Given our example, ACRE payments are triggered when ACRE actual revenue is below  $\$456.77/\text{acre}$  and ACRE actual farm revenue is below  $\$525.11/\text{acre}$

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## ACRE Payments

- Payment rate =  $\text{Min}(\text{ACRE revenue guarantee} - \text{ACRE actual revenue}, 25\% * \text{ACRE revenue guarantee})$
- Payments made on 83.3% of planted acres in 2009-11, 85% in 2012 (up to total base acres)
- ACRE payment adjustment: Payment multiplied by ratio of Expected farm yield to Expected state yield

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## ACRE Payment Timing

- Payments can begin as soon as practicable possible after the end of the marketing year
  - So 2009 ACRE payments could start to be paid out in October 2010
  - There are no provisions for advance payments
  - You can still get an advance on direct payments

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## Example (continued)

- ACRE Payment \$26.55
  - $\text{Min}(25\% * \$456.77, \$456.77 - \$427.50)$ 
    - \* (55 bu/acre / 50.5 bu/acre)
    - \* 83.3%

## Looking Beyond 2009

- The ACRE revenue guarantee is updated each year using the same rules
  - 5 year Olympic average for yields
  - 2 year average for prices
- But the ACRE revenue guarantee can not change by more than 10 percent (up or down) from year to year
  - So if the 2009 ACRE revenue guarantee is \$456.77, then the 2010 ACRE revenue guarantee must be between \$411.09 and \$502.45

## You Don't Have to Decide Today

- ACRE signup started in April, will end in August
- Preliminary ACRE information and tools are available at:

<http://www.extension.iastate.edu/agdm/crops/html/a1-45.html>

<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=dccp&topic=landing>

<http://www.farmdoc.uiuc.edu/fasttools/index.asp>

## Forms and Records

- Forms
  - Election: CCC-509 ACRE (fill out once)
  - Enrollment: CCC-509 (fill out each year)
  - If you do not fill out the enrollment paperwork, you are not in the program
  - All producers, including landowners, must sign the election form
- Records
  - Must annually report acreage and production to FSA
  - In proving historical farm yields, producers must present production records for continuous years (no gaps are allowed)

# Forms and Records

## ➤ Records

- The farm yields will be the higher of the proven farm yield or 95% of the county average yield determined by FSA (NASS county production/FSA county acreage)
- Zero production reports are allowed
- Crop insurance and NAP production reports will work
- Commercial receipts, settlement sheets, warehouse ledger sheets that are reliable and/or verifiable will work
- Loan and LDP records will work
- Production data for 2009 needs to be turned in by June 30, 2010

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# Example of Production Records

Yield #	Year	Production	Acres	Yield	Yield #	Year	Production	Acres	Yield
25.0					38.0				
Prd Type*	99 A	3819.4	32.0	119.0	Prd Type*	99			
	00 Z	-	0.0	-		00			
T/D Yield	01 A	1867.6	14.0	133.0	T/D Yield	01			
	163.0 02 Z	-	0.0	-		163.0 02			
PY Yield	03 A	2843.0	22.5	126.0	PY Yield	03			
	148.0 04 Z	-	0.0	-		154.0 04 L	0.0	0.0	169.0
Guarantee	05 A 0	1952.1	10.0	195.0	Guarantee	05 L	0.0	0.0	169.0
	125.8 06 Z	-	0.0	-		130.9 06 P L	4289.3	55.3	78.0
	07 A	1653.3	10.0	165.0		07 A	9827.7	55.3	178.0
	08 Z	-	0.0	-		08 Z	-	0.0	-
Inspection	Yield	Yrs	*Prelim Yield	Inspection	Yield	Yrs	*Prelim Yield		
Added Land	738.0 ÷ 5 =		148.0	X Added Land	594.0 ÷ 4 =		149.0		
PL 05/31/2009	Approved Yield		148.0	PL 05/31/2009	Approved Yield		154.0		
Planted Acres	Uninsurable Acres	Plant Date	Prevented Acres	Planted Acres	Uninsurable Acres	Plant Date	Prevented Acres		
	High Risk Acres				High Risk Acres				
	High Risk Area				High Risk Area				
Remarks / Other Entities	SC 03/16/09 PR 04/29/09 AR 06/30/09			Remarks / Other Entities	SC 03/16/09 PR 04/29/09 AR 06/30/09				
Z, Zero Acres				OPTIONS: EUYA	Z, Zero Acres				
Enterprise Unit				ADDED LAND 2006					
				60% YA Plng, 06T=169					

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Thanks for your time!

Any questions?

My web site:

<http://www.econ.iastate.edu/faculty/hart/>

Iowa Farm Outlook:

<http://www.econ.iastate.edu/outreach/agriculture/periodicals/ifo/>

Ag Decision Maker:

<http://www.extension.iastate.edu/agdm/>