Farm Bill Webcast, Questions and Answers plus more

Important note: the information presented in the webcast and in this document is for educational purposes. Please be sure to check out all the details and questions with your county FSA office before taking any action.

Following are the questions with answers from the educational webcast held on the evening of June 15.

When you mention contributions of 50 %, that is 50 % of what? If one partner does 60 % of the work and the other one does 40 %, does that present a problem or some kind of reduction?

A: Significant Contribution means doing at least "half" (50%) of what is required to be done for the farming operation compared to your share of the general partnership for the specific item such as Labor. In other words, if you have a general partnership made up of 50% you and 50% your brother, then a significant contribution of Active Personal Labor would be 25% for you and 25% for your brother, totaling 50% for the general partnership. In your example, both partners are contributing 50% of the required Active Personal Labor with respect to their "share" in the general partnership, thus no reduction would be needed and no problem exists.

Comment: So we now have to take our tax returns in to sign up.

A: No, there is no requirement to provide copies of your tax returns to prove you meet the Adjusted Gross Income requirements. Producers have two choices. First, complete a CCC-926 form at your local FSA office. This is a "self certification" and no documents required to be submitted at that time. Second, a "certified" statement from an Attorney or CPA stating whether you meet or exceed the three new AGI limits. For this option contact your local FSA office for the specific information that must be included in the statement. There will be a spot-check requirement provided in the future as to what documents will be required for you to provide. Again, tax returns do not have to be provided at the time of signup. You can "self certify."

Is AGI on line 37 on the 1040?

A: You are correct for an individual it would be line 37 on the IRS form 1040.

Verify: Landowner, including entities can hire both labor and management and still qualify for 100% of DCP or ACRE?

A: "Landowner Exemption" means the landowner shall be considered "actively engaged" in farming with respect to the owned land. The landowner does not have to provide Active Personal Labor and/or Active Personal Management to be eligible for program benefits. Remember the landowner exemption only applies to the individuals or entities owning the land and the land contribution is commensurate with their requested share. It does not apply to individuals who own the land and then form a corporation that farms the land.

Is a landowner subject to AGI?

A: Yes, landowners are subject to the Adjusted Gross Income provisions as well if receiving benefits.

If you become ineligible for the DCP because of the AGI restrictions, can you become eligible the following year - or are you ineligible for longer than one year?

A: A new AGI certification is completed each year and looks at different years. Example: 2009 AGI requirement is met by averaging 2005, 2006 and 2007. For 2010 the AGI requirement is met by averaging 2006, 2007 and 2008. If the average falls below the requirements for 2010, then you would become eligible for that year. Again, producers will complete a new AGI certification each year through 2012. So, you could be ineligible for 2009 and then become eligible for 2010.

What is the price guarantee for corn?

A: The price used to set the ACRE revenue guarantee is a two-year average of USDA's national season-average prices for corn. For the 2009 crop year, the average is taken from the 2007 and 2008 corn prices. The 2007 national season-average corn price is $4.20 per bushel. The 2008 national season-average corn price is still being determined; the 2008 corn marketing year ends August 31, 2009. The most recent estimate for 2008 is $4.20 per bushel. Thus, based on current data, the price used in the ACRE revenue guarantee is $4.20 per bushel, the average of 2007 ($4.20) and 2008 ($4.20).

How does ACRE effect seed corn and popcorn?

A: Seed Corn is considered a covered commodity, however, popcorn is not considered a covered commodity and would not be eligible for ACRE payments.

Comment: RMA uses certified acres only.

A: RMA should use FSA certified acres, however, that is not always the case and that is why, when calculating yields using RMA data we are only looking at the production from the unit not the RMA acres. (Also, RMA has different rules for prevented planting acreage versus FSA rules).

What happens if you have not sold the 2009 crop by June 30 2010?

A: If you have crop insurance you would be required to "certify" your production by a certain deadline even if the crop was not sold by that date. ACRE requires the same certification and does not require the production evidence to be submitted until June 30, 2010. Producers must "certify" their production on form FSA-658 by the deadline of June 30, 2010. Spot-check procedures have not been written.

If a 10% shareholder can't show direct involvement, how would the corporation's payments be affected if the corp. owns 75% of land and rents 25% of land?

A: FSA software is currently being developed to calculate this type of situation and will be issued prior to final Direct payments in October. The calculation should be 75% + 22.5% (25% X 90%) = 97.5% of the total payments eligible for the entity.

Comment: Aug. 14 to sign up, but now we have to prove yields by June 30?

A: For the 2009 year, the deadline to elect and enroll into ACRE is August 14, 2009. However, producers have until June 30, 2010, to "certify" their production for both the five year history and the 2009 program year. So producers have this summer to sign up and a full year to prove yields.

What price are you assuming for the starting price in your graph?

A. The starting prices for the ACRE Payout Pattern graph were the initial estimated ACRE program guarantee prices: $4.20 for corn and $10.05 for soybeans.

How many times has the state trigger been met in last 15 years?

A. We can not say exactly how many times the ACRE trigger has been met over the last 15 years. Some of the data needed to compute that has not been released, but using available USDA-NASS data for Iowa corn and soybeans, we find that the state trigger has been met roughly 25% of the time.

What if your base acre is 79% or less? Is this program for me?

A. If your base area is 79% or less of your planted area, then you have the potential to receive ACRE payments on all of your base area since it is less than 83.3% of your planted area. In this case, you are eligible for CCP payments on 83.3% of your base area or eligible for ACRE payments on 100% of your base area. This situation implies that ACRE may be more attractive to you as you have the potential to get payments on a larger number of acres.

If my area triggers a payment and the state does not trigger a payment, there will be no payment, correct?

A. Correct, the state must first trigger before any producers in that state can receive a payment.

How did you figure the probability of a payment?

A. Probability was estimated by using historic price and yield variation trends. In other words, if prices and yields were at a similar level over the past 15 years as today, what might we expect the probability of a payout to be. The historical price and yield variations were used to create simulations of future crop price and yields. Given these simulations, we computed the potential ACRE payment in each simulation. The probability of an ACRE payment is the number of simulations with a positive ACRE payment divided by the total number of simulations.

Generally should newly rented farms w/o APH available be enrolled in ACRE?

A. The lack of previous yield or production information on the farm means that the new producer on the farm will need to use the plug yields (95% of the county average yield) in the farm ACRE trigger. If the plug yields are below what the producer expects to yield on the farm, then this would make the ACRE program less attractive to the producer. However, if the plug yields are above the producer's yield expectation, the opposite is true. The choice of whether to enroll in ACRE or not is an individual one. There is no right or wrong answer as both the ACRE and CCP programs are providing a safety net to producers.

What months are used to figure price?

A. The price is an annual price, averaged from Sept. to Aug.

Is the price similar to the price used for current farm programs?

A. The effective CCP target prices for corn and soybeans are $2.35 and $5.36 per bushel respectively. The ACRE prices for corn and soybeans, based on current data, are $4.20 and $10.05 per bushel respectively. So the ACRE prices are significantly higher than the prices used in current farm programs.

At very low prices, $2.00 corn, have you figured in lost LDP/CCP payments in costs when figuring probability of positive returns?

A. Yes, the total give up of CCP and 30% give up in LDP was considered in the analysis. Consider that in order to drop corn price back to $2.00 the market would need to reduce by over 50% from the national 2-year average price which is greater than $4.00 (using the June USDA 2008/2009 forecast of 4.20). If the price drops by that much ACRE will pay very well in the first year. The second year, if yield stays the same to higher, the lowest the national price guarantee would be $3.78 (due to the restriction which will only allow a maximum of 10% up or down in consecutive years). Therefore, ACRE would pay well over the next two years. In our analysis, this offsets any give up from LDP and CCP. In addition, if the price drops lower but not low enough to trigger LDP or CCP, say $2.60 – $3.00, ACRE still has a good chance of paying well while CCP and LDP will not pay. In fact, the larger risk for ACRE signup may be a steadily increasing price with little volatility.

Comment: My ground is above average yet I have to wait on a state trigger, so ACRE not good from that standpoint.

A. The key comparison for ACRE signup is farm variation compared to historic Olympic farm average yield. In addition, how correlated is the farm to state yield from year to year. In order to meet the second trigger or “Farm Trigger” the actual farm revenue is compared against planted acres X two year national price + per acre crop insurance premium. Therefore, the level of yield as it compares to state or county does not matter. However, the amount of yield variation on the farm as well as the correlation of that variation to the state yield variation will be very important.

Remember, ACRE has two triggers. The state trigger is compared against the actual state revenue and the farm trigger is compared against the actual farm revenue (as computed by the formulas). The farm trigger builds in the higher yields you have produced on your farm, so the yield difference between your farm and the state does not affect the ability of the ACRE program to work for you. The key variable is actually your farm yield variability. As long as your farm yields move with state yields (if your farm yields are higher, the state’s are as well, etc.), then ACRE will work for you. And given the ACRE payment adjustment formula, higher yielding producers will receive larger payments when ACRE payments are triggered.

What if prices go to $1.50 corn, above the adjusted loan, but below the existing loan.

A. In this case, both ACRE and the current set of farm programs will provide sizable payments to producers. The set of programs that would provide the highest payments depends on the individual farm situation. With a price of $1.50 per bushel for corn, a producer in the ACRE program would likely receive the maximum ACRE payment (given current prices) but would not be able to obtain LDPs because prices still exceed the adjusted loan rate. A producer in the current set of farm programs (CCP) would receive the maximum CCP payment and LDPs based on the existing loan rate. In simulations for Iowa corn and soybeans, the payments under the two sets of programs are fairly close together. But if prices increase towards and above the existing loan rate, ACRE has the advantage.