



Learning for life

Overview of ACRE for 2009

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Key Points

- ACRE signup deadline is **August 14, 2009**.
- Announced changes regarding silage have improved ACRE for Wisconsin farmers.
- Start the ACRE election and enrollment process early. Do not wait until the end.

The Average Crop Revenue Election (ACRE) program was created by the 2008 Farm Bill as an alternative commodity support program for farmers. Farmers across the nation are considering ACRE now that the August 14, 2009 signup deadline has been announced. This fact sheet quickly overviews ACRE for Wisconsin farmers, emphasizing key points, and tells them where to go for more information. A companion fact sheet outlines some of the benefits of ACRE and gives farmers some points to think about when considering ACRE this year.

The ACRE Concept

ACRE provides revenue support for enrolled farmers, versus the price support provided by the existing Direct and Counter-cyclical Payments (DCP) program. Farmers eligible for the DCP program can elect ACRE and enroll standard program crops, such as corn, soybeans, wheat, and oats. In return for being eligible to receive ACRE payments, choosing ACRE requires that the farm give up 20% of its direct payments, all counter-cyclical payments, and use loan rates equal to 70% of their current levels. ACRE payments are kind of like a GRIP crop revenue insurance policy with a premium equal to 20% of direct payments. However, there are significant differences—guaranteed revenue is at the state (not county) level, and farmers must demonstrate that they also have a loss (unlike GRIP). Finally, the prices and yields for determining guarantees differ from GRIP.

ACRE payments are structured somewhat like a revenue insurance indemnity. If actual state revenue falls below 90% of its long run average, farmers will receive ACRE payments that make up for the revenue shortfall. More specifically, to receive ACRE payments for an enrolled crop, two triggers must be met. First, the state's actual revenue must fall below the state's ACRE guarantee. Second, the farm's actual revenue must fall below the farm's ACRE guarantee. The state guarantee is 90% of the average state yield times the average national marketing year price and actual revenue is the actual state yield times the actual national marketing year price. However, calculation of average yields and prices is not a simple process.

State ACRE Guarantees

The state average yield is the Olympic average of the state average yield per planted acre for the last five years as reported by NASS. A 5-year Olympic average drops the highest and lowest yield and averages the remaining three yields. A key improvement for state corn yields is that FSA uses a process that adjusts state corn yields to correct for the fact that 25-30% of Wisconsin planted acres for corn are harvested corn silage, not grain. Originally, it seemed as though these silage acres would count as planted acres for determining state average yields, but this is not the

case. Thus, the official state benchmark yield for corn under ACRE is 138 bu/ac, much better than the 108 bu/ac that would have been the case without the silage adjustment. The 2009 ACRE benchmark yield is 39 bu/ac for soybeans, 61.9 bu/ac for wheat, and 64 bu/ac for oats.

The ACRE price for determining guarantees is the 2--year average of the national marketing year price. For corn and soybeans, the marketing year is September 1 of the harvest year to August 31 of the following year. Thus the ACRE price to determine guarantees for 2009 is the average of corn and soybean prices from September 2007 through August 2009. Thus, prices are set for all but the final two months, so it is clear that the ACRE prices for 2009 guarantees will be around \$4/bu for corn and around \$10/bu for soybeans. With these prices and announced ACRE benchmark yields, the state ACRE guarantees for Wisconsin will be around \$500/ac for corn and around \$350/ac for soybeans. Note that after 2009, the state ACRE revenue guarantee cannot change more than 10% from the previous year.

Farm ACRE Guarantees

ACRE uses the same prices for the farm guarantee as for the state guarantee, and so for 2009 these prices will be around \$4/bu for corn and around \$10/bu for soybeans. However, the yields for determining ACRE farm guarantees will be the farm's own yields and the 5-year Olympic average of yields for 2004 to 2008. Thus, farmers enrolling in ACRE will need to establish their farm yields based on their production records. Farmers with crop insurance will typically have adequate records for this, though adjustments may be needed, since farms as defined by FSA may not exactly match the borders of insured units. For farms without adequate production records, FSA will use yield "plugs" for each year equal to 95% of the county average yield. When enrolling crops in ACRE, farm yields to establish ACRE guarantees will use the larger of a farm's actual yield that year and the FSA yield plug. Each year, enrolled farmers will report actual production and these records will be used for subsequent ACRE yield calculations, replacing a yield plug, so that eventually, farmers will be completely weaned from yield plugs.

For farms growing silage, FSA has developed rules for determining reasonable grain equivalents for various types of corn silage, high moisture corn, and similar. For example, farmers with both grain and silage production may be able to carry over their grain yields to their silage acres. However, a key new requirement of the ACRE program will be keeping adequate production records, including for silage, not just acreage as under previous programs administered by FSA.

The farm ACRE guarantee is the farm's benchmark yield times the 2-year national average price (the same as for the state guarantee), plus the crop insurance premium paid per acre by the farm.

Electing and Enrolling in ACRE

Electing and enrolling in ACRE is a two step process. First, all producers for a farm (as FSA defines farms) must sign the ACRE election form, because ACRE is an irrevocable choice. Once a farm has elected ACRE, it is in ACRE for at least the life of this Farm Bill. Pick up this election form from your county FSA office and clarify who must sign it.

Once a farm has elected ACRE, then the operator works with the FSA office to enroll crops in ACRE. Crops are enrolled by the acres planted or considered planted (i.e., prevented planting acres are considered planted), not by base acres. Because enrollment requires establishing farm

yields and planted acres for each enrolled crop, which may entail special calculations for silage and similar, it is best to start this process now. If you are considering ACRE, it may make sense to get the election form signed and even start filling out the ACRE enrollment form, then only turn in the forms if you finally decide to elect and enroll in ACRE. Do not wait until the final days to start the process, as you may not have time to finish.

ACRE Payments

If both the state and the farm level triggers are met, the farm is then eligible for ACRE payments. ACRE payments equals 83.3% of planted acres for the crop times the ratio of farm's benchmark yield to the state benchmark yield (to adjust for different productivity between the farm and the state) times the state revenue shortfall (the state ACRE guarantee minus the actual state revenue). Other limits apply—ACRE payments cannot be received for more acres than a farm's base acres, regardless of the acres and crops planted. Also, the state revenue shortfall cannot exceed 25% of the state ACRE revenue guarantee.

Since actual prices must be established to determine if ACRE payments are due, the marketing year must be completed, which is August 31 of the year after the harvest. FSA will officially announce ACRE payments in mid-October of each year. Thus, for example, farmers will not receive any ACRE payments for the 2009 crop currently in the ground until sometime in late October of 2010. This timing of ACRE payments is the same as for counter cyclical payments.

Additional Resources

Thinking about ACRE for 2009: http://www.aae.wisc.edu/mitchell/ACRE_Thinking.pdf

A companion fact sheet outlining some of the benefits of ACRE and giving points for Wisconsin farmers to consider as they make their decision.

Official USDA-FSA ACRE web page: <http://www.fsa.usda.gov/dcp/>

Contains many official documents, as well as useful aids. I highlight two below, but the page has several other useful documents. Contact your county FSA office for printed copies.

ACRE Fact Sheet: Useful and easy to read four page fact sheet.

ACRE Calculator Spreadsheet: Excel spreadsheet that allows you to enter the facts for your farm (base acres, program yields, farm yields, etc.) and assumptions for next year's prices and yields to compare ACRE to DCP payments for your farm.

Contact the author for questions related to these fact sheets. I will answer your question as best I can, or, if I can't, point you in the right direction.

Contact your county FSA office for more information regarding the specifics of ACRE for your farm, especially regarding establishment of farm benchmark yields and silage grain equivalents.

Contact your local UW Extension office for information regarding your county and help on using the ACRE Calculator Spreadsheet.