One of the most confusing aspects of the new Average Crop Revenue Election (ACRE) program is the need to collect historical farm-level yield information from program participants. While the size of ACRE payments is largely determined by a revenue index based on national price and state yield levels, farm-level performance is assessed to determine whether a producer is eligible for an ACRE payment. Specifically, a revenue index based on national prices and individual farm yields must fall below the farm’s benchmark revenue measure. A farm’s benchmark revenue is based on the moving 2-year average of national prices and a moving 5-year average of farm yields. Producers can also include the paid portion of their crop insurance premiums in their farm-level revenue benchmark.

This farm-level eligibility rule results in a number of implications for producers. First, farmers will be required to provide historical yield information for each farm they decide to enroll in the ACRE program, as well as yield information moving forward into future years. However, specific rules on the reporting requirements have yet to be released by the USDA. It is still unknown how issues related to documentation requirements and verification, crop rotations, or the lack of availability of historical information will be handled. The deadline for ACRE program elections for the 2009 crop year was recently pushed back from June 1st to August 14th to allow more time for this important decision once complete program rules have been announced.

Second, in any given year where ACRE payments are made for a given crop, not all producers in the state may be eligible to receive them. To quantify the likelihood of this situation arising in Illinois, an historical analysis of the ACRE program was conducted assuming it had been in place from 1977 through 2007. The results indicate that ACRE would have made payments on planted corn acres in Illinois in 10 out of the past 32 years, while payments on bean acres would have been made in 5 out of the past 32 years. Average payment amounts across all years, including those years with no payments, were $17/acre for corn and $6/acre for soybeans. Looking at just the years where ACRE payments occurred, corn producers would have received an average of $53/acre while soybean producers would have received $37/acre on average. However, because of the farm-level eligibility rule, anywhere from 10-20% of IL corn and soybean farmers would not have been eligible to receive ACRE payments in years they occurred. Purchasing crop insurance with a farmer-paid premium of $20/acre was found to cut the chances of being ineligible in half.
Finally, because ACRE payments can only be triggered when revenue losses are realized at the state-level, producers could experience farm-level yield or revenue losses without receiving support from the ACRE program. In this situation, producers who enroll in ACRE would have to rely primarily on any crop insurance indemnities they may be eligible to collect. Therefore farmers need to consider how closely their individual farm yields follow those at the state level when making their ACRE program decision, and be aware of the fact that ACRE is not a substitute for crop insurance.