Summary and Benefits of ACRE

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University of Illinois
Presentations

• 2008 FARM BILL: ACRE OVERVIEW
  – Doug Yoder, Illinois Farm Bureau

• ACRE ELECTION AND ENROLLMENT
  – Stan Wilson, Farm Service Agency, U.S. Department of Agriculture
Topics

1. Benefits (and costs) to ACRE
2. ACRE details
3. Sign-up process
ACRE Tradeoff

Give up 20% of Direct Payments for

ACRE Payments

Pays in 30% of years for corn
Pays in 15% of years for soybeans

Over time, average expected value of ACRE payments exceeds 20% direct payments
## Traditional Versus ACRE Program

<table>
<thead>
<tr>
<th></th>
<th>Traditional</th>
<th>ACRE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct Payments</strong></td>
<td>Full Payments</td>
<td>80% of Full</td>
</tr>
<tr>
<td><strong>Loan Payments</strong></td>
<td>Full Loan Rates</td>
<td>70% of Loan Rate</td>
</tr>
<tr>
<td>Loan deficiency</td>
<td>Corn - $1.95</td>
<td>Corn - $1.365</td>
</tr>
<tr>
<td>payments or marketing</td>
<td>Soybeans - $5.00</td>
<td>Soybeans - $3.50</td>
</tr>
<tr>
<td>loans</td>
<td>Wheat - $2.94</td>
<td>Wheat - $2.058</td>
</tr>
<tr>
<td><strong>Price (Revenue)</strong></td>
<td>Counter-Cyclical Program</td>
<td>ACRE Program</td>
</tr>
<tr>
<td>Program</td>
<td>Pays when national season average price is below</td>
<td>Pays when state revenue is below a guarantee.</td>
</tr>
<tr>
<td></td>
<td>Corn - $2.35</td>
<td>Guarantee depends on:</td>
</tr>
<tr>
<td></td>
<td>Soybeans - $5.36</td>
<td>5 previous state yields</td>
</tr>
<tr>
<td></td>
<td>Wheat - $3.40</td>
<td>2 season average prices</td>
</tr>
</tbody>
</table>
### Farm-Level ACRE Payments per Planted Acre

<table>
<thead>
<tr>
<th></th>
<th>Percent of Years State Trigger is Met&lt;sup&gt;1&lt;/sup&gt;</th>
<th>Payment in Years When They Occur&lt;sup&gt;2,3&lt;/sup&gt;</th>
<th>Average Payment Across All Years&lt;sup&gt;2,4&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>32%</td>
<td>$51</td>
<td>$17</td>
</tr>
<tr>
<td>Soybeans</td>
<td>16%</td>
<td>$41</td>
<td>$7</td>
</tr>
<tr>
<td>Wheat</td>
<td>25%</td>
<td>$51</td>
<td>$13</td>
</tr>
</tbody>
</table>

<sup>1</sup> Percent of years state trigger is met.

<sup>2</sup> Based on a farm having a historical yield equal to the state average.

<sup>3</sup> In the year a payment occurs, the average amount of the payment.

<sup>4</sup> Average payment in the year of the payment.
**ACRE Based on State Revenue**  
*(from ACRE FAST Tool on farmdoc)*

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**Calculation of Per Acre State Payment**

<table>
<thead>
<tr>
<th>Year</th>
<th>Illinois</th>
<th>Market-Olympic</th>
<th>2-year State</th>
<th>State ACRE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>179</td>
<td>2.06</td>
<td>2004</td>
<td>172 x 4.20 = 650</td>
</tr>
<tr>
<td>2005</td>
<td>143</td>
<td>2.00</td>
<td>2005</td>
<td>172 x 4.20 = 650</td>
</tr>
<tr>
<td>2006</td>
<td>163</td>
<td>3.04</td>
<td>2006</td>
<td>172 x 4.20 = 650</td>
</tr>
<tr>
<td>2007</td>
<td>175</td>
<td>4.20</td>
<td>2007</td>
<td>172 x 4.20 = 650</td>
</tr>
<tr>
<td>2008</td>
<td>177</td>
<td>4.20</td>
<td>2008</td>
<td>172 x 4.20 = 650</td>
</tr>
<tr>
<td>2009</td>
<td>167</td>
<td>3.50</td>
<td>2009</td>
<td>172 x 4.20 = 650</td>
</tr>
</tbody>
</table>

Panel A. Corn  
(All entries are made in shaded yellow boxes with blue lettering)
## 2009 State ACRE Payment, Corn, Illinois

<table>
<thead>
<tr>
<th>Yield (bu. per acre)</th>
<th>Season Average Price ($ per bu.)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$3.00</td>
<td>$3.50</td>
</tr>
<tr>
<td>147</td>
<td>$163</td>
<td>$136</td>
</tr>
<tr>
<td>157</td>
<td>163</td>
<td>101</td>
</tr>
<tr>
<td>167</td>
<td>149</td>
<td>66</td>
</tr>
<tr>
<td>177</td>
<td>119</td>
<td>31</td>
</tr>
</tbody>
</table>
## ACRE Based on State Revenue

*(from ACRE FAST Tool on farmdoc)*

### Calculation of Per Acre State Payment

<table>
<thead>
<tr>
<th>Year</th>
<th>Corn State Yield¹</th>
<th>Market-Olympic Year-Avg. Price²</th>
<th>Soybeans 2-year Average Yield³</th>
<th>5-year Guarantee Price⁴</th>
<th>Revenue⁵</th>
<th>Payment⁷</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>50</td>
<td>$/bu.</td>
<td>bu/acre</td>
<td>$/bu.</td>
<td>$/acre</td>
<td>$/acre</td>
</tr>
<tr>
<td>2005</td>
<td>47</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>48</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>44</td>
<td>10.10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>47</td>
<td>10.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>46</td>
<td>8.50</td>
<td>47</td>
<td>10.05</td>
<td>425</td>
<td>414</td>
</tr>
</tbody>
</table>

**Soybeans from ACRE Comparison Tool**

Microsoft Excel Spreadsheet

On [farmdoc](http://www.farmdoc.uiuc.edu)
ACRE Details

See also
Doug Yoder
2008 Farm Bill: ACRE Overview
Choice of Traditional and ACRE

- Starts with 2009 crop year
- Traditional programs are default
- If ACRE is chosen, that choice lasts through the life of the farm bill (through 2012)
- Choice on a FSA farm basis
ACRE Program

• ACRE based on a state-level revenue index for each program crop

• Payments are crop specific, but whole farm must be enrolled in ACRE
  – Cannot enroll corn base under ACRE and soybean base under traditional

• Revenue guarantee cannot change by more than 10% from previous year
  – 10% cups and caps
Two Triggers Before Payments

1. Actual *state* revenue must fall below state guarantee level
2. Actual *farm* revenue must fall below farm guarantee level (farm benchmark)

• Implications
  – ACRE could pay at state level and some farms may not get payments
## State Revenue Trigger

<table>
<thead>
<tr>
<th>State Guarantee</th>
</tr>
</thead>
<tbody>
<tr>
<td>.90</td>
</tr>
<tr>
<td>X</td>
</tr>
<tr>
<td>5-year Olympic Avg. State Yield (Planted Acre)</td>
</tr>
<tr>
<td>X</td>
</tr>
<tr>
<td>2-year U.S. Market Average Price</td>
</tr>
<tr>
<td>Capped at +/- 10% from previous year</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>State Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Yield (Planted Acre Basis)</td>
</tr>
<tr>
<td>X</td>
</tr>
<tr>
<td>U.S. Market Avg. Price</td>
</tr>
</tbody>
</table>

Must Exceed
Farm Revenue Trigger

Farm Guarantee

5-year Olympic Avg Farm Yield

x

2-year U.S. Market Average Price

+ 

Crop Insurance Premium

Farm Revenue

Farm Yield

x

U.S. Market Average Price

Implies that historical farm-level yield information will need to be provided.
ACRE Payment

If both triggers are met, then the payment will be:

Payment Acres

Planted acres
X .833 (.85 in 2012)
X State-level payment (state guarantee minus state revenue)
X Avg Historic Farm Yield / Avg Historic State Yield

Maximum state level payment is 25% of state guarantee

Sum across crops can not exceed base acres
Payment Limitations

With Traditional:
- Direct Payments: $40,000
- Counter-Cyclical Payments: $65,000

With ACRE:
- Direct Payments: $40,000 minus the amount of the reduction in direct payments under ACRE
- ACRE Payments: $65,000 plus the amount of the reduction in direct payments under ACRE

No payment limit on marketing loan program benefits (LDP's and MLG's)
Sign-Up Process

1. Sign-up for ACRE (August 14th)
2. Indicate priority crops (September 30th)
3. Update benchmark yields by production reporting date (July 2010 for corn and soybeans)

See Stan Wilson “Acre Election and Enrollment”
ACRE Signup

• For 2009, deadline is August 14th
  - Need to complete Form CCC - 509 ACRE

• All producers on a farm need to agree to switch to ACRE

• FSA farm unit basis

• After 2009, deadline will be June 1
Crop Priority

• Deadline September 30

• Determines which acres will receive priority for ACRE payments

• Only a concern if planted acres x 1.2 exceed base acres and more than one crop is planted
ACRE Payment

If both triggers are met, then the payment will be:

\[
\text{Payment Acres} = \text{Planted acres} \times 0.833 (0.85 \text{ in 2012})
\]

\[
\times \text{State-level payment (state guarantee minus state revenue)}
\]

\[
\times \frac{\text{Avg Historic Farm Yield}}{\text{Avg Historic State Yield}}
\]

Maximum state level payment is 25% of state guarantee
No Priority Example

- 60 base acres
- 100 planted acres:
  - Corn: 60 acres \((\text{max payment: } 60 \times 0.833 = 50 \text{ acres})\)
  - Soybeans: 40 acres \((\text{max pay. } 40 \times 0.833 = 33 \text{ acres})\)

- If no priority, ACRE payments received on:
  - 36 corn acres \((60 \text{ base acres} \times 60\% \text{ of planted acres})\)
  - 24 soybean acres \((60 \text{ base acres} \times 40\% \text{ of planted acres})\)
  - 60 payment acres \((36 \text{ corn} + 24 \text{ soybeans})\)

- If no corn ACRE payments, 36 corn acres get zero payment
Priority Example

• 60 base acres

• Planted acres:
  – Corn: 60 acres (max payment: 60 x .833 = 50 acres)
  – Soybeans: 40 acres (max pay. 40 x .833 = 33 acres)

• Priority
  – Corn is number 1
  – Soybeans is number 2

• Given the above priority, ACRE payments received on:
  – 50 corn acres (60 corn acres x .833)
  – 10 soybean acres (60 base acres - 50 corn acres)

• If corn has no ACRE payment and soybeans does, receive payments on 10 soybean acres
Priority

Best priority in Illinois in most years

1 – corn
2 – wheat
3 – soybeans

Can change priority each year
Production Evidence

- Yields from 2004 and 2008
- If no yield, can use 95% of county average yield
- Don’t need any production evidence
- If a break in yield history while crop has been planted, plug yields have to be used prior to break
## Example

**ACRE Program**

**Olympic Average Farm Yields**

<table>
<thead>
<tr>
<th>Year</th>
<th>Plug Corn Yield</th>
<th>No Corn Planted</th>
<th>Yield Available</th>
<th>Farm Used Yield</th>
<th>Source of Used Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>171.9</td>
<td>yes</td>
<td>yes</td>
<td>195</td>
<td>195.0</td>
</tr>
<tr>
<td>2005</td>
<td>155.8</td>
<td>no</td>
<td>yes</td>
<td></td>
<td>155.8</td>
</tr>
<tr>
<td>2006</td>
<td>171.0</td>
<td>yes</td>
<td>yes</td>
<td>180</td>
<td>180.0</td>
</tr>
<tr>
<td>2007</td>
<td>178.6</td>
<td>yes</td>
<td>yes</td>
<td>178</td>
<td>178.0</td>
</tr>
<tr>
<td>2008</td>
<td>165.8</td>
<td>yes</td>
<td>yes</td>
<td>185</td>
<td>185.0</td>
</tr>
</tbody>
</table>

**Olympic Average Farm Yield** 181.0

Olympic Average Using all County Plugs 169.6
Production Evidence

- Crop insurance history

- Commercial receipts, settlement sheets, warehouse ledger sheets, load summaries

- Truck sales or contemporaneous diaries (for grain fed to livestock)

- Loan and LDP records.
Summary

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