

ACRE For 2013



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Because the 2008 Farm Bill was extended for one more year, all farmers have the option to sign up for the ACRE (Average Crop Revenue Election) program at your county FSA office. Previous ACRE elections do not

matter. The deadline to sign up for ACRE is June 3, 2013; however, the deadline to sign up for the regular DCP program is August 2, 2013. Therefore, you have only a few weeks to decide if you want to choose the ACRE option.

Briefly, the ACRE program was initiated in the 2008 Farm Bill as a possible replacement of the traditional DCP programs of direct, counter-cyclical, and LDPs. Those who enroll in ACRE will have their loan rate and direct payments cut 30 percent and 20 percent, respectively.

The objective of ACRE is to issue program payments when both the state and farm revenues for each crop planted on the farm is less than the state and farm revenue guarantees. This differs from the traditional DCP program, which only issues program payments (counter-cyclical) when the national average seasonal cash price falls below a predetermined price. Therefore, ACRE can make program payments even in high revenue years.

Two revenue triggers must be met before an ACRE payment can be made, one on the state level and one on the farm level. First, the actual state revenue (state yield X national average price) must be less than the state revenue guarantee. The revenue guarantee is calculated by multiplying the average of the past 5 year's crop yields, excluding the high and low yields, by the average of the national average seasonal cash price for the past 2 years. In addition, the state revenue guarantee is multiplied by 90 percent. If the state revenue trigger is met, the farm must also trigger a payment, which means the farm's actual revenue for the crop must be less than the ACRE benchmark revenue for that crop. In most cases, but not all, if the state triggers an ACRE payment, the farm revenue will trigger a payment too.

The enrollment into ACRE is based on the FSA farm serial number. This gives the farmer and landowner flexibility in deciding which farms if any to enroll into ACRE.

Is ACRE a viable option for 2013?

With the outlook for increases in ending stocks and lower prices for corn and soybeans in the 2013-14 marketing year, an ACRE payment could be triggered. On May 10, USDA will issue their first supply and demand estimate for 2013-14 marketing year and will include their projections on prices. Some industry estimates for average prices for this marketing year include \$4.50 for corn, \$11.50 for soybeans, \$6.50 for wheat, and 75 cents for cotton.

In Missouri for corn, the state ACRE revenue guarantee for 2013 is projected at \$630/acre. If the state corn yield for 2013 equals the average

yield from 2004 – 2011 of 134 bushels/acre, an ACRE payment would be triggered if the national average corn price is \$4.70 or less.

Using the same yield criteria as in corn, the soybean yield would be of 39.1 bushels/acre and a state ACRE revenue guarantee of \$438/acre. The ACRE payment would be triggered if the average soybean price is \$11.20 or less.

For wheat with a \$283/acre state ACRE revenue guarantee and average yield of 47 bushels/acre, an ACRE payment would be triggered at \$6.02 or less.

The ACRE price trigger for grain sorghum is \$4.15 or less, based on the state ACRE revenue guarantee of \$361/acre and a yield of 87 bushels/acre. The ACRE cotton trigger price is 64 cents or less, based on a 989 pound yield and \$631 state ACRE revenue guarantee. Rice would trigger an ACRE payment at 12.2 cents/pound (\$5.49/bushel) or less based on a state ACRE revenue guarantee of \$791 and yield of 6,488 pounds/acre (144 bushels/acre).

At this time, an ACRE payment could be triggered in corn and slightly less probabilities for soybeans and wheat. If you are thinking about signing up for ACRE, I would suggest waiting until after May 10, to get USDA's price and yield projections. By waiting, you will also get a better idea on the acres planted, planting progress and conditions, and other updates on supply and demand.

In summary, it is important to remember, that by signing up for ACRE you will be forfeiting 20 percent of your direct payments for 2013. For corn, soybeans and wheat it will be in the \$3 - \$6/acre range. The prices and yields to calculate ACRE payments are based on the marketing year and not an individual month as in crop insurance. Therefore, you may not know if an ACRE payment will be made for over a year.

The final authority will be FSA. Therefore, contact your county FSA office, if you have any specific questions.

Below are links to resources that give more in-depth details on ACRE. In addition, University of Illinois has an excellent spreadsheet to estimate ACRE payments in 2013 for corn, soybeans, and wheat. If you would like assistance in evaluating the ACRE program for your farm, please let me know.

- University of Illinois article on ACRE for 2013

<http://farmdocdaily.illinois.edu/2013/04/release-2013-acre-payment-estimator.html>
<http://farmdocdaily.illinois.edu/pdf/fdd160413.pdf>

- University of Illinois ACRE spreadsheet
http://farmdoc.illinois.edu/pubs/FAST-tool_special_acrepay.asp

- University of Nebraska – Revisiting ACRE for 201 and 2013

http://agecon.unl.edu/c/document_library/get_file?uuid=bbae78ec-0301-405f-a921-c6b474ec167f&groupId=2369805& Δ

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