ACRE Program Could Be An Attractive Option For Producers

LEXINGTON, KY.

Farmers know each growing season poses its own risks and uncertainties. As producers try to predict and plan for potential risks for the upcoming year, they may want to look into Average Crop Revenue Election (ACRE), a new risk protection program created by the 2008 Farm Bill.

The ACRE program is available to producers of corn, soybeans, wheat, barley, upland cotton, oats, peanuts, pulse crops, rice, sorghum and other oil seeds.

Many of these farmers are aware of the traditional farm support programs that offer direct payments, counter-cyclical payments and marketing assistance loans if the price of a particular crop falls below a certain level. While these programs are based on price, ACRE is based on revenue, which includes price and yield.

"(ACRE) Payments are triggered when actual revenues are below the revenue guarantees at both the state and farm levels," said Greg Halich, agricultural economist in the University of Kentucky College of Agriculture.

In ACRE, revenue guarantees are based on a calculation that includes the average of U.S. cash prices from the previous two years and the average state yields for a crop in the past five years, minus the highest and lowest yield years. As a result, revenue guarantees will change each year but by no more than 10 percent from one year to the next. Therefore, the higher the previous two years' cash prices and state yields from the previous five years, the better chance a producer has to receive an ACRE payment.

"Potentially the most advantageous scenario for ACRE participation would be if grain prices fell dramatically," Halich said.

Farmers that participate in ACRE must not receive any counter-cyclical payments, forfeit 20 percent of the direct payments and have marketing assistance loan rates reduced by 30 percent from the traditional farm support program. However, with a 2009 corn target price at $2.63 a bushel and loan rate at $1.95 a bushel, few farmers are anticipating potential counter-cyclical or marketing loan payments. In this case, producers are effectively giving up 20 percent of their direct payments, or roughly $5 per acre. Halich said this cost is minimal considering the potential payouts if grain prices were to substantially drop.

Before enrolling in the program, producers should know that, in order to receive an ACRE payment, there must be revenue losses at both the state and farm levels. Also, ACRE is not a replacement for crop insurance, so farmers should continue to purchase insurance. The program's revenue guarantees actually offer premiums to producers with crop insurance.

"While ACRE does have some similarities to crop insurance, remember that there must be a state-level revenue loss for it to be triggered," Halich said. "Thus, a farmer could have a complete crop failure and potentially receive no ACRE payment."

Each growing season, there will be an opportunity for farmers to enroll in ACRE, but once farmers enroll, they must stay in the program for the duration of the 2008 Farm Bill, which ends after the 2012 crop year.

Beginning enrollment dates for the 2009 growing season have not been set for the ACRE program. However, a deadline of June 1 has been set for completed enrollment in all Farm Service Agency programs. Contact the local branch of the Farm Service Agency for more information on the ACRE program and for sign-up information. Δ