MU FAPRI Spreadsheet Aids Farmer Decision On ACRE Countercyclical Program In Farm Billl

COLUMBIA, MO.

Farmers thinking of signing up for the countercyclical revenue program in the 2008 farm bill should not give up in despair, said a University of Missouri economist.

While benefit calculations seem complex for ACRE (Average Crop Revenue Election), new software speeds the decision, said Peter Zimmel at the MU Food and Agricultural Policy Research Institute (FAPRI.)

MU economists built a spreadsheet, called FARM Tool, posted on the FAPRI Web site. Farmers can download the tool for use in their farm office, Zimmel said.

Benefits for signing up can be quite large, Zimmel told farmers at a Missouri Agricultural Outlook Conference in Jefferson City.

In repeated runs on FAPRI computers, ACRE payments came out ahead for corn, soybeans, wheat and sorghum, the most common crops in Missouri. Results for cotton and rice were not as favorable.

Farmers should decide on ACRE as they would on crop insurance, Zimmel said. "Compare the cost of giving up direct and countercyclical payments in the old farm bill with new benefits received in bad years."

A FAPRI analysis handed to U.S. Congress March 5 showed most Corn Belt states gain more from ACRE compared to the 2002 farm bill. "I can predict that no cotton farmer will want to sign up for ACRE," Zimmel said.

ACRE offers a revenue-based program for farmers hit by low farm returns. Farmers can decide to take part in the new program or stay with the crop-price-based program in the old farm bill.

Signup runs April 1 to June 1 at local U.S. Department of Agriculture Farm Service Agency offices. "Farmers will be deep in dirt, planting, during signup. They can start calculations now," Zimmel said.

While FSA has not published final rules, farmers can calculate alternatives, Zimmel said. Complex calculations are solved by the FAPRI FARM Tool. However, the ACRE program requires crop-yield history for crops grown for the past five years. Farmers must also enter their FSA farm unit ID numbers.

In the software, FAPRI asks producers to enter 10 years of crop yields, if available. "This gives a statistically stronger answer on the probability of payments under ACRE," Zimmel said.

Participation in ACRE is optional, Zimmel said. However, the whole FSA farm unit must be enrolled when a farmer decides to participate. Farmers can elect to enroll some FSA farm units and not all. In addition, the farm unit is signed up for the life of the farm bill. Enrollment by the landowner stays with the land if the farm is sold or rented.

ACRE payments take a two-step process. First, state revenue must fall below the state revenue guarantee. Second, the farm revenue must fall below ACRE benchmark revenues for that farm.

The state guarantee depends on a national average market price for the past two years multiplied by a five-year Olympic average yield per planted acre. An Olympic yield throws out the high- and low-yielding years in the five years. The farm benchmark is figured similarly: A two-year average national price times the producer's five-year Olympic yield, plus their crop insurance premium paid.

"When I explain these calculations in farm meetings," Zimmel said, "I see eyes begin to glaze."

Farmers should like the FAPRI FARM Tool, Zimmel added. All calculations are embedded in the FARM Tool.

There are several twists in the program. Yields are on planted, not harvested, acres. Payments will be on the smaller of 83.3 percent of planted acres or on total base acres for that FSA farm unit.

Each crop is calculated separately. As a result, some crops may pull the trigger while others do not in a given year.

Farmers do not have to sign up the first year, but can wait until anytime in the life of the farm bill. High crop prices in 2007 and 2008 seem to favor early participation, as a state revenue guarantee cannot change more than 10 percent, up or down, each year.

New state and farm levels will be calculated each year. Signups are required annually.

"FAPRI ACRE Risk Management Tool (FARM Tool) Users' Guide" and software are at www.fapri.missouri.edu. The tool is unique in two ways, Zimmel said. It offers whole-farm analysis. Also, it adds risk analysis to the simulations, based on the FAPRI 10-year baseline.

Zimmel and regional MU Extension specialists offer workshops across the state. In computer labs, producers can learn the tool by bringing their records and get help entering the data for one of their farm units. When they leave, they take home the spreadsheet with a start on their own operation.

The FARM Tool also works for five other states: Illinois, Indiana, Iowa, Minnesota and Ohio. States with high acreage of irrigated crops have not been entered.

FAPRI will update software as USDA issues new rules, Zimmel promised. Farmers without high-speed Internet can seek help at MU Extension centers. Δ