

NCGA Proposes ACRE Modifications For 2012 Farm Bill



DR. DARYLL E. RAY
Agricultural Economist
University of Tennessee



DR. HARWOOD D. SCHAFFER
Research Assistant Professor at
APAC, University of Tennessee

One of the farm groups that was able to get its policy concept incorporated into the 2008 Farm Bill was the Nation Corn Growers Association (NCGA) with its Average Crop Revenue Election (ACRE) program. While it was able to sell its program to Congress, it was less successful with farmers and landlords. Only 13 percent of total base acres were enrolled in the ACRE program.

In "A New Farm Program Option: Average Crop Revenue Election (ACRE)," Dennis Shields, Analyst in Agricultural Policy for the Congressional Research Service summarizes ACRE as follows: "The ACRE program pays a farmer when two conditions are met: (1) state-level revenue for a crop falls below a guaranteed level, and (2) the farmer experiences an individual crop revenue loss. (Payments for each crop are calculated separately.) If farmers select ACRE, they forgo 20 percent of their direct payments under the Direct and Counter-cyclical Payment Program (DCP), and commodity loan rates under the Marketing Assistance Loan Program are reduced by 30 percent. Also, ACRE participants are not eligible for counter-cyclical program payments under DCP....

"Once a farm is enrolled in ACRE, the program applies to all eligible crops on that farm. A farmer who operates more than one farm may elect to enroll one or all of the farms in ACRE. Importantly, once a farm is enrolled in ACRE, it must remain in the program for subsequent crop years (the program covers crop years 2009 through 2012)."

The reductions in Direct Payments and Loan Rates and the multi-year commitment were likely stumbling blocks to ACRE enrollment for

many producers.

For the 2012 Farm Bill, the NCGA is proposing a modification of ACRE that they call the Agriculture Disaster Assistance Program (ADAP). The new program takes into account not only the criticisms of ACRE, but also the lower funding levels that are being bandied about as a part of the deficit reduction program that Congress has imposed on itself. "Agriculture is prepared to take a proportionate and equitable share of budget cuts provided that everything is on the table," the NCGA said in a press release (http://www.ncga.com/uploads/useruploads/adap_summary_9-9-11.pdf).

ADAP calls for the elimination of the Counter-Cyclical Payment Program. In addition, it calls for a 30 percent reduction in Direct Payments. This reduction would provide \$15 billion in deficit reduction over the next 10 years.

ADAP sets a benchmark based on a 5-year average revenue. This average is calculated using a state Crop Reporting District (CRD) trigger based on the crop insurance harvest price for the CRD. The use of the CRD for making the benchmark calculation is a compromise between ACRE's use of state-level numbers and the desire of farmers to use county level numbers. Farmers prefer the smaller area because of the wide variation in average yields (and thus revenue) from one part of a state to another.

The maximum coverage of benchmark revenue is increased from 90 percent under ACRE to 95 percent under ADAP. To eliminate potential duplication of payments with crop insurance the maximum payment is reduced from 25 percent under ACRE to 10 percent under ADAP. Under ACRE the program guarantee could not change by more than 10 percent per year. The 10 percent limit is eliminated under ADAP.

To date, ACRE has found more support among corn farmers than producers of other crops, particularly cotton. Because cotton has a higher Direct Payment level than other crops, cotton farmers felt that ACRE did not offer enough protection for them to join the program. △

DR. DARYLL E. RAY: Blasingame Chair of Excellence in Agricultural Policy, Institute of Agriculture, University of Tennessee

DR. HARWOOD D. SCHAFFER: Research Assistant Professor at APAC, University of Tennessee