

Wheat Growers Will Receive ACRE Payments, Says MU-FAPRI Analysis Of USDA Safety Net

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COLUMBIA, MO.

Crop farmers facing a June 1 deadline to sign up for ACRE, a federal farm safety net, may want to study the benefits received by wheat producers who signed up last year, said University of Missouri economists.

MU Food and Agricultural Policy Research Institute (FAPRI) estimates that wheat growers will receive \$245 million of the \$294 million to be paid on 12 major commodities during the 2009-2010 crop year.

Payments from the Average Crop Revenue Election (ACRE) are an alternative risk management program, based on revenue, in the 2008 Farm Bill. To enroll in ACRE, growers must forgo some benefits in traditional farm programs of direct and countercyclical payments, said Peter Zimmel, MU-FAPRI economist.

The study of the current crop year shows participants drawing an average net benefit of \$5.38 per base acre enrolled. That estimate will not be confirmed until the close of the current marketing year, Zimmel added.

The MU-FAPRI analysis shows enrolled producers gave up \$118 million to receive protection from the crop-price downturn. In addition to forgoing all countercyclical payments, they lose 20 percent of direct payments under the old program. Also, loan rates are reduced by 30 percent. That lowers chances for Loan Deficiency Payments and reduces the amount producers can borrow if they use the marketing loan program.

"To benefit, a producer must show a revenue shortfall at the same time the state average revenue drops for that crop. Both the farm and the state actual revenue must fall below the farm and state benchmark revenue," Zimmel said.

"Farmers received lower wheat prices that resulted from an increase in ending wheat stocks," Zimmel said. "For two years, wheat production exceeded use. The resulting drop in wheat prices triggered payments to wheat producers enrolled in ACRE."

Most other commodities did not see such large drops in price or yield.

"I see the ACRE program as a form of crop insurance," Zimmel said. "The loss of part of the direct payment could be considered a premium on an insurance policy."

To aid farmers making decisions to sign up this year, the MU economists updated their

FAPRI ACRE Risk Management (FARM) tool. The program can be downloaded from the FAPRI website at www.fapri.missouri.edu.

Scott Gerlt, MU-FAPRI research associate, re-programmed FARM for those who used the Excel spreadsheet last year to update their farm records. "If they have their spreadsheets from last year, all they have to do is click a button to move into the new program. They don't have to re-enter yields and prices."

The update contains the latest developments plus the MU-FAPRI baseline, which gives projected crop prices for coming years.

"We don't say you should sign up," Zimmel said. "But we do say you should at least look at that option."

With volatile crop prices and uncertain yields, ACRE risk management may appeal to more producers this year.

"Not many people signed up last year," Zimmel said. "There were a great many unanswerable questions and the process seemed complex to producers."

Also, ACRE does not deliver payments until after the close of the marketing year. For corn and soybean producers, that will not be until October of the year after harvesting their crop. "That can cause cash-flow problems for some," Zimmel said.

Last year, only 8 percent of the Farm Service Agency farm units enrolled. Those account for 13 percent of the U.S. base acres.

Producers who sign up obligate their farm to stay in the program through the end of the current Farm Bill in 2012. All commodities on a farm are covered. A farmer can't enroll only one crop or part of a farm.

However, producers with more than one FSA farm unit can enroll each separately.

Sign-up for ACRE this year, available at local USDA Farm Service Agency offices, ends June 1. Although farmers can wait until the last day to enroll, they are urged to contact the FSA office before the deadline to make sure of their options.

Last year, more than 4,000 farmers downloaded the FAPRI FARM spreadsheet. Using the spreadsheet requires a computer running Microsoft Excel.

Because of similarities, farmers in Illinois, Iowa, Indiana, Minnesota and Ohio can use the FAPRI FARM analysis tool. Δ