

# Who Is Going To Participate In The New ACRE Program?

## Winter Wheat Growers Gain New Advantage With Delay Of Farm Program Signup



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Ask Iowa farmer Bill Horan if he plans to participate in the new Average Crop Revenue Election (ACRE) program this year and he says, "Absolutely!" But this long-time champion of revenue-based policies may be more the exception than the

rule. Many farmers tell us that, faced with an extremely complex new farm program that requires a multi-year commitment, a reduction in direct payments and other trade-offs, they may want to sit this one out.

Even former National Corn Growers President Leon Corzine says he was tempted to wait a year for the "dust to settle" on the program that his organization championed in the 2008 Farm Bill to "see how it goes the first year." However, he says this is a big mistake because the best year

views the concept of risk management. Ohio State University Agricultural Economist Carl Zulauf, who helped create the new program, says predicting participation is difficult for several reasons.

"One reason is the general difficulty of predicting people's response to new products and ideas. We know from psychology and adoption studies of new production technology and new consumer products that most people are wary of new products and ideas.

### Price forecasts key

The other key part of the decision-making process is the price forecast, says Kansas State University Agricultural Economist Art Barnaby. ACRE payments are issued when two conditions or "triggers" are met for a commodity. The first condition is met when the Actual State Revenue falls below the State ACRE revenue Guarantee. The second condition is met when the Actual Farm Revenue falls below the Farm ACRE Guarantee (farm level benchmark).

Likely to participate	Not likely to participate
1. A standard corn/soybean/wheat commodity producer in the Midwest 2. Potentially a wheat producer in the central plains of the U.S. (this will depend somewhat on yield guarantee levels). Here's why  <b>ACRE favors states with high yield variability</b> <ul style="list-style-type: none"> <li>The potential for a payout from the program increases with greater yield variability. This likely favors farmers in places like the Great Plains which would suggest wheat farmers</li> </ul> <b>States with larger increases in yields</b> <ul style="list-style-type: none"> <li>Since ACRE is a replacement for CCP payments the increase in yields from the "proven yields" of CCP which represent an average of 1998 to 2007 is essentially additional coverage on a farm.</li> <li>Crops like corn in the Midwest have seen substantial increases in yields over the last 5 years and therefore would have higher coverage than with the CCP.</li> <li>Unlike CCP, the yields for ACRE are updated on a 5-year moving average. As such, if yield trend continue to increase the coverage level in ACRE will continue to increase.</li> </ul>	1. Cotton and/or rice producers (at least not those where this is the primary crop in their operation). The benefits are lower and the costs much higher (both because of loss of direct payments and loss of potential LDP payments). 2. Producers no longer planning to grow crops covered under the program. For example, those switching farms to alfalfa or other hay crops from row crops. 3. Those producers whose yields do not closely follow the yield patterns for the state in which the farm resides. 4. Those producers that have no way to prove their farm yields and must take a "plug" yield from FSA that is substantially lower than their expected yields from the farm.

for ACRE potential payouts is probably 2009.

Lack of knowledge about the program, is still the "number one limitation," regarding ACRE, says Iowa State University Extension Farm Management Specialist Steve Johnson, even though he and other Land Grant specialists have been hosting meetings on this subject for several months.

We've found that it takes about two to three learning sessions for most growers to comprehend and embrace the program, says NCGA's Senior Director of Public Policy Sam Willett. "ACRE is a very attractive option for many growers and, for every day that goes by, more people are learning about the benefits."

Indeed, "a careful analysis of ACRE suggests that a majority of producers should find it the best choice as compared to the hearsay that most producers will stick with the old program," says Brad Lubben, Assistant Professor and Extension Public Policy Specialist at the University of Nebraska. "If you do the analysis of the protection ACRE provides versus the old counter-cyclical payment, then ACRE is by far a bigger safety net that kicks in at higher levels and provides potentially much larger income support payments."

However, not all crops stand to benefit. Given current price levels, corn, soybean and wheat growers stand to gain the most. Few cotton and rice farmers are expected to participate.

### More time to learn

Signup for the ACRE program starts April 27, but sensing that growers needed more information about the program, Agriculture Secretary Tom Vilsack extended farm program signup to August 14th. This delay is especially helpful for winter wheat growers, who should have their crops harvested and know their actual yields and market prices before signup. Those who sign up for ACRE will see a 20 percent reduction in direct payments, elimination of any counter cyclical payment and a 30 percent reduction in the loan rate for the next four years.

So who is likely to participate in this new program in 2009? We posed that question to several land grant university economists and industry leaders and summarized their responses below.

In general, our respondents told us that the answer largely depends on how a producer

Given that cotton prices are already low, there is little incentive for cotton growers to participate.

But the program could work well for wheat, corn and soybean growers, Barnaby adds.

After moving the signup date to August, winter wheat producers can wait until the last two weeks to make a decision because those farmers will have more information, explains Barnaby. For corn and soybean growers, those numbers will still be a forecast, but they could have some idea of their individual yields.

Allan Gray, Professor and Director of the Center for Food and Agricultural Business at Purdue University, responded to our question this way:

"The bottom line is everyone should take a hard look at ACRE regardless of crop, age, or leverage," advises Leon Corzine. "The time invested will pay big dividends in most cases. ACRE is an innovative idea for farm programs and we sorely need innovation if we are to keep dollars in the farm bill to assist farmers. It is more responsive to conditions in which farmers need help and also more responsive to taxpayer concerns."

### Additional ACRE resources:

USDA's Farm Service Agency Fact Sheet on ACRE

[http://www.fsa.usda.gov/Internet/FSA\\_File/acre.pdf](http://www.fsa.usda.gov/Internet/FSA_File/acre.pdf)

The National Corn Growers Association has a section devoted to ACRE resources:

<http://www.ncga.com/node/2473>

Art Barnaby has done extensive work on ACRE:

[http://www.agmanager.info/crops/insurance/risk\\_mgt/default.asp](http://www.agmanager.info/crops/insurance/risk_mgt/default.asp)

University of Illinois has an ACRE comparison tool

<http://www.farmdoc.uiuc.edu/fasttools/index.asp>

The Food and Agricultural Policy Research Institute at the Univ. of Missouri has an ACRE tool

[http://www.fapri.missouri.edu/farmers\\_corner/tools/ACRE.asp](http://www.fapri.missouri.edu/farmers_corner/tools/ACRE.asp)

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