

2015

2010 ACRE enrollment decision by June 1

Steven D. Johnson

Iowa State University, sdjohns@iastate.edu

Follow this and additional works at: <http://lib.dr.iastate.edu/agdm>



Part of the [Agribusiness Commons](#)

Recommended Citation

Johnson, Steven D. (2015) "2010 ACRE enrollment decision by June 1," *Ag Decision Maker Newsletter*: Vol. 14 : Iss. 7 , Article 1.

Available at: <http://lib.dr.iastate.edu/agdm/vol14/iss7/1>

This Article is brought to you for free and open access by the Ag Decision Maker at Iowa State University Digital Repository. It has been accepted for inclusion in Ag Decision Maker Newsletter by an authorized editor of Iowa State University Digital Repository. For more information, please contact digirep@iastate.edu.



Ag Decision Maker

A Business Newsletter for Agriculture

Vol. 14, No. 7

www.extension.iastate.edu/agdm

May 2010



2010 ACRE enrollment decision by June 1

by Steven D. Johnson, farm and ag business management specialist, Iowa State University Extension, 515-957-5790, sdjohns@iastate.edu

Producers nationwide have another chance to enroll in the Average Crop Revenue Election (ACRE) program in 2010 with a June 1 sign-up deadline. In 2009, a total of 17,249 Iowa farms opted for ACRE, or about 11 percent of eligible farms. Once a farm is enrolled in ACRE, that farm stays in the program through the 2012 crop year.

ACRE is a revenue-based program with both state and farm-level revenue guarantees. Thus both yield and price are used to determine revenue calculations. A drop in actual revenue annually can trigger a payment for either corn or soybeans. The actual ACRE payment is determined using state revenue levels. If a producer opts to enroll a farm in ACRE, it replaces the traditional Counter-Cyclical Program (CCP) payments triggered only when national average cash price falls below \$2.35 per bushel for corn or \$5.56 per bushel for soybeans.

2010 state revenue guarantee estimates

The 2010 state revenue guarantee varies by state. In Iowa, the estimated revenue guarantee for corn is \$589.44 per acre and \$445.69 per acre for soybeans. These numbers reflect the state's bench-

mark yield for the Olympic average using the most recent five-year period (2005-09). In 2010, Iowa's benchmark corn yield is 171 bushels per acre and for soybeans is 51 bushels per acre. This yield is multiplied times the most recent two year national average cash price; reflecting \$3.83 per bushel for corn and \$9.71 per bushel for soybeans. These prices were determined using the April 9, WASDE report midpoint for price range.

This price can change slightly as there are still five months left in the 2009-10 marketing year. This state benchmark yield is multiplied times the most recent two years national average cash price times 90 percent to come up with the revenue guarantee estimates.

Advantages of ACRE

Since ACRE is a revenue-based program, either a decline in yield or a drop in the national cash price can trigger a potential payment for a farm enrolled in ACRE. By comparison, the CCP requires a drop in the national average cash price to much lower levels before a payment is made. If you consider that the 2010 state yield equals the benchmark yields of 171 bushels per acre for corn and 51 bushels per acre for soybeans, then the national cash price will

need to drop below 90 percent of the two year national average cash price before triggering an ACRE payment at the state level. Thus the 2010 ACRE trigger price is estimated at \$3.45 per bushel for corn and \$8.74 per bushel for soybeans. Thus ACRE payments could be made at much higher national cash price levels than would CCP, which has not provided payments since the 2005 crop year.

continued on page 2

Handbook updates

For those of you subscribing to the handbook, the following updates are included.

Cash Rental Rates for Iowa 2010 Survey -- C2-10 (11 pages)

Please add this file to your handbook and remove the out-of-date material.

continued on page 6

Inside . . .

- 2009 Farm and Rural Life Poll: Mixed livestock and grain farmingPage 2
- Returns to farmland ownershipPage 4

2010 ACRE enrollment decision by June 1, continued from page 1

Disadvantages of ACRE

Besides enrolling a farm prior to the annual deadline, a farm enrolled in ACRE must also provide the farm's yields for the most recent five years. The farm's crop insurance Actual Production History (APH) can be used for ACRE purposes. A producer enrolled in ACRE must provide the actual yields on that farm annually in order to compare farm's actual revenue to the revenue guarantee. The final ACRE payment is not made until October, nearly one year following harvest, when the national cash price for that marketing year becomes final.

A farm enrolled in ACRE must also give up 20 percent of the farm's direct payment (DP) annually, or roughly \$5 per acre. The decision to accept 80 percent of the DP under ACRE vs. 100 percent of the DP under the traditional programs annually adds to the complexity of the enrollment decision.

ACRE as a risk management tool

Thus determining to enroll in ACRE requires weighing the risk of giving up a portion of the DP vs. the reward of a payment should a loss in both state and farm revenue be triggered. ACRE can be used to better manage revenue risk on a farm and should not be confused as a means to make up for poor marketing or crop insurance decisions.

A producer's bias as to the national average cash price comes into play as a part of the 2010 ACRE enrollment. Forecasting yield is no doubt difficult, thus making an accurate determination for revenue at both the state and farm levels seem daunting.

As of Feb. 19, 2010, the USDA's Ag Outlook Conference forecast average cash prices during the 2010-11 marketing year to be \$3.60 per bushel corn and \$8.80 per bushel for soybeans. Assuming average 2010 state yields equal to the

benchmark yields of 171 bushels per acre for corn and 51 bushels per acre for soybeans, the national cash price average would have to drop by more than \$.15 per bushel for corn, but only \$.08 per bushel for soybeans. Thus the potential for 2010 ACRE payments is apparent.

Prior to the June 1 ACRE 2010 sign-up deadline, the USDA will release the May crop production report on May 11. It will provide the first update of potential 2010 planted acres, yield and the 2010-11 marketing year prices. However, the majority of the 2010 growing season lies beyond the June 1 deadline, making forecasting yield and price even more difficult than 2009 when the ACRE sign-up deadline took place in mid-August.

Finalizing 2010 ACRE enrollment

Remember ACRE payments are determined at the state level but paid on planted acres for a farm and adjusted to 83.3 percent. The planted acres cannot exceed the total base acres on that farm.

Thus if you thought ACRE payments favored one crop over another, the particular crop you plant in 2010 might merit consideration as to the likelihood of triggering an ACRE payment.

FSA allows the use of default yields to calculate the farm's benchmark yield. This yield is 95 percent of the county's average yield per planted acre for the crop years 2004 through 2008. The producer enrolling in ACRE can use the higher of the default or the actual farm yield. This is a benefit for those farms that have actual farm yields that are below the county's average yields.

ACRE enrollment is by FSA farm number, so specific enrollment questions should be directed to your county FSA office.



2009 Farm and Rural Life Poll: Mixed livestock and grain farming*

by J. Gordon Arbuckle, Jr., extension sociologist; Paul Lasley, extension sociologist; Peter Korsching, professor; and Chris Kast, research assistant

The Iowa Farm and Rural Life Poll is an annual survey that collects and disseminates information on issues of importance to rural communities across Iowa and the Midwest. Conducted every year since its establishment in 1982, the Farm Poll is the longest-running survey of its kind in the nation. This article highlights information from the 2009 survey on mixed livestock and grain farming.

Mixed livestock and grain farming

Over the last several decades, Iowa farmers have increasingly shifted from mixed grain and livestock operations to specialized grain production. In 1989, 64 percent of Farm Poll participants raised both grain and livestock, 31 percent specialized in crop production only and three percent produced only livestock. By 2009, the percentage of farmers

with mixed crop and livestock farming systems had dropped to 42 percent, with 50 percent producing only row crops and slightly over one percent specializing in livestock. The 2009 Farm Poll investigated potential reasons behind this long-term shift away from mixed systems and toward specialized operations.

Several items received near unanimous endorsement as factors related to the decline in mixed grain and livestock farming. At the top of the list, with 92 percent agreement, was the statement "As farmers age, working with livestock becomes more difficult" (table 1). A second item related to the work involved in production processes, "Livestock production requires more labor than grain production," drew 91 percent agreement among participants. The average age