



Average Crop Revenue Election (ACRE) Program

One of the new programs included in the 2008 Farm Bill was the Average Crop Revenue Election (ACRE) program. This is a voluntary program available to producers that would replace the traditional counter-cyclical program started with the 2002 Farm Bill. The purpose of the ACRE program is to provide a support program that would be triggered by changes in revenue rather than changes strictly in prices, as was the case with the counter-cyclical payment program. Changes in yield, price, or both could trigger payments under the ACRE program.

As mentioned, enrollment in the ACRE program is voluntary. Producers can choose to remain under the Direct and Counter-Cyclical Program (DCP) created under the 2002 Farm Bill. However, if a producer does choose to enroll a farm in the ACRE program, then that farm will remain under the ACRE program for the remainder of the 2008 Farm Bill.

The decision to enroll is done on a farm by farm basis and must be agreed to by **all producers and landowners** associated with that farm. While producers can enroll each farm separately, they cannot enroll a portion of the base acres tied to a farm. For example, a producer with two farms and farm numbers can enroll one farm under the ACRE program and keep the other in the DCP program. The producer could not, however, enroll his cotton base acres on one farm under the ACRE program while keeping the corn base acres on that same farm under the DCP program. Producers will be able to enroll farms under the ACRE program starting with the 2009 crop year. If the election is not made in 2009, the producer would still be eligible to enroll the farm in subsequent years.

Who's Eligible?

Only farms with base program acres can participate in the ACRE program. Farms that do not have established base program acres cannot add base acres to participate in this program. If a farm has already enrolled in the traditional Direct and Counter-Cyclical Payment Program (DCP) for the crop year, this election can be switched to the ACRE program as long as the election for ACRE program was done during the enrollment period. The following planted or considered planted crops will be eligible for ACRE payments:

- Wheat
- Barley
- Oats
- Grain Sorghum
- Corn
- Peanuts
- Upland Cotton
- Long Grain Rice
- Medium Grain Rice
- Soybeans
- Other Oilseed Crops
- Pulse Crops

As specified in the 2008 Farm Bill, farms with 10 or less base acres are not eligible for the ACRE program. In fact, with the passage of the 2008 Farm Bill, farms with 10 or less base acres are no longer eligible for the Direct and Counter-Cyclical Payment program.

How Are ACRE Payments Determined?

ACRE payments are revenue-based payments that are tied to crop production levels and the national average marketing year price. These payments are available on both planted and prevented planted acres of approved crops **up to a maximum number of acres equal to the base acres on the farm.**

There are two triggers that are required for ACRE payments to be made. The first is a state level trigger. In this case, the actual state revenue per acre for a particular crop must be below the guaranteed state revenue per acre for that crop. If this trigger is met, then a second, farm level trigger must be met. The farm level trigger requires that the actual farm revenue per acre for a particular crop must be below the guaranteed farm revenue per acre for that crop.

There are several components that must be calculated to determine if one or both of the triggers are reached. For the state level trigger, the first component is the State Acre Guarantee. The State Acre Guarantee (SAG) is calculated as:

$$\text{Equation 1: } \text{SAG} = \text{Benchmark State Yield} * \text{ACRE Guarantee Price} * 90\%$$

Where: SAG is the State Acre Guarantee which is a revenue value per acre;

Benchmark State Yield is a 5 year Olympic average of state yields; and,

ACRE Guarantee Price is the national average marketing year price in the previous two years.

The average prices and yields used in determining the State Acre Guarantee are rolling averages meaning that years are dropped and added over time. As such, the State Acre Guarantee can and will likely change from year to year. The ACRE program, however, only allows the State Acre Guarantee to change from year to year by a maximum of 10 percent. The Farm Service Agency released their preliminary estimates for the program parameters for Louisiana for the 2009 ACRE program (See Table 1). As shown, there are separate parameters for irrigated and non-irrigated production for corn and cotton. Likewise, there are separate parameters and guarantees for long grain and medium grain rice.

Table 1. Preliminary Program Parameters For State Level Guarantee Under Acre Program, Louisiana

Commodity	Unit	2 Year Average Price	Olympic Average Yield	5 Year Average Yield	State Acre Guarantee
Corn					
Irrigated	Bushel	\$4.20		195.0	\$737.10
Non-Irrigated	Bushel	\$4.20		115.0	\$434.70
Cotton					
Irrigated	Pound	\$0.542		991	\$483.41
Non-Irrigated	Pound	\$0.542		876	\$427.31
Grain Sorghum	Bushel	\$3.69		92.0	\$305.53
Rice					
Long Grain	Pound	\$0.1370		5,800	\$715.14
Medium Grain	Pound	\$0.1818		5,860	\$958.81
Soybeans	Bushel	\$9.88		32.5	\$288.99
Wheat	Bushel	\$6.67		51.3	\$307.95

Source: USDA, Farm Service Agency

These are only preliminary estimates. While there shouldn't be any substantial changes to the yield parameters, the marketing year price is still very much a projection. The 2008/09 marketing year for most of these commodities will not end until August or September of 2009. As a result, the prices used in calculating the 2 year average price may change which could change the state acre guarantee level.

For ACRE payments to be available, the Actual State Revenue must be below the State Acre Guarantee. The Actual State Revenue (ASR) is calculated as:

$$\text{Equation 2: } \text{ASR} = \text{State Yield} * \text{Higher of (Mkting Yr Price , 70\% of Loan Rate)}$$

Where: ASR is the actual state revenue;

State Yield is the average state yield for the commodity;

Mkting Yr Price is the national marketing year price for the commodity; and,

Loan Rate is the national loan rate for the commodity.

Since enrolling in the ACRE program requires the producer to accept a 20 percent reduction in direct payments and a 30 percent reduction in loan rates, the Actual State Revenue is based on a price that is the higher of the marketing year price or 70 percent of the national loan rate. Table 2 shows the 2009 loan rates for selected commodities as well as 70 percent of the loan rate.

Table 2. 2009 Marketing Loan Rates For Selected Commodities

	2009 Loan Rate	70 Percent of Loan Rate
Corn	\$1.95	\$1.37
Cotton	\$0.52	\$0.3640
Grain Sorghum	\$1.95	\$1.37
Rice	\$6.50	\$4.55
Soybeans	\$5.00	\$3.50
Wheat	\$2.75	\$1.93

Once the Actual State Revenue is known, if it is below the State Acre Guarantee for the commodity, then the first requirement for ACRE payments is met. If this first trigger is not met, then regardless of a producer's actual revenue, no ACRE payments will be available for the commodity. If, however, this first trigger is met, then the farm level trigger must also be met in order for the producer to receive payments.

The second trigger is the comparison of a Farm Acre Guarantee and an Actual Farm Revenue. The second trigger is only met if the Actual Farm Revenue is below the Farm Acre Guarantee. The Farm Acre Guarantee (FAG) is calculated as:

$$\text{Equation 3: } \text{FAG} = \text{Benchmark Farm Yield} * \text{ACRE Guarantee Price} + \text{CIPP}$$

Where: FAG is the Farm Acre Guarantee which is a revenue value per acre;

Benchmark Farm Yield is a 5 year Olympic average of farm yields;

ACRE Guarantee Price is the national average marketing year price in the previous two years; and,

CIPP is the per acre premiums paid by the producer for crop insurance..

The Actual Farm Revenue (AFR) is calculated as:

$$\text{Equation 4: } \text{AFR} = \text{Farm Yield} * \text{Max of (Mkting Yr Price, 70\% of Loan Rate)}$$

Where: AFR is the actual farm revenue;

Farm Yield is the average farm yield for the commodity;

Mkting Yr Price is the national marketing year price for the commodity; and,

Loan Rate is the national loan rate for the commodity.

Again, for a producer to be eligible to receive payments, the state level trigger must be met (Actual State Revenue must be less than State Acre Guarantee) and the farm level trigger must be met (Actual Farm Revenue must be less than the Farm Acre Guarantee). Once the first and second triggers are satisfied for a particular commodity, then an ACRE Payment would be available. The ACRE Payment (ACREP) is calculated as follows:

$$\text{Equation 5 : } \text{ACREP} = \text{Acres} * 83.3\% * \text{FPI} * \text{Min of } ((\text{SAG} - \text{ASR}), (\text{SAG} * 25\%))$$

Where: ACREP is the total payment available to the producer for a particular commodity;

Acres is the number of acres planted or prevented from being planted on the farm for the particular commodity;

FPI is a farm productivity index which is calculated as the Benchmark Farm Yield \div Benchmark State Yield;

SAG is the State Acre Guarantee; and,

ASR is the Actual State Revenue.

As with the direct and counter-cyclical payments under the DCP program, the ACRE program pays on 83.3 percent of a base acreage level. The payment is also adjusted by a farm productivity index which is simply the ratio of benchmark farm yields to benchmark state yields. The price paid per acre is the lower of the difference between the State Acre Guarantee and the Actual State Revenue or 25 percent of the State Acre Guarantee.

Unlike the direct and counter-cyclical payments under the DCP program, payments are tied to acres planted or prevented from planted and not base acres. A producer could receive ACRE payments for an eligible crop grown on the farm even if the farm did not have base acres of that crop. The total number of acres receiving payments is however, limited to the total number of base acres on the farm. For example, a producer could have cotton base acres but plants all of the farm in corn. While the farm does not have corn base acres, he could still receive an ACRE payment for his corn production. The total number of acres that would be considered, however, can not exceed the total number of base acres on the farm. So, for example, if a producer had a farm with 100 acres of cotton base and planted 150 acres of corn on the farm, the producer would only be eligible for ACRE payments on 100 acres of his corn production.

How Are Other Program Payments Altered If Enrolled in the ACRE Program?

As eluted to in the calculations for the ACRE payments, a producer who enrolls in the ACRE program is doing so as a substitute for the counter-cyclical payments. In addition to forgoing counter-cyclical payments, the producer would also have to take a 20 percent reduction in direct payments and a 30 percent reduction in the marketing loan rate for all crops tied to or grown on the farm.

What Are The Payment Limits?

Under the traditional Direct and Counter-Cyclical Payment (DCP) program, producers are limited to \$40,000 per person or entity for direct payments and \$65,000 per person or entity for counter-cyclical payments. Under the ACRE program, the direct payment limitation would be reduced by 20 percent. Also, under the ACRE program, there would be an ACRE payment limit rather than a counter-cyclical payment limit. The ACRE payment limit would be the \$65,000 per person plus the 20 percent direct payment reduction amount.

Regardless if a producer chooses the DCP or ACRE programs, the requirements for Adjusted Gross Income are the same. Persons or legal entities whose average non-farm adjusted gross income is above \$500,000 are not eligible for direct payments, counter cyclical payments or ACRE payments. Persons or legal entities whose average farm adjusted gross income is above \$750,000 are not eligible for direct payments under both the DCP and ACRE programs.

When Can a Farm Be Enrolled?

The USDA will announce an enrollment period for the ACRE program each year. The farm must be enrolled in the program during this enrollment period. If the farm is not enrolled in one year, it can be enrolled in subsequent years. For example if the farm is not enrolled in 2009, it could be enrolled in 2010. When enrolling the farm, however, all producers and all landowners tied to that farm number must agree to enroll. If one producer or landowner does not agree to enroll, the farm cannot be enrolled and would remain under the traditional Direct and Counter-Cyclical Payment (DCP) program. .

Additional Information

All producers interested in obtaining additional information about the ACRE program are encouraged to contact their local FSA office. Projected government program payments to the farm could be significantly different depending on whether the farm is enrolled in the DCP or ACRE program. As such, producers are encouraged to gather as much information as possible and to make the most informed decision possible when deciding whether or not to enroll a farm in the ACRE program.