

payment level cannot exceed 25 percent of the state guarantee, however. It will also be adjusted up or down by the ratio of the farm Olympic average yield to the state Olympic average yield. For example, if the farm average yield is 10 percent above the state average yield, the ACRE payment will be increased by 10 percent for that farm.

The payment will be made on 83.3 percent of the farm acres planted to the crop (85 percent in 2012). However, the total planted acres that receive a payment cannot exceed the total base acres for all crops established for the counter-cyclical payments in the signup for the 2003 farm bill program. Producers who sign up for ACRE will continue to receive 80 percent of the direct payments that have been paid, regardless of actual prices or yields each year. No ACRE payments were made on Iowa crops for 2009 or 2010.

How much does ACRE cost?

Producers who sign up for ACRE will forfeit 20 percent of their current direct payments through 2012, so that is a fixed cost. They will also give up any potential counter-cyclical payments, and the loan rate used to calculate their loan deficiency payments or marketing loans will be lowered by 30 percent. The loss of potential CCPs and LDPs may not be too critical, because if market prices fall enough to trigger those payments it is likely that the ACRE payment would be at least as large. Producers who use FSA marketing loans will have to commit more bushels to borrow the same number of dollars.

ACRE does not replace crop insurance

Although the ACRE program may resemble crop revenue insurance, there are some important differences. The ACRE guarantees are based on longer term average prices and yields, so they will not fluctuate as much from year to year as crop insurance

guarantees. In fact, ACRE regulations state that the state guarantees cannot increase nor decrease more than 10 percent each year. This helps accomplish the fundamental goal of ACRE, which is to stabilize gross revenues over the next four years.

On the other hand, one of the two ACRE guarantees and the size of the ACRE payment are based on state level yields, not farm yields like most crop insurance policies. ACRE does not protect a farmer who has a poor production year when the state as a whole does not. In addition, ACRE revenue uses the marketing year cash price to calculate actual revenue while crop revenue insurance uses futures prices at harvest time. So, while ACRE payments can be a useful risk management tool for sharply falling prices or widespread yield losses, they do not replace farm level crop insurance protection.

Should I sign up?

Producers can still elect to sign up for the ACRE program for 2012. All program crops on the farm must be enrolled. The decision of whether or not to elect ACRE is a classic insurance decision. Producers will give up a fixed amount of revenue, 20 percent of their direct payment, in exchange for a possible ACRE payment in a year when gross revenue is low. Payments could be zero, or they could be sizable.

With current state level guarantees of \$710 and \$523 per acre for corn and soybeans, respectively, if state average yields of 170 and 50 bushels per acre were achieved, the marketing year prices for corn and soybeans would have to average below \$4.17 and \$10.46 per bushel, respectively. Current price forecasts are considerably higher than this.

. . . and justice for all

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