

Finalizing 2009 ACRE Decisions

July 2009



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Presentation Objectives

- **Review State Revenue Guarantees as of July 10th**
- **Highlight National Cash Prices Estimates and 2009 ACRE Sign-up Decisions**
- **Summarize the latest USDA Supply/Demand Reports**
- **Compare ACRE to the Traditional Direct & Counter-Cyclical Program**
- **Highlight the State and Farm Revenue Triggers with Yield and Price Interactions**
- **Summarize with 5 ACRE Program Strategies & 5 Websites**

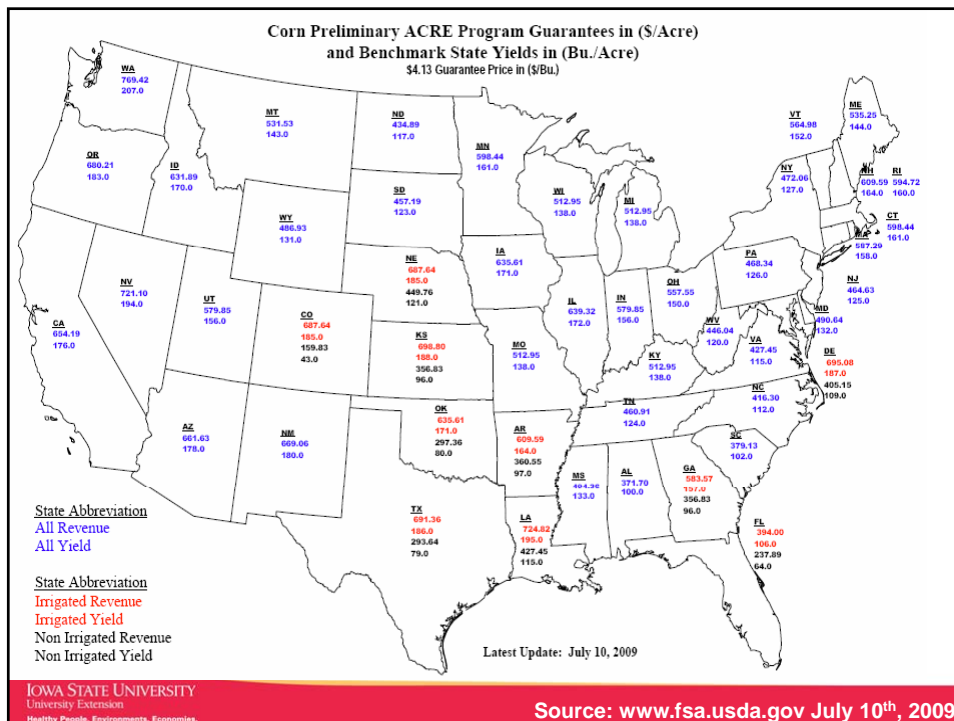
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Corn ACRE Revenue Guarantees






	Nebraska \$687
	Illinois \$639
	Iowa \$635
	Minnesota \$598
	Missouri \$512

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Source: www.fsa.usda.gov July 10th, 2009

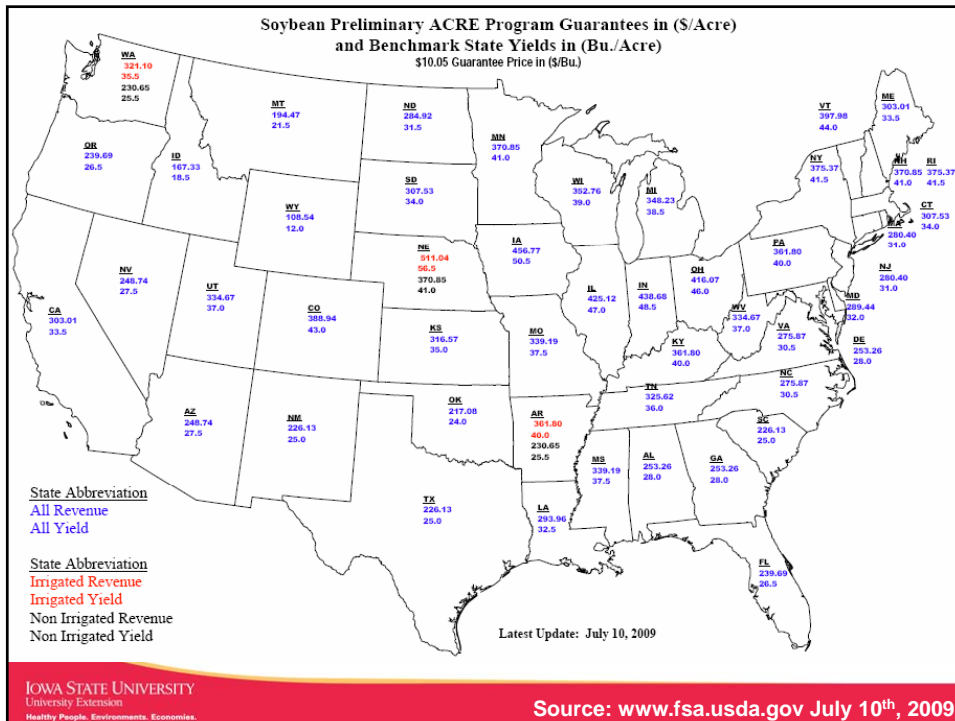


Soybean ACRE Revenue Guarantees

	Nebraska \$511
	Iowa \$457
	Illinois \$425
	Minnesota \$371
	Missouri \$339

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Source: www.fsa.usda.gov July 10th, 2009



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U.S. Corn Supply/Demand & Price

	2008/09 est (7/10/09)	2009/2010 Projected	
Area Planted	86.0	87.0	
Area Harvested	78.6	80.1	
Yield	153.9	153.4	
Beginning Stocks	1,624	1,770	
Production	12,101	12,290	
Imports	15	15	
Supply, Total	13,740	14,075	
Feed & Residual	5,250	5,200	
Food, Seed & Industrial	4,920	5,375	
Domestic Use, Total	10,170	10,575	
Exports	1,800	1,950	
Use, Total	11,970	12,525	Midpoint
Ending Stocks	1,770	1,550	<u>\$3.75/bu</u>
Average Farm Price	\$4.05	\$3.35 - \$4.15	

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Source: USDA WASDE, July 10th, 2009

U.S. Soybean Supply/Demand & Price

	2008/09Est (7/10/2009)	2009/2010 Projected	
Area Planted	75.7	77.5	
Area Harvested	74.6	76.5	
Yield	39.6	42.6	
Beginning Stocks	205	110	
Production	2,959	3,260	
Imports	15	10	
Supply, Total	3,179	3,380	
Crushings	1,655	1,680	
Exports	1,260	1,275	
Seed	95	94	
Residual	59	81	
Use, Total	3,070	3,130	
Ending Stocks	110	250	Midpoint
Average Farm Price	\$10.00	\$8.30 - \$10.30	<u>\$9.30/bu</u>

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Source: USDA WASDE, July 10th, 2009

National Marketing Year Average (MYA) Cash Prices

Use for 2009 ACRE Revenue Guarantees & Trigger Prices

<u>Year</u>	<u>Corn</u>	<u>Soybeans</u>	<u>Wheat</u>	<u>Grain Sorghum</u>
2007 Crop	4.20	10.10	6.48	4.08
2008 Crop	4.05*	10.00*	6.78*	3.20*
2007 & 2008 National Avg. Cash Price for ACRE Program	\$4.12 ½	\$10.05	\$6.63	\$3.64
90% Factor	90%	90%	90%	90%
2009 ACRE Trigger Prices	\$3.71	\$9.05	\$6.97	\$3.28

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Source: *USDA WASDE Report, July 10th, 2009

Direct & Counter Cyclical Program (DCP) vs. ACRE Program

<u>Traditional DCP</u>	<u>ACRE Election</u>
Direct Payments Certain	80% of Direct Payments Certain
Loan Payments at Full Loan Rates Likely No LDP or Marketing Loan Gain	Loan Program at 70% of Loan Rate More Bushels Required *\$1.36 ½ per bu. Corn *\$3.50 per bu. Soybeans (*70% of National Loan Rates)
Counter-Cyclical Payment (CCP) Little Chance of Collecting	ACRE Program No CCP Payments ACRE payments likely in 2009* Odds of a Payment: Corn Payment over \$7/A = 50% Soybean Payment over \$9/A = 50% Odds of a Payment

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Source: *Babcock, ISU CARD, March 2009

2009 ACRE Set-up for Iowa Corn

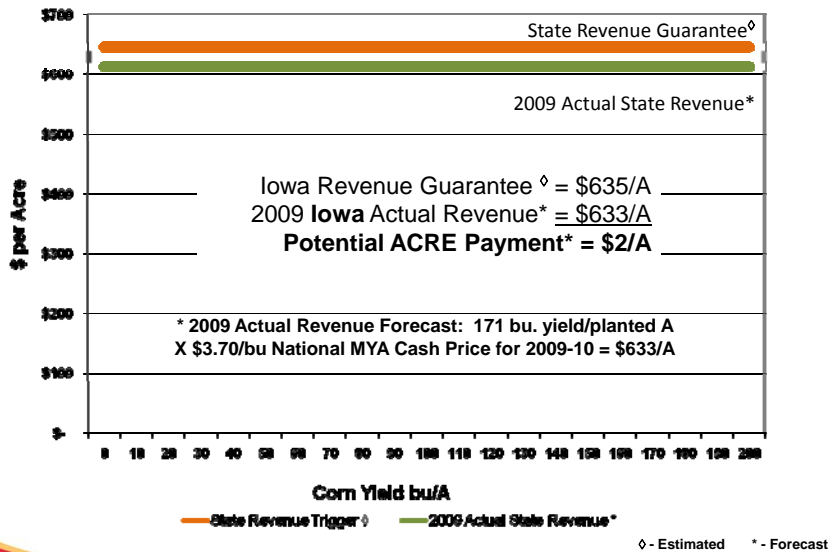
Year	Yield per Planted Acre (bu./acre)	Year	Season-average Price (\$/bu.)
2004	181.0	2007	4.20
2005	173.0	2008	<u>4.05</u>
2006	166.0	Average	\$4.12 ½
2007	171.0		
2008	169.0		
Olympic Average	171.0		

State Corn Revenue for 2009:
 $171 \times \$4.12 \frac{1}{2} \times 90\% = \mathbf{\$635/A}$

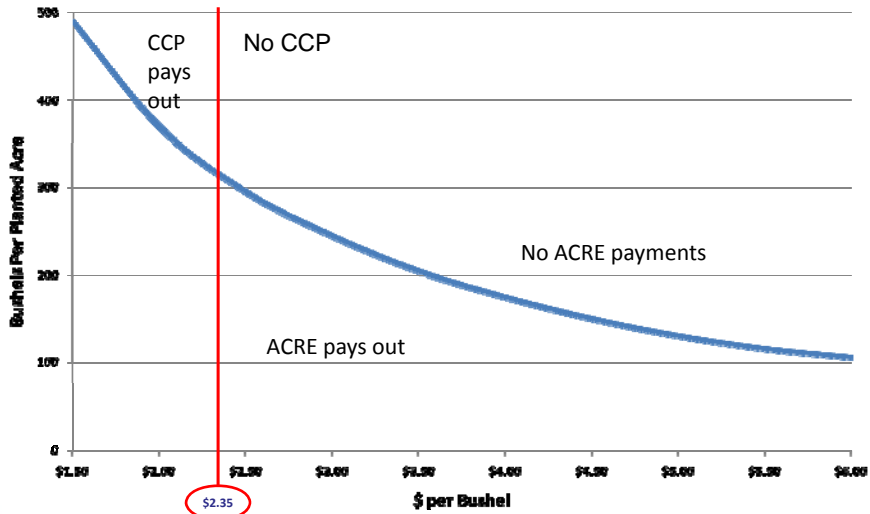
The 2008 yield is the January final and price is the USDA's July 2009 estimate.

So the expected state yield would be 171.0 bushels per acre and the ACRE price guarantee would be \$4.12 ½ per bushel.

Potential Corn ACRE Payment



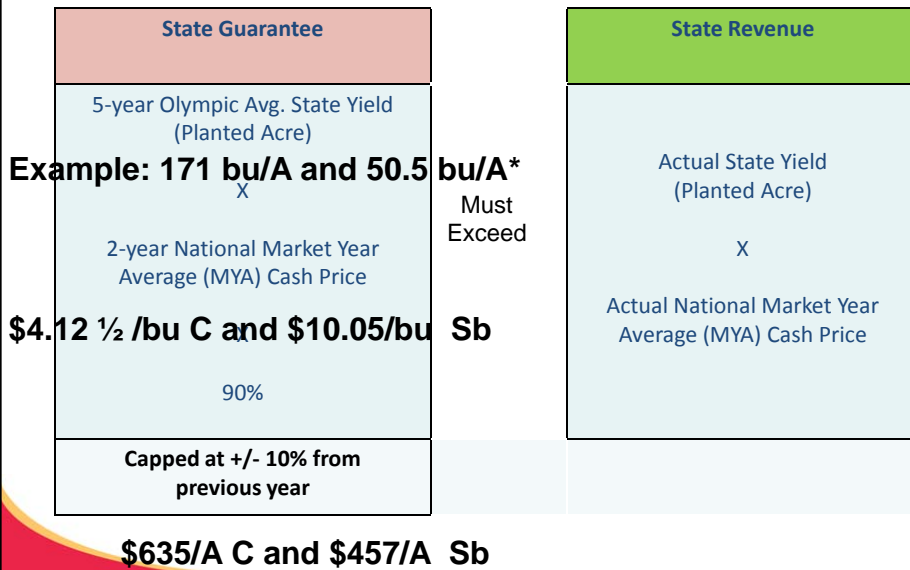
ACRE vs. CCP Payments for Corn



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Source: ISU Extension Economics, July 2009

State Revenue Trigger



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Source: ISU Extension Economics, July 2009

2009 Farm Revenue Trigger

Farm Guarantee		Farm Revenue
5-year Olympic Avg. Farm Yield *		Actual Farm Yield
Example: 175 bu/A and 53 bu/A*	Must Exceed	Must Provide Post-Harvest Production Evidence
2-year National Market Year Average (MYA) Cash Price		Actual National Market Year Average (MYA) Cash Price
\$4.12 1/2 /bu C and \$10.05/bu Sb		Not known until September 2010
Crop Insurance Premium (Farmer paid portion)		
2009 RMA Data Used: About \$23/A C and \$10/A Sb		
Farm Revenue Guarantee: \$745/A Corn and \$542/A Soybeans		
Assume the 2009 National Cash Price is: \$3.71/bu Corn and \$9.05/bu Soybeans		
To trigger Farm Yields must fall below 200 bu/A Corn and 60 bu/A Soybeans		
<small>*Assumes Farm-level production evidence provided to FSA.</small>		
<small>IOWA STATE UNIVERSITY University Extension Healthy People, Environments, Economies.</small>		<small>Source: ISU Extension Economics, July 2009</small>

2009 ACRE Set-up for Iowa Soybeans

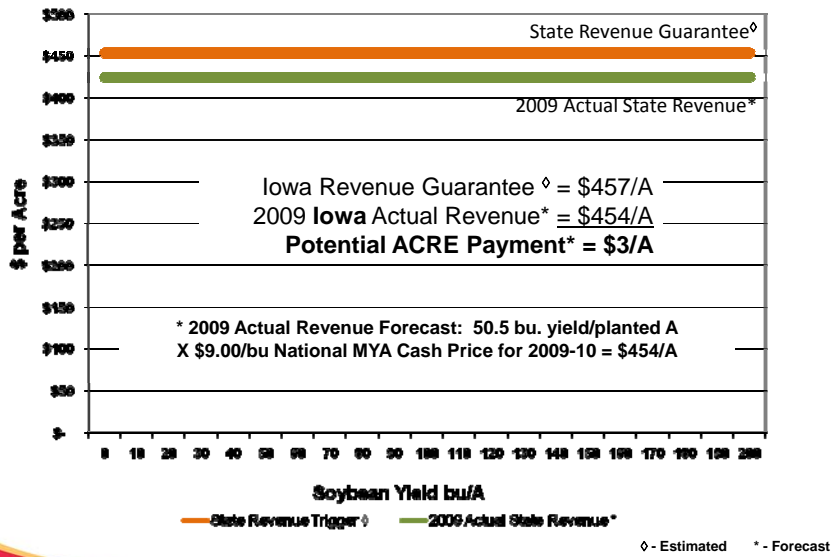
Year	Yield per Planted Acre (bu./acre)	Year	Season-average Price (\$/bu.)
2004	49.0	2007	10.10
2005	52.0	2008	<u>10.00</u>
2006	50.5	Average	\$10.05
2007	52.0		
2008	45.5		
Olympic Average	50.5		

State Soybean Revenue for 2009:
50.5 X \$10.05 X 90% = \$457/A

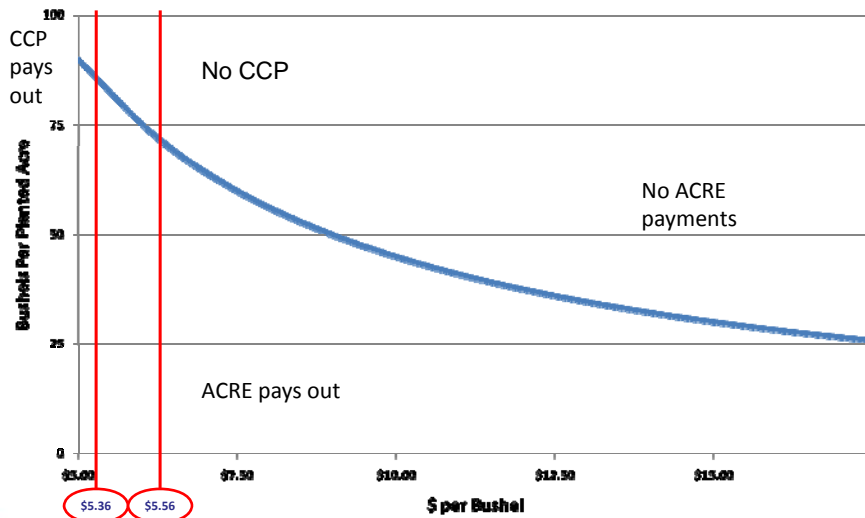
The 2008 yield is the January final and price is the USDA's July 2009 estimate.

So the expected state yield would be 50.5 bushels per acre and the ACRE price guarantee would be \$10.05 per bushel.

Potential Soybean ACRE Payment

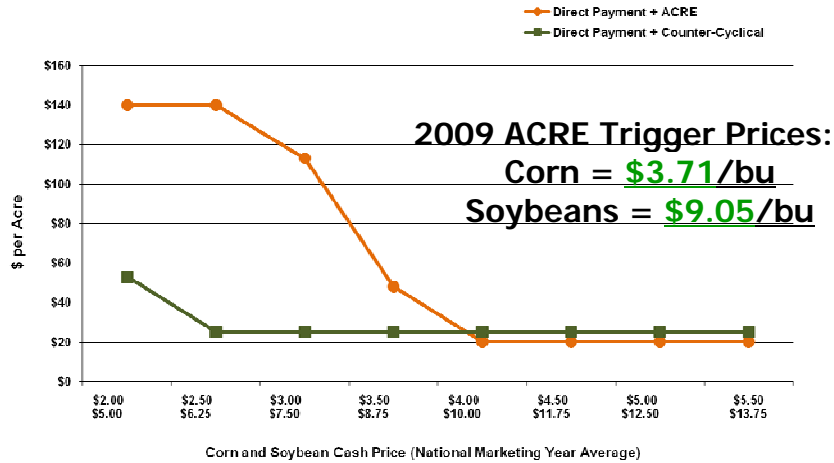


ACRE vs. CCP Payments for Soybeans



\$5.36/bu CCP Trigger - \$5.56 in '10-'12

Comparing ACRE Payments to CCP



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Source: ISU Extension Economics, July 2009

Determining 2009 ACRE Payment (Considers Both Triggers are Met)

Lesser of

State ACRE Revenue Guarantee	Minus	Actual State Revenue
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or

State ACRE Revenue Guarantee	Times	25%
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ACRE Payments are issued after October 1st of the year following harvest.

Payment Limits: Traditional DCP; \$40,000 for DPs and \$65,000 for CCPs.
 ACRE Payment Limits: \$32,000 for DPs and \$73,000 for ACRE Payments.
 Both payment limits total \$105,000 per Individual using Direct Attribution.

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Source: ISU Extension Economics, July 2009

2009 ACRE Corn State Triggers

Iowa Corn Revenue Guarantee
 $171 \text{ bu/A} \times \$4.12 \frac{1}{2} / \text{bu}^* \times 90\% = \$635/\text{A}$
Assumes Normal Yields = 5-yr. Olympic Average

2009 High Yield = 176 bu/A
 $\$635/\text{A}$ divided by 176 = $\$3.61/\text{bu}$ Trigger

2009 Low Yield = 166 bu/A
 $\$635/\text{A}$ divided by 166 = $\$3.82/\text{bu}$ Trigger

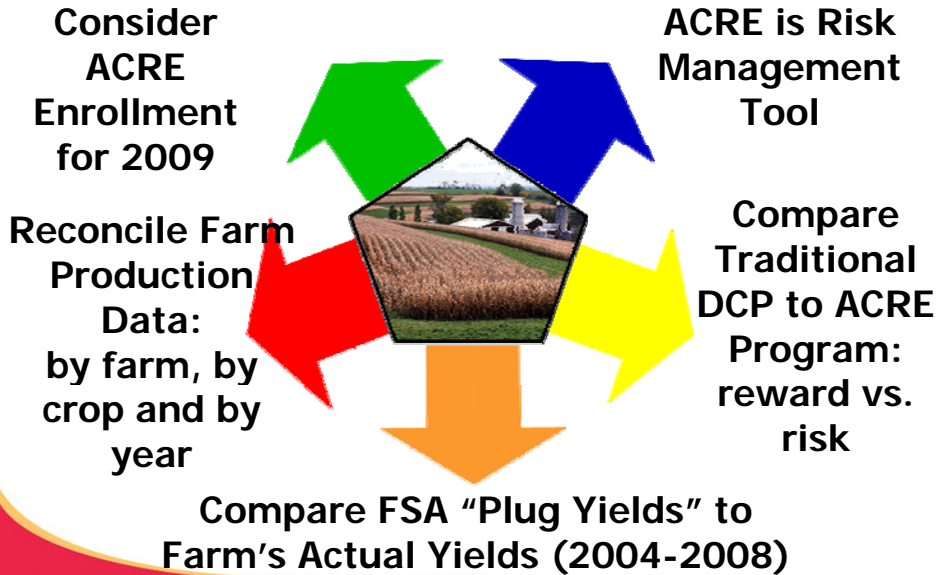
2009 ACRE Soybean State Triggers

Iowa Soybean Revenue Guarantee
 $50.5 \text{ bu/A} \times \$10.05/\text{bu}^* \times 90\% = \$457/\text{A}$
Assumes Normal Yields = 5-yr. Olympic Average

2009 High Yield = 53 bu/A
 $\$457/\text{A}$ divided by 53 = $\$8.63/\text{bu}$ Trigger

2009 Low Yield = 48 bu/A
 $\$457/\text{A}$ divided by 48 = $\$9.52/\text{bu}$ Trigger

5 Strategies for ACRE Enrollment



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Source: Johnson, ISU Extension, July 2009

ACRE Program Web Sites

- **Ag Decision Maker (AgDM)**
(ACRE Calculator – Publications, Excel Spreadsheets)
www.extension.iastate.edu/agdm
- **USDA Farm Service Agency (FSA)**
www.fsa.usda.gov
- **NCGA ACRE Resource Center**
www.ncga.com/acre-resource-center
- **Farm Doc – U of IL Extension Economics**
www.farmdoc.uiuc.edu
- **ISU Polk County Extension**
Farm Program Updates, Newsletters and Webcasts
www.extension.iastate.edu/polk/farmmanagement



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