

The New 2009 ACRE Program



August 2008

Steven D. Johnson

Farm & Ag Business Management Specialist

IOWA STATE UNIVERSITY
University Extension

Presentation Objectives

- **Highlight the Food, Conservation and Energy Act of 2008 (aka 2008 Farm Bill)**
- **Summarize 2008-12 Program Rates for Corn, Soybeans and Wheat**
- **Highlight the August Corn Balance Sheet**
- **Introduce the Average Crop Revenue Election (ACRE) Program**
- **Provide Five Strategies for the ACRE Program expected to begin in 2009**

IOWA STATE UNIVERSITY
University Extension

Food, Conservation and Energy Act of 2008

- Became law on June 18th, 2008
- \$307 Billion scored by Congressional Budget Office
 - 68% to nutrition, 11% to commodity programs, 8% to conservation programs and 13% for other programs
- 5-year Program beginning in 2008 and running through 2012 crop year
- Commodity Program Payment Limits
 - Non-farm income limited to \$500,000 adjusted gross income (AGI)
 - Farm income cannot exceed \$750,000 AGI to receive direct payments as measured by the 3-yr average of IRS reports

Program Rates for Selected Crop Commodities

	Target Price		Direct Payment	Loan Rate	
	2008-09	2010-12	2008-12	2008-09	2010-12
Corn (bu)	\$2.63	\$2.63	\$0.28	\$1.95	\$1.95
Soybeans (bu)	\$5.80	\$6.00	\$0.35	\$5.00	\$5.00
Wheat (bu)	\$3.92	\$4.17	\$0.52	\$2.75	\$2.94

U.S. Corn Balance Sheet

Item	2007-08	2008-09
Planted Acreage (1000 acres)	93,600	87,000
Harvested Acreage (1000 acres)	86,500	79,300
Yield (Bushels / Acre)	151.1	155
Beginning Stocks (Million Bushels)	1,304	1,576
Total Production (Million Bushels)	13,074	12,288
Total Supply (Million Bushels)	14,396	13,878
Feed and Residual (Million Bushels)	6,050	5,300
Food, Seed, and Industrial (Million Bushels)	4,345	5,445
Exports (Million Bushels)	2,425	2,000
Total Consumption (Million Bushels)	12,820	12,495
Ending Stocks (Million Bushels)	1,576	1,133
Average Price (\$/bu)	\$4.25	\$4.90 – \$5.90

2007/08 numbers were Projected 8/12/08
2008/09 numbers are Forecast*

Projected

* Forecast

IOWA STATE UNIVERSITY
University Extension

Source: USDA WASDE Report, Aug. 12th, 2008.

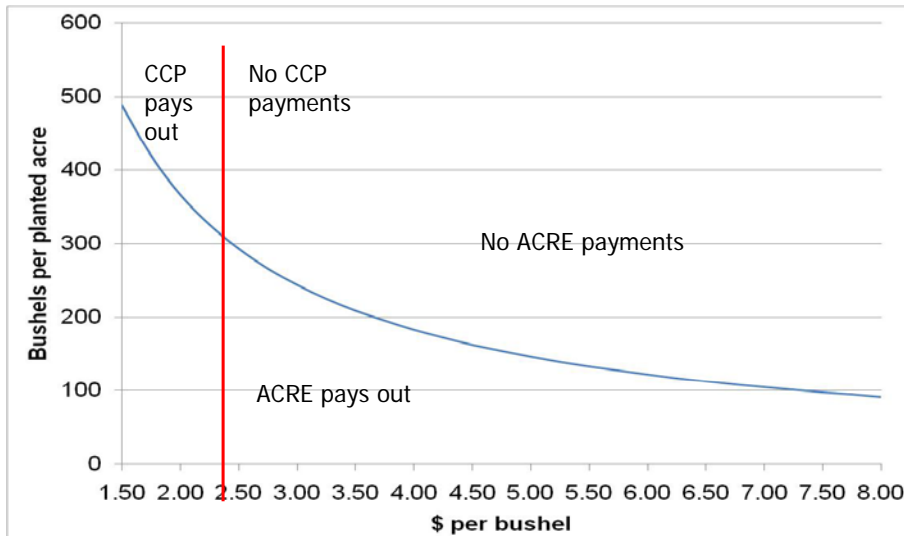
New Average Crop Revenue Election (ACRE)

- Gives producers a one-time option to choose a revenue-based counter-cyclical payment program, starting in 2009 through 2012
- Producers choose between the current program (LDP and CCP) or ACRE
- Computed on planted acres, up to the total number of base acres on the farm
- Price guarantee is the 2-year average for the national price (most recent years).

IOWA STATE UNIVERSITY
University Extension

Source: ISU Extension Economics, August 2008.

ACRE vs. CCP



IOWA STATE UNIVERSITY
University Extension

Source: ISU Extension Economics, July 2008.

ACRE Decisions

- Producers choosing ACRE agree to a 20% decline in direct payments and a 30% decline in loan rates
- Program has state and farm trigger levels, both must be met before payments are made
- Expected state and farm yields based on 5-year Olympic average yields per planted acre
- Revenue Guarantee = 90% of ACRE price guarantee X Expected state yield
- ACRE Actual Revenue = National average price X Actual state yield per planted acre (that year).

IOWA STATE UNIVERSITY
University Extension

Source: ISU Extension Economics, August 2008.

ACRE Set-up for Iowa Corn 2009 Sign-up Decision

Year	Yield per Planted Acre (bu./acre)	Year	National Average Price (\$/bu.)
2004	176.7	2007-08	4.25
2005	169.0	2008-09	5.40*
2006	162.7	Average	\$4.82 ½ *
2007	166.8		
2008	160*		
Olympic Average	166.2		

*The 2008 yield and price are forecasts.

So the expected state yield would be 166.2 bushels per acre and the ACRE price guarantee would be \$4.82 ½ per bushel.

IOWA STATE UNIVERSITY
University Extension

Source: ISU Extension Economics, August 2008.

ACRE Calculations for Iowa Corn and Farm Revenue Triggers

- **State Revenue Payment Trigger**
 - 166.2 bu/A (most recent 5 years – Olympic Average)
 - X \$4.82 ½/bu (forecast)
 - = \$802/A Gross Revenue (estimated)
 - X 90%
 - = \$722/A State Revenue Trigger for 2009 (estimated)
- **Farm Revenue Payment Trigger**
 - 170 bu/A (example only) Last 5-year Yields by FSA Farm #
 - X \$4.82 ½/bu (forecast)
 - = \$820/A Gross Revenue (estimated)
 - + \$30/A Crop Insurance Premium Paid (estimated)
 - = \$850/A Farm Revenue Trigger for 2009 (estimated)

IOWA STATE UNIVERSITY
University Extension

Source: ISU Extension Economics, August 2008.

Determining 2009 ACRE Payment (Considers Both Triggers are Met)

Lesser of	State ACRE Revenue Guarantee	Minus	Actual State Revenue
or	State ACRE Revenue Guarantee	Times	25%

ACRE Payments are issued after October 1st of the year following harvest.

ACRE Participant Payment Limits are \$40,000 on Direct Payments (DPs) and reduced by the 20% DP. The combined limitation for ACRE and DCPs are \$65,000 plus the amount of DP reduction.

IOWA STATE UNIVERSITY
University Extension

Source: ISU Extension Economics, August 2008.

Corn ACRE Payments – Iowa (If program had existed)

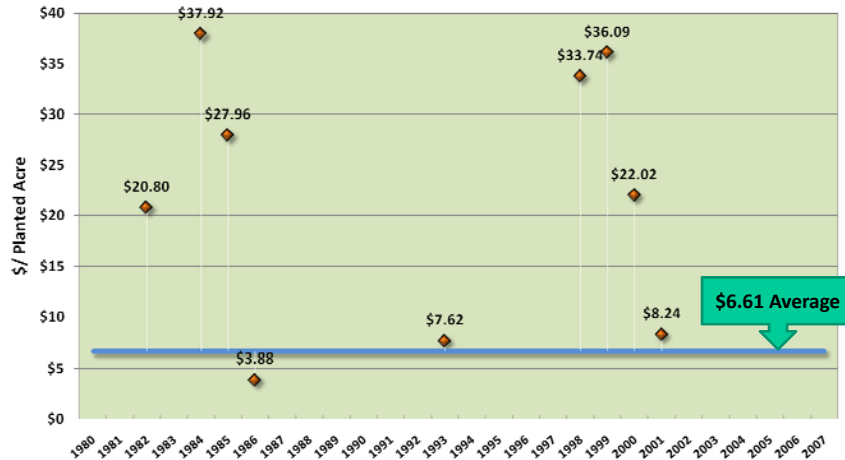


IOWA STATE UNIVERSITY
University Extension

Source: K-State Extension Economics, July 2008.

Soybean ACRE Payments – Iowa

(If program had existed)



IOWA STATE UNIVERSITY
University Extension

Source: K-State Extension Economics, July 2008.

ACRE Beyond 2009

- Revenue Guarantee is updated each year through 2012 using the same rules:
 - 5-year Olympic average for yields
 - 2-year national average price
- Revenue Guarantees can not change by more than 10% (up or down) from year to year:
 - So if the 2009 Revenue Guarantee is \$722, then the 2010 ACRE revenue guarantee must be between \$650 and \$794.

IOWA STATE UNIVERSITY
University Extension

Source: ISU Extension Economics, August 2008.

5 Strategies for the ACRE Program

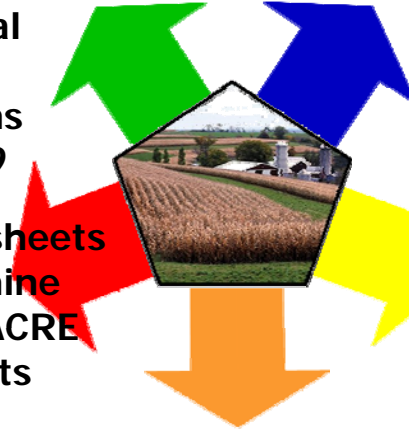
Don't
expect final
ACRE
Regulations
until 2009

Understand
the ACRE
Program
Basics

Use Spreadsheets
to determine
potential ACRE
Payments

Consider the
Need to Prove
Crop Yields by
FSA Farm #

Consider Access to Crop Yields since 2004



IOWA STATE UNIVERSITY
University Extension

Source: Johnson, ISU Ext. Economics, August 2008.

Thank You!

Steven D. Johnson

Farm & Ag Business

Management Specialist

(515) 957-5790 (after Sept. 1st)

sdjohns@iastate.edu

[www.extension.iastate.edu/polk/](http://www.extension.iastate.edu/polk/farmmanagement.htm)

[farmmanagement.htm](http://www.extension.iastate.edu/polk/farmmanagement.htm)

IOWA STATE UNIVERSITY
University Extension