

SURE and ACRE Updates

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

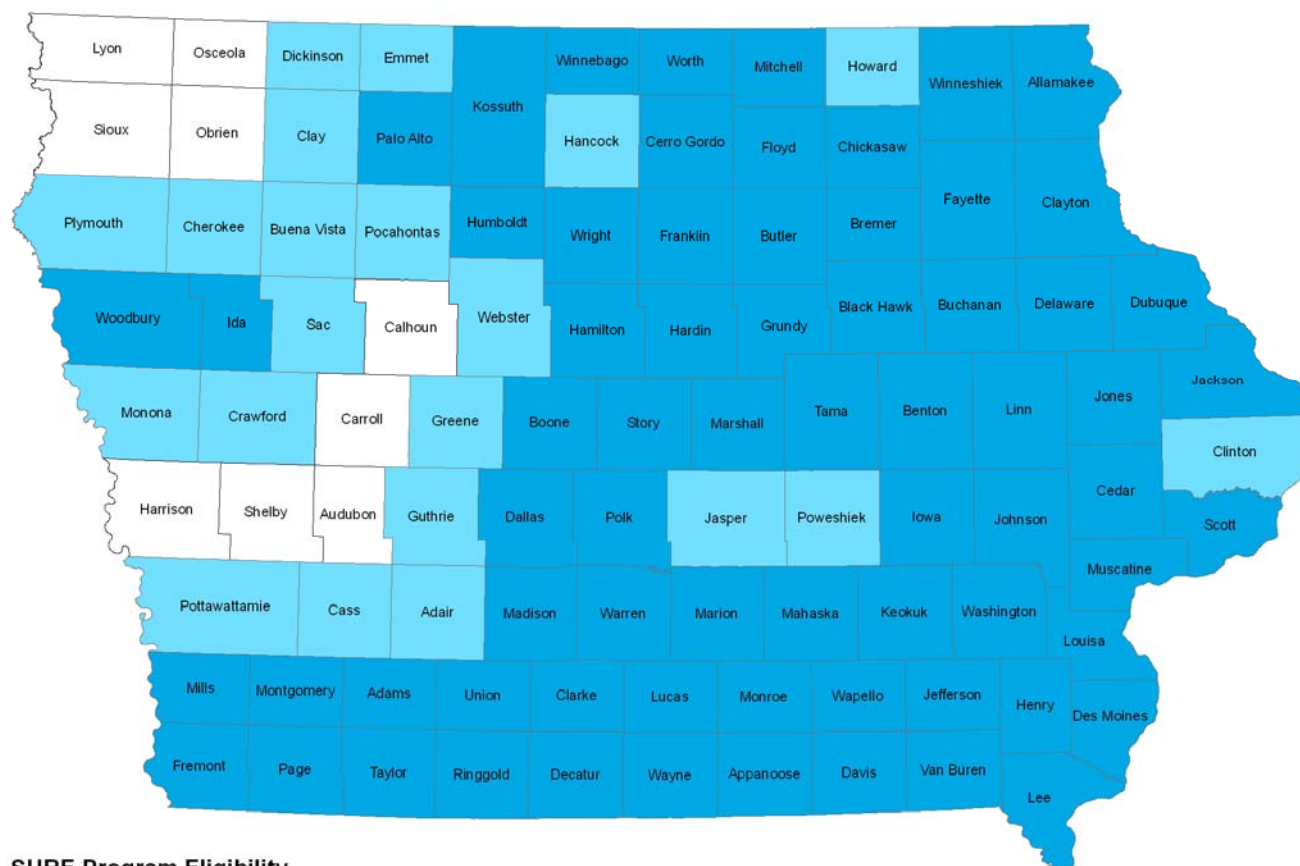
Presentation Objectives

- **Summarize the Supplemental Revenue (SURE) Disaster Assistance Program**
- **Highlight the Average Crop Revenue Election (ACRE) Program**
- **Review ACRE Enrollment Decisions and the Need to Forecast both State and Farm Revenue as well as National Average Cash Price through 2012**
- **Discuss the Opportunity that comes with both the SURE and ACRE Programs**
- **Highlight 5 Strategies for sign up for the Farm Program**

SURE - Supplemental Revenue Permanent Disaster Program

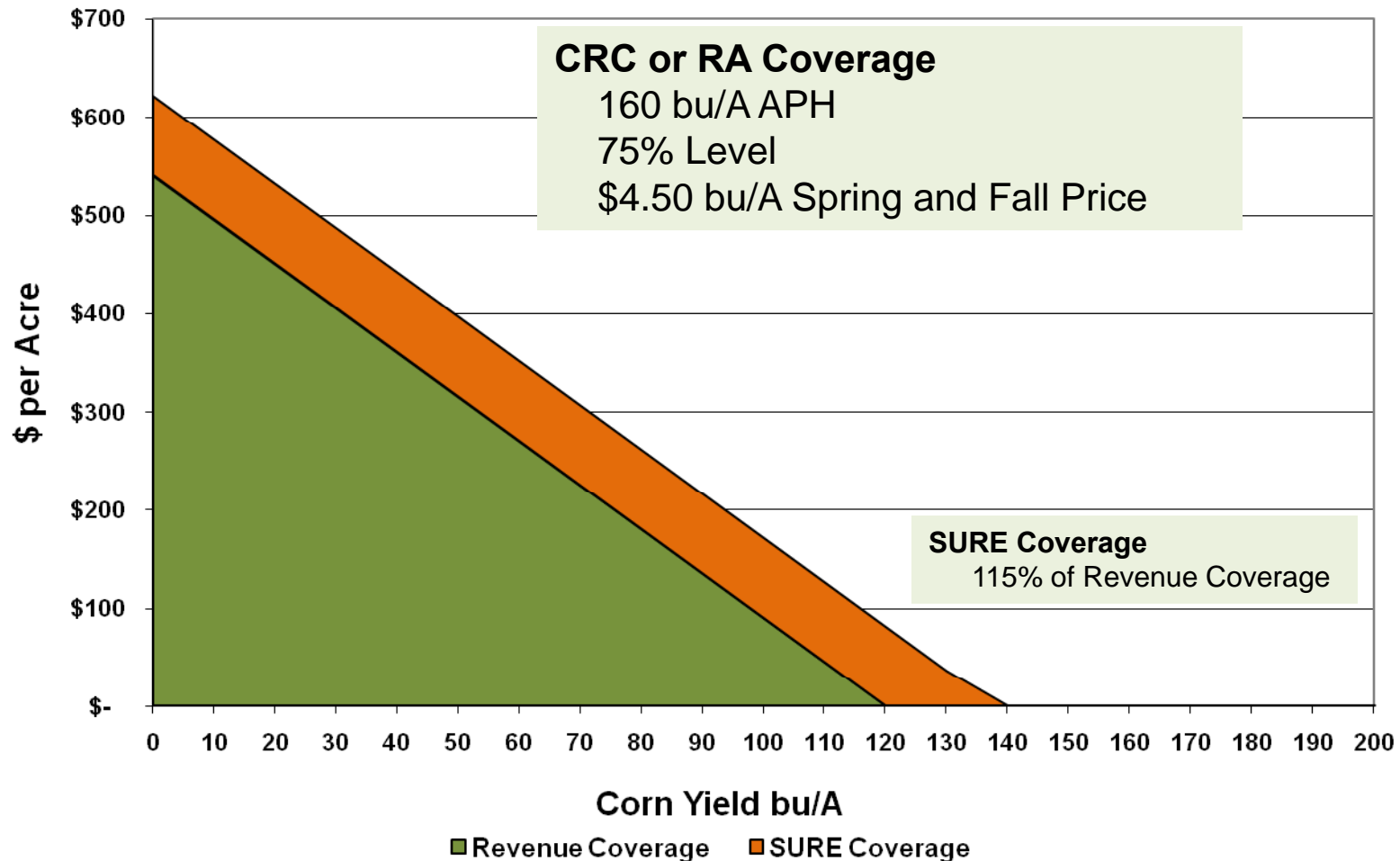
- **Provides “supplemental” revenue coverage to existing crop insurance policies**
- **Insured must cover all crops, all farms, all counties**
- **Program offered annually 2009 through 2012**
- **Annually, land must be in a “disaster county” (U.S. Secretary of Ag designation)**
 - **or a contiguous county**
 - **or crop revenue loss on all crops on all farms must exceed 50%**
- **All qualified crops on all farms must be insured or purchase Non-Insured Assistance Program (NAP)**
- **Administered by Farm Service Agency (FSA)**

2008 Iowa Disaster Counties



SURE Program Eligibility
Not Eligible
Secretarial Disaster County
Contiguous County

Crop Revenue Insurance Coverage (with SURE)



SURE Program Technical Corrections

- Clarifies how to measure 50% of production loss for crops harvested (normal production vs. actual production)
- Adds a requirement of a 10% production loss or greater on at least one crop of economic significance
- Excludes subsequently planted crops (ghost crops)
- Allows the Secretary of Ag to adjust the average market price received to reflect regional variations
- Provides a de minimis exception to crop insurance linkage:
 - Crops that are not of economic significance (10%) or
 - Crop for which the NAP fee exceeds 10% of the NAP guarantee
 - \$9090 value of the crop
- Allows for a waiver for 2009 crop year for 3 exceptions:
 - Socially disadvantaged farmer
 - Limited resource farmer
 - Beginning farmer
- Removes the Grazing Land linkage for SURE Program
- Clarifies the Payment Limit rule changes in the Farm Bill

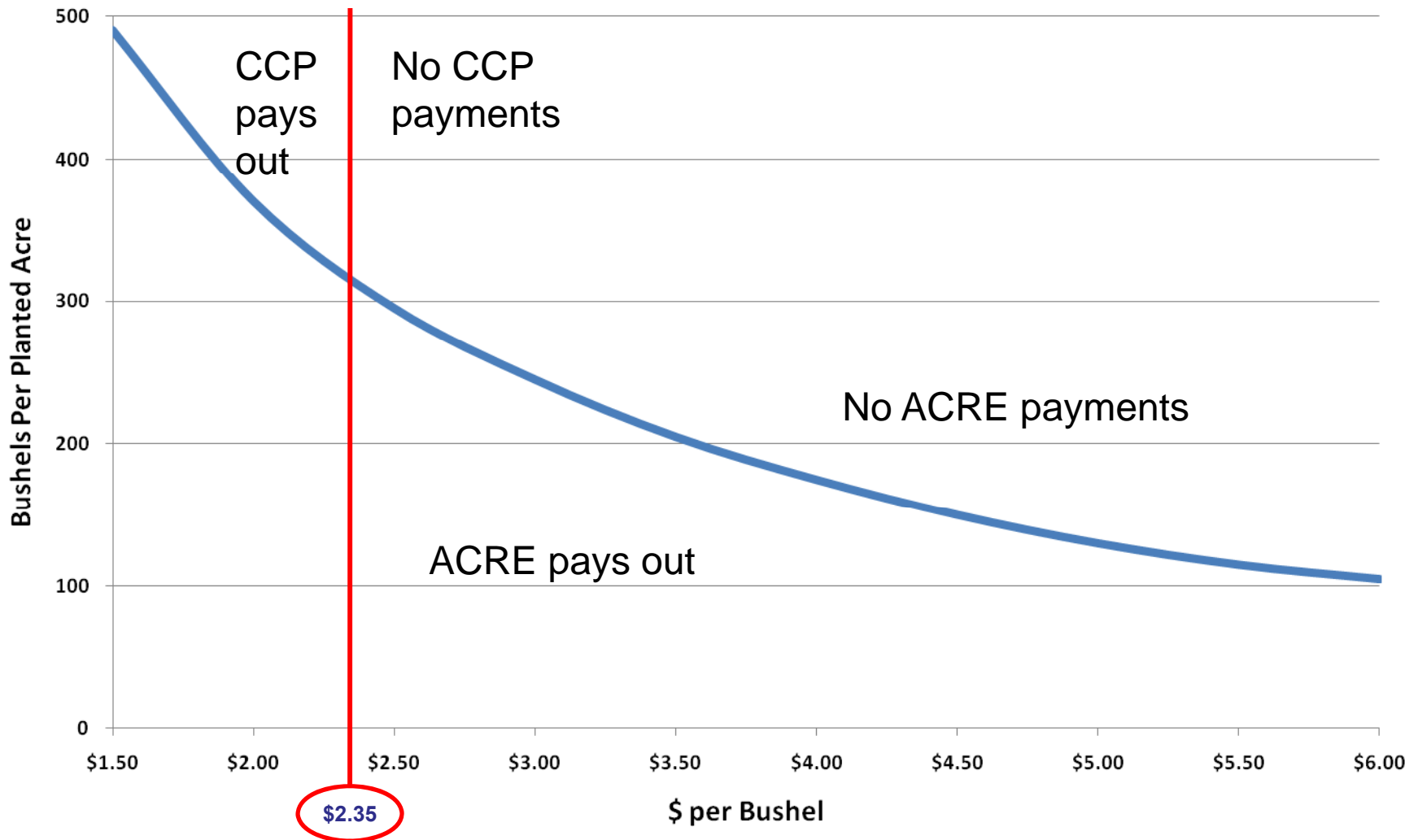
New Average Crop Revenue Election (ACRE) Program

- Gives producers a one-time option to choose a revenue-based counter-cyclical payment program, starting in 2009 through 2012 (irrevocable election)
- Producers choose between the current program (with the potential CCP) or ACRE
- Computed on planted acres, up to the total number of base acres on the farm
- Price guarantee is the 2-year National Marketing Year Average (MYA) Cash Price.

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 = 2-year National MYA cash price X 5-year state Olympic average yield X 90%
- Actual Revenue = National MYA cash price X Actual state yield per planted acre (that year).

ACRE vs. CCP Payments



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

Year	Yield per Planted Acre (bu./acre)	Year(s)	National Marketing Year Average (MYA) Cash Price (\$/bu.)
2004	176.7		
2005	168.9	2007-08	4.20
2006	162.7	2008-09	4.00 **
2007	166.8	Average	\$ 4.10 ***
2008	_____ *		
Olympic Average	166.1		

* The 2008 final state yield will be determined with the Jan. 12th, 2009, USDA Final Crop Production Report. This 2008 yield is considered to be the low yield of the 5 years.

** The 2008-09 MYA Cash Price is the WASDE mid-point forecast on Dec. 11th, 2008.

***The 2-year simple average of the 2 most recent years of the National MYA Cash Price.

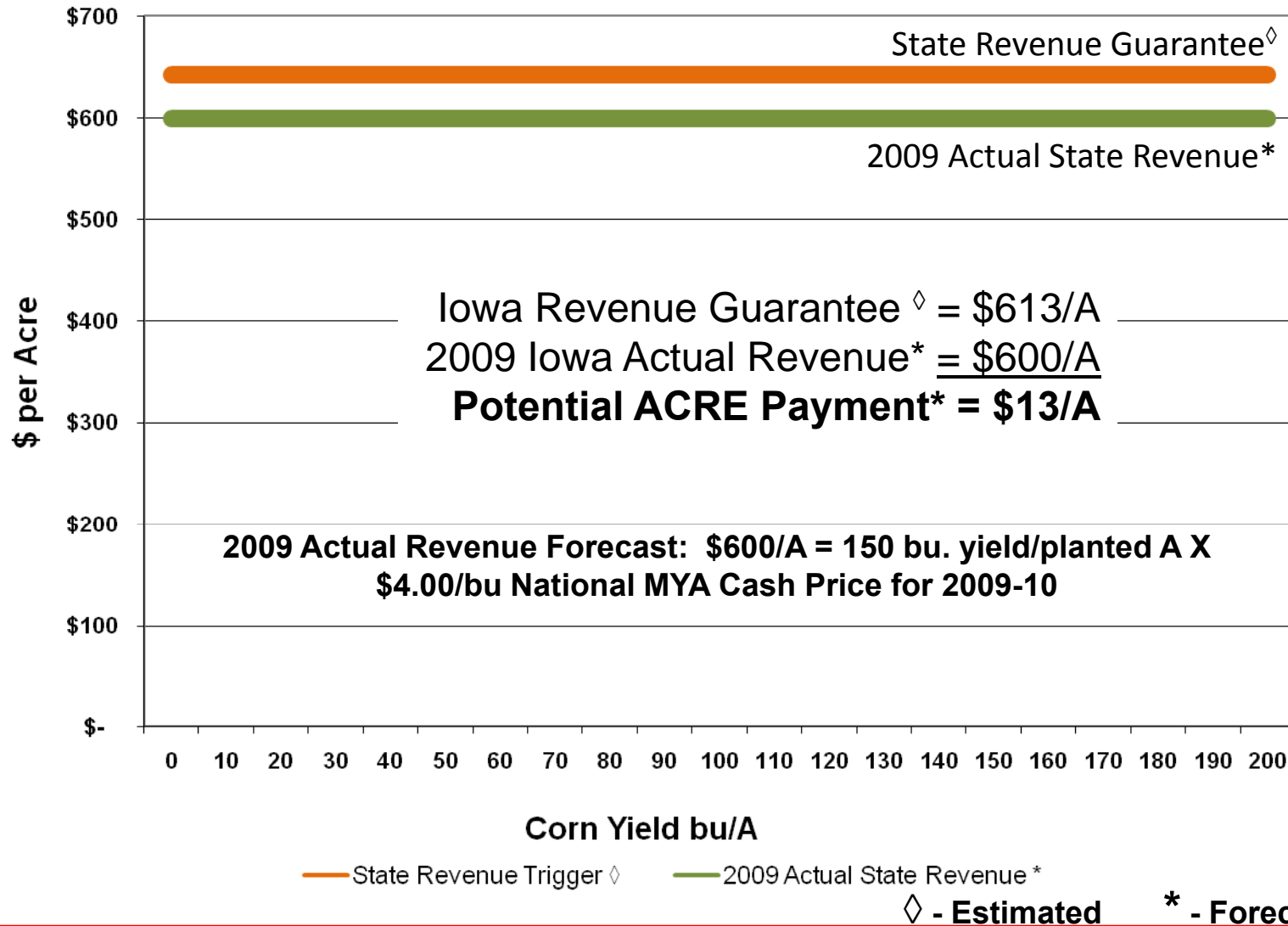
So the 5-year Olympic Average State Yield is forecast at 166.1 bushels per planted acre and the ACRE price guarantee is currently forecast at \$4.10 per bushel.

State & Farm Revenue Guarantees

- **State Revenue Guarantee for Iowa Corn**
 - 166.1 bu/A (most recent 5 years – Olympic Average)
 - X \$4.10 /bu (forecast)
 - = \$681/A Gross Revenue (estimated)
 - X 90%
 - = **\$613/A State Revenue Guarantee for 2009 (estimated)**

- **Farm Revenue Guarantee for Corn**
 - 170 bu/A (example only) Last 5-year Olympic Average – by FSA Farm Serial Number)
 - X \$4.10 /bu (forecast)
 - = \$697/A Gross Revenue (estimated)
 - + \$23/A Crop Insurance Premium Paid (estimated)
 - = **\$720/A Farm Revenue Guarantee for 2009 (estimated)**

Potential ACRE Payment for Corn



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.

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.

Potential 2009 Corn ACRE Payment

Assumptions: 5-yr. State Olympic Yield = 166.1 bu/A

5-yr. Farm Olympic Yield = 170 bu/A

2-yr. National Avg. Cash Price = \$4.10 /bu

2009 State Revenue Guarantee = \$613/A (estimates)

2009 Farm Revenue Guarantee = \$720/A (estimates)

In 2009, State Yield = 150 bu/A and Farm Yield = 160 bu/A

The 2009-10 National Avg. Cash Price = \$4.00/bu

2009 Actual State Revenue = 150 bu/A X \$4.00/bu = \$600 (forecast)

2009 Actual Farm Revenue = 160 bu/A X \$4.00/bu = \$640 (forecast)

Example Only

Since both 2009 the State and Farm Actual Revenue are below the Guarantees, an ACRE Payment is made.

\$613/A State Guarantee - \$600/A Actual State Revenue
= \$13/A X (170 bu/A /166.1 bu/A) X 83.3% = \$11/A Payment

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

Year	Yield per Planted Acre (bu./acre)	Year	National Marketing Year Average (MYA) Cash Price (\$/bu.)
2004	49	2007-08	10.10
2005	52.5	2008-09	9.00 **
2006	50.5	Average	\$ 9.55 ***
2007	51.5		
2008	_____ *		
Olympic Average	50.3		

* The 2008 final state yield will be determined with the Jan. 12th, 2009, USDA Final Crop Production Report. This 2008 yield is considered to be the low yield of the 5 years.

** The 2008-09 MYA Cash Price is the WASDE mid-point forecast on Dec. 11th, 2008.

***The 2-year simple average of the 2 most recent years of the National MYA Cash Price.

So the 5-year Olympic Average State Yield is forecast at 50.3 bushels per planted acre and the ACRE price guarantee is currently forecast at \$9.55 per bushel.

ACRE Revenue Guarantees Beyond 2009

- Revenue Guarantee is updated each year through 2012 using the same rules:
 - 5-year Olympic Average Yields (most recent years)
 - 2-years of National (MYA) Cash Prices
- Revenue Guarantees can not change by more than 10% (up or down) from year to year:
 - So for example the 2009 State Revenue Guarantee for Corn is **\$613**, then the 2010 ACRE Revenue Guarantee must be between **\$552** and **\$674**.
 - For Soybeans, the State Revenue Guarantee is **\$432**, then the 2010 ACRE Revenue Guarantee must be between **\$389** and **\$475**.

5 Strategies for 2009 Farm Program

Don't expect final ACRE Regulations until late Winter

Expect new FSA Forms to be Completed

Use Spreadsheets to Determine ACRE Payment Potential

Plan on 2009 DCP Regulations in January



ACRE is an Irrevocable Contract, Amends the DCP

5 Web Sites for SURE and ACRE

- **Ag Decision Maker - ISU Extension Economics**
(Spreadsheets - Decision Tools: SURE and ACRE)
www.extension.iastate.edu/agdm
- **USDA Farm Service Agency (FSA)**
www.fsa.usda.gov
- **Kansas State University - Ag Economics**
www.agmanager.info
- **ISU Center for Ag Law and Taxation (CALT)**
www.calt.iastate.edu
- **Crop Risk Management - ISU Polk County**
Marketing, Crop Insurance & Farm Programs:
Updates/Newsletters/Webcasts
www.extension.iastate.edu/polk/farmmanagement

