

U.S. Commodity Programs

Part 2

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The 2008 Farm Bill Safety Net

- 2002 Farm Bill
 - Direct Payments
 - Counter-Cyclical Payments
 - Marketing Loan Program

- 2008 Farm Bill
 - Revenue Counter-Cyclical Program
 - Permanent Disaster Assistance



Average Crop Revenue Election (ACRE)

- Optional revenue program that replaces price counter-cyclical program
 - Revenue guarantee based on state-level yields and national prices
 - Paid on 83.3% (85% in 2012) of planted acres on farm up to total base acres
 - Signup for 2009-2012 crop years
 - Must stay in program once enrolled
 - Must enroll all crops on farm



Mechanics of ACRE

- ACRE payment made if
 - Actual **state** crop revenue is less than the **state** revenue guarantee for the crop

AND

- Actual **farm** crop revenue is less than the **farm** benchmark revenue



Mechanics of ACRE

➤ State

- *Benchmark State Yield =
5-Year Olympic Average State Yield per Planted Acre*
- *Benchmark Price =
2-Year National Average Market Year Price*
- *State Revenue Guarantee =
(Benchmark State Yield * Benchmark Price * 90%)*
- *Actual State Revenue =
Actual State Yield per Planted Acre * MYA Price*

* State Revenue Guarantee cannot increase or decrease more than 10% from one year to the next.



Mechanics of ACRE

➤ Farm

- *Benchmark Farm Yield =
5-Year Olympic Average Farm Yield per Planted Acre*
- *Benchmark Farm Revenue =
(Benchmark Farm Yield * Benchmark Price) + Crop
Insurance Premiums Paid*
- *Actual Farm Revenue =
Actual Farm Yield per Planted Acre * MYA Price*



Mechanics of ACRE

➤ ACRE Payment Rate =

*The lesser of (State Revenue Guarantee – Actual State Revenue) or (25% * State Revenue Guarantee)
* (Benchmark Farm Yield/Benchmark State Yield)*

➤ ACRE Payment =

*ACRE Payment Rate * Planted Acres * 83.3%
(85% in 2012)*



Other ACRE Considerations

- To participate in ACRE, producers must
 - Reduce direct payments by 20%
 - Reduce marketing loan rates by 30%

- Payments will not be made until October 1, or as soon as practicable after the applicable marketing year (one year after harvest)



Average Direct Payments for Primary Kansas Crops

	Wheat	Corn	Sorghum	Soybeans
Payment Yield (bu/ac)	34.1	102.1	54.4	22.1
Payment Rate (\$/bu)	0.52	0.28	0.35	0.44
Direct Payment (\$/ac)	17.73	28.59	19.04	9.72
ACRE Reduction (\$/ac)	3.55	5.72	3.81	1.94



ACRE Example (Wheat)

Year	US MYA Price (\$/bu)	Kansas Yield (bu/planted acre)
2004	3.40	31.5
2005	3.42	38.0
2006	4.26	29.7
2007	6.65	27.3
2008	7.50	37.0
2009	5.23	36.8
2010	5.21	37.1
2011	5.31	37.4
2012	5.35	37.7



ACRE Example (Wheat)

Year	Benchmark State Yield (bu/plt ac)	Benchmark Price (\$/bu)	State Rev Guarantee (\$/plt ac)	Actual State Rev (\$/plt ac)	ACRE Payment (\$/plt ac)
2009	32.7	7.08	208.43	192.46	15.97
2010	34.5	6.37	197.63	193.29	4.34
2011	34.5	5.22	177.87	198.59	0.00
2012	37.0	5.26	175.00	201.70	0.00
Avg	--	--	--	--	5.07



Do I enroll in ACRE?

- What are prices and yields going to be over the next 4 years?
- Will ACRE payments (with reduced direct payments and lower loan rates) on average be greater than current commodity program payments?
- Even if ACRE payments are not greater than current commodity program payments, will it provide more risk management protection?



Do I enroll in ACRE?

- What is the price-yield correlation between state yields and national prices?
- What is the correlation between state yields and farm yields?
- How does ACRE compare with each crop in the crop mix? Does it work better for some crops than others?
- How complementary is ACRE with crop insurance and disaster assistance?



ACRE Conclusions

Don't be in a hurry to make a decision!



Supplemental Agricultural Disaster Assistance

- Established through Agricultural Disaster Relief Trust Fund
- Programs include
 - Supplemental Revenue Assistance Program (SURE)
 - Livestock Indemnity Program
 - Livestock Forage Disaster Program
 - Emergency assistance for livestock, honey bees, and farm-raised fish
 - Tree Assistance Program



Supplemental Revenue Assistance Program (SURE)

- Whole farm revenue assistance program
- Farm must be in a primary or contiguous county designated as a disaster county or farm must suffer 50% production loss
- Must insure at least 50% of yield and 55% of price for insurable crops
- Must purchase NAP coverage for non-insurable crops
- Guarantee determined by crop insurance selection



SURE Mechanics

- *SURE Guarantee (Insured Crops) =*
*(A) planted acres * (B) farmer-elected percent of insurance * (C) higher of farm's actual production history (APH) or counter-cyclical (CCP) payment yield * (D) insurance price elected by farmer * (E) 115%*
- *SURE Guarantee (Non-insurable Crops) =*
*(A) planted acres * (B) 100% of NAP price * (C) higher of NAP yield guarantee or CCP yield * (D) 120%*
- *Farm Guarantee (90% of Sum of Expected Revenue for Each Crop) =*
*(A) planted acres * (B) higher of APH or CCP yield or 100% of NAP yield * (C) 100% of insurance price guarantee or 100% of NAP price * (D) 90%*



SURE Mechanics

- *Actual Revenue*
Farm Revenue =
(A) Sum of insurance and NAP indemnities + (B) prevented planting payments + (C) other Federal disaster assistance + (D) 15% of direct payments + (E) CCP, ACRE, and marketing loan payments + (F) value of each crop
- *Payments*
*SURE Payment = 60% * (SURE Guarantee – Farm Revenue)*



Payment Limitations

- Direct attribution of payments
 - Eliminates three-entity rule
 - Spouse automatically qualifies for payments if other spouse is determined to be “actively engaged” in the farming operation
- Direct payments - \$40,000
- Counter-cyclical payments - \$65,000
- Marketing loan payments - no limits
- ACRE payments
 - Direct payments = \$40,000 – 20% reduction in direct payments
 - ACRE payments = \$65,000 + 20% reduction in direct payments
- SURE payments - \$100,000



Payment Eligibility

- 2002 Farm Bill
 - Ineligible for payments if AGI greater than \$2.5 million unless 75% is from farming
- 2008 Farm Bill
 - Ineligible if average **nonfarm** AGI exceeds \$500,000
 - Ineligible if average **farm** AGI exceeds \$750,000



Questions?

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