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This story appeared in The Riley Countian on March 20, 2009. It is being used with the paper's permission. By Melanie Musselman, Ag Editor, *The Riley Countian*

Barnaby encourages producers to do their homework before choosing ACRE and SURE¹

For ag producers, deciphering the 2008 Farm Bill and choosing the best programs to fit their individual farming situation may not be as easy as some are leading them to believe.

Art Barnaby, K-State agricultural economist, says choosing ACRE over a 20% reduction in direct payments, elimination of any counter cyclical payment and a 30% reduction in the loan rate is not a “no-brainer” as some of the experts are saying.

“ACRE will cost a producer 20% of their direct payments for the next four years,” said Barnaby, who’s been extensively traveling the state and nation explaining the risk management principals of the new farm bill. He was in Clay Center for a crop insurance seminar on March 6. “ACRE or Average Crop Revenue Election is a ‘put’ option on expected state revenue. Revenue is price times yield, so how is price and yield measured? The price is based on a two-year market year average price; while yield, is the approved state “average” yield.”

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ACRE is one of the new revenue-based programs of the 2008 Farm Bill and is an alternative to the price-based counter-cyclical payments. According to Barnaby, ACRE was developed in part by ag economics professor at Ohio State University, Carl Zulauf and the NCGA (National Corn Growers Association).

The official name of the 2008 Farm Bill is the Food, Conservation and Energy Act and it has 15 titles and more than 600 pages. Even though it finally passed in May 2008, the details and specific rules of the programs were not completely finalized. The devil is in the details, said Barnaby.

USDA's Farm Service Agency just released more details about ACRE this week including what method will be used to figure the payments. From the FSA website, www.fsa.usda.gov, in the *ACRE Background Information*, ACRE payments are tied to current plantings on the farm as opposed to counter-cyclical payments, which are tied to the farm's base acres. ACRE payments are issued when two conditions or "triggers" are met for a commodity. The first condition is met when the Actual State Revenue falls below the State ACRE revenue Guarantee. The second condition is met when the Actual Farm Revenue falls below the Farm ACRE Guarantee (farm level benchmark).

"My understanding is that FSA is in disagreement as to whether producers can use crop insurance records to report their yields," said Barnaby, a 30-year veteran in the KSU ag economics department. "Many, if not most farmers, will have no other records but their crop insurance records."

Other provisions of ACRE are that producers will not receive the counter-cyclical payments from USDA and they will have a 30-percent reduction in the marketing assistance loan rates for all commodities produced on each farm.

Barnaby encourages farmers to wait until around mid-May to make a decision to sign up for ACRE.

"Right now, the deadline to enroll in the ACRE program is June 1 (Note: date changed to August 14 after article was published). A lot can happen between now and then such as an unanticipated weather event like a freeze on the wheat crop or a change in the markets."

He gave these examples on whether to sign up for ACRE based on current market conditions.

"Currently the wheat and soybeans are 'in the money' options, which mean if prices ended up at current levels assuming an average state yield, these crops would pay ACRE payments. Corn is 'out of the money' and will require prices to be lower than current levels to trigger payments assuming an average state yield."

Another new program in the 2008 Farm Bill is SURE or Supplemental Revenue Assistance. It's also a revenue-based program and uses a formula to compare the expected revenue to actual revenue for the entire farming operation. Barnaby said producers in counties that have received a disaster designation by the USDA Secretary or are contiguous to a county with a disaster designation are eligible if the calculated expected revenue is less than the estimated revenue.

Barnaby emphasized that to be eligible for a payment under SURE, you are required to purchase insurance on all crops produced each year. For crops that are not insurable such as alfalfa, brome or prairie hay, a producer can pay the noninsured crop disaster assistance program or NAP fees to qualify for SURE assistance. Many of these forage crops, he said, have an alternative fully subsidized pilot vegetative insurance contract available that can substitute for the NAP coverage in Kansas and a few other states.

“There are 60 of the 105 Kansas counties eligible for SURE payments on the 2008 crop,” Barnaby said. “SURE is a revenue guarantee so payments are triggered with lower prices or lower yields or a combination of lower prices and yields. The NASS (National Agricultural Statistics Service) price used to settle the 2008 SURE claims is down more than 20% so it is only going to take a small yield loss to trigger SURE payments in those disaster counties.”

Farmers who are not in a disaster county or a contiguous county, Barnaby said, are also eligible for SURE payments but that will require those farmers to show a 50% revenue loss. So the easy way to be eligible is to be located in a disaster or contiguous county, Barnaby pointed out. North central Kansas counties are not included in the 2008 disaster or contiguous counties

When SURE was developed in the 2008 Farm Bill, it was supposed to take the place of the “ad hoc” disaster assistance programs that are crafted by legislators after a natural disaster. A standing or permanent disaster program, if you will. But, Barnaby said there is already an exception to the rules that haven’t even been totally written yet.

“There is an ‘ad hoc’ disaster assistance program for 2008 crops in the recently passed stimulus package in Congress. It will allow farmers who failed to pay NAP fees in 2008 to have a ‘do over.’ It will also increase the SURE payments for farmers who paid their 2008 premiums and NAP fees on time. This is for 2008 only; it does not apply to 2009,” Barnaby said.

Drawing from his 30 years of experience working with the private crop insurance industry, USDA’s Risk Management Agency and commodity groups on crop insurance issues, Barnaby estimated there is a reasonable chance there will be a “do over” for 2009 crops.

“While we don’t know if there are going to be disaster counties or crop losses this year,” Barnaby said, “the farmers with the higher crop insurance coverage will also receive higher SURE coverage. Remember SURE is a revenue guarantee not yield guarantee as was the case for the previous disaster programs.”

The sign-up date for SURE has not even been set yet. Barnaby predicted it may be mid-summer. So, Barnaby said, farmers have time between now and then to do their homework. Prepare now, Barnaby stressed, and compare the numbers between possible payments on ACRE vs. a reduced direct payments to determine which is the best option

for your farm. Most Kansas farmers will want to participate in SURE because they insure all of their crops anyway and that is the only cost for SURE participation, added Barnaby.

Barnaby also reminded producers to have patience with the FSA and USDA staff when it comes time for the sign-up. Barnaby reiterated that the ACRE and SURE programs are very complicated and that important details have been slow to be defined or left to the USDA Secretary to define.

Editor's note: For more information on ACRE and SURE, contact your local FSA office or visit the KSU Ag Economics website: www.agmanager.info or the FSA website: www.fsa.usda.gov.