

Projected ACRE Payments and Benchmarks for Kansas

Troy Dumler
Extension Agricultural Economist
Kansas State University

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The 2008 Farm Bill offers the opportunity for producers to participate in DCP (the traditional suite of programs including direct payments, counter-cyclical payments and marketing loans) or the new Average Crop Revenue Election (ACRE) suite of programs. If producers decide to participate in ACRE, they will opt out of the counter-cyclical program, reduce direct payments by 20 percent, and reduce marketing loan rates by 30 percent.

Participation in ACRE is actually a two-step process. Producers must first elect to participate, and then they must enroll in the program each year. The final date for enrollment in ACRE for 2010 is June 1, 2010.

ACRE is a state-level revenue program that establishes a state revenue guarantee for commodity program crops based on state yields and national prices. If actual state crop revenue is less than the state revenue guarantee **AND** a farm's actual revenue is less than the farm's benchmark revenue, then payments will be made. Following are the formulas used to calculate benchmark yields, prices and guarantees for the ACRE program.

(1) *Benchmark State Yield = 5-Year Olympic Average State Yield per Planted Acre¹*

(2) *Benchmark Price = 2-Year National Average Market Year Price*

(3) *State Revenue Guarantee = (90% * Benchmark State Yield * Benchmark Price)*

In calculating the *Benchmark State Yield* for 2009, the 5-year Olympic average yield would equal the average National Agricultural Statistics Service (NASS) yield per planted acre (see footnote) for the most recent 5 crop years (2004-2008), excluding the highest and lowest yields. The *Benchmark Price* for 2009 is calculated as the simple average of the national average market price received by producers of the covered commodity or peanuts for the most recent 2 crop years (2007-2008).

Tables 1 and 2 show the projected 2009 benchmark yields, prices, and guarantees for the primary program crops in Kansas. A provision in the ACRE program calls for separate guarantees for irrigated and non-irrigated crops if a state has at least 25% of the acres of a crop that are irrigated and at least 25% of the acres of the crop that are non-irrigated. The only crops in Kansas that would qualify for this provision in Kansas is corn, sunflowers and cotton. Thus, irrigated and non-irrigated corn in Kansas will essentially be treated as separate crops under the ACRE program.

¹ ACRE yields will equal state production divided by NASS harvested acres plus FSA failed acres and will be used in lieu of NASS planted acres for wheat, corn, grain sorghum, oats, and barley.

Table 1. ACRE Benchmark and Actual State Yields for Primary Kansas Crops.

	Wheat bu/a	Dryland Corn bu/a	Irrigated Corn bu/a	Sorghum bu/a	Soybeans bu/a
2009 Benchmark	35.3	96.0	188.0	76.0	35.0
2009 Actual	41.7	122.0	204.0	88.0	43.5
2010 Benchmark	37.2	96.0	188.0	77.0	35.0

Table 2. ACRE Benchmark and Projected Actual Prices.

	Wheat \$/bu	Corn \$/bu	Sorghum \$/bu	Soybeans \$/bu
2007	6.48	4.20	4.08	10.10
2008	6.78	4.06	3.20	9.97
2009 Benchmark	6.63	4.13	3.64	10.04
2009 Actual*	4.90	3.60	3.20	9.50
2010 Projected*	4.60	3.50	3.20	8.75

* Prices for the 2009 marketing year are the midpoint estimates from the May 11, 2010 USDA *World Agricultural Supply and Demand Estimates (WASDE)* Report. The marketing year ends May 31, 2010 for wheat, and August 31, 2010 for corn, sorghum and soybeans.

Figure 1 shows the 2009 ACRE guarantees for the primary commodity program crops in Kansas. The guarantees range from \$211/planted acre for wheat to \$698/planted acre for irrigated corn. The projected ACRE payment for wheat is \$6.31/planted acre. Currently, no other major crops in Kansas are projected to receive ACRE payments as actual revenue is forecasted to be above the state revenue guarantee.

Figure 1

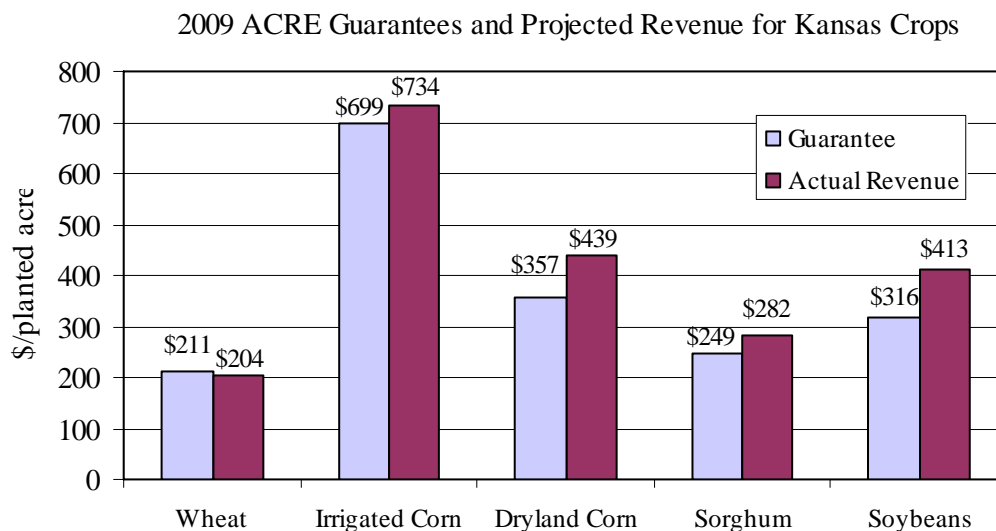
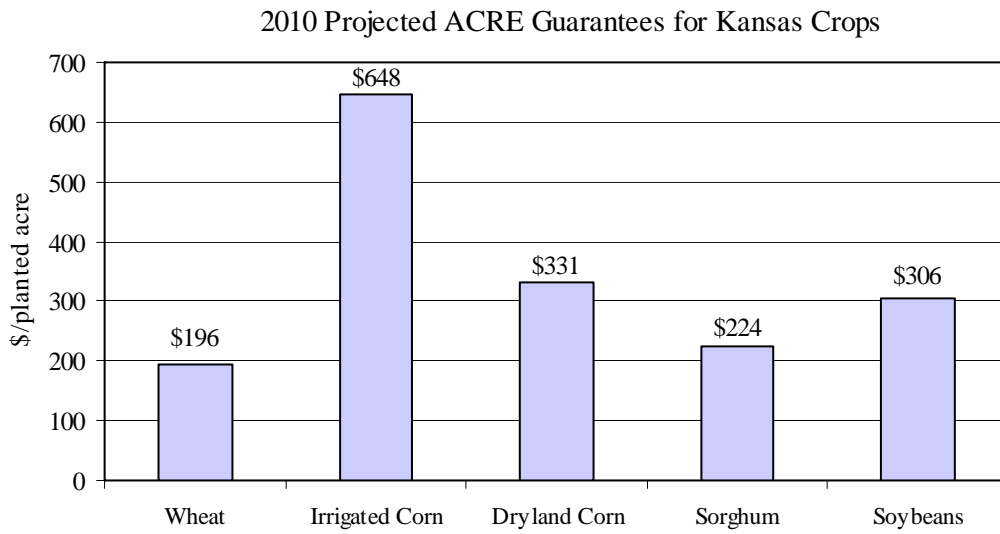


Figure 2 shows the projected 2010 ACRE guarantees for Kansas crops. The state revenue guarantee for each of the five crops declines from 2009, with irrigated corn experiencing the largest decline while soybeans had the smallest decline. Producers who believe there is a high probability that actual state revenue (actual state yield times the U.S. market year average price) will be below the guarantee for the 2010 crops would want to strongly consider participating in ACRE. Those who believe there is a low probability

that actual state revenue will be below the guarantee may want to defer the decision to participate in ACRE until 2011.

Figure 2



Additional information on the ACRE program can be found at www.agmanager.info.