



March 27, 2009

THE NEW ACRE PROGRAM

Rules are finally starting to funnel down to the county level from USDA about the new farm program signup that would replace counter-cyclical payments. It's called the Average Crop Revenue Election (ACRE) and the concept is completely different than counter-cyclical payments. Most people don't even know what a counter-cyclical payment is but in simple terms it is a small government payment from USDA to farmers when the price of corn falls below the national target price of the commodity (which today is below the cost of production) but above loan rate price.

Nobody has been allowed to sign up for the new ACRE option at the Farm Service Agency (FSA) to date because certain policies had not been written from the new public law. We can always choose to elect the new ACRE option until June 1, 2009 or in one of the next four years. The choice to ACRE program is irrevocable and the premium to enroll is 20% of the farms direct payment and 30% of any future marketing loan for the remaining years in this farm bill (crop years 2009 to 2012). A typical cost might be \$5.00 per acre disregarding the loan penalty cost.

The decision to enroll in ACRE is made on a farm-by-farm basis and FSA will require farm operators to prove yields for the previous four crop years. The decision is made on each individual FSA farm number. ACRE will not pay unless a state revenue trigger level by crop is met AND a farm revenue trigger is met. So the key question becomes will ACRE pay more than the current farm program we are used to in Southeast Nebraska?

I have seen screen shots of a new computer program calculator being developed at Texas A & M by Dr. James Richardson. Information you will need to run the computer analysis will be on CCC-509 or FSA 156EZ forms. Collect this information now or whenever it works for you from the FSA office.

The goal is to run a computer analysis of your farm. It reminds me somewhat of what we did in 2002. Computer input and interpretation will be easier, but proving yields may be the same process as before. To do the individual computer analysis you need to know the farm's base acres, the farm's direct payment yield and counter-cyclical payment yield (forms CCC-509 or FSA 156EZ). You enter additional information including the crops you will be raising for the next 4 years, intended planted acres by crop, the farm's APH yields the past 10 years, your average annual crop insurance premium, and your four year price outlook (yours is just as good as the government's). That's it, let the computer tell you the rest.

I am expecting the new calculator to be available this week on the Internet. When available, it will be announced at www.afpc.tamu.edu. I have already suggested some changes Texas A & M implemented.

If a producer signs up this year versus next year for ACRE, will it make a difference in future payments? It's possible this will be the best year to sign up. On the other hand, it may not end up that way. It all depends on commodity prices between now and next year because ACRE is a



revenue level based tool using national average cash prices. Honestly, nobody knows how to answer that question on sign-up timing because who can predict commodity prices with certainty?

Randy Pryor, Extension Educator
University of Nebraska-Lincoln Extension in Saline County
306 West 3rd Street, Wilber, NE 68465
Phone (402) 821-2151 • Fax (402) 821-3398 • e-mail: randy.pryor@unl.edu