2011 Average Crop Revenue Election (ACRE) Program

Jody Campiche, Assistant Professor and Extension Economist

The 2011 ACRE program may be an attractive option for Oklahoma wheat producers. The deadline to enroll in the ACRE program for the 2011 crop year is June 1, 2011. The ACRE program was established in the 2008 Farm Bill to protect against short term declines in revenue by protecting against both price and yield risk. For ACRE payments to be made, both a state and farm level trigger must be met. For the state trigger to be met, the state ACRE revenue guarantee must be greater than the actual state revenue. For the farm trigger to be met, the farm ACRE revenue guarantee must be greater than the actual farm revenue. Once both triggers are met, a producer enrolled in ACRE is eligible for an ACRE payment.

Producers who select the ACRE program will not be eligible for counter-cyclical payments (CCP) and will receive a 20 percent reduction in direct payments (DP) and a 30 percent reduction in marketing loans. Producers must enroll all base acres on a farm, but do not have to enroll all farms in ACRE. Producers can enroll in ACRE in any year between 2009-2012, but once enrolled, must remain in ACRE for the remainder of the period the 2008 farm legislation is in effect. Producers who did not enroll in the ACRE program for the 2009 or 2010 crop year will need to enroll in the ACRE program by the June 1 deadline to be eligible for the 2011 ACRE program.

Based on current conditions across Oklahoma, the 2011 Oklahoma wheat yield will likely be quite low. Recent forecasts for the 2011 Oklahoma wheat yield range from 20.5 to 22 bushels per acre. The yield could be even lower as Oklahoma wheat producers continue to face additional weather issues. However, since ACRE protects against declines in revenue, the 2011 national average marketing year price is also an important (and unknown) factor in the ACRE equation. The 2011 price will likely be much higher than in recent years (due to conditions in both the U.S. and world wheat markets) and will be the primary determinant of a 2011 ACRE payment. The USDA World Agricultural Supply and Demand Estimates (WASDE) report published on May 11, 2011 provides a forecast of $6.80 - $8.20 for the 2011 average U.S. wheat price.

Since many Oklahoma producers received substantial ACRE payments for the 2009 crop year, it is important to discuss a few of the differences between the 2009 payment and potential 2011 payment. In 2009, producers received large ACRE payments due to a combination of low prices and low yields. The 2009 ACRE revenue guarantee (benchmark state yield * ACRE guarantee price * 90%) was also higher than the 2011 guarantee (Table 1). In addition, the 2009 national average marketing year price was much lower than the forecasted 2011 price.
Table 1. 2009 vs. 2011 Oklahoma Wheat ACRE Payment

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>State ACRE Revenue Guarantee</td>
<td>$187</td>
<td>$151</td>
</tr>
<tr>
<td>ACRE Guarantee Price</td>
<td>$6.63</td>
<td>$5.24</td>
</tr>
<tr>
<td>Benchmark State Yield</td>
<td>31.5</td>
<td>27.5</td>
</tr>
<tr>
<td>National Average Marketing Year Price</td>
<td>$4.87</td>
<td>$6.80-$8.20</td>
</tr>
<tr>
<td>Actual State Yield</td>
<td>22</td>
<td>20.5-22</td>
</tr>
</tbody>
</table>

However, even with the lower guarantee and higher price, the state trigger could still be met and Oklahoma wheat producers could receive an ACRE payment (assuming the farm trigger is also met). If the final Oklahoma wheat yield is lower than 20.5 bushels per acre, this will increase the chances of an ACRE payment. Table 2 shows potential ACRE payments for different price and yield scenarios. The ACRE payment is the base payment (i.e. a producer could receive higher/lower than this amount if the farm benchmark yield is higher/lower than the state benchmark yield). If the yield is 22, producers will not receive an ACRE payment if the price is near $7.00 (or higher). If the yield is 20.5, producers will not receive an ACRE payment if the price is near $7.50 (or higher). If the yield is 18.5, producers will not receive an ACRE payment if the price is near $8.20 (or higher).

Table 2. Potential 2011 Oklahoma Wheat ACRE Payment

<table>
<thead>
<tr>
<th>ACRE Payment – 22.0 bu/acre</th>
<th>$6.50</th>
<th>$6.75</th>
<th>$7.00</th>
<th>$7.25</th>
<th>$7.50</th>
<th>$7.75</th>
<th>$8.00</th>
<th>$8.20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$11</td>
<td>$4</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>ACRE Payment – 20.5 bu/acre</td>
<td>$24</td>
<td>$17</td>
<td>$10</td>
<td>$4</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$40</td>
<td>$34</td>
<td>$28</td>
<td>$22</td>
<td>$17</td>
<td>$11</td>
<td>$5</td>
<td>$0</td>
</tr>
</tbody>
</table>

It is important for producers to remember what they will give up if they enroll in the ACRE program. For producers with wheat base acreage, the main issue is the 20 percent loss in direct payments. If the producer only has wheat base acreage, the direct payment is around $15 per acre. The direct payment is calculated by the following equation:

(1) Base acres * DP yield * $0.52 * 83.33% (85% for 2012)

Assuming a DP yield of 35 bushels per acre, the direct payment rate would be $15.16 per acre for 2011 and $15.47 per acre for 2012. The DP yield will vary for each producer. The 20 percent reduction would be $3.03 per acre for 2011 and $3.09 per acre for 2012 or a total of $6.12 per acre for both years. So, a producer who enrolls in ACRE in 2011 would receive about $6.12 less per acre in direct payments. Producers will need to decide if they want to risk losing
around $6 per acre to potentially receive an ACRE payment in 2011 and 2012. This example only applies to producers with wheat base acreage. Producers with other base acreage may experience a greater loss in direct payments as well as a loss in counter-cyclical payments.

Check the Oklahoma State Agricultural Policy newsletter for additional updates over the next few weeks (see link below) or send an email to jody.campiche@okstate.edu to subscribe to the newsletter. The ACRE decision tool is also available for producers to input farm level information and analyze potential ACRE vs. DCP payments.

Additional Resources

Oklahoma State University Extension Agricultural Policy Information:

- ACRE Newsletter:
  http://www.agecon.okstate.edu/agpolicy/index.asp?type=newsletters
- ACRE Decision Tool:
  http://www.agecon.okstate.edu/agpolicy/decisionTool_comm.asp
- ACRE Fact Sheet

USDA Farm Service Agency Fact Sheets and Information

- Farm Service Agency Direct and Counter-Cyclical Program/ACRE:

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