



Average Crop Revenue Election (ACRE) Program *Background*

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Background

The optional Average Crop Revenue Election (ACRE) Program, added under the Food, Conservation, and Energy Act of 2008 (2008 Act), is an alternative revenue-based safety net to the price-based safety net provided by counter-cyclical payments for crop years 2009 through 2012. Producers must first irrevocably elect ACRE by signing form CCC-509 ACRE. Then, producers annually enroll the farm in ACRE by signing form CCC-509 that has been modified to accommodate producers' decision to subsequently enroll the ACRE-elected farm into the annual ACRE Program. The ACRE Program provides producers an option to protect against declines in market revenue. The ACRE Program involves state and farm revenue changes from guarantee revenue levels that are based on national prices, state planted yields, and farm planted yields.

A decision to elect ACRE may be made in any of the crop years 2009-2012; however, the ACRE election is irrevocable and cannot be changed from the time of election through the 2012 crop year. Again, however, election is NOT enrollment. Producers on farms that have elected ACRE still must decide annually whether to enroll in the ACRE Program. Absent enrollment occurring following election, the farm will not be considered enrolled even though the election is effective. Producers may elect the ACRE alternative on a farm-by-farm basis. Because of tradeoffs discussed below and the irrevocable commitment to ACRE, producers are encouraged to review ACRE decision tools from State extension and other sources to help evaluate the choices.

ACRE Tradeoffs

Producers who elect and enroll a farm in ACRE agree to: (1) forgo counter-cyclical payments, (2) a 20-percent reduction in their direct payments, and (3) a 30-percent reduction in the marketing assistance loan rates for all commodities produced on the farm are eligible for ACRE payments. 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.

Eligible Producers

To be eligible for ACRE payments, owners, operators, landlords, tenants, or sharecroppers must:

- have base acres on the farm;
- share in the risk of producing a crop on base acres on a farm enrolled in ACRE;
- annually report the use of the farm's cropland acreage and **submit production reports**;
- comply with conservation and wetland protection requirements on all of their land;
- comply with planting flexibility requirements;
- use the base acres for agricultural or related activities; and
- protect all base acres from erosion, including providing sufficient cover as determined necessary by the county FSA committee, and control weeds.

Eligible Commodities for ACRE Payments

Commodities eligible for ACRE payments:

- barley;
- corn;
- grain sorghum, including dual purpose varieties that can be harvested as grain;
- oats;
- canola;
- crambe;
- flaxseed;
- mustard seed;
- rapeseed;
- safflower;
- sesame seed;
- sunflower seed, including oil and non-oil varieties;
- peanuts;
- long grain rice;
- medium grain rice (which includes short grain rice), excluding wild rice;
- soybeans;
- upland cotton;
- wheat;
- dry peas;
- lentils;
- small chickpeas (Garbanzo bean, Desi); and
- large chickpeas (Garbanzo bean, Kabuli).

Direct Payments

Producers on farms enrolled in ACRE are eligible for direct payments. Direct payments for ACRE participants (for the same commodities on which they would have received direct payments under DCP) are reduced by 20 percent compared with direct payments for DCP participants. Direct payment rates for participating DCP and ACRE commodities are as follows:

Commodity	Unit	DCP Direct Payment Rate	ACRE Direct Payment Rate
		Per Unit	
Barley	bushel	\$0.24	\$0.192
Corn	bushel	\$0.28	\$0.224
Grain sorghum	bushel	\$0.35	\$0.280
Oats	bushel	\$0.024	\$0.0192
Other oilseeds 1/	hundredweight	\$0.80	\$0.640
Peanuts	ton	\$36.00	\$28.80
Rice 2/	hundredweight	\$2.35	\$1.880
Soybeans	bushel	\$0.44	\$0.352
Upland cotton	pound	\$0.0667	\$0.05336
Wheat	bushel	\$0.52	\$0.416

1/ Includes canola, crambe, flaxseed, mustard seed, rapeseed, safflower, sesame seed, and sunflower seed. 2/ Includes long grain rice and medium grain rice (which includes short grain rice).

* Note that pulse crops (dry peas, lentils, small chickpeas, and large chickpeas) are not eligible for direct payments.

For each commodity, the total direct payment for producers on a farm equals 83.3 percent of the farm's base acreage *multiplied by* the farm's direct payment yield *multiplied by* the ACRE direct payment rate. For 2012, the payment percentage increases from 83.3 to 85 percent. The following is an example for corn:

$$\begin{array}{r} 100 \text{ base acres} \\ \times 83.3\% \text{ payment acreage percentage} \\ \times 110 \text{ bushel per acre direct payment yield} \\ \times \underline{\$0.224 \text{ per bushel ACRE direct payment rate}} \\ = \$2,053 \text{ direct payment for ACRE participants} \end{array}$$

Direct payments are not based on producers' current plantings, but instead are tied to base acres and program yields.

ACRE Payment Triggers

ACRE payments are issued when two conditions are met for a commodity. The first condition is met when the Actual State Revenue falls below the State ACRE Guarantee. The second condition is met when the Actual Farm Revenue falls below the Farm ACRE Guarantee.

State ACRE Guarantee

90% *multiplied by* Benchmark State Yield *multiplied by* ACRE Guarantee Price

The Benchmark State Yield is the simple average of yields per planted acre for the most recent 5 crop years, excluding the high and low yields. Separate irrigated and nonirrigated Benchmark State Yields are computed when at least 25 percent of the crop's planted acres is irrigated and 25 percent of the crop's planted acres is nonirrigated. For crop year 2009, the Benchmark State Yields are established using crop years 2004-2008.

The ACRE Guarantee Price is the 2-year simple average of the national marketing year price. For the 2009 crop, the ACRE Guarantee Price is based on the 2007/08 and 2008/09 marketing years. For each commodity, State ACRE Guarantees will be finalized after the 2008/09 marketing year prices are published. The final price estimates are reported by the National Agricultural Statistics Service for most ACRE-eligible commodities.

For the subsequent crop years, the State ACRE Guarantee cannot change by more than 10 percent from the previous year's State ACRE Guarantee.

Preliminary 2009 State ACRE Guarantees, based on projected ACRE Guarantee Prices and preliminary Benchmark State Yields, can be found at: <http://www.fsa.usda.gov/dcp>

Table 1. Corn and Soybean Example of the State ACRE Guarantee

No.	Item	Description	Corn	Soybeans
(1)	ACRE Adjustment Factor	Statutory	90%	90%
(2)	Preliminary ACRE Guarantee Price		\$4.15 per bushel	\$9.73 per bushel
(3)	Benchmark State Yield		160 bushels per acre	45 bushels per acre
(4)	State ACRE Guarantee	(1) x (2) x (3)	\$597.60 per acre	\$394.07 per acre

State ACRE Payment Rate

(State ACRE Guarantee minus Actual State Revenue)

The Actual State Revenue is the Actual State Yield *multiplied* by the ACRE Price. The ACRE Price is the higher of the: (a) national loan rate, after being reduced by 30 percent, or (b) national average market year price.

The State ACRE Payment is capped at 25 percent of the State ACRE Guarantee.

Table 2. Corn and Soybean Example of the State ACRE Payment Rate Calculation

No.	Item	Description	Corn	Soybeans
(1)	State ACRE Guarantee	From Table 1	\$597.60 per acre	\$394.07 per acre
(2)	(a) Reduced National Loan Rate	70% of Loan Rate	\$1.37 per bushel	\$3.50 per bushel
	(b) National Average Market Year Price	hypothetical	\$3.78 per bushel	\$8.28 per bushel
	ACRE Price	Higher of (a) or (b)	\$3.78 per bushel	\$8.28 per bushel
(3)	Actual State Yield	Hypothetical	155 bushels per acre	47 bushels per acre
(4)	Actual State Revenue	(2) <i>multiplied</i> by (3)	\$585.90 per acre	\$389.16 per acre
(5)	State ACRE Payment Rate, before Cap	(1) <i>minus</i> (4)	\$11.70 per acre	\$4.91 per acre
(6)	State ACRE Payment Rate Cap	25% of (1)	\$149.40 per acre	\$98.52 per acre
(7)	State ACRE Payment Rate	Lower of (5) or (6)	\$11.70 per acre	\$4.91 per acre

Farm ACRE Guarantee and Revenue Loss Trigger

(Benchmark Farm Yield times ACRE Guarantee Price plus Crop Insurance Premium)

The Benchmark Farm Yield is the simple average of the yields per planted acre for the most recent 5 crop years, excluding the high and low yields. For crop year 2009, the Benchmark Farm Yields are established using crop years 2004-2008. Benchmark Farm Yields will be established using production evidence including crop insurance yields.

The ACRE Guarantee Price, used to compute the State ACRE Guarantee, is also used to compute the Farm ACRE Guarantee.

The Crop Insurance Premium per acre paid by producers on the farm is included in the Farm ACRE Guarantee. For farms that are not insured or farms covered by the Non-insured

Assistance Program (NAP) or by a Catastrophic (CAT) policy, this amount will be zero. **Crop insurance or NAP is not required for participation in ACRE.**

The table below shows that this farm example meets the farm revenue shortfall condition for both corn and soybeans.

Table 3. Corn and Soybean Example Showing Farm Revenue Loss Calculation

No.	Item	Description	Unit	Corn	Soybeans
(1)	Benchmark Farm Yield	hypothetical	bushels per acre	170	40
(2)	ACRE Guarantee Price	From Table 1	per bushel	\$4.15	\$9.73
(3)	Farm ACRE Revenue	(1) x (2)	per acre	\$705.50	\$389.20
(4)	Crop Insurance Premium 1/	hypothetical	per acre	\$ 15.00	\$ 10.00
(5)	Farm ACRE Guarantee	(3) + (4)	per acre	\$720.50	\$399.20
(6)	Actual Farm Yield	hypothetical	bushels per acre	185.0	46.0
(7)	ACRE Price	From Table 2	per bushel	\$3.78	\$8.28
(8)	Actual Farm Revenue	(6) x (7)	per acre	\$699.30	\$380.88
	Is Actual less than Guarantee?	Is (8) < (5)?		Yes	Yes

1/ Assumes hypothetical crop revenue coverage at the 75 percent level.

Farm ACRE Payment

83.3% (85% for crop year 2012) *multiplied by* Planted and Considered Planted (P&CP) Acres (not to exceed total base acres)
multiplied by State ACRE Payment Rate
multiplied by (the Benchmark Farm Yield *divided by* the Benchmark State Yield)

A farm ACRE payment for a commodity is issued when both the state and farm revenues for a commodity show a revenue loss. The ACRE Payment Acreage is 83.3% of the P&CP acres for a commodity, unless the sum of the ACRE payment acreage for the farm exceeds the total base. Under this situation, a producer must choose the number of eligible ACRE payment acres for each commodity that may receive ACRE payments, not to exceed the total base on the farm.

Table 4. Corn and Soybean Farm Example of the Farm ACRE Payment

No.	Item	Description	Unit	Corn	Soybeans	Total Farm
(1)	State Payment Rate	From Table 2	per acre	\$11.70	\$4.91	
(2)	Benchmark State Yield	From Table 1	bushels per acre	160	45	
(3)	Benchmark Farm Yield	From Table 3	bushels per acre	170	40	
(4)	Benchmark Farm/State Yield	(3)/(2)	ratio	1.0625	0.8889	
(5)	Total Base Acres	hypothetical	acres			200.0
(6)	Planted and Considered Planted	hypothetical	acres	150.0	100.0	250.0
(7)	Eligible ACRE Payment Acres	83.3% x (6)	acres	125.0	83.3	208.3
(8)	ACRE Payment Acres 1/		acres	125.0	75.0	200.0
	Farm ACRE Payment	(1) x (4) x (8)		\$1,554	\$327	\$1,881

1/ In this hypothetical example, the producer must reduce total farm-eligible ACRE payment acres by 8.3 (208.3-200.0) acres so that the eligible ACRE payment acres for the farm (208.3) equals the farm's total base (200.0). The producer chose to reduce soybean-eligible ACRE payment acres by 8.3 acres to 75.0 acres.

Timing of ACRE Payments

ACRE payments will be made after the end of the marketing year for the respective commodity, but no sooner than October 1, as required by statute. Advance ACRE payments are not authorized under the 2008 Farm Bill. For crop year 2009, ACRE payments, if applicable, will be made as follows:

October 2010 for wheat, barley, oats, peanuts, upland cotton, corn, grain sorghum, soybeans, sunflower seed, canola, flaxseed, dry peas, lentils, large and small chickpeas;

December 2010 for rapeseed, mustard seed, safflower, crambe, and sesame seed; and

February 2011 for long grain rice and medium/short grain rice.

Farms Ineligible for Payment

The 2008 Farm Bill provides that producers on farms with DCP base acres that total 10.0 acres or less will not receive a direct, counter-cyclical, or ACRE program payment, unless the farm is owned by a socially disadvantaged or a limited resource farmer or rancher.

For this provision's purpose, a socially disadvantaged farmer is a person who is a member of a group whose members have been subjected to racial, ethnic or gender prejudice because of their identity as members of a group without regard to their individual qualities.

The groups have been identified to include: (1) American Indians and Alaskan Natives; (2) Asian-Americans; (3) Black or African-Americans; (4) Hispanic-Americans; and (5) Women.

A limited resource farmer or rancher is one who directly or indirectly had gross farm sales of not more than \$100,000 in each of the previous two years (to be increased beginning in fiscal year 2004 to adjust for inflation using the Prices Paid by Farmers Index as compiled by USDA's National Agricultural Statistic Service) and has a total household income at or below the national poverty level for a family of four, or less than 50 percent of county median household income in each of the previous years (to be determined annually using U.S. Department of Commerce data).

Status as a limited resource farmer or rancher can be determined using the website for USDA Limited Resource Farmer and Rancher Online Self Determination Tool at <http://www.lrftool.sc.egov.usda.gov/tool.asp>.

Sign-up Period

The ACRE sign-up period for the 2009 crop will be announced soon. All producers on the farm must first irrevocably elect ACRE by signing form CCC-509 ACRE. Then, producers annually enroll the farm in ACRE by signing a form CCC-509, which has been modified to incorporate the ACRE component of the enrollment. Producers on farms wanting to participate in ACRE must enroll the farm after election. An election does not satisfy the requirement for enrollment and farms previously enrolled in DCP before the ACRE election are not considered enrolled in ACRE.

The following documents are required and applicable determinations must be made before a payment can be issued:

- a farm operating plan (CCC-902 and related forms);
- an average adjusted gross income certification (CCC-926);
- a certification of compliance with highly erodible land and wetland conservation provisions (AD-1026).

A certification of the acreage of all cropland on the farm (FSA-578) and certification of production of all covered commodities is needed before final payments can be issued.

For More Information

Further information on the ACRE and other FSA programs are available at local or State FSA offices or on FSA's Web site at: <http://www.fsa.usda.gov/dcp>