



ACRE- Average Crop Revenue Election

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The farm bill “safety net” under the 2002 Farm Bill consisted of Direct Payments (DP), Countercyclical Payments (CCP) and the Marketing Loan. The Loan program provides a minimum price for the crop (Loan Rate) and LDP or Loan Gain when the Loan Repayment Rate is less than the Loan Rate.

The **Food, Conservation, and Energy Act of 2008** (the 2008 Farm Bill) allows producers a one-time opportunity to select an alternative safety net for their farm. Rather than the DCP (Direct and Countercyclical Payment) Program, producers may elect ACRE (Average Crop Revenue Election).

Overview of DCP and ACRE

Under the DCP program, the producer may plant any and all crops in the mix he/she desires (with exception of restrictions on fruits and vegetables). There are no acreage controls. This began with the 1996 Farm Bill “Freedom to Farm”. In DCP, DP and CCP are on Payment Acres and based on historical average yield. These payments are not based on actual plantings and production. All production is, however, eligible for Loan benefits. LDP/Loan Gain are the only payment on actual production.

ACRE is an entirely new concept and an alternative to the DCP Program. Specifically, under ACRE:

- ACRE Payments will be received on acres actually planted to “covered commodities and peanuts”. “Covered commodities” include corn, cotton, grain sorghum, oats, soybeans, wheat, and minor oilseeds (canola, sunflowers, etc.). Total acres enrolled in ACRE cannot be more than the total Base acres on the farm. Total acres planted may exceed Base Acres. If total acreage planted to covered commodities and peanuts exceeds Base acres, the producer may select the quantity of acres by crop to enroll in ACRE. This selection can change each year as needed.
- Direct Payments will still be made on Payment Acres as under DCP but at 80% of the DP Rate.
- All acres and production of covered commodities and peanuts are still eligible for Marketing Loan but at 70% of the Loan Rate.

The Average Crop Revenue Election (ACRE) Payment is similar to the Countercyclical Payment (CCP) except that payments are also tied to yield whereas CCP is tied only to price (MYA). Payment is received when revenue, not price, falls below a specified amount.

The ACRE election applies to the farm, not to individual crops on a farm. All covered commodities and peanuts on a farm must be either all in DCP or all in ACRE. ACRE Payments are made on an individual crop basis if eligible based on revenue tests.

Election of the ACRE Alternative

Producers will make a one-time irrevocable election to enroll in ACRE or continue to receive payments under the DCP program. The election will be for all covered crops and peanuts on a farm and the election may be made for 2009-2012 crops, 2010-2012, 2011-2012, or 2012 only.

Eligibility. An ACRE Payment will be received if Actual Farm Revenue is less than the Farm Benchmark Revenue and if Actual State Revenue is less than the State Guarantee.

Changes in the ACRE Program Guarantee. The State Program Guarantee for a given year cannot increase or decrease more than 10% from the previous year's Guarantee. This along with the OA calculation, prevents coverage offered by ACRE from being impacted by wide swings in price and yield.

ACRE Payments

When available, ACRE Payments are received on 83.3% (2009-2011) or 85% (2012) of the eligible planted acres of the crop. Total planted acres of all crops enrolled in ACRE cannot exceed the total Base acres on the farm.

When both State and Farm tests for revenue loss are met, an ACRE payment will be made. Table 2 illustrates further the example using the State Guarantee and Farm Benchmark Guarantee from Table 1. In this example in Table 2, Actual State Revenue is less than the State Guarantee and Actual Farm Revenue is less than the Farm Benchmark Revenue. Both revenue tests are met.

The ACRE Payment is:

*The lesser of
the State Guarantee minus the Actual State Revenue or 25% of the State Guarantee,
Multiplied by the ratio of the farms OA Yield and the state OA yield.*

In this example, the Actual State Revenue is \$341.90 per acre-- \$9.80 less than the Guarantee. The farm OA Yield from the previous 5 years is 726 lbs compared to the state OA Yield of 721 (Table 1) or a ratio of 1.007 (100.7%). The ACRE Payment will be \$9.87 per acre (\$9.80 x 1.007). This payment would be received on 83.3% of 2009 eligible planted acres.

Table 2. Non-Irrigated Cotton, 2009 Hypothetical Example of Actual Revenues and ACRE Payment

	Actual	Guarantee or Benchmark	Test Met
Actual State Yield Per Acre Planted	650		
Higher of MYA Price or 70% of Loan Rate	.526		
State Revenue	\$341.90	\$351.70	Yes
Actual Farm Yield Per Acre Planted	690		
Higher of MYA Price or 70% of Loan Rate	.526		
Farm Revenue	\$362.94	\$410.49	Yes
Lesser of (State Guarantee – Actual) or 25% of Guarantee	\$9.80		
Ratio of Farm OA Yield to State OA Yield	1.007		
ACRE Payment Per Acre	\$9.87		

Timing of Payments. ACRE Payments will be made as soon as possible but not earlier than October 1 after the completion of the crop marketing year. There are no partial or advance payments.

Acres and Yields

Total acres planted to all crops enrolled in ACRE may not exceed the total Base of all crops on the farm. Total acres planted of a crop may exceed the acres enrolled in ACRE. Actual Farm Revenue for a crop is based on the farms Actual Yield for that crop. In the case where total acres planted of a crop exceed the acres of that crop in ACRE, FSA will determine how Actual Yield will be calculated.

The Farm Benchmark Revenue is based on a 5-year moving average of the farms actual yields for the crop. If the farm lacks a 5-year history of yield, FSA will determine how to implement this provision.

In states where at least 25% of a crop is irrigated or not irrigated, a Program Guarantee yield for both irrigated and non-irrigated is established. In Georgia, this will be the case for corn, cotton, grain sorghum, and peanuts. In such instances where separate state OA yields are established, separate farm OA irrigated and non-irrigated yields must also be determined and separate Benchmark Revenue determined.

Making The Decision

- Under the DCP program, DCP (Direct and Countercyclical Payments) are received on Payment Acres. Payment Acres are 83.3% of Base Acres (2009-2011) for DP and 85% of Base Acres for CCP (2008-2012) and DP (2008 and 1012). All acreage and production is eligible for Loan.
- Under ACRE, DP is made on Payment Acres at 80% of the DP Rate. ACRE Payments are received on 83.3% of planted acres (2009-2011) and 85% (2012). All acres and production is eligible for Loan at 70% of the Loan Rate.

The producer(s) on a farm must make a one-time irrevocable election to continue with DCP or select ACRE. Which safety-net will be best for the farm will depend on Base acres, expected acres to be planted over the period, expected yields and prices, and how actual farm yields relate to state yields.

In the 2009 example illustrated, an ACRE payment of \$9.87 would be received on 83.3% of cotton acres planted and enrolled in ACRE. The farm would receive Direct Payments (DP) of 5.34 cents/lb (80% of the 6.67 cents DP rate) on 83.3% of Payment Acres, and eligible for the Marketing Loan at 36.4 cents per pound (70% of the 52 cents/lb Loan Rate) with LDP and Loan Gain calculated at that 70% rate.

Payment Limitations

In general, for producers participating in the ACRE program, the payment limit on Direct Payments in total for all crops excluding peanuts is \$32,000 (\$40,000 reduced by 20%) per person or legal entity per crop year. The payment limit on peanuts is a separate \$32,000 per person or legal entity.

In general, for producers participating in the ACRE program, the payment limit on ACRE Payments in total for all crops excluding peanuts is \$73,000 (\$65,000 + \$8,000 reduction in DP) per person or legal entity per crop year. The payment limit on peanuts is a separate \$73,000 per person or legal entity.

For producers with multiple farms—some in ACRE and some in DCP, the lower \$32,000 limit on DP will apply. The limit on combined total ACRE and CCP will be \$73,000 (excluding peanuts).

Definitions, conditions, and specific technical regulations regarding payment limitations are best addressed by the Farm Service Agency.

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