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Who is going to participate in the new ACRE program?

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By Sara Wyant

Ask Iowa farmer Bill Horan if he plans to participate in the new Average Crop Revenue Election (ACRE) program this year and he says, "Absolutely!" But this long-time champion of revenue-based policies may be more the exception than the rule. Many farmers tell us that, faced with an extremely complex new farm program that requires a multi-year commitment and other trade-offs, they may want to sit this one out.

Even former National Corn Growers President Leon Corzine says he was tempted to wait a year for the "dust to settle" on the program that his organization championed in the 2008 Farm Bill to **"see how it goes the first year."** However, he says this is a big mistake because the best year for ACRE potential payouts is probably 2009.

Lack of knowledge about the program, is still the "number one limitation," regarding ACRE, says Iowa State University Extension Farm Management Specialist Steve Johnson, even though he and other Land Grant specialists have been hosting meetings on this subject for several months. For links to their presentations, see below.

"We've found that it takes about two to three learning sessions for most growers to comprehend and embrace the program," says NCGA's Senior Director of Public Policy Sam Willett. "ACRE is a very attractive option for many growers and, for every day that goes by, more people are learning about the benefits."

Indeed, "**a careful analysis of ACRE suggests that a majority of producers should find it the best choice as compared to the hearsay that most producers will stick with the old program,"** says Brad Lubben, Assistant Professor and Extension Public Policy Specialist at the University of Nebraska. "If you do the analysis of the protection ACRE provides versus the old counter-cyclical payment, then ACRE is by far a bigger safety net that kicks in at higher levels and provides potentially much larger income support payments."

Sensing that growers needed more information about the program, Agriculture Secretary Tom Vilsack extended farm program signup to August 14th, giving producers more time

to learn, as well as see how their 2009 crop is shaping up. Although the actual signup for ACRE may not start for several weeks, he's expected to announce the start date "within days."

Payments		DCP	ACRE
Direct	Payment Rate	100% of the DCP direct payment rate.	80% of the DCP Direct Payment Rate.
	Payment Formula	Uses farm's base acreage.	Uses farm's base acreage.
	Advances	Available through 2011.	Available through 2011.
Counter-Cyclical (CC)	Payment Formula	Uses farm's base acreage.	
	Trigger	Low National Market Prices	
	Advances	40% advance of projected payment through 2010.	
Average Crop Revenue Election (ACRE)	Payment Formula		Uses planted and considered planted (P&CP) acreages of commodity crops and peanuts.
	Triggers		Revenue must be below the historical state average and the farm average.
	Advances		Not available.
Loan Rates		100% of the Market Assistance Loan rates.	70% of the Market Assistance Loan rates.

Source: USDA FSA

So who is likely to participate in this new program in 2009? Older farmers with little risk? Younger farmers with a little equity and a lot of risk? Only corn and soybean producers in the Midwest? We posed that question to several land grant university economists and industry leaders and summarized their responses below. The full version of their responses follows this summary.

In general, our respondents told us that the answer largely depends on how a producer views the concept of risk management. Ohio State University Agricultural Economist Carl Zulauf, who helped create the new program, says predicting participation is difficult for several reasons.

"One reason is the general difficulty of **predicting people's response to new products and ideas.** We know from psychology and adoption studies of new production technology and new consumer products that most people are wary of new products and ideas.

"The second reason is that farmers and landowners have never had a choice over two alternative farm policy options. We therefore have no benchmarks to use in guiding our assessment of their choice in this situation. For these two reasons, I think prudent use of economics implies that it is difficult to predict participation rates in ACRE. **I would also note that the general wariness of new products and ideas has led me to argue that participation in ACRE in 2009 is likely to be on the conservative side.**

"In regard to which producers and landlords are most likely to participate, the simple hypothesis is that it will be those producers and landlords who have the highest return-to-risk trade off from electing ACRE. ACRE is a risk management program which provides assistance to farmers in managing the systemic risk of state revenue declines. The traditional programs (marketing loan and counter-cyclical programs) are now also risk management programs, except for cotton (because the price is below the loan rate) and possibly peanuts. This latter point is important."

Zulauf says that in talks with producers and landlords, he's learned that many do not really understand how the marketing loan and counter-cyclical programs operate. Moreover, to the extent that they understand these programs, their perspective is often one of pre-2006, when these programs were not risk management programs at all. They were income enhancement programs since price was generally below the loan rate or effective target price for at least part of almost every year. Today, most ACRE-eligible crops have prices substantially above their loan rates and effective target prices. This means that the marketing loan and counter-cyclical programs are also systemic risk management programs for these crops, with the systemic risk that they are managing being the U.S. price."

Allan Gray, Professor and Director of the Center for Food and Agricultural Business at Purdue University, responded to our question this way:

Likely to find the program attractive	Not likely to find the program attractive
1. A standard corn/soybean/wheat commodity producer in the Midwest. 2. Potentially a wheat producer in the central plains of the U.S. (this will depend somewhat on yield guarantee levels). Here's why: **ACRE favors states with high yield variability** • The potential for a payout from the program increases with greater yield variability. This likely favors farmers in places like the Great plains which would suggest wheat farmers **States with larger increases in yields** • Since ACRE is a replacement for CCP payments the increase in yields from the "proven yields" of CCP which represent an average of 1998 to 2002 is essentially additional coverage on a farm. • Crops like corn in the Midwest have seen substantial increases in yields over the last 5 years and therefore would have higher coverage than with the CCP. • Unlike CCP, the yields for ACRE are updated on a 5-year moving average. As such, if yield trend continue to increase the coverage level in ACRE will continue to increase.	1. Cotton and/or rice producers (at least not those where this is the primary crop in their operation). The benefits are lower and the costs much higher (both because of loss of direct payments and loss of potential LDP payments). 2. Producers no longer planning to grow crops covered under the program. For example, those switching farms to alfalfa or other hay crops from row crops. 3. Those producers whose yields do not closely follow the yield patterns for the state in which the farm resides. 4. Those producers that have no way to prove their farm yields and must take a "plug" yield from FSA that is substantially lower than their expected yields from the farm.

"The bottom line is everyone should take a hard look at ACRE regardless of crop, age, or leverage," advises Leon Corzine. "The time invested will pay big dividends in most cases. ACRE is an innovative idea for farm programs and we sorely need innovation if we are to keep dollars in the farm bill to assist farmers. It is more responsive to conditions in which farmers need help and also more responsive to taxpayer concerns."

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To review the complete responses to our questions and links to presentations on ACRE, please see below.

Carl Zulauf, Agricultural Economist, the Ohio State University

First, let me note that I have constantly said that it is very difficult to predict participation rates in ACRE. One reason is the general difficulty of predicting people's response to new products and ideas. We know from psychology and adoption studies of new production technology and new consumer products that most people are wary of new products and ideas.

The second reason is that farmers and landowners have never had a choice over two alternative farm policy options. We therefore have no benchmarks to use in guiding our assessment of their choice in this situation. For these two reasons, I think prudent use of economics implies that it is difficult to predict participation rates in ACRE.

I would also note that the general wariness of new products and ideas has led me to argue that participation in ACRE in 2009 is likely to be on the conservative side. In regard to which producers and landlords are most likely to participate, the simple hypothesis is that it will be those producers and landlords who have the highest return-to-risk trade off from electing ACRE.

ACRE is a risk management program. It provides assistance to farmers in managing the systemic risk of state revenue declines. The traditional programs (marketing loan and counter-cyclical programs) are now also risk management programs, except for cotton (price is below the loan rate) and possibly peanuts (sorry, but I have not looked at peanuts prices recently). This latter point is important. In my discussion with producers and landlords, I have found that many do not really understand how the marketing loan and counter-cyclical programs operate. Moreover, to the extent that they understand these programs, their perspective is often one of pre-2006, when these programs were not risk management programs at all. They were income enhancement programs since price was generally below the loan rate or effective target price for at least part of almost every year.

Today, most ACRE-eligible crops have prices substantially above their loan rates and effective target prices. This means that the marketing loan and counter-cyclical programs are also systemic risk management programs for these crops, with the systemic risk that they are managing being U.S. price. If you want to see one simple comparison of the risk management potential of the ACRE and counter-cyclical programs for corn, soybeans, and wheat; I have included the graphs below. There are other questions that matter and these comparisons are only a rough comparison, but they provide one perspective. (The notion of systemic risk management and the role of these programs require a much longer discussion.)

Given the discussion in the previous paragraph, I would therefore expect farmers and landlords who produce crops whose prices are substantively above the effective target price and loan rate to be more likely to participate in ACRE. I think the most direct way of stating this observation is to ask a farmer and share-rent landlord, "Can you survive $2.35 corn?' (or effective target price for another crop) The reason for stating the question this way is that the ACRE revenue program has the potential to make substantive payments if price declines this low. In contrast, the traditional programs will make no payments. In other words, the traditional programs offer no systemic risk protection if price only declines to the effective target price. Thus, one attribute of likely participants in ACRE is those that are most likely to experience stress before prices get to the effective target price, either because of high production costs, high debt, or some other factor. Note, that even cash rent landlords are affected by this attribute. If their renter cannot cover cash rent at the effective target price, cash rent landlords are potentially more to see a lower rent in the future if their producer is not in ACRE and price drops to the effective target price.

Another factor I expect to be related to participation in ACRE is producers and landlords in those states that have higher yield variability. Most of the emphasis on the discussion of ACRE that I have read is on prices. But, ACRE is a revenue, not a price, program. This is an important distinction. Declines in state yields can trigger an ACRE payment or contribute to a payment when U.S. price also declines. If one looks at historical yield variability in the U.S.; yield is most variable in the mid-Atlantic, southeastern, and Plains states. Thus, one would expect participation to be higher in these areas, at least in a ceteris paribus sense (everything else constant). In addition, state revenue will be more variable in smaller producing states. The reason is that larger producing states have a type of natural hedge in which a decline in their production leads to an increase in U.S. price. These offsetting changes in yield of large production states and U.S. price creates a more stable revenue stream for such states. Hence, again in a ceteris paribus world, producers and landlords in smaller producing states are more likely to participate in ACRE.

Last, given this background and the mechanisms ACRE uses to set its state revenue guarantee and farm eligibility condition, I would expect these farmers and landlords to be more likely to participate on the following types of FSA farms:

► Size of direct payment reduction on a FSA farm

■ For corn-soybean-wheat farms, the reduction in direct payment per planted acre usually will be smaller, the greater the share of base acres that are soybeans.

► Comparison of crops planted on a FSA farm to the distribution of base acres by crop

■ Compared to the counter-cyclical program, ACRE better matches current production risk because its payment is based on planted acres (up to the farm's total base acres in all program crops).

► Yield on a FSA farm relative to the state's yield for the crop

■ The higher a farm's 5-year Olympic moving average yield, relative to the state's 5-year Olympic average yield for a crop, the higher the farm's ACRE revenue payment.

► Yield on a FSA farm relative to its base yield for the crop

■ The more yield has increased the higher will be a FSA farm's Olympic average yield.

● For example, recently tiled fields may have greater yield increases.

► Availability of records to document a FSA farm's yield.

One other point: I do not believe that you can answer the question, which program suite (traditional CCP and DP or ACRE) will pay more. You can only answer this question if you can accurately predict prices for the 2009, 2010, 2011, and 2012 crop years. Since there is overwhelming academic evidence that very few people can predict prices and common sense tells us that there are few rich people (if you could predict prices, there should be lots of rich people); trying to answer the question of which program pays the most is not likely to lead you to any useful conclusion. In other words, you will have to wait until 2013 to know the answer to this question.

This consideration is why I take a risk management perspective. A risk management perspective does not ask which program will pay the most, but asks which program best helps covers the risk that you think is important, such which program is more likely to make a payment if revenue Zulauf's chart is posted below.

Zulauf has written a series of Web-based documents outlining the specifics of ACRE and how the program works. The documents can be downloaded by logging on to http://aede.osu.edu/people/publications.php?user=zulauf.1.

Figure 2. Estimated Minimum Per Acre ACRE Revenue Target and Counter-Cyclical Implied Revenue Target, Corn, Soybeans, and Wheat, Ohio, 2009-2012 Crop Years, as of 3/11/09

The 10% limit on the decline in a state's ACRE revenue target (revenue guarantee) per crop year allows a minimum target to be estimated for future years. To illustrate for Ohio wheat, the minimum target for the 2010 crop year is 90% of $393/acre or $354/acre (a decline of 10%). For the 2011 and 2012 crop years, the revenue target is again reduced by 10% per year. ACRE state payment is capped at 25% of the state's ACRE revenue target (revenue guarantee). ACRE payment rate is 83.3% for 2009-2011 and 85% in 2012. Counter-cyclical implied revenue target is calculated using the average counter-cyclical yield for Ohio and the effective target price for the crop. Counter-cyclical payment rate is 85% for 2009-2012.

SOURCE: "ACRE (Average Crop Revenue Election) Decision Question" by Carl Zulauf Available on Web at http://aede.osu.edu/people/zulauf.1, "My Publications" on lefthand side

Allan Gray, Professor and Director, Center for Food and Agricultural Business and MS/MBA Program, Purdue University

The most significant impact of the ACRE program is the starting level for price coverage. That is, farmers that grow crops that have had relatively high prices in 2007 and 2008 crop years (corn, soybeans, wheat) stand to benefit the most from ACRE. The relevant comparison for this program is the Counter-cyclical payment (CCP) level for a crop. In corn for example, the CCP "trigger price" or price coverage level is $2.32 per bushel. Under the ACRE program the initial price guarantee is going to be something close to $4.00 per bushel. That $1.68 per bushel coverage level is a substantial increase in coverage and it will cost (foregoing a portion of the direct payment) the producer somewhere in the neighborhood of $5.00 per acre or about $0.03 per bushel on 150 bushel land. To most producers, I would think that is fairly cheap insurance.

Now, the price guarantee level in ACRE could decline over time given current commodity conditions. But, there is a clause in the ACRE program that says the revenue guarantee cannot decline by more than 10% from one year to the next. Because of this clause, if the price guarantee is high to start with the revenue guarantee will stay high for a longer period of time even if crop prices drop quickly. Our analysis shows that it is extremely unlikely for the benefits from the ACRE program (coverage guarantee levels) to fall below the equivalent guarantee levels from CCP anytime during the life of this Farm Bill for corn or soybeans and only a slightly higher chance for wheat.

On a regional basis we believe that the ACRE program could be quite attractive to farmers in:

◦ States with high yield variability
◦ The potential for a payout from the program increases with greater yield variability
◦ This likely favors farmers in places like the great plains which would suggest wheat farmers
◦ States with larger increases in yields
◦ Since ACRE is a replacement for CCP payments the increase in yields from the "proven yields" of CCP which represent an average of 1998 to 2002 is essentially additional coverage on a farm.
◦ Crops like corn in the Midwest have seen substantial increases in yields over the last 5 years and therefore would have higher coverage than with the CCP.
◦ Unlike CCP, the yields for ACRE are updated on a 5-year moving average. As such, if yield trend continue to increase the coverage level in ACRE will continue to increase.

To sum up, our profile of producer that is likely to sign up for the program would be:
1. A standard corn/soybean/wheat commodity producer in the Midwest.
2. Potentially a wheat producer in the central plains of the U.S. (this will depend somewhat on yield guarantee levels).

What producers would not likely sign up:
1. Cotton and/or rice producers (at least not those where this is the primary crop in their operation). The benefits are lower and the costs much higher (both because of loss of direct payments and loss of potential LDP payments).
2. Producers no longer planning to grow crops covered under the program. For example, those switching farms to alfalfa or other hay crops from row crops.

3. Those producers whose yields do not closely follow the yield patterns for the state in which the farm resides.
4. Those producers that have no way to prove their farm yields and must take a “plug” yield from FSA that is substantially lower than their expected yields from the farm.

From the landowners’ perspective, we think a landowner with share rented land would look at the same benefit/cost analysis provided their arrangement shares in the government programs (which is quite likely). For a landowner who is cash renting the land to the producer, we don’t think they will be affected much by the switch.

The one drawback might be that once the farm is enrolled in the program it must stay there through the life of the Farm Bill. Thus, if the landowner switches tenants then the new tenant must farm the ground under the ACRE program. In addition, if the landowner sells the land the ACRE contract stays with the land, so the new land owner would not have an option to switch back to the CCP program until after the 2012 crop year.

Steve Johnson, Iowa State University Extension Farm Management Specialist

I still believe knowledge regarding the ACRE program is still the number one limitation to the 2 step ACRE sign-up process: election and enrollment

The profile of those most likely signing up for the ACRE program in 2009 will be owner/operators that farmed that land for the most recent 5 years (2004 through 2008). In Iowa, about 40% of all tillable farmland is owner/operated and the balance is rented. However, even those owner/operators might not have been building knowledge about this new program and won't pursue sign-up, at least not in this first year.

The decision for landowners to "sign the ACRE election" by FSA farm number is a 4-year commitment to FSA and is nothing more than an amendment to the DCP that reduces the direct payment by 20% each year and loan rate by 30% should the CCC loan be utilized. The operator likely signs the ACRE enrollment form and proves the farm yields for all crops with base acres on this farm. If an ACRE payment is made, the payment likely reflects the actual planted acres of that farm, not to exceed the total crop acreage base (CAB) on that farm for any year an ACRE payment is made.

For 2009, soybeans might be the crop that provides the greatest benefit of ACRE enrollment, followed by wheat and corn. A map released by FAPRI a U of MO indicated that ACRE interest would be primarily the northern half of the country. These 3 crops had high 2007 and 2008 crop prices, thus the large revenue guarantees for ACRE in 2009 and increases the potential for a payment, especially with a drop in 2009 crop prices. Giving up 20% of the direct payment and adjusting the county loan rate by 70% for farms enrolled in ACRE are not large investments to participate in ACRE.

Soybean planted acres are setting up as the likely benefactor for ACRE payments in 2009. That's because of the large price guarantee to-date of $9.73/bu, with most 2009-10 cash price forecasts being much less than this guarantee. Just normal state and farm yields would likely trigger an ACRE payment for soybeans. In Iowa, a 2009 actual state soybean yield of 50.5 bu/A, same as the state's 5-year Olympic average yield, then the national cash trigger price for an ACRE payment at the state level would be $8.75/bu. Many forecasts have the national cash price below this level, thus the increased likelihood for collecting an ACRE payment for acres planted to soybeans.

With the March 18th announcement from FSA that allows the use of crop insurance data to prove farm yields, the interest in ACRE has increased. In addition, the potential exists for both FSA to allow county yields as plug yields for missing farm yield data as well as the ACRE sign-up being delayed into the summer months. (Secretary Vilsack extended the signup to August 14th after Johnson sent these comments in.) If both of these occur, then more farms will likely sign-up for ACRE in 2009 if the landowner agrees to sign the ACRE election and the 2009 crop prices decline this summer.

Here's a link to an FAQ Johnson did with Wallaces Farmer in March. <http://rss.farmprogress.com/rssStory.aspx?si=38455&ci=5093&st=19>

Steve Johnson, Iowa State University Extension's web site on ACRE

http://www.extension.iastate.edu/polk/news/ACRE+Program.htm

Bradley D. Lubben Assistant Professor and Extension Public Policy Specialist, University of Nebraska-Lincoln

A careful analysis of ACRE suggests that a majority of producers should find it the best choice as compared to the hearsay that most producers will stick with the old program. While I can't guarantee that Nebraska producers should choose ACRE, I can guarantee that they should analyze it carefully and not just assume it won't work.

If you do the analysis of the protection ACRE provides versus the old counter-cyclical payment, then ACRE is by far a bigger safety net that kicks in at higher levels and provides potentially much larger income support payments.

I have done some analysis on ACRE with official Nebraska yields published last week by FSA. Given the state guarantee is equal to 90% of the 5-year Olympic average yield multiplied by the 2-year average price, that equates to a $691 guarantee for irrigated corn in Nebraska. That compares to a counter-cyclical safety net that kicks in only if corn prices fall below $2.35 per bushel. And, at that price, ACRE payments would already be maxed out a levels that dwarf potential counter-cyclical payments.

Now, we know that the ACRE guarantee is not exactly equal to expected revenue. First, the 5-year Olympic average yield should, on average, underestimate the expected trend yield. For irrigated Nebraska corn, I see it a trend yield of about 189 bushels per acre compared to the official Olympic average of 185. Second, we know that the price in the guarantee is not certain yet as the 2008 crop's marketing year is not yet over. Third, of course, ACRE only protects 90% of this equation. But, if we plug in the current expected guarantee based on the current expected average price, and then we divide that by the expected trend yield, the ACRE guarantee equates to revenue protection at trend yields if prices fall below $3.71 per bushel. And that is far above the old counter-cyclical trigger level. In fact, if I assume the maximum 10% drop in the guarantee each year and again divide the resulting guarantee by the expected trend yield, I get a revenue safety net, that at trend yields, implies a price safety net of $3.30 in 2010, $2.93 in 2011, and $2.61 in 2012. Thus, the worst case scenario implies a still bigger ACRE safety net than the old counter-cyclical.

Of course, there is the offset to consider of giving up 20% of the direct payment and 30% of the loan rate (for those commodities with a measurable probability of triggering below loan rate prices, such as cotton). But, in the case of Nebraska irrigated corn, the 20% of the direct payment may equate to on average $6 per base acre. So, the analysis is of increased downside "insurance" protection for a "premium" of about $6 per acre. If you don't project much probability of this downside risk occurring, then the cost of giving up 20% of direct payments could be big. But, if we see no ACRE payments due to steady to rising price levels, then the missing $6 per base acre in direct payments may not be a large penalty.

So, why would producers balk at this analysis and not sign up for ACRE?

First, there are those that are concerned about having to prove production from 2004-2008. While there is some guidance from the 2002 Farm Bill signup as to what evidence would be required to prove production, many producers publically lament the difficulty of producing this evidence. I think part of this concern is also simply due to the fact that FSA has not announced the exact procedures for how to prove production and what evidence they will accept.

We expect FSA to announce a substitute yield available for those producers who either 1) don't have a crop history for some of the years due to being a beginning farmer, acquiring a new farm, or having a rotation with missing years for some crops or 2) can't prove their production or can't prove a good production level. The most significant question here is what the FSA substitute will be relative to a producer's expected production level. If the substitute is roughly equal to average expectations, then there is not much penalty in not proving production and ACRE should look much better. But, if the substitute is some percentage of expected production (such as the 75% of county yields offered as a substitute in 2002), then the farm's benchmark revenue is substantially underestimated, meaning the chances of the farm triggering a payment go way down, meaning the benefit of ACRE also goes way down.

Second, since all parties to the farm number have to agree to elect ACRE, there are some producers concerned over how to explain the ACRE choice to landowners. While some landowners are very actively involved in the management process, there are some that understand very little about the farm program, and perhaps don't understand any of the safety net beyond the two direct payment checks that come every year (the advance and the final).

A tenant who might prefer ACRE would have to convince the landlord that the one part of the safety net they understand and receive a guaranteed payment from will now be 20% smaller and that could be a tough sell. Looking back at 2002, it seems that many chose to keep their old base instead of updating their bases and yields because maximizing the size of the direct payment was more important than updating the safety net to better reflect the crop mix then grown on the farm.

Third, I think some producers may mistakenly see the irrevocable decision to choose ACRE as a permanent decision that they can't change if it turns out wrong. But, the decision is not permanent, it is only through 2012. And, as the numbers above suggest, even the worst case scenario for revenue projections implies that the ACRE safety net would still be stronger than the old counter-cyclical safety net through 2012. It is quite possible that over the long run, ACRE could pay less than the old counter-cyclical program (for example, if average prices drop below the old safety net levels and stay there at what were some old equilibrium price levels). But, this is not a long-run decision, it is just at most, a 4-year decision, and the guarantee starts out very strong for the Corn Belt and Great Plains commodities.

One more note: There are some producers who are overwhelmed and defensive over the substantial new paperwork involved in program signup for 2009, given the new FSA forms and the need to identify all interests in the operation for direct attribution and payment eligibility determinations.

Of course, the paperwork is necessary to sign up for 2009, regardless of whether the producer chooses ACRE or the old counter-cyclical payment. Keeping the issue of this new paperwork requirement separate from the decision of ACRE versus the old counter-cyclical payment might also improve the understanding and acceptance of ACRE.

Leon Corzine, Illinois farmer and past president, NCGA.

Because of yield variability I think ACRE will work best for the areas of production that have less stable yields. The ACRE program is not age sensitive or dependent on how highly leveraged they might be. The only way the old program is better is if you believe we are going to price levels where the target prices and loan rates will kick in. I am not of that belief!
Producers who use the loan rate will not like the reduction in the loan rate but I think the positives offset this problem.

ACRE is tough to explain to absentee or older landlords and those concerned about locking into a multiyear contract will balk

I also believe the payment limit in ACRE is a problem. ACRE could replace disaster programs or could be used as permanent disaster relief except when you need help the most (disaster year) the payment limit will prevent you from getting significant dollars to rebuild. We still need crop insurance!

ACRE is complicated and definitely needs to be more "farmer friendly" at sign up as is the case for nearly every FSA program. We seem to just add more layers of forms and information at FSA in an attempt to plug loopholes in the system. There has got to be a better way.
The bottom line is everyone should take a hard look at ACRE regardless of crop, age, or leverage. The time invested will pay big dividends in most cases. ACRE is an innovative idea for farm programs and we sorely need innovation if we are to keep dollars in the farm bill to assist farmers. It is more responsive to conditions in which farmers need help and also more responsive to taxpayer concerns.

Tom Lilja, Executive Director, North Dakota Corn Growers Association.

Our growers are asking themselves if they are willing to give up 20% of their direct payment for basically what is an at the money put to protect against a market drop and most of them are finding the program very appealing. It's especially attractive to those who have switched to corn and soybeans in the last 4-8 years. When you consider the revenue side, it's a 'no-brainer' but with advanced genetics, some growers may not have the yield losses that they previously experienced.

Dr. Bruce Babcock gave a presentation to our growers on ACRE. As you can see from the powerpoint on page 42, there is a 50% chance that corn will be below $4.00 per bushel versus a 6% chance that prices will drop low enough to trigger a CCP.
Babcock's presentation can be found at:

http://www.ndcorn.org/files/ACRE.ppt

Additional ACRE resources:

USDA's Farm Service Agency Fact Sheet on ACRE

http://www.fsa.usda.gov/Internet/FSA_File/acre.pdf

The National Corn Growers Association has a section devoted to ACRE resources:

http://www.ncga.com/node/2473

University of Illinois has an ACRE comparison tool

http://www.farmdoc.uiuc.edu/fasttools/index.asp

Art Barnaby at Kansas State University has done extensive work on ACRE

http://www.agmanager.info/crops/insurance/risk_mgt/default.asp

The Food and Agricultural Policy Research Institute at the Univ. of Missouri has an ACRE tool

http://www.fapri.missouri.edu/farmers_corner/tools/ACRE.asp

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