

Commodity Program Overview

- Commodity provisions very close to previous programs
 - Continue direct payments
 - Continue marketing loan gains/LDPs
 - Maintain counter-cyclical payments (CCPs)

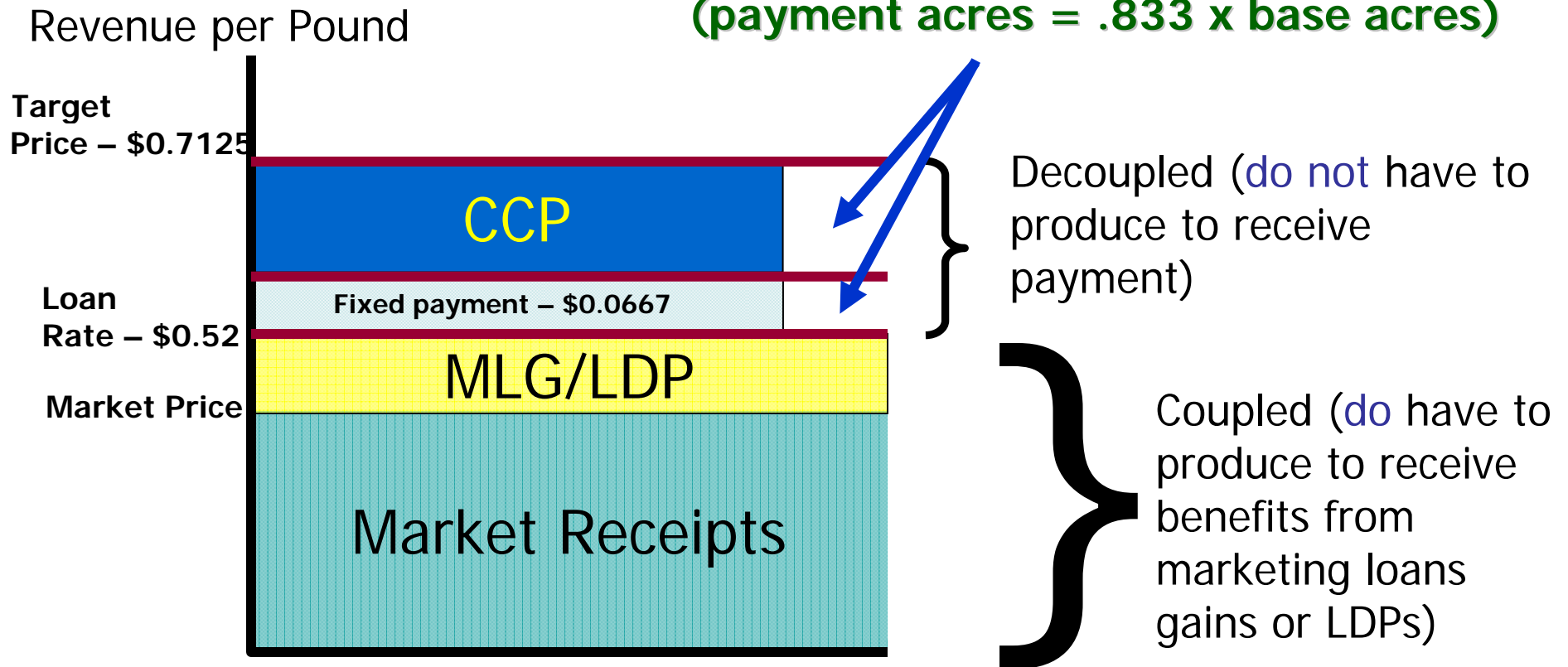
This set of programs is referred to as the DCP program

or

- **Provides producer option for Average Crop Revenue Election (ACRE) Payment**
 - **Producer has to agree to direct payment and loan rate reductions**

Distribution of Government Support for Cotton Under the DCP Program

Reflects payments not on full production
(payment acres = .833 x base acres)



Farm Bill Sign-up

- Signup for the 2009 crop DCP began December 22, 2008 and runs through ~~June 1,~~ August 14, 2009
 - Producers may signup for DCP to get advance direct payments (22%) then switch to ACRE before August 14th if they so choose
- Signup for ACRE will start April 27th

Average Crop Revenue Election (ACRE) Payment

- Beginning with the 2009 crop year **Don't have to make choice the first year**
 - One-time irrevocable option to choose:
 - CCP, DP (with full payment rates), and MLG/LDPs (with full loan rates) **or**
 - ACRE, DP (with a 20% reduction in payment rates) and MLG/LDPs (with a 30% reduction in loan rates)
 - This election is for all the crops grown on each FSA farm #
 - A farmer could choose to select ACRE for certain farms (FSA farm #s) and not others
- **Bottom Line: Producers will have to determine whether the loss in guaranteed support is more than made up by potential gain from ACRE**

Average Crop Revenue Election (ACRE) Payment (Cont.)

- ACRE defined:
 - A **state level** gross revenue protection plan for each covered commodity and peanuts
 - The Secretary shall make an ACRE payment on a farm for each crop year if:
 - The **actual State revenue** for the crop is less than the **ACRE program guarantee** for the crop, **and**
 - The **actual farm revenue** for the crop is less than the **farm ACRE benchmark revenue**

For the 2010-2012 crop years, the ACRE state revenue guarantee for a crop shall not decrease or increase more than 10 percent from the guarantee for the preceding crop year

Average Crop Revenue Election (ACRE) Payment (Cont.)

- Where:
 - The **actual State revenue** for a crop is the State yield per planted acre from NASS multiplied times the **national average market price** (the higher of the 12-month marketing year price or 70% of marketing assistance loan rate)
 - The **ACRE program guarantee** is equal to 90% of the benchmark state yield (5 year Olympic NASS average) multiplied times the **ACRE program guarantee price** (simple average of 2 previous national average market price)
 - The **actual farm revenue** is the actual yield for the crop on the farm multiplied times the **national average market price** for the crop
 - The **farm ACRE benchmark revenue** is [(the most recent 5 year Olympic average crop yields for the farm multiplied times the ACRE program guarantee price for the crop) plus the crop insurance premium per acre]

Average Crop Revenue Election (ACRE) Payment (Cont.)

- Where the ACRE payment amount is:
 - The **lesser** of:
 - The difference between the ACRE state program guarantee for the crop and the actual State revenue from the crop **or**
 - 25% of the ACRE state program guarantee for the crop
 - Multiplied by:
 - The payment fraction (.833 for 2009-11 and .85 for 2012) multiplied by planted or considered planted acres of the crop
 - Multiplied by:
 - The quotient obtained by dividing the Olympic average yield per planted acre for the crop on the producers farm for the most recent 5 years by the benchmark State yield for the crop (the Olympic average of the most recent 5 years of State yields)

Average Crop Revenue Election

State ACRE Guarantee = 90%
* 5-Year Olympic State Avg. Yield *
2-year Natl. Average Mkt. Yr. Price
Restricted to < 10% change/year

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Actual State Revenue =
Actual State Planted Acre Yield *
MAX[Natl. Average Mkt. Yr. Price **OR**
70% Loan Rate]

AND

Farm ACRE Benchmark =
Farm's 5-Year Olympic Avg. Yield *
2-year Natl. Average Mkt. Yr. Price + Ins Premium

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Actual Farm Revenue =
Actual Farm's Planted Acre Yield *
MAX[Natl. Average Mkt. Yr. Price **OR**
70% Loan Rate]

THEN

Farm Payment = 0.833 (0.85 in 2012) * Actual Planted or Considered Planted Acres *
[Farm's 5-Year Olympic Average Yield / State's 5-year Olympic Average Yield] *
MIN[(State ACRE Guarantee – Actual State Revenue) **OR** State ACRE Guarantee * 25%]

Note: All Yields are Planted Acre Yields

Loan Rates

	Loan Rates	
Crops	2008-09	70%
Corn (\$/bu)	1.95	1.365
Sorghum (\$/bu)	1.95	1.365
Wheat (\$/bu)	2.75	1.92
Upland Cotton (\$/lb)	0.52	0.364
Rice (\$/cwt)	6.50	4.55
Barley (\$/bu)	1.85	1.295
Oats (\$/bu)	1.33	0.931
Soybeans (\$/bu)	5.00	3.50
Peanuts (\$/ton)	355	248.5

20% of Direct Payment

Crops	Direct Payments		Cost of ACRE
	Full	80%	20%
Corn (\$/bu)	0.28	0.224	0.056
Sorghum (\$/bu)	0.35	0.28	0.07
Wheat (\$/bu)	0.52	0.416	0.104
Upland Cotton (\$/lb)	0.0667	0.05336	0.01334
Rice (\$/cwt)	2.35	1.88	0.47
Barley (\$/bu)	0.24	0.192	0.048
Oats (\$/bu)	0.024	0.0192	0.0048
Soybeans (\$/bu)	0.44	0.352	0.088
Peanuts (\$/ton)	36	28.8	7.2

Note: will use 83.3% instead of 85% in formula

Average Crop Revenue Election (ACRE) Payment (Cont.)

- AFPC risk-based decision aid to evaluate expected benefits from current programs (DP, LDP, CCP) vs (ACRE and reduced DP, LDP)
 - The decision has a lot of moving parts (farm yields, state yields, marketing year prices and expected future prices)
 - Correlation of moving parts
 - Results of Total Gov't Payments: