



## Estimated ACRE Coverage Levels for 2011

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Farmers are now into the third year of the 2008 Farm Bill programs. The ability to elect into the Average Crop Revenue Election (ACRE) or to remain in the Direct and Counter Cyclical Program (DCP) will close on June 1, 2011 for this program year. Farmers not currently enrolled in ACRE have until June 1, 2011 to decide if ACRE or DCP might be the better decision for this crop year. However, once a farm has elected ACRE it cannot be switched back to DCP.

The guarantee price for 2011 will be the two year average U.S. cash price from the marketing years for the 2009 and 2010 crops. Using the 2009 actual prices plus the USDA estimated price (from January 12, 2011) for the 2010 crops, the 2011 ACRE price guarantee can be calculated as shown in the following table. As prices continue to change during the marketing year the 2011 ACRE price guarantee will also change. In the last column of the table below, the 2011 ACRE price guarantee is listed.

Commodity Unit	Marketing Year	2009 Average Price	2010 Average Price <i>estimated</i>	Guarantee Price 2011 <i>estimated</i>
Corn	Sep 1 – Aug 31	\$3.55	\$5.30	<b>\$4.43</b>
Soybeans	Sep 1 – Aug 31	\$9.59	\$11.70	<b>\$10.65</b>
All Wheat	Jun 1 – May 31	\$4.87	\$5.65	<b>\$5.26</b>

Since ACRE is a revenue protection program, price is only half of the equation in determining the 2011 ACRE revenue guarantee. The second half of the equation is the five year Olympic average yield for each crop respectively. In the table below, the new five year Olympic average for 2011 is calculated for each crop. Even though the final numbers for the 2010 crop might vary slightly from the estimates, it will not affect the outcome significantly.

	2006	2007	2008	2009	2010	Olympic Average
Corn	159	150	<del>135</del>	<del>174</del>	163	<b>157</b>
Soybeans	47	47	<del>36</del>	<del>49</del>	48	<b>47</b>
Wheat	68	<del>58</del>	68	<del>72</del>	61	<b>66</b>

The estimated 2011 Ohio ACRE revenue guarantee is calculated by multiplying the Ohio Olympic average yield times the U.S. average cash price times the 90% coverage level provided by ACRE. There was also a provision in the 2008 Farm Bill that established a limit on how much the revenue guarantee could change once the program started. This 10% cup and cap based off of the 2010 revenue guarantee sets a floor and ceiling for the 2011 revenue guarantee. The 10% cup and cap come into effect for all three major crops in Ohio if these forecasted

numbers hold for the 2011 crop year. The Ohio ACRE revenue guarantee would be \$570 for corn, \$448 for soybeans and \$325 for wheat, which is different than the calculated values.

	<b>Ohio Olympic Average Planted Yield 2006-10</b>	<b>US Average Cash Price 2009-10</b>	<b>Coverage Level</b>	<b>Ohio ACRE Revenue Guarantee 2011</b>	<b>10% Cup/Cap 2010 Revenue Guarantee and 2010 Guarantee</b>
Corn	157 bu/acre	\$4.43	90%	\$570 <del>\$626</del> /acre	<b>\$570</b> - \$466 \$518
Beans	47 bu/acre	\$10.65	90%	\$448 <del>\$450</del> /acre	<b>\$448</b> - \$366 \$407
Wheat	66 bu/acre	\$5.26	90%	\$325 <del>\$312</del> /acre	<b>\$397</b> - <b>\$325</b> \$361

The following table provides some insight into whether or not enrolling in ACRE in 2011 would be a good decision. If the Ohio crop yields in 2011 are equal to the 5 year Olympic average, the 2011 average U.S. market price (from 9/1/2011 through 8/31/2012) would need to be below \$3.63 before an ACRE payment would be made. However, if crop yield are better the price would need to be lower before a payment is made and the opposite is true if yield are lower. Under this example if the Ohio average yield and U.S. average market price would trigger a payment, individual farm revenue would also need to be below the farm's 2011 revenue guarantee before any payment would be received.

	<b>U.S. average cash price to equal revenue guarantee; 10% decreased yields</b>		<b>U.S. average cash price to equal revenue guarantee; average yields</b>		<b>U.S. average cash price to equal revenue guarantee; 10% increased yields</b>	
Corn	141 bu	\$4.04	157 bu	\$3.63	173 bu	\$3.29
Soybeans	42 bu	\$10.67	47 bu	\$9.53	52 bu	\$8.62
Wheat	59 bu	\$5.51	66 bu	\$4.92	73 bu	\$4.45

In examining the current future market prices relative to the U.S. average cash price needed to trigger an ACRE payment, it does not appear that ACRE will be beneficial in 2011. However, with that said the markets are fickle and can move quickly and unexpectedly at times. The ACRE payment is based on the average U.S. market price from harvest 2011 until harvest 2012, not what a farmer receives for his crop. Although the markets look good today, you have no downside risk protection if they decide to decrease significantly. The ~\$4.00 per acre cost to enroll might still be a good risk reduction strategy for some operations. Remember, even if you decide to sign up for ACRE, it is not a substitute for crop insurance since it depends on low state revenue to trigger. ACRE will not cover localized crop failures in the same fashion that crop insurance does.