FieldGuide

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Making sense of ACRE *and* SURE

That seems to be exactly what many producers are spending a good deal of their time doing these days – trying to make sense of the Average Crop Revenue Election (ACRE) and Supplemental Revenue Assistance Payments (SURE) programs recently included in the 2008 Farm Bill. These programs are separate and act independent of each other.

As of this writing many of the rules and regulations for either program have not yet been determined. We highly recommend a visit or call to your local FSA office to learn how either or both of these programs may fit into your individual operation.

ACRE – Don't confuse it with Crop Insurance

First, let's be clear about what ACRE is not. It is not a crop insurance program or a program that can or should replace crop insurance in any way. ACRE is a Statewide Revenue program, and bears little resemblance to the original program sponsored by the National Corn Growers Association, after experiencing numerous modifications prior to becoming part of the 2008 Farm Bill. ACRE, administered by the Farm Service Agency arm of the USDA is an alternative to the Counter-Cyclical based payment option under the 2003 Farm Bill. It also provides a statewide revenue guarantee in return for a 20% reduction in Direct Payments and a 30% reduction in the crop loan rates.

ACRE has the potential to help producers increase their revenues when the calculated statewide revenue falls below the statewide established benchmark. ACRE will provide protection based on actual planted crops - not on the historical plantings of a farm. ACRE has some similarities to the Group Risk Income Program (GRIP) which is one of RMA's crop insurance plan options. However GRIP is based on county yields for establishing coverage and claims, while ACRE uses State yields. Also GRIP uses CBOT prices while ACRE uses Marketing Year Average (MYA) pricing as determined by FSA. One other major difference is that ACRE requires a yield loss for at least one crop on the individual producer's farm to be eligible for a payment should the statewide revenue be short of the minimum benchmark.

ACRE is an optional program that requires advance sign up and comes with cost (a reduction in direct payments and loan rate). It's important to fully understand the ACRE program and the impact it may have on your operation before making a decision.

ACRE Overview

Eligible producers may choose ACRE when enrolling in the current farm program or at a later date, but currently expected to be no later than June 1st of the current crop year. FSA offices, as of this date, are encouraging producers to, at the very least, sign up for the Direct and Counter-Cyclical Payment (DCP) Farm Program now. Producers have through June 9, 2009 to decide to participate in ACRE for the current crop year. It's important to note that once a producer enrolls a farm in the ACRE program, the farm must remain enrolled through the end of the current Farm Bill (including any extensions). The current Farm Bill is in place through 2012.

Eligibility of ACRE Program

All farms enrolled in ACRE must have base acres and producers must sign up all crops in the program by Farm Serial number. Your farm may participate in ACRE beginning with the 2009 crop year. Producers not enrolling in ACRE for the 2009 crop year may do so in subsequent years for the balance of the current Farm Bill. In addition, your landlord must also agree to enroll the farm in ACRE as the program follows the farm, not the producer – meaning that should a producer lose

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To calculate an ACRE Payment:

83.3% of the farm's planted/considered planted acres (not exceeding the total of all base acres) X the expected farm yield divided by the state benchmark yield X the lesser of the state ACRE guarantee minus the Actual State Revenue, or the State ACRE guarantee X 25%

production rights to a farm or the ground is sold, the ACRE program remains with the ground – not the tenant (renter). ACRE agreement forms must be signed by both the tenant and landlord to become eligible for ACRE.

Some items to note:

- ACRE farms cannot be combined with a DCP farm
- Producers may participate in ACRE on one farm while participating in DCP on another farm

How does ACRE work?

Producers enrolling in ACRE will receive no Counter-Cyclical Payments and must be willing to accept a 20% reduction in direct payments along with a 30% reduction in marketing assistance loan rates. The maximum payment is limited to 25% of the state guarantee while the payment limit is $65,000 plus any reduction the producer may receive in direct payments.

For example, if a producer is currently at the $40,000 direct payment ceiling, this amount would be reduced by 20% or $8,000. The $8,000 reduction is added to the $65,000 payment limit resulting in the effective limit of $73,000 for the program. The ACRE program will put the $8,000 at risk and would delay any possible payment for approximately one year. In the event the ACRE program generates no payment for that year, the $8,000 is forfeited.

Coverage is based on State Revenue (State Yield x Approved Price).

- A **State Yield** is determined using an Olympic scoring method, starting with the previous 5 years of statewide average yields for the commodity, eliminating the high and low, and averaging the remaining 3 years.
- An **Approved Price** is determined by averaging 2 years of Marketing Year Average (MYA) prices. For the 2009 crop year, the average of 2007 and 2008 MYA will be used. This price used to establish the ACRE guarantee is not likely to be known until the Fall of 2009.

ACRE Payments

Participants of the program are eligible for two types of payments:

- Direct Payments, and
- ACRE payments (this is the equivalent of Counter-Cyclical Payments in DCP) –if both triggers are met

ACRE participants will receive 80% of the Direct Payment rate paid under DCP. Producers may request an advance payment of 22% to be made in any month between December of the year prior to when the contract was signed through September of the contract year. A final payment can be expected after October 1 of the contract year.

Earlier we mentioned that two triggers must be met before a farm can be issued an ACRE payment:

- The **State Trigger**, and
- **Farm Trigger**

The **State** trigger is when the State guarantee is greater than the Actual State Revenue.

- To calculate the State guarantee, use the following formula: 90% x State Benchmark Yield x the 2-year National Average Market Price (NAMP)
- Actual State Revenue is calculated as: 100% x Actual State Planted Yield x higher of NAMP or 70% of National Loan Rate

The **Farm** trigger is when the Farm Benchmark Revenue exceeds Actual Farm Revenue

- Farm Bench Revenue = Expected Farm Yield x NAMP + the producer's paid crop insurance premium/acre
- Actual Farm Revenue is calculated by the Actual Yield x NAMP

See the formula at the top of this page to calculate an ACRE payment.

Find past Field Gu

Resources and Websites

http://www.fsa.usda.gov
http://www.extension.iastate.edu/agdm/crops/xls/a1-44surecalucalator.xls
ACRE spreadsheet: http://www.card.iastate.edu/ag_ risk_ tools/acre/
ACRE Program Info – K-State: http://www.agmanager.info/policy/commodity/2007default.asp
http://www.ers.usda.gov/FarmBill/2008/Titles/TitleICommodities.htm#average
KSU Ag Econ: http://www.agmanager.info

SURE –
What is it?

The Supplemental Revenue Assistance Payments program (SURE) is a revenue-based program that uses a formula to compare the expected revenue to actual revenue for a producer's entire farming operation. SURE is similar to that of crop revenue insurance. The intent of the program is to become a permanent disaster plan, thus eliminating the need for ad-hoc disaster declarations in the future. Past ad-hoc disaster programs generated payments based on the individual crop losses or business units; all guarantees and actual revenues under SURE are calculated as the sum for all crops and in all counties involved in the "farming operation," even if land in more than one county or state is involved. Payments are not made for losses to individual crops or insurance units.

All producers who are determined eligible will have the ability to receive a payment when Total Whole Farm[1] revenue falls below the SURE Whole Farm guarantee. The Whole Farm Guarantee is determined by applying the following formula to each insurable crop of economic significance – Planted & Prevented Planting Acres x APH x actual Crop Insurance Coverage Level x Insurance Price x 115%. In this calculation a higher level of crop insurance results in a potentially higher SURE guarantee. FSA will establish an additional guarantee for crops that do not have an established crop insurance program. When all insurable & non insurable crop guarantees have been considered and combined, FSA is expected to impose a maximum guarantee of 90% of Expected Revenue for the Whole Farm.

If the farm's actual crop revenue is less than the guarantee, the SURE payment makes up 60 percent of the difference. The actual crop revenue includes not only the estimated value of the crop produced, but also other USDA payments and crop insurance indemnity payments received as well. This prevents farmers from receiving double payments for the same losses.

How does a producer qualify for payments?

Payment eligibility requires crop insurance or NAP for all crops of economic significance to be eligible. The Secretary of Agriculture must declare at least one county in a producer's farming operation, or a contiguous county, to be an agricultural disaster area for the crop year in question and the producer must suffer a minimum of a 10% yield loss on at least one crop of economic significance.[2]

Some other considerations of SURE:

- The higher the crop insurance coverage level, the higher the SURE guarantee
- There is no premium payment or advance sign up for SURE
- SURE is retroactively available for the 2008 crop year
- Coverage and losses are determined using the *individual producer's* insurance and yield information
- A revenue loss occurs when Revenue to Count[3] is less than the Whole Farm Guarantee
- Once the revenue loss has been determined it will be paid at 60%

Notes:

[1] 'Whole Farm' means all farmland combined, including all counties and all states.

[2] A crop of "economic significance" means any crop which is expected to generate 5% or more of total whole farm revenue in a given year.

[3] Revenue to Count is determined by combining all of the following revenue sources: Harvested production x Marketing Year Average (MYA) price, Crop insurance and NAP indemnities, 15% of all direct payments received counter cyclical payments, marketing loan gains and ACRE payments.

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ACRE and SURE questions

Q: Is ACRE a substitute for Crop Insurance?

A: We've been asked this question many times. In our opinion, ACRE and Crop Insurance are two completely different programs. Crop Insurance provides individual farm protection and can be used to protect a marketing plan. ACRE provides revenue protection that requires a statewide loss in addition to an individual loss. We encourage all producers to contact their local FSA office for additional details on all the new farm programs.

Q: Is ACRE something I should sign up for today?

A: Many elements of ACRE have yet to be decided and the FSA is still waiting for finalized documents on the program. There are too many questions remaining to be answered for producers to sign up for ACRE at this time. Check with your local FSA office regarding upcoming meetings to discuss ACRE.

Q: Do I need SURE?

A: In the event of catastrophic losses, Federal assistance may be given to those who qualify. This assistance may be as much as 15% above your insurance guarantees. No sign up is necessary.

Q: Is there a value to SURE?

A: The value of this program is directly impacted by the coverage a producer chooses for crop insurance and its value is something each individual producer should carefully examine.

Q: When is a crop considered de minimis?

A: A de minimis crop is determined by it's value. A crop is deemed de minimis if the value is less than $9,090. (The value for 2008 is $3,636.) A de minimis crop does not count in the SURE guarantee or against the SURE guarantee. Farms with $500,000 of crop revenue can meet the requirements of a de minimis crop if the crop value is less than 5% of the crop revenue, $25,000. A de minimis crop does not require coverage or NAP fees to be eligible for SURE.