The ACRE Program: should farmers participate?

1. Summary:
The 2008 Farm Bill created the ACRE Program as an elective alternative to federal subsidies to grain producers. For farmers, the ACRE election decision was complex; they would forfeit 20% of their subsidy for 4 years and thereby become eligible for ACRE payments if current farm revenue or crop revenue falls below a national benchmark. USDA's rules for implementing ACRE were incomplete during the election period. Software for assessing ACRE’s financial impact on Washington’s farms did not exist. Nevertheless, a complex mix of historic and current grain price relationships posed opportunity for a large ACRE payment for the 2009 crop. Farmers neither understand this opportunity nor were they equipped to assess its associated financial risk.

This project was undertaken to help farmers in eastern Washington better understand the ACRE program, to project its financial impact on their farms, and to decide whether or not to participate. We conducted a series of 16 workshops in five counties that were attended by 405 farmers, bankers, and accountants. We explained ACRE and demonstrated a spreadsheet we developed for analyzing it. We provided this spreadsheet along with monthly followup to workshop participants until the ACRE election deadline. We consulted with about 30 farmers individually. We estimate that 290 farmers attending our workshops elected ACRE. Washington State had the highest ACRE election rate in the nation with 2477 farms (25%) of those eligible enrolling 1,437,292 acres. We estimate the 4 year financial benefit to those farms at over $50 million.

2. What is the ACRE Program?
- ACRE stands for Average Crop Revenue Election program.
- 2009 was the first year ACRE was available.
- ACRE is similar to federal subsidized, Crop Revenue insurance, but it is not a replacement.
- ACRE begins to shift traditional crop subsidies (called Direct Payments) towards crop insurance.
- Farmers elect (purchase) ACRE by forfeiting 20% of their Direct Payment.
- Farmers who elect ACRE are committed to it through their 2012 crop. ACRE payments are triggered if the farm’s crop revenue and the state’s crop revenue both fall below complex revenue benchmarks calculated from national prices and farm and state yields.
- If an ACRE payment is triggered, the amount is based on the state-wide loss in crop revenue, not on the farm’s loss.
- ACRE payments, if triggered, are made 13-14 months after the crop is harvested.

3. What we did:
- Conducted 16 workshops in 5 counties attended by 405 farmers, bankers, and accountants in which we explained how the ACRE program worked.
- Developed, distributed, and updated monthly a spreadsheet calculator to help farmers analyze the economics of their participating in ACRE.
- Provided one-on-one assistance to approximately 30 farmers seeking guidance with their ACRE economic analysis.

4. What happened?
- We estimate that approximately 70% (280 of 405) of farmers who attended our workshops elected ACRE.
- In Washington, 2477 farms (25%) of those eligible enrolled 1,437,292 acres in the ACRE program. This represents 43% of the 3,345,005 acres eligible for enrollment in ACRE, and this was the highest enrollment rate in the nation.
- Nationally, 8%, of eligible farms elected acre and enrolled 13% of the eligible land.
- The net, 4 year economic impact of Washington Farms electing ACRE is estimated at $20,000 per farm and $49.6 million statewide. If wheat prices do not improve for the 2010 crop year, this amount will increase to approximately $72.4 million.

5. 2009 ACRE Program Enrollment

6. U.S. all planted acreage, ACRE eligible crops, (million acres)

7. Factors influencing ACRE Program

8. Washington ACRE Program Planning Calculator for the 2009 Crop Year

9. Washington ACRE Program Planning Calculator for the 2009 Crop Year

10. Washington ACRE Program Planning Calculator for the 2009 Crop Year

11. Wheat price vs. estimated WA ACRE payment and WA farm revenue (spring 10 estimate)

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13. Conclusions:
- The ACRE Program was first available to farmers for their 2009 crop.
- We helped Washington farmers understand ACRE by conducting a series of 16 workshops during the spring and summer of 2009.
- We provided workshop attendees an Excel spreadsheet calculator to help them evaluate the economic impact of ACRE on their operation. We updated this spreadsheet monthly until the ACRE election deadline in August.
- Washington had the highest ACRE election rate in the nation at 43% of the eligible acres compared to the national election rate of 13%.
- The net value of ACRE election to Washington farms for the 2008 crop is estimated at $49.6 million.