WEBINAR: ACRE the Right Choice  
July 31, 2009

- Agenda
- 9:30 Program Begins, Ryan Findlay, MI Farm Bureau, Host and Opening Remarks
- 9:35 Jim Hilker and Roger Betz, MSU Extension
  - Why the market is telling us to sign up for ACRE
  - How ACRE Works
  - Case Examples
- 10:50 Dave Schwiekhart - Review and Comments
- 11:00 Additional Questions narrated by Ryan Findlay, Panel Response
- 12:00 Broadcast Ends

ACRE – The Right Choice!  
Average Crop Revenue Election

Jim Hilker and Roger Betz  
MSU Extension  
July 31, 2009

Most Farms With Program Base Acres Should be Signed Up for the ACRE Program vs DCP

- Why?
  - Market is saying “High Odds of Lower Prices that Will Trigger ACRE”
  - High Odds ACRE will pay more than Cost of the 20% cut in Direct Payment, Probably even for the 4-years
  - Times are tough, cost are high, you can’t afford to give up the chance of high return for the $5 cost.

---

# Corn: ACRE State Payment Rate/ac for Alternative Yields and Prices

<table>
<thead>
<tr>
<th>Corn</th>
<th>Estimated Probability price will be less than stated level</th>
<th>135</th>
<th>138</th>
<th>141</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Price</td>
<td>$3.75</td>
<td>71%</td>
<td>$11.66</td>
<td>$0.41</td>
</tr>
<tr>
<td>B. E. Price</td>
<td>$3.29</td>
<td>56%</td>
<td>$73.76</td>
<td>$54.02</td>
</tr>
<tr>
<td>Market Price</td>
<td>$2.81</td>
<td>37%</td>
<td>$129.48</td>
<td>$121.70</td>
</tr>
</tbody>
</table>

---

# Soybeans: ACRE State Payment Rate/ac for Alternative Yields and Prices

<table>
<thead>
<tr>
<th>Soybeans</th>
<th>Estimated Probability price will be less than stated level</th>
<th>37.5</th>
<th>38.5</th>
<th>39.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Price</td>
<td>$9.49</td>
<td>58%</td>
<td>$6.64</td>
<td>$0.00</td>
</tr>
<tr>
<td>B. E. Price</td>
<td>$9.04</td>
<td>50%</td>
<td>$8.89</td>
<td>$0.00</td>
</tr>
<tr>
<td>Max Payment</td>
<td>$8.78</td>
<td>25%</td>
<td>$86.97</td>
<td>$80.08</td>
</tr>
</tbody>
</table>

---

# Wheat: ACRE State Payment Rate/ac for Alternative Yields and Prices

<table>
<thead>
<tr>
<th>Wheat</th>
<th>Estimated Probability price will be less than stated level</th>
<th>64</th>
<th>66</th>
<th>70</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Price</td>
<td>$5.97</td>
<td>68%</td>
<td>$11.74</td>
<td>$0.00</td>
</tr>
<tr>
<td>B. E. Price</td>
<td>$5.54</td>
<td>57%</td>
<td>$82.96</td>
<td>$50.02</td>
</tr>
<tr>
<td>Market Price</td>
<td>$4.48</td>
<td>36%</td>
<td>$86.97</td>
<td>$80.22</td>
</tr>
</tbody>
</table>
Problems with “2002 Farm Bill DCP”

- Counter-Cyclical payments:
  - Based on price only
  - Start at prices well below current cost of production
- Direct Payment based on yields established in 80’s
- 2002 program does not provide risk protection for the crop being grown

Why no Sign Up?

- I don’t like 4 year commitment
- Late spring … dragged out
- Price prospects were better earlier in the year
- I don’t understand ACRE. Wait till next year
- Landlords must agree
- Requires proving yields
- I’m already signed up for DCP

Facts and Myths

- I signed up for DCP so can’t go ACRE
  - FALSE
- I can’t prove my 2004 – 2008 yields
  - You can use the 95% of County Plug Yields
- I must have 4 year contract with Tennant/Landlord
  - FALSE
- I will need to report Yields in 2009 – 2012
  - TRUE
- I will lose 20% of DP for 4years
  - TRUE but only $4-$6/ac over 4year ($20) compared to likely $60 in 2009
- I need to evaluate each FSA farm number
  - TRUE

2008 Farm Bill Theme

Basic question of farm policy- Is objective to:
(a) enhance farm incomes or
(b) help farmers manage risk?

Risk management seeks to align payments with occurrence of financial stress.
Income enhancement seeks to increase average annual income. (Direct Payments)

Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) clearly emphasized risk management over enhance farm income.
Best illustrated by enactment of ACRE and Agricultural Disaster Relief Trust Fund, which includes SURE.

Beginning with Crops Harvested in 2009, farmers and landowners have a choice

(1) Traditional Suite of Programs
   - Marketing Loan ($1.95 corn)
   - Direct Payment ($0.28 corn)
   - Price Counter-Cyclical ($2.35 corn)

(2) ACRE Suite of Programs
   - Marketing Loan Rate at 70% ($1.37 corn)
   - Direct Payment at 80% ($0.22 corn)
   - ACRE State Revenue Program (90% of last two years)

Sign Up has been Extended to August 14th 2009
Choice of Traditional and ACRE

- Starts with 2009 crop year
- Traditional programs are default
- If ACRE is chosen, that choice lasts through the life of the farm bill (through 2012)
- Choice on a FSA farm basis

ACRE Program

- ACRE based on a state-level revenue index for each program crop
- Payments are crop specific, but whole farm must be enrolled in ACRE
  - Cannot enroll corn base under ACRE and soybean base under traditional
- Revenue guarantee cannot change by more than 10% from previous year
  - 10% cups and caps

Two Triggers Before Payments

1. Actual state revenue must fall below state guarantee level
2. Actual farm revenue must fall below farm guarantee level (farm benchmark)

- Implications
  - ACRE could pay at state level and some farms may not get payments

State Revenue Trigger

\[
\text{State Guarantee} = \left(0.90 \times \text{5-year Olympic Avg. State Yield (Planted Acre)} \times 138 \text{ bu/ac} \times 2\text{-year U.S. Market Average Price} \times $4.17 \right) \times \text{State Revenue Guarantee} \times $518/\text{ac}
\]

\[
\text{Capped at +/- 10% from previous year}
\]

State Payment Rate

\[
\text{State Payment Rate} = \text{State Revenue} - \text{State Payment Rate} = $518 - $454 = $64/\text{ac}
\]

Farm Revenue Trigger

\[
\text{Farm Guarantee} = \left(1.47 \times \text{147 bu/ac} \times 2\text{-year U.S. Market Average Price} \times $4.17 + \text{Crop Insurance Premium} \times $20 \right) \times \text{Farm Benchmark Revenue} \times $623/\text{ac}
\]

\[
\text{Farm Revenue} = \left(192 \times \text{U.S. Market Average Price} \times $3.29 \times \text{Farm’s Actual Revenue} \times $632 \right) \times \text{Did Farm Trigger?} \times $633 - $632 = $1
\]

2009 Michigan Revenue Guarantee 90%

<table>
<thead>
<tr>
<th>Crop</th>
<th>Corn</th>
<th>Soybeans</th>
<th>Wheat</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Price</td>
<td>$4.17</td>
<td>$10.04</td>
<td>$6.63</td>
</tr>
<tr>
<td>State Benchmark Yield</td>
<td>138.0</td>
<td>38.5</td>
<td>66.0</td>
</tr>
<tr>
<td>State Revenue Guarantee</td>
<td>$518</td>
<td>$348</td>
<td>$394</td>
</tr>
<tr>
<td>Max 25% Payment Rate</td>
<td>$129</td>
<td>$87</td>
<td>$98</td>
</tr>
</tbody>
</table>

2009 Farm Revenue Benchmark 100% Plus Crop Insurance

<table>
<thead>
<tr>
<th>Farm Revenue Benchmark 100% Plus Crop Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmer by FSA Farm Number</td>
</tr>
<tr>
<td>Olympic Yield</td>
</tr>
<tr>
<td>147</td>
</tr>
<tr>
<td>Crop Insurance</td>
</tr>
<tr>
<td>Revenue Benchmark</td>
</tr>
</tbody>
</table>
**Today's 2009 Corn Prices**  
7-30-09

Weighted Corn National Average Price Projection

<table>
<thead>
<tr>
<th></th>
<th>Dec 09</th>
<th>March 1</th>
<th>July 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Futures</td>
<td>$3.42</td>
<td>$3.55</td>
<td>$3.73</td>
</tr>
<tr>
<td>Basis??</td>
<td>$(0.30)</td>
<td>$(0.20)</td>
<td>$(0.10)</td>
</tr>
<tr>
<td>Weighting</td>
<td>50%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>Contribution</td>
<td>$1.56</td>
<td>$1.01</td>
<td>$0.73</td>
</tr>
</tbody>
</table>

**Weighted National MYP** $3.29

---

**Today’s 2009 Soybean Prices**

7-30-09

Weighted Soybean National Average Price Projection

<table>
<thead>
<tr>
<th></th>
<th>Nov 09</th>
<th>March 10</th>
<th>July 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Futures</td>
<td>$9.71</td>
<td>$9.75</td>
<td>$9.73</td>
</tr>
<tr>
<td>Basis??</td>
<td>$(0.35)</td>
<td>$(0.15)</td>
<td>$(0.10)</td>
</tr>
<tr>
<td>Weighting</td>
<td>50%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>Contribution</td>
<td>$4.68</td>
<td>$2.88</td>
<td>$1.93</td>
</tr>
</tbody>
</table>

**Weighted National MYP** $9.49
### Michigan ACRE STATE PAYMENT RATE per Acre

**CORN**

<table>
<thead>
<tr>
<th>Net Price</th>
<th>129.0</th>
<th>130.0</th>
<th>135.0</th>
<th>138.0</th>
<th>141.0</th>
<th>144.0</th>
<th>147.0</th>
<th>Trigger</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 4.25</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>148.9</td>
</tr>
<tr>
<td>$ 4.15</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>152.5</td>
</tr>
<tr>
<td>$ 4.05</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>156.3</td>
</tr>
<tr>
<td>Current</td>
<td>$ 3.95</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>160.3</td>
</tr>
<tr>
<td>USDA</td>
<td>$ 3.85</td>
<td>$ 21.26</td>
<td>$ 9.71</td>
<td>$ 11.96</td>
<td>$ 0.41</td>
<td>-</td>
<td>-</td>
<td>164.4</td>
</tr>
<tr>
<td>Forecast</td>
<td>$ 3.75</td>
<td>$ 34.16</td>
<td>$ 22.91</td>
<td>$ 11.96</td>
<td>$ 0.41</td>
<td>-</td>
<td>-</td>
<td>168.8</td>
</tr>
<tr>
<td>7/10/09</td>
<td>$ 3.65</td>
<td>$ 47.06</td>
<td>$ 36.11</td>
<td>$ 25.16</td>
<td>$ 14.21</td>
<td>$ 3.28</td>
<td>-</td>
<td>173.4</td>
</tr>
<tr>
<td>$3.35-4.15</td>
<td>$ 3.55</td>
<td>$ 59.96</td>
<td>$ 49.31</td>
<td>$ 38.66</td>
<td>$ 28.01</td>
<td>$ 17.36</td>
<td>$ 6.71</td>
<td>178.3</td>
</tr>
<tr>
<td>$ 3.45</td>
<td>$ 72.86</td>
<td>$ 62.51</td>
<td>$ 52.16</td>
<td>$ 41.81</td>
<td>$ 31.46</td>
<td>$ 21.11</td>
<td>$ 10.76</td>
<td>183.5</td>
</tr>
<tr>
<td>$ 3.35</td>
<td>$ 85.76</td>
<td>$ 75.71</td>
<td>$ 65.66</td>
<td>$ 55.61</td>
<td>$ 45.56</td>
<td>$ 35.51</td>
<td>$ 25.46</td>
<td>189.0</td>
</tr>
<tr>
<td>$ 3.25</td>
<td>$ 98.66</td>
<td>$ 88.91</td>
<td>$ 79.16</td>
<td>$ 69.41</td>
<td>$ 59.66</td>
<td>$ 49.91</td>
<td>$ 40.16</td>
<td>194.8</td>
</tr>
<tr>
<td>$ 3.15</td>
<td>$ 111.56</td>
<td>$ 102.11</td>
<td>$ 92.66</td>
<td>$ 83.21</td>
<td>$ 73.76</td>
<td>$ 64.31</td>
<td>$ 54.66</td>
<td>200.9</td>
</tr>
<tr>
<td>$ 3.05</td>
<td>$ 124.46</td>
<td>$ 115.31</td>
<td>$ 106.16</td>
<td>$ 97.01</td>
<td>$ 87.86</td>
<td>$ 78.71</td>
<td>$ 69.56</td>
<td>207.5</td>
</tr>
<tr>
<td>$ 2.95</td>
<td>$ 129.49</td>
<td>$ 128.51</td>
<td>$ 119.66</td>
<td>$ 110.81</td>
<td>$ 101.96</td>
<td>$ 93.11</td>
<td>$ 84.26</td>
<td>214.6</td>
</tr>
<tr>
<td>$ 2.85</td>
<td>$ 129.40</td>
<td>$ 129.48</td>
<td>$ 129.48</td>
<td>$ 129.48</td>
<td>$ 129.48</td>
<td>$ 129.48</td>
<td>$ 121.91</td>
<td>222.1</td>
</tr>
<tr>
<td>$ 2.75</td>
<td>$ 129.48</td>
<td>$ 129.48</td>
<td>$ 129.48</td>
<td>$ 129.48</td>
<td>$ 129.48</td>
<td>$ 129.48</td>
<td>$ 113.66</td>
<td>230.2</td>
</tr>
<tr>
<td>Price for Max Payment</td>
<td>$ 3.01</td>
<td>$ 2.94</td>
<td>$ 2.88</td>
<td>$ 2.81</td>
<td>$ 2.75</td>
<td>$ 2.70</td>
<td>$ 2.64</td>
<td></td>
</tr>
<tr>
<td>Zero Payment Price</td>
<td>$ 4.01</td>
<td>$ 3.92</td>
<td>$ 3.84</td>
<td>$ 3.75</td>
<td>$ 3.67</td>
<td>$ 3.60</td>
<td>$ 3.52</td>
<td></td>
</tr>
</tbody>
</table>

### SOYBEANS

<table>
<thead>
<tr>
<th>Net Price</th>
<th>35.5</th>
<th>36.5</th>
<th>37.5</th>
<th>38.5</th>
<th>39.5</th>
<th>40.5</th>
<th>41.5</th>
<th>Trigger</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 10.50</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>48.4</td>
</tr>
<tr>
<td>$ 10.30</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>47.9</td>
</tr>
<tr>
<td>$ 10.10</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>48.2</td>
</tr>
<tr>
<td>Current</td>
<td>$ 9.90</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>49.2</td>
</tr>
<tr>
<td>USDA</td>
<td>$ 9.70</td>
<td>$ 3.54</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>50.2</td>
</tr>
<tr>
<td>Forecast</td>
<td>$ 9.50</td>
<td>$ 10.64</td>
<td>$ 1.14</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>51.3</td>
</tr>
<tr>
<td>7/10/09</td>
<td>$ 9.30</td>
<td>$ 17.74</td>
<td>$ 8.44</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>52.4</td>
</tr>
<tr>
<td>$8.30-10.30</td>
<td>$ 9.10</td>
<td>$ 24.84</td>
<td>$ 15.74</td>
<td>$ 6.84</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>53.5</td>
</tr>
<tr>
<td>$ 8.90</td>
<td>$ 31.94</td>
<td>$ 23.04</td>
<td>$ 14.14</td>
<td>$ 5.24</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>54.7</td>
</tr>
<tr>
<td>$ 8.70</td>
<td>$ 39.04</td>
<td>$ 30.34</td>
<td>$ 21.64</td>
<td>$ 12.94</td>
<td>$ 4.24</td>
<td>-</td>
<td>-</td>
<td>56.0</td>
</tr>
<tr>
<td>$ 8.50</td>
<td>$ 46.14</td>
<td>$ 37.64</td>
<td>$ 28.14</td>
<td>$ 20.84</td>
<td>$ 12.14</td>
<td>$ 3.64</td>
<td>-</td>
<td>57.3</td>
</tr>
<tr>
<td>$ 8.30</td>
<td>$ 53.24</td>
<td>$ 44.94</td>
<td>$ 36.64</td>
<td>$ 28.34</td>
<td>$ 20.04</td>
<td>$ 11.74</td>
<td>$ 3.44</td>
<td>58.7</td>
</tr>
<tr>
<td>$ 8.10</td>
<td>$ 60.34</td>
<td>$ 52.24</td>
<td>$ 44.14</td>
<td>$ 36.04</td>
<td>$ 27.94</td>
<td>$ 19.84</td>
<td>$ 11.74</td>
<td>59.1</td>
</tr>
<tr>
<td>$ 7.90</td>
<td>$ 67.44</td>
<td>$ 59.54</td>
<td>$ 51.64</td>
<td>$ 43.74</td>
<td>$ 35.84</td>
<td>$ 27.94</td>
<td>$ 20.04</td>
<td>61.6</td>
</tr>
<tr>
<td>$ 7.70</td>
<td>$ 74.64</td>
<td>$ 68.84</td>
<td>$ 59.14</td>
<td>$ 41.44</td>
<td>$ 37.04</td>
<td>$ 28.34</td>
<td>$ 63.2</td>
<td></td>
</tr>
<tr>
<td>$ 7.50</td>
<td>$ 81.64</td>
<td>$ 74.14</td>
<td>$ 66.84</td>
<td>$ 59.14</td>
<td>$ 51.64</td>
<td>$ 44.14</td>
<td>$ 64.9</td>
<td></td>
</tr>
<tr>
<td>$ 7.30</td>
<td>$ 88.97</td>
<td>$ 81.44</td>
<td>$ 74.14</td>
<td>$ 66.84</td>
<td>$ 59.84</td>
<td>$ 52.24</td>
<td>$ 44.94</td>
<td>68.7</td>
</tr>
<tr>
<td>$ 7.10</td>
<td>$ 88.97</td>
<td>$ 88.97</td>
<td>$ 81.44</td>
<td>$ 74.14</td>
<td>$ 66.84</td>
<td>$ 59.84</td>
<td>$ 52.24</td>
<td>68.8</td>
</tr>
<tr>
<td>$ 6.90</td>
<td>$ 88.97</td>
<td>$ 88.97</td>
<td>$ 81.44</td>
<td>$ 74.14</td>
<td>$ 66.84</td>
<td>$ 59.84</td>
<td>$ 52.24</td>
<td>68.8</td>
</tr>
<tr>
<td>$ 6.70</td>
<td>$ 88.97</td>
<td>$ 88.97</td>
<td>$ 81.44</td>
<td>$ 74.14</td>
<td>$ 66.84</td>
<td>$ 59.84</td>
<td>$ 52.24</td>
<td>68.8</td>
</tr>
<tr>
<td>Price for Max Payment</td>
<td>$ 7.35</td>
<td>$ 7.15</td>
<td>$ 6.96</td>
<td>$ 6.78</td>
<td>$ 6.61</td>
<td>$ 6.44</td>
<td>$ 6.29</td>
<td></td>
</tr>
<tr>
<td>WHEAT</td>
<td>2009</td>
<td>ACRE STATE PAYMENT RATE per Acre</td>
<td>Michigan Benchmark Yield 64-73</td>
<td>Producer Y</td>
<td>Trigger</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------</td>
<td>------</td>
<td>----------------------------------</td>
<td>---------------------------------</td>
<td>-----------</td>
<td>---------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nat Price</td>
<td>60.0</td>
<td>62.0</td>
<td>64.0</td>
<td>66.0</td>
<td>68.0</td>
<td>70.0</td>
<td>72.0</td>
</tr>
<tr>
<td></td>
<td>$ 5.90</td>
<td>39.82</td>
<td>28.02</td>
<td>16.22</td>
<td>4.42</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$ 5.80</td>
<td>45.82</td>
<td>34.22</td>
<td>22.62</td>
<td>11.02</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Current</td>
<td>$ 5.70</td>
<td>51.82</td>
<td>40.42</td>
<td>29.02</td>
<td>17.62</td>
<td>6.22</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>USDA</td>
<td>$ 5.60</td>
<td>57.82</td>
<td>46.62</td>
<td>35.42</td>
<td>24.22</td>
<td>13.02</td>
<td>1.82</td>
<td>-</td>
</tr>
<tr>
<td>Forecast</td>
<td>$ 5.50</td>
<td>63.82</td>
<td>52.62</td>
<td>41.82</td>
<td>30.82</td>
<td>19.82</td>
<td>8.82</td>
<td>-</td>
</tr>
<tr>
<td>7/10/09</td>
<td>$ 5.40</td>
<td>69.82</td>
<td>59.02</td>
<td>48.22</td>
<td>37.42</td>
<td>26.62</td>
<td>15.82</td>
<td>5.02</td>
</tr>
<tr>
<td>$4.80-5.80</td>
<td>$ 5.30</td>
<td>75.82</td>
<td>65.22</td>
<td>54.82</td>
<td>44.02</td>
<td>33.42</td>
<td>22.82</td>
<td>12.22</td>
</tr>
<tr>
<td></td>
<td>$ 5.20</td>
<td>81.82</td>
<td>71.42</td>
<td>61.02</td>
<td>50.62</td>
<td>40.22</td>
<td>29.82</td>
<td>19.42</td>
</tr>
<tr>
<td></td>
<td>$ 5.10</td>
<td>87.82</td>
<td>77.62</td>
<td>67.42</td>
<td>57.22</td>
<td>47.02</td>
<td>36.82</td>
<td>26.82</td>
</tr>
<tr>
<td></td>
<td>$ 5.00</td>
<td>93.82</td>
<td>83.82</td>
<td>73.82</td>
<td>63.82</td>
<td>53.82</td>
<td>43.82</td>
<td>33.82</td>
</tr>
<tr>
<td></td>
<td>$ 4.90</td>
<td>98.46</td>
<td>90.02</td>
<td>80.22</td>
<td>70.42</td>
<td>60.62</td>
<td>50.82</td>
<td>41.02</td>
</tr>
<tr>
<td></td>
<td>$ 4.80</td>
<td>98.46</td>
<td>96.22</td>
<td>88.62</td>
<td>77.02</td>
<td>67.42</td>
<td>57.62</td>
<td>48.22</td>
</tr>
<tr>
<td></td>
<td>$ 4.70</td>
<td>98.46</td>
<td>98.46</td>
<td>93.02</td>
<td>83.62</td>
<td>74.22</td>
<td>64.82</td>
<td>55.42</td>
</tr>
<tr>
<td></td>
<td>$ 4.60</td>
<td>98.46</td>
<td>98.46</td>
<td>98.46</td>
<td>90.22</td>
<td>81.02</td>
<td>71.82</td>
<td>62.82</td>
</tr>
<tr>
<td></td>
<td>$ 4.50</td>
<td>98.46</td>
<td>98.46</td>
<td>98.46</td>
<td>98.46</td>
<td>96.82</td>
<td>87.82</td>
<td>78.82</td>
</tr>
<tr>
<td></td>
<td>$ 4.40</td>
<td>98.46</td>
<td>98.46</td>
<td>98.46</td>
<td>98.46</td>
<td>98.46</td>
<td>94.62</td>
<td>85.62</td>
</tr>
<tr>
<td>Price for Max Payment</td>
<td>$ 4.92</td>
<td>4.76</td>
<td>4.82</td>
<td>4.48</td>
<td>4.34</td>
<td>4.22</td>
<td>4.10</td>
<td></td>
</tr>
<tr>
<td>Zero Payment Price</td>
<td>$ 6.56</td>
<td>6.35</td>
<td>6.15</td>
<td>5.97</td>
<td>5.79</td>
<td>5.63</td>
<td>5.47</td>
<td></td>
</tr>
</tbody>
</table>
Today’s 2009 Wheat Prices

7-30-09

Weighted Wheat National Average Price Projection

Kansas  Chicago  Minnisopolis

HRW  SRW  HR Spring

Sept 09 Futures

Basis???

Weighting???

Contribution

Weighted National MYP

<table>
<thead>
<tr>
<th>Price</th>
<th>7-30-09</th>
<th>36%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5.50</td>
<td>$5.16</td>
<td>$6.00</td>
</tr>
<tr>
<td>$0</td>
<td>$5.97</td>
<td></td>
</tr>
<tr>
<td>$5.34</td>
<td>$5.97</td>
<td></td>
</tr>
</tbody>
</table>

Case Example 1

- 200ac tillable
- 100ac Program Base (50 corn, 30 soys, 20 wheat)
- Planted all to Corn
- Allocate 100ac program base to corn ACRE
- 120ac x 83.3% = 100 payment acres
- Total Corn Payment @ $454 Revenue = $6,400
  - Cost $233 + $70 + $104 = $407 loss of D P

Case Example 2

- 200ac tillable
- 100ac Program Base (50 corn, 30 soys, 20 wheat)
- Planted 100ac to Corn, 100ac to Soys
- Allocate 83.3ac Program Base to corn ACRE
- 100ac x 83.3% = 83.3 corn payment acres
- Allocate 16.7ac Program Base to Soy ACRE
- 20ac x 83.3% = 16.7 soy payment acres
- Total Corn Payment @ $454 Revenue = $5,331
  - Cost $233 + $70 + $104 = $407 loss of D P
- Total Soy Payment = Zero?

Case Example 3 Two FSA Farm #’s

- 100ac tillable each farm (200 total)
- 50ac Program Base each farm (25 corn, 15 soys, 10 wheat)
- 100ac to Corn farm A, 100ac to Soys Farm B
- Farm A 50ac base to corn
- Farm B 50ac base to soys - Smaller payment
- Reconstitute to one farm number and allocate 83.3 base acres to corn
  - 33.3 more corn payment acres x $64 = $2,131
Case # 4 Large Farm

- 4,000 tillable with 2,000 program base
- 2,000 corn, 1,500 soys, 500 wheat
- All one FSA Number?
- With today’s prices want to max corn
- Can max out ACRE on 680ac planted corn
  - 680ac X 83.3% X $129.48 payment = $73,342
- Split farm operators, Combine FSA farm #’s, Use crop insurance for prices below loan rate ($1.95 corn)

Yield data is more important with the 2008 farm bill

FSA Farm Number Yield Measurements

- Better to have yields on each farm number
- Can just use your whole farm production divided into all acres

- **** Crop Insurance History****
  - Actual yields from the APH database
  - Commercial receipts, settlement sheets, warehouse ledger sheets or load summaries of a crop sold through commercial channels
  - Truck scales or contemporaneous diaries, as is necessary to verify if the crop has been fed to livestock
  - Loan and LDP records
  - Where there is no production history, FSA will also allow yield plugs at 95 percent of the county average NASS yield

Farm Yields Options

- Plug Yields = 95% of NASS County Average Yield
  - Huron 148.8
  - Ionia 137.7
  - Van Buren 127.7
  - Eaton 132.1
  - Branch 125.8
  - Hillsdale 129.3
- Tuscola 141.4
- Allegan 138.0
- Cass 132.2
- Berrien 135.5
- Ingham 134.5
- Clinton 134.4
- Gratiot 127.6
- St Joe 131.4
- Calhoun 121.2
- Jackson 120.0
- Van Buren 127.7
- Kalamazoo 124.5

- or Actual Farm Yield
  - Bushels Harvested divided by Planted Acres including prevented planting
  - Corn Silage = 7.94 bu per Ton

Acceptable Production Evidence

- Producers will certify, but not submit documentation - FSA 658 (production)
- However will need documentation at a later date to verify reported production

Fed Production

<table>
<thead>
<tr>
<th>IF...</th>
<th>AND...</th>
<th>THEN...</th>
</tr>
</thead>
<tbody>
<tr>
<td>grain was measured by FSA or crop insurance representative</td>
<td>not on file to indicate the grain was fed or will be used for feed</td>
<td>LDP, loan, or measured quantity is acceptable.</td>
</tr>
</tbody>
</table>
| grain was measured by FSA or crop insurance representative | records were not filed to indicate the grain was fed or will be used for feed | the measured quantity is acceptable, only if other production records dated after the measurement date are not submitted.
| grain was not measured | LDP or loan was either: | the ACRE plug yield will be used.
| | not obtained | |
| | obtained on a portion of the production | |
Making the Decision Between Option 1 DCP or Option 2 ACRE?

**Example:**

The sum of the potential Payment Acreage for all crops cannot exceed the sum of the base acres on the farm.

<table>
<thead>
<tr>
<th>Crop</th>
<th>Triggers Met?</th>
<th>Base</th>
<th>Planted/ Prev. Acres</th>
<th>Potential Crop Payment Acres</th>
<th>Crop Payment Acres (acres x 83.3%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>Yes</td>
<td>100.0</td>
<td>125.0</td>
<td>800</td>
<td>104.1</td>
</tr>
<tr>
<td>Soybeans</td>
<td>No</td>
<td>100.0</td>
<td>75.0</td>
<td>800</td>
<td>62.4</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td>200.0</td>
<td>200.0</td>
<td>1666.6</td>
<td>166.6</td>
</tr>
</tbody>
</table>

Maximum Payment Acres: 166.6

When planted & prevented acres do not exceed total base.

ACRE Payment Acreage Limitation Example

Example: Crop Priority

- 3 crops
- 2 eligible
- Payment acres exceed base acres

<table>
<thead>
<tr>
<th>Crop</th>
<th>Triggers Met?</th>
<th>Base</th>
<th>Planted/ Prev. Acres</th>
<th>Potential Crop Payment Acres</th>
<th>Crop Factor</th>
<th>Payment Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>Yes</td>
<td>600.0</td>
<td>800.0</td>
<td>666.4</td>
<td>0.100</td>
<td>66.6</td>
</tr>
<tr>
<td>Soybeans</td>
<td>No</td>
<td>50.0</td>
<td>100.0</td>
<td>83.3</td>
<td>0.100</td>
<td>8.3</td>
</tr>
<tr>
<td>Wheat</td>
<td>Yes</td>
<td>50.0</td>
<td>100.0</td>
<td>83.3</td>
<td>0.100</td>
<td>8.3</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td>1000.0</td>
<td>1000.0</td>
<td>700.0</td>
<td>0.100</td>
<td>70.0</td>
</tr>
</tbody>
</table>

Maximum Payment Acres: 70.0

Won’t get paid due to trigger!
Priority

Best priority in Michigan in 2009
Sept 30, 2009

1 – Corn
2 – Wheat
3 – Soybeans

Can change priority each year

Trying to Predict Which Program Suite Will Pay More is Almost Impossible

(1) Predicting payments from the marketing loan, counter-cyclical, and ACRE state revenue programs requires that you must predict national prices and state yields for 2009, 2010, 2011, and 2012.
(2) Accumulated evidence from many years of study is that very few people possess the ability to predict changes in prices for the next year let alone for four years.
  (a) If people could predict prices, we should see lot of very rich folks.
  (b) We would not be talking about losses in the stock market since investors would have seen them coming and avoided them.
(3) But with sign up for 2009 delayed until August 14th, we will know a lot about the ’09 crops and 98% of information on the ’08 price of corn and soys for the 2009 decision.
(4) August 12 Crop Report with National and State Yields

Risk Management Perspective More Useful to Examine ACRE Decision

In managing risk, you are concerned with the timing and size of program payments, not average payments.
--- Do payments occur when financial stress occurs?
(1) Financial stress usually occurs when revenue declines.
(2) Financial stress can occur from factors that happen only on your farm (idiosyncratic risk) or from factors that occur beyond your farm at the market level (i.e., market or systemic risk)
(3) ACRE state revenue, counter-cyclical, and marketing loan programs are designed to address market or systemic risk
  --- ACRE revenue program addresses the risk of a decline in state revenue relative to the state revenue guarantee
  --- Counter-cyclical and marketing loan programs address the risk of low prices relative to the effective target price or loan rate.

ACRE Farmer Decision: Central Question

“Does ACRE’s state revenue guarantee program improve management of systemic revenue risk enough compared to the price counter-cyclical program, to compensate for a 20% reduction in direct payments (6 cents) and 30% reduction in marketing loan rates?”

Payment Limitations

With Traditional:
✓ Direct Payments: $40,000
✓ Counter-Cyclical Payments: $65,000

With ACRE:
✓ Direct Payments: $40,000 minus the amount of the reduction in direct payments under ACRE ($32,000)
✓ ACRE Payments: $65,000 plus the amount of the reduction in direct payments under ACRE ($73,000)

No payment limit on marketing loan program benefits (LDP's and MLG's)

Full ACRE payment is made October of the following year

Sign-Up Process

1. Sign-up for ACRE (August 14th)
2. Reconstitutions July 31 “Recons”
3. Indicate priority crops (September 30th, 2009)
4. Update benchmark yields by production reporting date (July 2010)
ACRE Signup

- For 2009, deadline is August 14th
  - Need to complete Form CCC – 509 ACRE
- All landowners on a FSA Farm Combination need to agree to switch to ACRE
- FSA farm unit basis
- After 2009, deadline will be June 1

ACRE: Some Concluding Thoughts

ACRE is a poor substitute for crop insurance. Crop insurance cannot replicate ACRE.

Crop insurance and ACRE provide different risk management profiles. The two profiles will rarely (maybe never) be the same and can vary substantively. You will not know how much the difference until after the crop year is done.

(a) Crop insurance covers risk between planting and harvest. ACRE covers risk for the crop year.
(b) Crop insurance can cover yield/revenue risk on an individual farm. ACRE covers revenue risk at the state level. (like GRIP)
(c) Crop insurance uses futures prices. ACRE uses National farmer’s cash prices.
(d) Crop insurance coverage not known for 2010-2012 crops. ACRE minimum state revenue target can be estimated.

Final Thoughts

1. ACRE (and SURE) are potentially important new programs to help farmers manage risk, especially in today’s environment of higher and volatile prices and costs. Farmers need to think carefully about their ability to handle risk, both financially and psychologically.
2. The 2002 and 2008 Farm Bills, as well as crop insurance, provide increasing evidence that farmers need to develop procedures for documenting yields on a farm by farm basis.
3. Experiences with ACRE and SURE will affect future policy.
4. Calculators exist to help you with the ACRE decision.
5. Last, remember, risk management involves the unknown.

EXCEL Spreadsheet

FOOD, CONSERVATION, AND ENERGY ACT OF 2008 ACRE Versus Traditional Commodity Program Comparison Version 1.1

Purpose: This program is designed to assist farmers and landowners in selecting between the ACRE and Traditional programs available under the 2008 Farm Bill.

The National Corn Growers Association funded this program's development and was heavily involved with the promotion of ACRE as an alternative in the 2008 Farm Bill deliberations.

Condition of sale: This software is provided "as is" and without warranty of any kind, express or implied. This software is intended for use as a planning tool. Any such statements do not constitute warranties and the user assumes all risk. No warranty is expressed or implied with respect to the accuracy, completeness, usefulness, or fitness for any particular purpose of this software.

More Information

Local FSA Office
Local Extension Office
Web sites:
Roger Betz https://www.msu.edu/user/betz/
Carl Zulauf materials http://aede.osu.edu/people/zulauf.1
Corn, soybean, and wheat calculator – University of Illinois http://www.farmdoc.uiuc.edu/pubs/FASTtool.asp?category=farm
Michigan Farm Bureau Web Site: http://www.michiganfarmbureau.com
Jim Hilker Web Site: https://www.msu.edu/user/hilker/

- Dave Schweikhardt, MSU Ag Econ
- Extension Policy Economist
Questions ?