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The ACRE Program Decision for 2011

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The ACRE program is now entering its third year of being offered in the 2011/12 marketing year. In 2009, ACRE triggered payments on Illinois corn and wheat acres. Corn farms enrolled in the program received an average payment of \$25.17 per acre, while enrolled farms planted to wheat received an average payment of \$89.41 per acre. ACRE payments in 2010 are unlikely for enrolled farms planted to corn or soybeans in Illinois due to marketing year price projections for 2010/11 being well above the levels needed to trigger payments. Farms planted to wheat and enrolled in the ACRE program are likely to receive payments again in 2010. Based on the April 8th USDA projection for the 2010/11 marketing year price and 2010 Illinois wheat yields, the average payment will probably be around \$40-45 per acre.

On April 15th, the Farm Service Agency released preliminary benchmark parameters for the 2011 ACRE program. The 2011 preliminary ACRE price guarantee for corn is \$4.48 per bushel while the guaranteed yield for Illinois is 170 bushels per acre. The ACRE price guarantee for 2011 increased significantly from the 2010 level of \$3.81 per bushel. The ACRE revenue guarantee for corn is \$641.22 per acre in 2011 and, due to the large increase in the price guarantee, was determined based on the 10% limit on movements from the previous year's guarantee (2010 ACRE corn guarantee = \$582.93 per acre, $\$582.93 \times 1.10 = \641.22 per acre = 2011 ACRE corn guarantee).

The preliminary price guarantees for soybeans and wheat are \$10.55 and \$5.24, respectively. The Illinois benchmark yields for soybeans and wheat are 47 and 56.4 bushels per acre. The price and yield guarantees result in ACRE revenue guarantees of \$446.27 and \$290.96 per acre for soybeans and wheat. The soybean guarantee was determined by multiplying the product of the price and yield guarantees by 90%. The wheat guarantee was also determined by the limit movement rule but, in contrast to corn, the down limit on the guarantee was triggered due to declines in both the wheat yield and price guarantees relative to 2010.

Based on the revenue guarantees, and assuming 2011 yield levels are close to the ACRE benchmark yields, prices would have to drop below \$3.77 per bushel for corn, \$9.49 per bushel for soybeans, and \$5.15 per bushel for wheat to trigger ACRE payments for these crops in 2011. Futures market activity over the past few weeks would suggest it is rather unlikely that marketing year prices will fall to these levels for corn or soybeans in 2011. The fact that the ACRE revenue guarantee for corn was limited upward by the 10% rule contributes to a lower likelihood of ACRE payments being triggered for corn in 2011. The opposite is true for wheat, with the downward limit on movement in the revenue guarantee

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increasing the likelihood of ACRE payments being triggered for wheat in 2011.

The enrollment deadline for the 2011 ACRE program is June 1, 2011. Note that even farms which were enrolled in ACRE for 2009 and/or 2010 need to complete a CCC-509 contract through their FSA office to ensure eligibility for ACRE payments in 2011. The rules are similar to those which require annual enrollment for the Direct and Counter-cyclical Payment (DCP) program.

Note: ACRE program price guarantees and benchmark yields for all states and eligible crops are available online [here](#).