



Weekly Farm Economics: Likelihood of Payments in 2012 from ACRE, Counter-Cyclical Programs, and SURE

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The drought of 2012 raises questions of whether crop farmers will receive payments from 2008 Farm Bill programs. At this point, payments are unlikely from ACRE, the counter-cyclical program, and the marketing loan program. SURE will not make payments for 2012 crops as it is not authorized for the 2012 year. While 2008 Farm Bill programs will not make payments, crop insurance will provide payments for many farmers in Illinois.

ACRE in 2012

ACRE is a state-level program that has two triggers before payments are made (click [here](#) and [here](#) for more detail). One is that state revenue is below a state guarantee. For corn in Illinois, the 2012 state guarantee is \$705.34. State revenue equals state yield times the national, market-year average (MYA) price. In 2011, the actual Illinois yield was 155 bushels per acre. With a 155 bushel yield and a \$705.34 per acre guarantee, MYA prices below \$4.55 per bushel ($\$4.55 = \$705.34 \text{ guarantee} / 155 \text{ bushels per acre}$) would cause ACRE payments. Lower yields would have higher break even prices:

135 bushel state yield has a break-even MYA price of \$5.22 per bushel, and

115 bushel state yield has a break-even MYA price of \$6.13 per bushel.

Currently, the midpoint of MYA prices projected by World Agricultural Supply Board (WASDE) for 2012 is \$5.90. Low state yields result in break-even prices above the \$5.90 WASDE midpoint estimate. However, low state yields in Illinois likely would be associated with higher MYA prices. It is unlikely that ACRE makes payments for corn in Illinois.

For soybeans in Illinois, the state guarantee is \$486.24. At last year's state yield of 46.5, the break-even MYA price is \$10.46. Lower state yields would have higher break-even prices:

43.5 bushel state yield has a break-even price of \$11.18 per bushel,

40.5 bushel state yield has a break-even price of \$12.00 per bushel, and

37.5 bushel state yield has a break-even price of \$12.96 per bushel.

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WASDE's midpoint of MYA prices currently is \$14.00 per bushel. Prices low enough to trigger ACRE payments are unlikely.

For wheat, the 2012 state guarantee is \$320.06 bushel per acre. Based on yield information released by the National Agriculture Statistical Services, the wheat yield for Illinois in 2012 will be close to 62 bushels per acre. Given this yield, the MYA price resulting in payments is \$5.16 ($\$320.06 \text{ guarantee} / 62 \text{ bushels}$). WASDE's midpoint of MYA prices currently is \$6.80. Prices low enough to trigger ACRE payments are unlikely.

Counter-cyclical and Marketing Loan Programs in 2012

Those farmers who did not elect to take ACRE are eligible to receive counter-cyclical payments when MYA prices are below the following trigger prices:

Corn: \$2.35 per bushel trigger price

Soybeans: \$5.56 per bushel trigger price

Wheat: \$3.56 per bushel trigger price

It is highly unlikely that MYA average prices fall below these trigger prices. As stated above, midpoints of ranges projected by WASDE are \$5.90 for corn, \$14 per bushel for soybeans, and \$6.80 per bushel for wheat.

Marketing loan gains or loan deficiency payments in 2012 are unlikely. Loan rates are below trigger prices and WASDE projections. National loan rates are \$1.95 per bushel for corn, \$5.00 for soybeans, and \$2.94 for wheat. These loan rates are reduced by 30% if the farmer is enrolled in ACRE.

SURE in 2012

The SURE program is not authorized for 2012 in the 2008 Farm Bill. Congress would have to reauthorize SURE for 2012 before SURE payments would occur.

Note, however, that farmers should not ignore SURE. Sometime this fall, signup for the 2011 program will begin. Farmers that experienced yield losses in 2011 may be eligible for 2011 SURE payments

Summary

Commodity programs authorized the 2008 Farm Bill and SURE likely will not make payments in 2012. This year sets up such that crop insurance is the primary form of protection against low revenues. As illustrated in [this post](#), many producers in Illinois will receive large payments from crop insurance.