



## Payment Expectations for the 2013 ACRE Program

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The June 3rd deadline for enrolling Farm Service Agency farms into Average Crop Revenue Election (ACRE) for 2013 is rapidly approaching. On ACRE enrolled farms, direct payments will be reduced by 20% (on most farms, between a \$3.50 and \$5.00 per acre reduction). For this reduction in direct payments, there is chance for ACRE payments. ACRE payments will occur when state revenue is below a guarantee. Farmers concerned about low revenues will find ACRE attractive.

### Projected 2013 Payments

Some farmers and landowners have delayed the ACRE decision to gain a better feel for price expectations for the 2013 marketing year. Lower price expectations lead to higher chances of payments under ACRE. Hence, lower price expectations increase the attractiveness of the ACRE program.

Price expectations based on harvest-time futures contracts currently are not much different than price expectations earlier in the year. Currently, the December 2013 Chicago Mercantile Exchange (CME) corn contract is trading near \$5.50 per bushel and the November 2013 soybean contract is near \$12.85 per bushel. These futures prices have been placed in the *2013 State ACRE Payment Estimator*, a FAST spreadsheet available [here](#). This spreadsheet is used to estimate the chance and expected levels of 2013 ACRE payments. Estimates for Illinois are:

- For corn, ACRE has a 27% chance of making a payment. The expected ACRE payment (x .85) is \$18 per acre. This \$18 includes the 73% of the time that ACRE is expected to pay \$0 per acre. If Illinois has a 170 bushel per acre state yield, ACRE will pay at price levels below \$4.56. At a \$4.50 price, the ACRE payment (x .85) will be \$9 per acre. At a \$4.00 price, the ACRE payment will be \$81 per acre.
- For soybeans, ACRE has a 17% chance of making a payment. The expected ACRE payment (x .85) is \$4 per acre. If Illinois has a 50 bushel per acre state yield, ACRE would pay at price levels below \$10.68 per bushel. At a 10.50 per bushel price, the ACRE payment (x .85) will be \$8 per acre. At a \$10 per bushel price, the ACRE payment (x .85) will be \$30 per acre.

Prices low enough to trigger ACRE payments are not likely. However, they can occur. One of the best

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reasons for taking ACRE is concern about low revenues caused by low prices. Average to above average yields in 2013 could begin a multiple year period of lower prices. Lower 2013 prices could trigger 2013 ACRE payments, which could be useful to have in a low price period. From a historical perspective, ACRE will make payments if this year is like 1998, the beginning of a period of low prices. In essence, taking ACRE is insurance against low prices and other causes of low revenue.

### **Summary**

More information on the ACRE decision is available [here](#) and [here](#). Those farmers concerned about low revenues should consider taking ACRE.