



Will ACRE Pay in 2012?

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ACRE, or the Average Crop Revenue Election, is a revenue based program contained in 2008 Farm Bill. In Illinois, 2012 ACRE payments for corn are possible if the Market Year Average (MYA) price for corn averages below \$7.00 per bushel. In Illinois, ACRE payments are unlikely for soybeans or wheat.

Corn ACRE Payments

ACRE makes payments when state revenue, as measured by the state yield times the national MYA price, is below benchmark revenue. The 2012 benchmark revenue for corn is \$705.34 per acre.

The National Agricultural Statistical Service (NASS) currently estimates the state yield for corn at 101 bushels per acre. The 101 yield is low compared to recent yields, with the state corn yield averaging 167 bushels per acre over the past five years.

The 101 bushel yield may not be the final yield as NASS may change its estimates of state yield. Also, NASS uses harvested acres in calculating yields. The Farm Service Agency (FSA) calculates the ACRE yield in a slightly different manner than NASS, using an estimate of planted acres in calculating yields rather than harvested acres. Planted acres are equal to or greater than harvested acres, causing the ACRE yield to be equal to or less than the NASS yield. ACRE yields have been one or two bushels lower than NASS yields in several recent years. The drought in 2012 may lead to more abandoned acres, causing the ACRE yield to be further below the NASS yield than usual. The examples below use a 101 bushel yield, noting that lower yields are possible.

The MYA price will not be known until the end of August 2013 when the 2012 marketing year ends. Given a \$705.34 benchmark revenue and a 101 bushel per acre yield, the break-even MYA is \$6.98 per bushel (i.e., \$705.34 per acre benchmark revenue / 101 bushels per acre yield). MYA prices would have to be below the \$6.98 break-even price before ACRE makes payments. If state yield is lower, the break-even MYA price is higher. For example, a 95 bushel state yield results in a \$7.42 break-even price.

Currently, World Supply and Demand Estimates (WASDE) have a range for the 2012 MYA price from \$6.95 per bushel up to \$8.25 per bushel. Prices would have to be at the low end of the WASDE range before ACRE makes payments. Prices have been below the \$6.98 benchmark price during the first three months of the 2012 marketing year: \$6.80 in September, \$6.77 in October, and \$6.71 in November. This

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suggests that the MYA price may be below the break-even prices, triggering 2012 ACRE payments.

If the MYA price is below the break-even price, the state trigger will be met. There also is a farm trigger that must be met before ACRE payments occur.

Soybean ACRE Payments

The benchmark revenue for soybeans in Illinois is \$486.24 per acre. NASS estimates the Illinois soybean yield at 43 bushel yield. The breakeven MYA soybean yield is \$11.31 ($\$486.24 \text{ benchmark revenue} / 43 \text{ yield}$). WASDE's range for soybeans is from \$13.90 to \$15.90, with the \$11.31 benchmark revenue being below the range. Monthly prices have been above the break-even price: \$14.30 in September, \$14.20 in October, and \$13.80 in November. This suggests that MYA prices below the break-even MYA price are unlikely.

Wheat ACRE Payments

The benchmark revenue is \$320.06 per acre. The NASS estimate of Illinois yield is 63 bushel per acre. The breakeven MYA wheat price is \$5.08. WASDE's estimate of the range of 2012 MYA prices are from \$7.75 per bushel to \$8.45 per bushel. Monthly prices all have been above \$6.70 per bushel and have been increasing, reaching \$8.42 per bushel in November. This suggests that ACRE payments for wheat in Illinois are unlikely.

Summary

Given low corn yields, ACRE payments for corn are likely in Illinois. The prospects for corn ACRE payments are higher than estimated in July because of the much lower state corn yields in Illinois (see [here](#) for previous estimates). Soybean and Wheat payments are unlikely in 2012.