

ACRE Sign-up Deadline June 1, 2010
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Farmers should be aware June 1, 2010 is the deadline for signing up for the ACRE program for the 2010 crop year. While we have not made as major an issue of ACRE educational programming this year as we did last year, we believe ACRE is likely to be superior to the DCP program for most Michigan farms. ACRE is different than previous programs with features more like revenue insurance programs; it is designed to have higher odds of providing payments when you really need them, versus a smaller, more certain bet with Direct Payment (DCP). To enroll in ACRE, you must forego 20% of the Direct Payment (20%= \$3-\$5/ac) to be eligible for payments that could be as high as \$70 to \$120 per acre for the 2010 crop. For an extended analysis, see the charts below for corn, wheat and soys.

ACRE is a revenue-based program with payments dependant on the US Market Year Average Price (MYP) and the Michigan yield. If revenue falls below the ACRE benchmark guarantee, then producers will be eligible for payments.

The odds were high at 2009 signup last year that the ACRE program would pay for corn. As the 2009 year unfolded, the year's average corn prices at first glance would suggest it will pay, but the record 2009 Michigan corn yields have made it unlikely ACRE will pay for 2009 corn. At the same time, a small 2009 corn ACRE payment could still happen if prices fall significantly between now and August 31 with a huge U.S. and world corn crop coming on for the 2010 crop. A huge 2010 crop would likely lead to low prices and high 2010 ACRE payments.

Given the Michigan benchmark 2010 yield of 142.7 bu/ac, the breakeven U.S. weighted average price (MYP) for 2010-11 corn is about \$3.45 for ACRE to pay on corn (the breakeven price means that if the actual price is higher than the breakeven, then you will not receive a payment, but if it is lower than the breakeven you will receive a payment). At this point the market is suggesting that the 2010 Corn MYP will be about \$3.65 and the USDA has projected \$3.50 in their first projection for the 2010-11 corn marketing year. The market is indicating that there is about a 40% chance of the MYP being the \$3.45 or lower. In

a risk management sense, this suggests there is a significant incentive to sign up for ACRE if farmers did not do so last year. The 2010 Michigan benchmark yield of 142.7 bushels is about 1-2 bushels higher than the long term Michigan trend yield. A lower 2010 Michigan yield would create a higher ACRE payment.

		Michigan 2010 ACRE STATE PAYMENT RATE per Acre						
CORN /ac	2010	Michigan Benchmark Yield 142.7						
	Nat Price	138.7	140.7	142.7	144.7	146.7	148.7	150.7
	\$ 4.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 3.90	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current	\$ 3.80	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
USDA	\$ 3.70	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Forecast	\$ 3.60	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$3.20	\$ 3.50	\$ 6.44	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
to	\$ 3.40	\$ 20.31	\$ 13.51	\$ 6.71	\$ -	\$ -	\$ -	\$ -
\$3.80	\$ 3.30	\$ 34.18	\$ 27.58	\$ 20.98	\$ 14.38	\$ 7.78	\$ 1.18	\$ -
5/11/2010	\$ 3.20	\$ 48.05	\$ 41.65	\$ 35.25	\$ 28.85	\$ 22.45	\$ 16.05	\$ 9.65
	\$ 3.10	\$ 61.92	\$ 55.72	\$ 49.52	\$ 43.32	\$ 37.12	\$ 30.92	\$ 24.72
	\$ 3.00	\$ 75.79	\$ 69.79	\$ 63.79	\$ 57.79	\$ 51.79	\$ 45.79	\$ 39.79
	\$ 2.90	\$ 89.66	\$ 83.86	\$ 78.06	\$ 72.26	\$ 66.46	\$ 60.66	\$ 54.86
	\$ 2.80	\$ 103.53	\$ 97.93	\$ 92.33	\$ 86.73	\$ 81.13	\$ 75.53	\$ 69.93
	\$ 2.70	\$ 117.40	\$ 112.00	\$ 106.60	\$ 101.20	\$ 95.80	\$ 90.40	\$ 85.00
	\$ 2.60	\$ 122.97	\$ 122.97	\$ 120.87	\$ 115.67	\$ 110.47	\$ 105.27	\$ 100.07
	\$ 2.50	\$ 122.97	\$ 122.97	\$ 122.97	\$ 122.97	\$ 122.97	\$ 120.14	\$ 115.14
	Max Payment Rate	\$ 2.66	\$ 2.62	\$ 2.59	\$ 2.55	\$ 2.51	\$ 2.48	\$ 2.45
	Zero Payment Price	\$ 3.55	\$ 3.50	\$ 3.45	\$ 3.40	\$ 3.35	\$ 3.31	\$ 3.26

Unlike corn, wheat has a much higher degree of certainty that there will be a significant ACRE payment (around \$50/ac) for the 2009-2010 wheat marketing year which ends June 1, 2010. And the odds of wheat having an ACRE payment for 2010-11 marketing year, given a Michigan benchmark 2010 yield of 68 bu/ac is over 50%. The market is suggesting the 2010-11 U.S. MYP for wheat will be \$5.10/bu. The breakeven price depending on Michigan yield for wheat is about \$5.20 (i.e., payment if under, no payment if over). The market is indicating there is over a 55% chance that wheat prices will be \$5.20 or lower. The USDA is projecting the 2010-2011 wheat U.S. MYP to be \$4.60, which would be way in the money (\$45/ac @ 68bu), but that could be reduced if the 72 bu/ac average yield the USDA is projecting for Michigan is realized.

		Michigan 2010 ACRE STATE PAYMENT RATE per Acre						
WHEAT	2010	MI Benchmark Yield 68						
	Nat Price	65.0	66.0	67.0	68.0	69.0	70.0	71.0
	\$ 5.30	\$ 12.91	\$ 7.61	\$ 2.31	\$ -	\$ -	\$ -	\$ -
	\$ 5.20	\$ 19.41	\$ 14.21	\$ 9.01	\$ 3.81	\$ -	\$ -	\$ -
Current	\$ 5.10	\$ 25.91	\$ 20.81	\$ 15.71	\$ 10.61	\$ 5.51	\$ 0.41	\$ -
USDA	\$ 5.00	\$ 32.41	\$ 27.41	\$ 22.41	\$ 17.41	\$ 12.41	\$ 7.41	\$ 2.41
Forecast	\$ 4.90	\$ 38.91	\$ 34.01	\$ 29.11	\$ 24.21	\$ 19.31	\$ 14.41	\$ 9.51
\$4.10	\$ 4.80	\$ 45.41	\$ 40.61	\$ 35.81	\$ 31.01	\$ 26.21	\$ 21.41	\$ 16.61
to	\$ 4.70	\$ 51.91	\$ 47.21	\$ 42.51	\$ 37.81	\$ 33.11	\$ 28.41	\$ 23.71
\$5.10	\$ 4.60	\$ 58.41	\$ 53.81	\$ 49.21	\$ 44.61	\$ 40.01	\$ 35.41	\$ 30.81
5/10/2010	\$ 4.50	\$ 64.91	\$ 60.41	\$ 55.91	\$ 51.41	\$ 46.91	\$ 42.41	\$ 37.91
	\$ 4.40	\$ 71.41	\$ 67.01	\$ 62.61	\$ 58.21	\$ 53.81	\$ 49.41	\$ 45.01
	\$ 4.30	\$ 77.91	\$ 73.61	\$ 69.31	\$ 65.01	\$ 60.71	\$ 56.41	\$ 52.11
	\$ 4.20	\$ 84.41	\$ 80.21	\$ 76.01	\$ 71.81	\$ 67.61	\$ 63.41	\$ 59.21
	\$ 4.10	\$ 89.35	\$ 86.81	\$ 82.71	\$ 78.61	\$ 74.51	\$ 70.41	\$ 66.31
	\$ 4.00	\$ 89.35	\$ 89.35	\$ 89.35	\$ 85.41	\$ 81.41	\$ 77.41	\$ 73.41
	\$ 3.90	\$ 89.35	\$ 89.35	\$ 89.35	\$ 89.35	\$ 88.31	\$ 84.41	\$ 80.51
	\$ 3.80	\$ 89.35	\$ 89.35	\$ 89.35	\$ 89.35	\$ 89.35	\$ 89.35	\$ 87.61
Max Payment Rate	\$ 4.12	\$ 4.06	\$ 4.00	\$ 3.94	\$ 3.88	\$ 3.83	\$ 3.78	
Zero Payment Price	\$ 5.50	\$ 5.42	\$ 5.33	\$ 5.26	\$ 5.18	\$ 5.11	\$ 5.03	

There will not be an ACRE soybean payment for 2009-10. Both the Michigan 2009 soybean yield and the U.S soybean MYP are too high to make a payment possible. The 2010-11 breakeven U.S. Soybean MYP, given a Michigan benchmark 2010 yield of 39.5 bu/ac, would be about \$8.78. USDA's May Supply/Demand projection suggested that Soybean prices would average about \$8.75 and the futures market is indicating around \$9.00. At this point, the market is suggesting there is over a 40% chance that U.S. soybean prices will average below the \$8.60 breakeven price for 2010-2011.

		Michigan 2010 ACRE STATE PAYMENT RATE per Acre						
SOYBEANS	2010	Michigan Benchmark Yield 39.5						
	Nat Price	38.0	38.5	39.0	39.5	40.0	40.5	41.0
	\$ 9.95	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 9.80	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 9.65	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current	\$ 9.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
USDA	\$ 9.35	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Forecast	\$ 9.20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$8.00	\$ 9.05	\$ 3.07	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
to	\$ 8.90	\$ 8.77	\$ 4.32	\$ -	\$ -	\$ -	\$ -	\$ -
\$9.50	\$ 8.75	\$ 14.47	\$ 10.09	\$ 5.72	\$ 1.34	\$ -	\$ -	\$ -
	\$ 8.60	\$ 20.17	\$ 15.87	\$ 11.57	\$ 7.27	\$ 2.97	\$ -	\$ -
5/11/2010	\$ 8.45	\$ 25.87	\$ 21.64	\$ 17.42	\$ 13.19	\$ 8.97	\$ 4.74	\$ 0.52
	\$ 8.30	\$ 31.57	\$ 27.42	\$ 23.27	\$ 19.12	\$ 14.97	\$ 10.82	\$ 6.67
	\$ 8.15	\$ 37.27	\$ 33.19	\$ 29.12	\$ 25.04	\$ 20.97	\$ 16.89	\$ 12.82
	\$ 8.00	\$ 42.97	\$ 38.97	\$ 34.97	\$ 30.97	\$ 26.97	\$ 22.97	\$ 18.97
	\$ 7.85	\$ 48.67	\$ 44.74	\$ 40.82	\$ 36.89	\$ 32.97	\$ 29.04	\$ 25.12
	\$ 7.70	\$ 54.37	\$ 50.52	\$ 46.67	\$ 42.82	\$ 38.97	\$ 35.12	\$ 31.27
	\$ 7.55	\$ 60.07	\$ 56.29	\$ 52.52	\$ 48.74	\$ 44.97	\$ 41.19	\$ 37.42
	\$ 7.40	\$ 65.77	\$ 62.07	\$ 58.37	\$ 54.67	\$ 50.97	\$ 47.27	\$ 43.57
	\$ 7.25	\$ 71.47	\$ 67.84	\$ 64.22	\$ 60.59	\$ 56.97	\$ 53.34	\$ 49.72
	\$ 7.10	\$ 77.17	\$ 73.62	\$ 70.07	\$ 66.52	\$ 62.97	\$ 59.42	\$ 55.87
	Max Payment Rate	\$ 6.85	\$ 6.76	\$ 6.67	\$ 6.59	\$ 6.51	\$ 6.43	\$ 6.35
	Zero Payment Price	\$ 9.13	\$ 9.01	\$ 8.90	\$ 8.78	\$ 8.67	\$ 8.57	\$ 8.46

So to restate our position, Michigan corn, wheat, and soybean producers should seriously consider signing up for the USDA ACRE program and remember that the ACRE program is a risk management tool that can be used as a form of protection against unfavorable market and/or production conditions.

All signatures of producers receiving a share in DCP/ACRE payments are required by the June 1, 2010, deadline. It is important producers contact their local office to set up appointments well before the June 1, 2010, deadline.

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/display2.php?user=zulauf.1>

- Corn, soybean, and wheat calculator -- University of Illinois
<http://www.farmdoc.uiuc.edu/pubs/FASTtool.asp?category=farm>
- USDA
<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=dccp&topic=landing>
- Michigan Farm Bureau
<http://www.michfb.com/issues/farmbill>