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Will Your Webinar Cover Idaho or Just Kansas?¹

Art,

Looks like you have the OK, KS and CO answers on wheat program nailed... do you have any insight for us poor folks in Idaho that are just starting into harvest. I'm pulling my hair out with this program, because we are in our 3rd year of semi-drought. Yields will range from a third of normal to average depending on elevation on our farm. The state crop looks like a bumper crop with good rains up north and abnormally good weather in south and eastern Idaho.

So many variables. How does the program effect us if we are raising wheat, barley, peas, lentils, canola, mustard, bluegrass, ...ugh and more? If we don't hit the 50% loss, and have to rely on a county or state disaster declaration, is there still a play with the price drop compared to the base period prices? Any wisdom you can impart would be great. You must be worn out trying to advise people down the backstretch. I will try to listen to the webinar on the 4th; but we are in full throws of harvest.

Regards,

Frustrated Idaho Farmer

¹Prepared by G. A. (Art) Barnaby, Jr., Professor, Department of Agricultural Economics, K-State Research and Extension, Kansas State University, Manhattan, KS 66506, July 24, 2009, Phone 785-532-1515, e-mail – barnaby@ksu.edu.

Dear Idaho Farmer,

Yes, I have completed ACRE (Average Crop Revenue Election) analysis for Idaho wheat. You are one time zone behind us so the 7 am CDT webinar time may allow you to hear the webinar before you can start cutting wheat. A current list of states and crops that analysis will provided on the Tuesday, August 4 webinar titled “ACRE: Awesome or Awful?”, are listed below in table 1. I have also listed the agenda below for the webinar; ACRE: Awesome or Awful?

If people who are planning on participating in the webinar; “ACRE: Awesome or Awful?”, don’t find their state on the list in table 1, they should send me an email and I will try to include their state. I am not in position to add additional crops beyond corn, soybeans, wheat and grain sorghum but I could add more states assuming there is data and interest from webinar participants. I know nothing about the other crops on your list and price forecasting would be a real shot in the dark. At least for wheat I have the deferred futures market contracts to drive my model.

The results of ACRE will depend on price and yield. For example, Colorado wheat is very unlikely (slim and none and slim left town) to collect this year on ACRE because their 2009 yield is 50% higher than their state Olympic average yield. Colorado has 3 “low” yields in their 5 year Olympic average yield and they can only drop one of those low yields. Next year Colorado will lose the 04 “low” yield and gain the 09 “high” yield and that will increase the Colorado Olympic average yield by 21%! However, depending on the 2010 benchmark price Colorado wheat farmers may not get the full benefit of their improved Olympic average yield because the ACRE coverage in 2010 cannot be more than 10% higher than their 2009 coverage. The 10% cup also applies to falling Olympic yields and prices but one would assume farmers will not be upset with the cup, only the cap.

On winter wheat, I am 99% certain that ACRE will not pay on 2009 Colorado wheat because their yield is much higher than their 5 year Olympic average state yield. The reverse is true for Oklahoma. Oklahoma wheat is about 99.9% certain to pay the maximum ACRE payment on 2009 wheat because of a low state yield. However, there are exceptions for Oklahoma wheat growers too. For example a few Oklahoma wheat growers missed the freeze and cannot meet the farm level benchmark and that will prevent them from collecting an ACRE payment. The farm level benchmark cannot trigger an ACRE payment; it can only prevent a payment.

Also it will only require a “small” amount of acres to hit the maximum payment limit of \$65,000 (\$73,000 effective limit). Oklahoma winter wheat farmers over the payment limit should only elect ACRE on the number of farm serial numbers that will generate the maximum payment. There is no reason to sign up more farm serial numbers than is necessary to hit the payment limit, when the payment is known. They would elect DCP for the other farm serial numbers.

The limit doubles with a spouse but analyst should not make that assumption. I received a phone call from a farmer on the ACRE payment limit and I jumped to the conclusion the payment limit would double. He corrected me by pointing out he was not married. Even then it is not a “no brainer” because all crops on a farm serial number must be included in ACRE. If farmers have a large amount of cotton on their farm serial number then it will likely not be to their advantage to elect ACRE even when the maximum ACRE wheat payment is expected.

All farmers should prove yields. Those with proven yields above the county average yield will get a larger share of any state average payment and it will make it easier to meet the farm level benchmark, that can only prevent a payment.

Because one knows the winter wheat yield and by the end of August 40-50% of the wheat price will be determined, it will be much easier to make wheat recommendations on ACRE. In the case of corn, one will not know the yield and the marketing year does not start until September 1. As results of the corn yield-price estimates will have much greater error than those estimates for winter wheat. The first real number for corn will be the first crop yield estimate by NASS on August 12, two days before the end of signup. That is why I am suggesting farmers need to talk to FSA before signup so that farmers can sign the contract on the last day. If only a signature is needed that will speed the enrollment process.

Because the grain markets have weakened over the past few weeks, the KSU ACRE models are starting to show payments. Depending on the state yield, corn payments could range from zero to \$100 or more per base payment acre. Therefore, anyone who claims ACRE is a “no brainer” on fall harvested crops is basing their argument on a yield and price forecast. I don’t even believe my own price forecast is correct. It is wrong but I don’t know the direction of the error.

Because that NASS state yield will only be released two days before the final ACRE signup date, that report could be a game changer and some state county offices could end up with lines out the door, while other states with no expected payments would have very few enrolling in ACRE. If the lines do get long, it will be a real challenge for the “counter lady” at the county FSA office, so farmers may need some real patience. If there is a last minute demand for ACRE one would expect the county offices will find a way to accommodate farmers.

After re-reading your email, you referenced “state disaster declaration”. I think you may be confusing ACRE with SURE (**S**UPPLEMENTAL **R**EVENUE). SURE is the new disaster program and requires a Secretary’s disaster declaration for your county. I don’t expect the rules for SURE to be published until December. However, it is likely that Oklahoma wheat farmers will be eligible for SURE because of the freeze damage, but they are not likely to collect. From the SURE guarantee FSA will deduct the value of the crop produced, insurance indemnity payments, 15% of the direct payment, and **100% of the ACRE payment**, and pay 60% of the difference.

Because of the size of the ACRE payment it will likely eliminate SURE payments for most Oklahoma wheat farmers. However, the ACRE farmers will still get more money than those who stay with direct-counter cyclical payment and SURE. Because the SURE rules are not published is not even possible to state what the SURE guarantee is so people are guessing at the final result. If FSA were to use the APH price to set the SURE guarantee that would eliminate any SURE payment for most farmers, so the best plan is to take the ACRE payment now.

However, Oklahoma farmers and other farmers in crop disaster counties who are over the \$65,000 payment limit for ACRE, may pick up additional government payments from SURE with an additional \$100,000 payment limit. Farmers under the payment limit who get the maximum ACRE payment are unlikely to collect any additional payments from SURE, but until the rules are published in December, one does not have full information. Clearly this is an example of how a lack of a final policy on SURE is also a source of risk.

I plan to use your question for the WEB after I remove your name. Thanks for the question.

ART

Art,

I talked with some farmers yesterday about the ACRE sign-up. A question we didn't get answered was "what makes up the national average price?" Is this a weighted average or some number from CBOT, or something else? Where can we go to find these numbers?

Please add me to your Ag Manager e-mail list.

Extension Educator

Dear Educator,

The NASS price is updated monthly and then once a year NASS publishes the monthly prices and percent marketing (weights) that generate the Marketing Year Average (MYA) price used to set ACRE guarantees and settles ACRE claims. KSU is posting the NASS monthly prices on AgManager.info in real time. The next update of the KSU NASS price forecast for 09 that will settle ACRE payments will include the June & July NASS prices for wheat that will be released on July 30. There is no reason to forecast the NASS price for those months if NASS has already published the price.

The marketing year does not start for corn & soybeans until September 1. The final prices and weights (percent marketing) for corn and soybeans for 2008, I think will be published in the September NASS price report.

The 2008 prices and weights for wheat are posted at <http://usda.mannlib.cornell.edu/usda/current/AgriPric/AgriPric-06-29-2009.pdf>
The table is at the bottom of page 28.

NASS does not forecast price, they are always looking at history. The NASS price is the average cash price paid to farmers. However, the NASS price is likely to be different than the local elevator price, because the NASS price is the national cash price. The price forecasts are from the Office of the Chief Economist.

I hope this helps.

ART

Dear Art,

What will I receive from my \$25 webinar registration fee?

Kansas wheat farmer

Dear Kansas wheat farmer,

The webinar, ACRE: AWESOME or AWFUL?; will cover the following issues. Growers and agribusiness people who register for the webinar or attend one of the group meetings will receive the follow “handouts” in pdf format by email prior to the webinar broadcast (Some of the group locations may make paper copies of the handouts from the pdf file):

1. For each of the states (more if requested) and crops listed in table 1 the KSU analysis will provide a 29 year history of ACRE payments adjusted to today’s dollar guarantee under ACRE. This will allow farmers to look at the historical results and determine how often ACRE is likely to pay.
2. KSU’s price and yield estimates for 2009 will also be included. This will generate the expected ACRE payment (non-payment in some cases) for 2009. In addition, the analysis will provide a matrix of prices and yields to show the possible payments if yields and prices change from the forecast. The KSU forecast of the NASS 2009 MYA price will be updated with most current NASS prices, released on July 30.
3. The power point “handout” in a pdf will be emailed to participants prior to the webinar.
4. Because the NASS state yields will be released on August 12 (two days before the final sign-up date) could be a real game changer for many states, KSU will email

- an update of the ACRE analysis with the August 12 NASS yields. However, with the matrix of prices and yields in the analysis that will be provided to the webinar participants on August 4, one should be able to figure out the likely payment based on the August 12 yields.
5. Participants will be able to type in questions during the live webinar during both times, 7 am and repeated at noon, CDT.
 6. Participants will receive a recorded copy of the webinar.

The objective for the webinar is to provide all current information that will help farmers to decide if the odds are high in their state for an ACRE payment and the size of the ACRE payment. The presentation, ACRE; Awesome or Awful?, will last about 1 hour (with an additional hour for questions, as needed) at two times on Tuesday August 4, 7:00 a.m. and at 12:00 noon, CDT.

The link to the registration site is: <http://commerce.cashnet.com/KSUAGECON>

Troy Dumler and Art Barnaby will make the presentation. Troy will spend a few minutes highlighting his ACRE model in Excel for farmers to test out their own numbers. Art will focus on the very narrow issue of NASS price and state yield. Those two numbers will determine which states are eligible and the size of the ACRE check!

Rich Llewelyn or Alicia Goheen will be glad to respond to any questions about access, registration, or other concerns about the webinar. Their contact information is:

Rich Llewelyn, email is rwl@ksu.edu or phone (785) 532-1504.

Or Alicia Goheen, email is agoheen@ksu.edu or phone (785) 532-4434.

The link to register and pay by credit card: <http://commerce.cashnet.com/KSUAGECON>

If you need to register and pay with a check or if you have a problem with our system accepting your credit card, contact Rich.

Information about the webinar is: www.AgManager.info/events/webinars

ART

Table 1. List of States and Crops that will be Covered in the August 4 Webinar titled; ACRE: Awesome or Awful?

Corn	Soybeans	Wheat	Sorghum
Iowa	Iowa	Kansas	Kansas
Illinois	Illinois	North Dakota	Texas
Nebraska	Minnesota	South Dakota	Nebraska
Minnesota	Indiana	Oklahoma	Oklahoma
Indiana	Missouri	Montana	
South Dakota	Nebraska	Washington	
Kansas	Ohio	Minnesota	
Ohio	South Dakota	Texas	
Wisconsin	North Dakota	Idaho	
Missouri	Arkansas	Ohio	
Michigan	Kansas	Illinois	
North Dakota	Mississippi	Nebraska	
Texas	Michigan	Colorado	
Kentucky	North Carolina	Arkansas	
Colorado	Wisconsin	Missouri	
Pennsylvania	Virginia	Oregon	
Maryland	Maryland	Michigan	
Virginia	Pennsylvania	North Carolina	
Delaware	Delaware	Indiana	
		Wisconsin	
		Virginia	
		Maryland	
		Delaware	