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FSA writes KSU is forecasting an ACRE payment; Correct?¹

Dear Art,

I received the following note in my Nebraska FSA newsletter.

“Assuming the projected actual state yields are more accurate than the projected market prices listed below is the calculated state trigger price for a “yes” on Nebraska state ARCE trigger. Based on Barnaby's projected market prices (below), irrigated soybeans and grain sorghum is a “yes” for a state trigger. Since we also need the farm trigger to be “yes” I need farm level revenue below the farm ACRE trigger too.”

Crop	State	
	Actual Yield	Yes State Trigger
Irr Corn	202	\$3.40
Dry Corn	140	3.21
Irr Soybeans	52	9.90
Dry Soybeans	52	7.12
Grain sorghum	84	3.31
Wheat	48	4.84

*Is this Correct? Are you forecasting sorghum and soybean ACRE payments for Nebraska?
 A Husker Reader*

¹Prepared by G. A. (Art) Barnaby, Jr., Professor, Department of Agricultural Economics, K-State Research and Extension, Kansas State University, Manhattan, KS 66506, December 22, 2009, Phone 785-532-1515, e-mail – barnaby@ksu.edu.

Dear Husker,

This is always dangerous to comment on a quote from FSA that could be out of context. In any case, your interpretation of the estimated ACRE payments for Nebraska is inconsistent with KSU estimates. The short answer is only on grain sorghum is there a forecasted Nebraska ACRE payment. I am currently only estimating a soybean ACRE payment in Texas (all states were not analyzed).

These are my estimated yields listed by FSA but they have a large amount of errors in the estimates. NASS does not split the yield by irrigated/non-irrigated until February. Currently NASS has only published state yield estimates for the combined irrigated/non-irrigated yields. The combined yield will continue to be updated but the final number will likely be close to the value published in February.

I estimated the irrigated and non-irrigated yields based on the historical relationship between combined yield, irrigated yield and dryland yield using the current combined yield published by NASS. It is likely in a good year with a “high” combined yield this method will **over** estimate the irrigated yields and **under** estimate the dryland yields. It is a big source of error in the KSU estimated ACRE payments.

There will be additional yield errors especially on wheat. The state’s total production will be divided by harvest acres plus FSA determined failed acres. The FSA failed acres will be under reported unless farmers make sure to report those failed acres to FSA. In the past FSA did not spend a lot of resources determining failed acres because it had no effect on payments, but if failed acres are under reported it will reduce the ACRE payment.

Soybean ACRE yield will be set by FSA, by simply dividing the state total NASS production by NASS planted acres rather than harvested acres. Nebraska was the only state analyzed that has soybeans split between dryland and irrigated and has all of the same yield estimating errors as corn with yields split by practice.

I am not sure where the price estimates came from even though they are credited to me. These may be recent estimates but they are not the most current estimates. In Table 1 below shows the current KSU estimated Marketing Year Average (MYA) price that will be used to settle ACRE payments (more details and updates are posted on AgManager.info). I also included the KSU estimated MYA price that was published prior to August 14, just before the sign-up deadline. It was that price that farmers had to base their decision on. As expected the updated prices have changed from the price estimates before sign-up.

Table 1. Updated KSU MYA Price Estimates and August 14 Estimates

Crop	State			
	Actual Yield	Yes State Trigger	Current KSU Est.	Aug 14 KSU Est.
Irr Corn	202	\$3.40	\$3.70	\$3.24
Dry Corn	140	3.21	3.70	3.24
Irr Soybeans	52	9.90	9.59	9.67
Dry Soybeans	52	7.12	9.59	9.67
Grain sorghum	84	3.31	3.25	2.91
Wheat	48	4.84	5.13	5.16

The current KSU estimated feedgrain prices are higher than the August 14 estimates. If correct final ACRE payments will be lower. The MYA price estimate for wheat and soybeans have changed very

little. I should also point out that with the exception of soybeans, the USDA current price estimates are lower than those published by KSU. If USDA is correct, the ACRE payments will be higher than the ACRE payments estimated by KSU.

I have posted in tables 2, 3, 4, 5, 6, and 7 estimated ACRE payments for Nebraska based on current KSU estimated yields and prices. Notice that in the matrix of payments it shows a combination of possible payments based on different yields and prices. Lower prices or lower yields or a combination of the two values will increase ACRE payments. Oklahoma and Texas wheat will receive the maximum ACRE payments and Colorado wheat will receive no payment. Washington wheat will be near the maximum and most other states, including Nebraska and Kansas are in the “gray” area.

Thanks for the email question. I assume you and most of your friends are headed to San Diego for the Holiday Bowl. I do wish the Huskers the best.....but that will change in 2010.

Art

Table 2. Nebraska Irrigated Corn Estimated 2009/10 ACRE Payment

Ln #	Change	St Yd	Oly-mpic Yield ⁷	\$ ACRE Revenue Guarantee ⁷	2009 ACRE State Yield ⁸	09/10 Est. Price ⁹	\$ to Count	Gross Payment	Payment	25% Max Payment	Final Payment ¹⁰		
		4.13	184.0	683.93	201.7	3.70	746.12		\$0.00	\$170.98	\$0.00		
1	Change	St Yd	\$2.72	\$2.86	\$3.01	\$3.17	\$3.34	\$3.52	\$3.70	\$3.89	\$4.18	\$4.59	\$5.05
2	30.0%	262.2	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	20.0%	242.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	10.0%	221.8	80.61	48.86	15.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	5.0%	211.7	108.04	77.73	45.82	12.24	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	2.5%	206.7	121.75	92.16	61.01	28.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7		201.7	135.46	106.59	76.21	44.22	10.55	0.00	0.00	0.00	0.00	0.00	0.00
8	(2.5%)	196.6	149.17	121.03	91.40	60.21	27.39	0.00	0.00	0.00	0.00	0.00	0.00
9	(5.0%)	191.6	162.88	135.46	106.59	76.21	44.22	10.55	0.00	0.00	0.00	0.00	0.00
10	(10.0%)	181.5	170.98	164.33	136.98	108.19	77.89	45.99	12.42	0.00	0.00	0.00	0.00
11	(20.0%)	161.3	170.98	170.98	170.98	170.98	145.23	116.87	87.03	57.18	10.18	0.00	0.00
12	(30.0%)	141.2	170.98	170.98	170.98	170.98	170.98	170.98	161.64	135.53	94.40	35.44	0.00
13	Expected Olympic Average Year for 2010					184.0	% Change in State Yield					0.0%	
14	Expected \$ ACRE Guarantee for 2010					\$642.59	% Change in \$ Guarantee					(6.0%)	

Table 3. Nebraska Non-Irrigated Corn Estimated 2009/10 ACRE Payment

Ln #	Change	St Yd	Oly-mpic Yield ⁷	\$ ACRE Revenue Guarantee ⁷	2009 ACRE State Yield ⁸	09/10 Est. Price ⁹	\$ to Count	Gross Payment	Payment	25% Max Payment	Final Payment ¹⁰		
		4.13	121.0	449.76	139.5	3.70	516.29		\$0.00	\$112.44	\$0.00		
1	Change	St Yd	\$2.72	\$2.86	\$3.01	\$3.17	\$3.34	\$3.52	\$3.70	\$3.89	\$4.18	\$4.59	\$5.05
2	30.0%	181.4	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	20.0%	167.4	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	10.0%	153.5	32.29	10.32	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	5.0%	146.5	51.26	30.29	8.21	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	2.5%	143.0	60.75	40.28	18.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7		139.5	70.24	50.26	29.24	7.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8	(2.5%)	136.0	79.73	60.25	39.75	18.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00
9	(5.0%)	132.6	89.21	70.24	50.26	29.24	7.11	0.00	0.00	0.00	0.00	0.00	0.00
10	(10.0%)	125.6	108.19	90.21	71.29	51.37	30.40	8.33	0.00	0.00	0.00	0.00	0.00
11	(20.0%)	111.6	112.44	112.44	112.44	95.64	77.00	57.38	36.73	16.08	0.00	0.00	0.00
12	(30.0%)	97.7	112.44	112.44	112.44	112.44	112.44	106.43	88.36	70.29	41.83	1.03	0.00
13	Expected Olympic Average Year for 2010					120.7	% Change in State Yield					(0.2%)	
14	Expected \$ ACRE Guarantee for 2010					\$421.55	% Change in \$ Guarantee					(6.3%)	

Table 4. Nebraska Irrigated Soybean Estimated 2009/10 ACRE Payment

Ln #	Change	ACRE Strike Price ⁵	Oly-mpic Yield ⁶	\$ ACRE Revenue Guarantee ⁶	2009 ACRE State Yield ⁷	09/10 Est. Price ⁸	\$ to Count	Gross Payment	Payment	25% Max Payment	Final Payment ⁹		
		10.04	56.3	508.47	58.1	9.59	557.07		\$0.00	\$127.12	\$0.00		
1	Change	St Yd	\$7.05	\$7.42	\$7.81	\$8.22	\$8.65	\$9.11	\$9.59	\$10.07	\$10.82	\$11.91	\$13.10
2	30.0%	75.5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	20.0%	69.7	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	10.0%	63.9	58.03	34.32	9.37	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	5.0%	61.0	78.50	55.87	32.05	6.98	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	2.5%	59.5	88.74	66.65	43.40	18.92	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7		58.1	98.98	77.43	54.74	30.86	5.72	0.00	0.00	0.00	0.00	0.00	0.00
8	(2.5%)	56.6	109.22	88.20	66.08	42.80	18.29	0.00	0.00	0.00	0.00	0.00	0.00
9	(5.0%)	55.2	119.45	98.98	77.43	54.74	30.86	5.72	0.00	0.00	0.00	0.00	0.00
10	(10.0%)	52.3	127.12	120.53	100.11	78.62	56.00	32.18	7.11	0.00	0.00	0.00	0.00
11	(20.0%)	46.5	127.12	127.12	127.12	126.38	106.27	85.10	62.82	40.54	5.44	0.00	0.00
12	(30.0%)	40.7	127.12	127.12	127.12	127.12	127.12	127.12	118.53	99.03	68.32	24.31	0.00
13	Expected Olympic Average Year for 2010					57.2	% Change in State Yield					1.7%	
14	Expected \$ ACRE Guarantee for 2010					\$503.88	% Change in \$ Guarantee					(0.9%)	

Table 5. Nebraska Non-Irrigated Soybean Estimated 2009/10 ACRE Payment

Ln #	Change	ACRE Strike Price ⁵	Oly-mpic Yield ⁶	\$ ACRE Revenue Guarantee ⁶	2009 ACRE State Yield ⁷	09/10 Est. Price ⁸	\$ to Count	Gross Payment	Payment	25% Max Payment	Final Payment ⁹		
		10.04	41.1	371.19	41.9	9.59	401.55		\$0.00	\$92.80	\$0.00		
1	Change	St Yd	\$7.05	\$7.42	\$7.81	\$8.22	\$8.65	\$9.11	\$9.59	\$10.07	\$10.82	\$11.91	\$13.10
2	30.0%	54.4	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	20.0%	50.2	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	10.0%	46.1	46.50	29.41	11.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	5.0%	44.0	61.26	44.95	27.78	9.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	2.5%	42.9	68.64	52.72	35.96	18.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7		41.9	76.02	60.49	44.13	26.92	8.80	0.00	0.00	0.00	0.00	0.00	0.00
8	(2.5%)	40.8	83.40	68.25	52.31	35.53	17.86	0.00	0.00	0.00	0.00	0.00	0.00
9	(5.0%)	39.8	90.78	76.02	60.49	44.13	26.92	8.80	0.00	0.00	0.00	0.00	0.00
10	(10.0%)	37.7	92.80	91.56	76.84	61.35	45.04	27.87	9.80	0.00	0.00	0.00	0.00
11	(20.0%)	33.5	92.80	92.80	92.80	92.80	81.28	66.02	49.96	33.90	8.60	0.00	0.00
12	(30.0%)	29.3	92.80	92.80	92.80	92.80	92.80	92.80	90.11	76.06	53.92	22.20	0.00
13	Expected Olympic Average Year for 2010					42.1	% Change in State Yield					2.3%	
14	Expected \$ ACRE Guarantee for 2010					\$370.21	% Change in \$ Guarantee					(0.3%)	

Table 6. Nebraska Grain Sorghum Estimated 2009/10 ACRE Payment

Ln #	Change	St Yd	Oly-mpic Yield ⁷	\$ ACRE Revenue Guarantee ⁷	2009 ACRE State Yield ⁸	09/10 Est. Price ⁹	\$ to Count	Gross Payment	Payment	25% Max Payment	Final Payment ¹⁰		
		3.64	85.0	278.34	84.1	3.25	273.40		\$4.94	\$69.58	\$4.94		
1	Change	St Yd	\$2.39	\$2.51	\$2.65	\$2.79	\$2.93	\$3.09	\$3.25	\$3.41	\$3.67	\$4.04	\$4.44
2	30.0%	109.4	0.00	3.32	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	20.0%	100.9	0.00	24.48	11.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	10.0%	92.5	57.27	45.63	33.38	20.49	6.92	0.00	0.00	0.00	0.00	0.00	0.00
5	5.0%	88.3	67.32	56.21	44.52	32.21	19.26	5.62	0.00	0.00	0.00	0.00	0.00
6	2.5%	86.2	69.58	61.50	50.09	38.07	25.43	12.12	0.00	0.00	0.00	0.00	0.00
7		84.1	69.58	66.79	55.65	43.93	31.60	18.61	4.94	0.00	0.00	0.00	0.00
8	(2.5%)	82.0	69.58	69.58	61.22	49.79	37.76	25.10	11.77	0.00	0.00	0.00	0.00
9	(5.0%)	79.9	69.58	69.58	66.79	55.65	43.93	31.60	18.61	5.62	0.00	0.00	0.00
10	(10.0%)	75.7	69.58	69.58	69.58	67.37	56.27	44.58	32.28	19.98	0.60	0.00	0.00
11	(20.0%)	67.3	69.58	69.58	69.58	69.58	69.58	69.58	59.62	48.68	31.46	6.77	0.00
12	(30.0%)	58.9	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	62.32	40.72	16.95
13	Expected Olympic Average Year for 2010					87.3	% Change in State Yield					2.7%	
14	Expected \$ ACRE Guarantee for 2010					\$253.38	% Change in \$ Guarantee					(9.0%)	

Table 7. Nebraska Wheat Estimated 2009/10 ACRE Payment

Ln #	Change	St Yd	Oly-mpic Yield ⁷	\$ ACRE Revenue Guarantee ⁷	2009 ACRE State Yield ⁸	09/10 Est. Price ⁹	\$ to Count	Gross Payment	Payment	25% Max Payment	Final Payment ¹⁰		
		6.63	39.0	232.71	47.1	5.13	241.78		\$0.00	\$58.18	\$0.00		
1	Change	St Yd	\$3.77	\$3.97	\$4.18	\$4.40	\$4.63	\$4.87	\$5.13	\$5.39	\$5.79	\$6.37	\$7.01
2	30.0%	61.3	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	20.0%	56.6	0.00	8.21	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	10.0%	51.8	37.21	26.92	16.09	4.69	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	5.0%	49.5	46.10	36.28	25.94	15.05	3.60	0.00	0.00	0.00	0.00	0.00	0.00
6	2.5%	48.3	50.54	40.95	30.86	20.24	9.05	0.00	0.00	0.00	0.00	0.00	0.00
7		47.1	54.98	45.63	35.78	25.42	14.51	3.02	0.00	0.00	0.00	0.00	0.00
8	(2.5%)	46.0	58.18	50.31	40.71	30.60	19.96	8.77	0.00	0.00	0.00	0.00	0.00
9	(5.0%)	44.8	58.18	54.98	45.63	35.78	25.42	14.51	3.02	0.00	0.00	0.00	0.00
10	(10.0%)	42.4	58.18	58.18	55.48	46.15	36.33	25.99	15.11	4.23	0.00	0.00	0.00
11	(20.0%)	37.7	58.18	58.18	58.18	58.18	58.15	48.96	39.29	29.62	14.39	0.00	0.00
12	(30.0%)	33.0	58.18	58.18	58.18	58.18	58.18	58.18	58.18	55.01	41.68	22.57	1.56
13	Expected Olympic Average Year for 2010					41.4	% Change in State Yield					6.1%	
14	Expected \$ ACRE Guarantee for 2010					\$221.85	% Change in \$ Guarantee					(4.7%)	