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Will ACRE Include the Prevented Planting Peril?¹

Dear Art,

Many farmers in Illinois have been taking a wait and see approach to ACRE, since rules had not been finalized. With the likelihood now that there will be those collecting for prevented planting, and a historic late planting season with only about 30% planted here in west-central wouldn't that make the ACRE more likely to pay better than the old program?

Thanks,

Illinois lender

Dear lender,

ACRE will count the total state bushels and then divide it by the state level harvested acres plus "failed FSA acres". FSA has sent me their written procedure for determining number of state planted acres, i.e. doesn't include "considered planted" acres. Eliminating "considered planted" will reduce the number of acres that is divided into the state's total production and increase the average yield. Effectively this will reduce the state ACRE payment that is the first trigger.

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So it is possible the size of the crop will be reduced because of fewer planted acres, thus increasing prices while at the same time generating a higher average yield that will reduce ACRE payments. However, current KSU estimates (guesses) are planted acres will only be down 1.0% to 1.5%, and that would suggest little impact from prevented planted acres. If those prevented planted acres were concentrated in one state then including “considered planted” acres may have had some impact on ACRE payments.

Planted and ‘considered planted’ acres will be included in the total farm level acres making it easier for farmers to meet the farm level benchmark test for ACRE payment eligibility. FSA considers prevented planting at the farm level but not the state level.

Farmers may plant soybeans on acres that were intended for corn but prevented from being planted to corn. So it is possible that soybean acres will increase as a result of prevented planting. But nationally, prevented planting is expected to have a small impact.

There has also been concerns raised about prevented planting coverage being “so good” in crop insurance, that farmers will collect their insurance payment when they could have planted soybeans. Most farmers are “farmers of crops” and not insurance, so they will plant if possible. Also one needs to be careful because if the area is all planted then a single farm claiming prevented planting may have the claim denied. There is also an issue that some landlords may be unhappy with tenants that don’t plant however; cash rent will have resolved that issue.

Clearly the FSA definition of “failed FSA acres” will impact ACRE payments and in many cases may be the difference between a large ACRE payment and none in some states. Prevented planted corn acres will not be counted as failed acres. Therefore fewer planted corn acres will have no impact on ACRE calculations. However, the late planting could cause lower average corn yields and that would increase any ACRE payments. ACRE payments will likely be determined by Marketing Year Average prices with the exception of much lower state yields are expected for Oklahoma wheat.

The last word I had was FSA did not have rules for proving farm level yields that will determine the share of ACRE payments going to individual farmers and will set the farm level benchmarks. Farmers don’t have to make a decision until August 14 so one will hopefully have their farm level yields set and there will be more market information.

If most farmers wait until the last minute to sign up for ACRE, it may not be possible for FSA to accommodate all producers. Because some of the crops are “close” to generating ACRE payments, wheat and soybeans, I would strongly suggest **farmers get signatures from landlords and submit to FSA their records to prove yields now!** Farmers will then have all of their paper work completed so they are ready to make the final ACRE decision in August. If all of the paper work is completed then farmers will only need to sign the ACRE election and the enrollment form (best not to wait until the last day). The enrollment form will need to be signed annually but the ACRE election is only once.

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