



www.agmanager.info
barnaby@ksu.edu
(785) 532.1515 (phone)
(785) 532.6925 (fax)

G.A. "Art" Barnaby Jr.

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Estimate for 2010 & 2011 Sorghum ACRE Payments¹

Below are estimates for the 2010 and 2011 sorghum ACRE payments. The calculation for the corn, wheat, and sorghum ACRE yield is based on the National Agricultural Statistics Service (NASS) total state production divided by the total NASS planted acres plus Farm Service Agency (FSA) failed acres. The FSA 2010 failed acres are final but have not been published, therefore a KSU estimate failed acre value was used to calculate the forecasted 2010 ACRE payment.

ACRE uses the Market Year Average (MYA) price as one of two prices to set the prior year's ACRE strike price and to settle the current year's ACRE claims, if any. The 2010 price will not be final for corn, sorghum, and soybeans until October 1, 2010. At that time FSA will publish any payments, but likely will not release the failed acre value. One can calculate the failed acre value used if there is an ACRE payment or if the yield is used in the next's year's Olympic average yield, otherwise it will remain an estimate.

For the 2010 ACRE payments the MYA price is about 70% complete for corn and sorghum and about 80% complete for soybeans. The failed acre value will have little impact on the final 2010 ACRE calculations so the estimated 2010 ACRE

¹Prepared by G. A. (Art) Barnaby, Jr., Professor, Department of Agricultural Economics, K-State Research and Extension, Kansas State University, Manhattan, KS 66506, May 23, 2011, Phone 785-532-1515, e-mail – barnaby@ksu.edu.

payments if any, are likely close to the final number. However, if there are any 2010 payments, farmers would have had to elect ACRE a year ago.

2011 ACRE estimates. The estimates for 2011 ACRE payments will carry a large amount of errors for corn, sorghum, and soybeans. The 2011 strike price and Olympic yield are not final until October 1, 2011. Farmers who enroll in ACRE prior to June 1, 2011 will not know their guarantee until fall. The analysis below used the FSA estimated Olympic yield and the KSU estimated 2010 MYA price, but the estimate is nearly the same as the one proved by USDA. The final guarantee will likely be very close to the estimated values.

The largest errors will occur in the 2011 estimated actual yield and 2011 MYA price. The 2011 marketing year for these crops does not start until this fall and is not final until next fall (September 1). Therefore the MYA price is a price forecast that is 18 months out from the current date. The KSU "long range" MYA price forecast is based on futures.

It is also too early for any prediction of the actual 2011 crop yields for corn, sorghum, and soybeans. The 2011 ACRE yield estimates were based on a KSU estimated yield based on trend yield.

Understanding the results. Using the Kansas sorghum as an example, the trend yield was 66 bushels. If the 2011 yield is equal to trend yield (the most likely yield), then the 2011 MYA price would need to fall below \$3.74, highlighted in red. If the KSU MYA 2011 price forecast of \$5.75 is correct, then the Kansas sorghum crop will need a yield loss approaching 48% to trigger payments. It is very unlikely that Kansas will suffer a 48% state wide yield loss on sorghum. The payout matrix shows the combination of price and yield required to trigger payments. Under current market conditions, it is very unlikely that ACRE will pay on 2011 Kansas sorghum.

Summary. Those who have already signed up for ACRE are locked in all crops for the remainder of the Farm Bill. Those who have not elected ACRE must select ACRE by June 1 for the 2011/12 market year. They will also be locked in to ACRE for next year on farm serial numbers that have elected ACRE. The expected ACRE Guarantee for next year, 2012, is also included in the tables.

Based on current yield and price forecast it is unlikely that either 2010 or 2011 will generate an ACRE payment for Kansas sorghum. Based on current estimates, the author would suggest there is only a small possibility for a 2011 sorghum payment in the other states. State yields would likely need to fall far short of trend yield to trigger payments.

All crops planted on a farm serial number enrolled in ACRE are included in ACRE. So if there are other crops that have significant planted acres it may still make no sense for unenrolled farmers to elect ACRE prior to June 1. The

prevented planted acres are not included in ACRE because they are not counted as FSA failed acres and they are not harvested. The soybean yield is based on NASS planted acres rather than harvested acres plus FSA failed acres. If the acre is not planted then it does not show up in the ACRE calculation. At the farm level if the state triggers an ACRE payment (would not include state level prevented planted acres), then an individual farmer would be paid ACRE payments based on planted and “considered planted” (prevented planted) acres.

Warning. Remember in all cases, if the state triggers an ACRE payment, then the farmer must meet an individual trigger (farm revenue below the farm level benchmark). The farmer’s payment trigger can’t trigger an ACRE payment; it can only prevent a farmer from collecting an ACRE payment. Enrollment cost for ACRE is 20% of a farmer’s direct payments for the next two years by farm serial number, so the cost has declined.

Kansas Grain Sorghum Estimated 2010/11 and 2011/12 ACRE Payments*

Year	ACRE Strike Price ¹	Olympic Yield ²	\$ ACRE		2010 ACRE State Yield ³	09 & 10 Est. Price ⁴	\$ to Count	Gross Pymt	25% Max Pymt	Final Payment ⁵				
			Guarantee ²	Revenue										
2010	3.21	77.0	224.08	77.0	5.30	408.10	\$0.00	\$56.02	\$0.00					
	273.88	2011 Trend Yield												
2011	4.26	78.0	246.49	65.9	5.50	362.43	\$0.00	\$61.62	\$0.00					
Ln #	Change	St Yd	\$3.40	\$3.50	\$3.58	\$3.63	\$3.67	\$3.70	\$3.74	\$5.50 ⁶	\$5.74 ⁷	\$5.85	\$6.03	Price
2	12.0%	73.8	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
3	8.0%	71.2	4.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
4	4.0%	68.5	13.59	6.39	1.49	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
5	2.0%	67.2	18.07	11.00	6.20	2.54	0.07	0.00	0.00	0.00	0.00	0.00	0.00	
6	1.0%	66.6	20.31	13.31	8.55	4.93	2.49	0.02	0.00	0.00	0.00	0.00	0.00	
7	Trend Yd	65.9	22.55	15.62	10.91	7.32	4.91	2.46	0.00	0.00	0.00	0.00	0.00	
8	(4.0%)	63.3	31.50	24.85	20.33	16.89	14.57	12.23	9.86	0.00	0.00	0.00	0.00	
9	(8.0%)	60.6	40.46	34.09	29.76	26.45	24.23	21.99	19.72	0.00	0.00	0.00	0.00	
10	(16.0%)	55.4	58.38	52.56	48.60	45.59	43.56	41.51	39.44	0.00	0.00	0.00	0.00	
11	(32.0%)	44.8	61.62	61.62	61.62	61.62	61.62	61.62	61.62	0.04	0.00	0.00	0.00	
12	(48.0%)	34.3	61.62	61.62	61.62	61.62	61.62	61.62	61.62	58.03	49.80	45.87	39.85	
13	Expected Olympic Average Year for 2012					77.1	% Change in State Yield					(1.2%)		
14	Expected \$ ACRE Guarantee for 2012					\$271.14	% Change in \$ Guarantee					10.0%		
15	Min & Max Olympic Average Year for 2012					71.6	81.6							

*Prepared by G. A. (Art) Barnaby, Jr., Professor, Department of Agricultural Economics, K-State Research and Extension, Kansas State University, Manhattan, KS 66506, Phone 785-532-1515, e-mail - barnaby@ksu.edu; Date: May 22, 2011

¹The ACRE benchmark (strike) price is the average of 2009/10 and 2010/11 published National Agricultural Statistics Service (NASS) weighted national Marketing Year Average (MYA) price.

²The KSU Olympic yield and ACRE guarantee may vary slightly from the FSA's official values due to "rounding error" because FSA has very specific rounding rules in their calculations.

³The state ACRE soybean yield is equal to the total NASS state production divided by the total NASS planted acres.

⁴The weighted national marketing year average price will be used to settle ACRE claims. The KSU 2010/11 forecasted price was \$5.53 vs. \$5.30 midrange price estimated by USDA. Because 77% of the 2010 MYA price is complete for sorghum, the author used the KSU estimated price for 2010/11 ACRE. The KSU estimated 2011/12 price is being forecasted for more than 18 months ahead and will have a large amount of error. The USDA estimate was used but results were also calculated with the KSU MYA price estimates. The marketing year starts June 1 for wheat and September 1 for corn, soybeans and grain sorghum.

⁵Calculated gross payment is based on the payment acres. The farm level payment is on the lesser of the 83.3% of the base acres or base acres and is then adjusted by the farm-state Olympic average yield ratio. At the farm level prevented planted acres are included as "considered planted". However, prevented planted acres are not included in the state level yield calculation, reducing the odds for triggering ACRE at the state level that must first be triggered before the farm is considered.

⁶Price forecasted by Office of the Chief Economists, USDA.

⁷KSU price forecast based on deferred futures price and Olympic average basis measured in percentage of price.

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Colorado Grain Sorghum Estimated 2010/11 and 2011/12 ACRE Payments*

Year	ACRE Strike Price ¹	Olympic Yield ²	\$ ACRE		09 & 10 Est. Price ⁴	\$ to Count	Gross Pymt	25% Max Pymt	Final Payment ⁵					
			Guarantee ²	2010 State Yield ³										
2010	3.21	32.0	92.45	45.8	5.30	242.50	\$0.00	\$23.11	\$0.00					
2011 Trend Yield														
2011	4.26	37.0	101.69	36.5	5.50	200.63	\$0.00	\$25.42	\$0.00					
Ln #	Change	St Yd	\$2.53	\$2.61	\$2.66	\$2.70	\$2.73	\$2.76	\$2.79	\$5.50 ⁶	\$5.74 ⁷	\$5.85	\$6.03	Price
2	12.0%	40.9	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	8.0%	39.4	1.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	4.0%	37.9	5.61	2.63	0.61	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	2.0%	37.2	7.45	4.54	2.56	1.05	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	1.0%	36.8	8.38	5.49	3.53	2.03	1.03	0.01	0.00	0.00	0.00	0.00	0.00	0.00
7	Trend Yd	36.5	9.30	6.44	4.50	3.02	2.02	1.02	0.00	0.00	0.00	0.00	0.00	0.00
8	(4.0%)	35.0	13.00	10.25	8.39	6.97	6.01	5.04	4.07	0.00	0.00	0.00	0.00	0.00
9	(8.0%)	33.6	16.69	14.06	12.28	10.91	10.00	9.07	8.14	0.00	0.00	0.00	0.00	0.00
10	(16.0%)	30.6	24.08	21.68	20.05	18.81	17.97	17.13	16.27	0.00	0.00	0.00	0.00	0.00
11	(32.0%)	24.8	25.42	25.42	25.42	25.42	25.42	25.42	25.42	0.00	0.00	0.00	0.00	0.00
12	(48.0%)	19.0	25.42	25.42	25.42	25.42	25.42	25.42	25.42	0.00	0.00	0.00	0.00	0.00
13	Expected Olympic Average Year for 2012					34.1	% Change in State Yield					(7.9%)		
14	Expected \$ ACRE Guarantee for 2012					\$111.86	% Change in \$ Guarantee					10.0%		
15	Min & Max Olympic Average Year for 2012					30.5	36.9							

*Prepared by G. A. (Art) Barnaby, Jr., Professor, Department of Agricultural Economics, K-State Research and Extension, Kansas State University, Manhattan, KS 66506, Phone 785-532-1515, e-mail - barnaby@ksu.edu; Date: May 22, 2011

¹The ACRE benchmark (strike) price is the average of 2009/10 and 2010/11 published National Agricultural Statistics Service (NASS) weighted national Marketing Year Average (MYA) price.

²The KSU Olympic yield and ACRE guarantee may vary slightly from the FSA's official values due to "rounding error" because FSA has very specific rounding rules in their calculations.

³The state ACRE soybean yield is equal to the total NASS state production divided by the total NASS planted acres.

⁴The weighted national marketing year average price will be used to settle ACRE claims. The KSU 2010/11 forecasted price was \$5.53 vs. \$5.30 midrange price estimated by USDA. Because 77% of the 2010 MYA price is complete for sorghum, the author used the KSU estimated price for 2010/11 ACRE. The KSU estimated 2011/12 price is being forecasted for more than 18 months ahead and will have a large amount of error. The USDA estimate was used but results were also calculated with the KSU MYA price estimates. The marketing year starts June 1 for wheat and September 1 for corn, soybeans and grain sorghum.

⁵ Calculated gross payment is based on the payment acres. The farm level payment is on the lesser of the 83.3% of the base acres or base acres and is then adjusted by the farm-state Olympic average yield ratio. At the farm level prevented planted acres are included as "considered planted". However, prevented planted acres are not included in the state level yield calculation, reducing the odds for triggering ACRE at the state level that must first be triggered before the farm is considered.

⁶Price forecasted by Office of the Chief Economists, USDA.

⁷KSU price forecast based on deferred futures price and Olympic average basis measured in percentage of price.

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Nebraska Grain Sorghum Estimated 2010/11 and 2011/12 ACRE Payments*

Year	ACRE Strike Price ¹	Olympic Yield ²	\$ ACRE		09 & 10 Est. Price ⁴	\$ to Count	Gross Pymt	25% Max Pymt	Final Payment ⁵					
			Guarantee ²	2010 State Yield ³										
2010	3.21	90.0	260.01	90.0	5.30	477.00	\$0.00	\$65.00	\$0.00					
2011 Trend Yield														
2011	4.26	91.0	286.01	77.8	5.50	428.05	\$0.00	\$71.50	\$0.00					
Ln #	Change	St Yd	\$3.34	\$3.44	\$3.51	\$3.57	\$3.60	\$3.64	\$3.67	\$5.50⁶	\$5.74⁷	\$5.85	\$6.03	Price
2	12.0%	87.2	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
3	8.0%	84.1	5.37	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
4	4.0%	80.9	15.77	7.41	1.72	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
5	2.0%	79.4	20.96	12.77	7.19	2.94	0.09	0.00	0.00	0.00	0.00	0.00	0.00	
6	1.0%	78.6	23.56	15.45	9.92	5.72	2.89	0.03	0.00	0.00	0.00	0.00	0.00	
7	Trend Yd	77.8	26.16	18.12	12.66	8.49	5.69	2.86	0.00	0.00	0.00	0.00	0.00	
8	(4.0%)	74.7	36.56	28.84	23.59	19.60	16.90	14.19	11.44	0.00	0.00	0.00	0.00	
9	(8.0%)	71.6	46.95	39.56	34.53	30.70	28.12	25.51	22.88	0.00	0.00	0.00	0.00	
10	(16.0%)	65.4	67.74	60.99	56.39	52.90	50.54	48.16	45.76	0.00	0.00	0.00	0.00	
11	(32.0%)	52.9	71.50	71.50	71.50	71.50	71.50	71.50	71.50	0.00	0.00	0.00	0.00	
12	(48.0%)	40.5	71.50	71.50	71.50	71.50	71.50	71.50	71.50	63.43	53.71	49.07	41.96	
13	Expected Olympic Average Year for 2012					89.9	% Change in State Yield					(1.2%)		
14	Expected \$ ACRE Guarantee for 2012					\$314.61	% Change in \$ Guarantee					10.0%		
15	Min & Max Olympic Average Year for 2012					87.3	92.6							

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¹The ACRE benchmark (strike) price is the average of 2009/10 and 2010/11 published National Agricultural Statistics Service (NASS) weighted national Marketing Year Average (MYA) price.

²The KSU Olympic yield and ACRE guarantee may vary slightly from the FSA's official values due to "rounding error" because FSA has very specific rounding rules in their calculations.

³The state ACRE soybean yield is equal to the total NASS state production divided by the total NASS planted acres.

⁴The weighted national marketing year average price will be used to settle ACRE claims. The KSU 2010/11 forecasted price was \$5.53 vs. \$5.30 midrange price estimated by USDA. Because 77% of the 2010 MYA price is complete for sorghum, the author used the KSU estimated price for 2010/11 ACRE. The KSU estimated 2011/12 price is being forecasted for more than 18 months ahead and will have a large amount of error. The USDA estimate was used but results were also calculated with the KSU MYA price estimates. The marketing year starts June 1 for wheat and September 1 for corn, soybeans and grain sorghum.

⁵ Calculated gross payment is based on the payment acres. The farm level payment is on the lesser of the 83.3% of the base acres or base acres and is then adjusted by the farm-state Olympic average yield ratio. At the farm level prevented planted acres are included as "considered planted". However, prevented planted acres are not included in the state level yield calculation, reducing the odds for triggering ACRE at the state level that must first be triggered before the farm is considered.

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⁷KSU price forecast based on deferred futures price and Olympic average basis measured in percentage of price.

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Oklahoma Grain Sorghum Estimated 2010/11 and 2011/12 ACRE Payments*

Year	ACRE Strike Price ¹	Olympic Yield ²	\$ ACRE		09 & 10 Est. Price ⁴	\$ to Count	Gross Pymt	25% Max Pymt	2010		Final Payment ⁵			
			Guarantee ²	Revenue					ACRE State Yield ³	ACRE				
2010	3.21	50.0	147.42	51.6	5.30	273.52	\$0.00	\$36.86		\$0.00				
2011 Trend Yield														
2011	4.26	51.0	162.16	45.7	5.50	251.32	\$0.00	\$40.54		\$0.00				
Ln #	Change	St Yd	\$3.22	\$3.32	\$3.39	\$3.44	\$3.48	\$3.51	\$3.55	\$5.50⁶	\$5.74⁷	\$5.85	\$6.03	Price
2	12.0%	51.2	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
3	8.0%	49.4	3.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
4	4.0%	47.5	8.94	4.20	0.98	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
5	2.0%	46.6	11.89	7.24	4.08	1.67	0.05	0.00	0.00	0.00	0.00	0.00	0.00	
6	1.0%	46.2	13.36	8.76	5.63	3.24	1.64	0.02	0.00	0.00	0.00	0.00	0.00	
7	Trend Yd	45.7	14.83	10.28	7.18	4.82	3.23	1.62	0.00	0.00	0.00	0.00	0.00	
8	(4.0%)	43.9	20.73	16.35	13.38	11.11	9.58	8.04	6.49	0.00	0.00	0.00	0.00	
9	(8.0%)	42.0	26.62	22.43	19.58	17.40	15.94	14.46	12.97	0.00	0.00	0.00	0.00	
10	(16.0%)	38.4	38.41	34.58	31.97	29.99	28.66	27.31	25.95	0.00	0.00	0.00	0.00	
11	(32.0%)	31.1	40.54	40.54	40.54	40.54	40.54	40.54	40.54	0.00	0.00	0.00	0.00	
12	(48.0%)	23.8	40.54	40.54	40.54	40.54	40.54	40.54	40.54	31.47	25.77	23.04	18.87	
13	Expected Olympic Average Year for 2012				50.1	% Change in State Yield				(1.8%)				
14	Expected \$ ACRE Guarantee for 2012				\$178.38	% Change in \$ Guarantee				10.0%				
15	Min & Max Olympic Average Year for 2012				44.8	52.3								

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³The state ACRE soybean yield is equal to the total NASS state production divided by the total NASS planted acres.

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Texas Grain Sorghum Estimated 2010/11 and 2011/12 ACRE Payments*

Year	ACRE Strike Price ¹	Olympic Yield ²	\$ ACRE		09 & 10 Est. Price ⁴	\$ to Count	Gross Pymt	25% Max Pymt	Final Payment ⁵					
			Guarantee ²	Revenue ACRE Yield ³					State	Yield				
2010	3.21	53.0	168.06	69.8	5.30	370.12	\$0.00	\$42.01	\$0.00					
2011 Trend Yield														
2011	4.26	55.0	184.86	55.9	5.50	307.67	\$0.00	\$46.22	\$0.00					
Ln #	Change	St Yd	\$3.00	\$3.10	\$3.16	\$3.21	\$3.24	\$3.27	\$3.30	\$5.50 ⁶	\$5.74 ⁷	\$5.85	\$6.03	Price
2	12.0%	62.7	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
3	8.0%	60.4	3.47	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
4	4.0%	58.2	10.19	4.79	1.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
5	2.0%	57.1	13.55	8.25	4.65	1.90	0.06	0.00	0.00	0.00	0.00	0.00	0.00	
6	1.0%	56.5	15.23	9.98	6.41	3.70	1.87	0.02	0.00	0.00	0.00	0.00	0.00	
7	Trend Yd	55.9	16.91	11.71	8.18	5.49	3.68	1.85	0.00	0.00	0.00	0.00	0.00	
8	(4.0%)	53.7	23.63	18.64	15.25	12.67	10.93	9.17	7.39	0.00	0.00	0.00	0.00	
9	(8.0%)	51.5	30.35	25.57	22.32	19.84	18.17	16.49	14.79	0.00	0.00	0.00	0.00	
10	(16.0%)	47.0	43.78	39.42	36.45	34.19	32.67	31.13	29.58	0.00	0.00	0.00	0.00	
11	(32.0%)	38.0	46.22	46.22	46.22	46.22	46.22	46.22	46.22	0.00	0.00	0.00	0.00	
12	(48.0%)	29.1	46.22	46.22	46.22	46.22	46.22	46.22	46.22	24.87	17.89	14.55	9.44	
13	Expected Olympic Average Year for 2012					52.2	% Change in State Yield				(5.1%)			
14	Expected \$ ACRE Guarantee for 2012					\$203.35	% Change in \$ Guarantee				10.0%			
15	Min & Max Olympic Average Year for 2012					47.6	54.9							

*Prepared by G. A. (Art) Barnaby, Jr., Professor, Department of Agricultural Economics, K-State Research and Extension, Kansas State University, Manhattan, KS 66506, Phone 785-532-1515, e-mail - barnaby@ksu.edu; Date: May 22, 2011

¹The ACRE benchmark (strike) price is the average of 2009/10 and 2010/11 published National Agricultural Statistics Service (NASS) weighted national Marketing Year Average (MYA) price.

²The KSU Olympic yield and ACRE guarantee may vary slightly from the FSA's official values due to "rounding error" because FSA has very specific rounding rules in their calculations.

³The state ACRE soybean yield is equal to the total NASS state production divided by the total NASS planted acres.

⁴The weighted national marketing year average price will be used to settle ACRE claims. The KSU 2010/11 forecasted price was \$5.53 vs. \$5.30 midrange price estimated by USDA. Because 77% of the 2010 MYA price is complete for sorghum, the author used the KSU estimated price for 2010/11 ACRE. The KSU estimated 2011/12 price is being forecasted for more than 18 months ahead and will have a large amount of error. The USDA estimate was used but results were also calculated with the KSU MYA price estimates. The marketing year starts June 1 for wheat and September 1 for corn, soybeans and grain sorghum.

⁵ Calculated gross payment is based on the payment acres. The farm level payment is on the lesser of the 83.3% of the base acres or base acres and is then adjusted by the farm-state Olympic average yield ratio. At the farm level prevented planted acres are included as "considered planted". However, prevented planted acres are not included in the state level yield calculation, reducing the odds for triggering ACRE at the state level that must first be triggered before the farm is considered.

⁶Price forecasted by Office of the Chief Economists, USDA.

⁷KSU price forecast based on deferred futures price and Olympic average basis measured in percentage of price.

Disclaimer: This web page is designed to aid farmers with their marketing and risk management decisions. The risk of financial loss in trading futures, options, forward contracts, hedge-to-arrive and/or electing ACRE can be substantial and no warranty is given or implied by the author or any other party. Each farmer must consider whether such marketing strategies and/or electing ACRE are appropriate for his or her situation. This web page does not represent the views of Kansas State University.

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