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ACRE Program Enrollment Opens on April 27

WASHINGTON, April 9, 2009 - Agriculture Secretary Tom Vilsack announced today that producers can elect and enroll in the Average Crop Revenue Election (ACRE) program beginning April 27, 2009. ACRE is a provision of the 2008 Farm Bill.

"The Average Crop Revenue Election program is an innovative alternative to the traditional farm safety net," Vilsack said. "This new option presents an opportunity for producers to review both programs and decide which one will work best for their operation."

Producers have until Aug. 14, 2009, to make their decision for the 2009 crop. USDA will not accept any late-filed applications.

Producers who elect the ACRE program for a farm agree to:

- forgo counter-cyclical payments;
- accept a 20-percent reduction of the direct payments; and
- accept a 30-percent reduction in loan rates for all commodities produced on the farm.

Commodities eligible for ACRE payments are wheat, corn, grain sorghum, barley, oats, upland cotton, long grain rice, medium and short grain rice, peanuts, soybeans, sunflower seed, canola, flaxseed, safflower, mustard seed, rapeseed, sesame seed, crambe, dry peas, lentils, small chickpeas and large chickpeas.

The ACRE program was created in the 2008 Farm Bill to give producers an option in lieu of traditional counter-cyclical payments. Producers may elect and enroll in ACRE for the 2009 crop year even if they have already accepted advance direct payments under the Direct and Counter-cyclical Program.

To elect ACRE for a farm, producers must complete Form CCC-509 ACRE, which irrevocably elects ACRE for the farm through crop year 2012. Form CCC-509, the contract to participate in ACRE, must then be completed each year the producer intends to participate and receive benefits.

For more information about the ACRE program please visit your local Farm Service Agency (FSA) county office or visit <http://www.fsa.usda.gov>.

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2009 Average Crop Revenue Election (ACRE) Program



United States
Department of Agriculture
Farm Service Agency
www.fsa.usda.gov

Fact Sheet

March 18, 2009

As authorized by the 2008 Farm Bill (Food, Conservation, and Energy Act of 2008), producers on eligible farms may elect to participate in the Average Crop Revenue Election (ACRE) Program.

Under the ACRE Program, producers may receive revenue-based payments as an alternative to receiving price-based counter-cyclical (CC) payments.

ELIGIBLE FARMS

Only farms with covered commodity or peanut base acres may participate in the ACRE Program. Farms that are already enrolled in the Direct and Counter-Cyclical Payment Program (DCP) for a crop year, may elect to switch to ACRE before the end of signup. As provided by the 2008 Farm Bill, farms with 10 or less base acres are not eligible for DCP or ACRE Program payments, except for farms, whose owners are socially disadvantaged or are limited resource farmers or ranchers.

ELIGIBLE COMMODITIES

The following planted or considered planted crops may be eligible for ACRE payments:

- wheat, barley, and oats
- grain sorghum and corn
- upland cotton
- Rice (medium and long grain)
- soybeans
- other oilseeds: canola, crambe, flaxseed, mustard seed, rapeseed, safflower, sesame seed and sunflower seed
- peanuts
- pulse crops: dry peas, lentils,

and small and large chickpeas (garbanzo beans).

ACRE ELECTION AND ENROLLMENT

The deadline to elect and enroll in the ACRE Program for 2009 has been extended from June 1 to August 14, 2009. After election, producers must then enroll the farm in the ACRE Program to receive payments. Farms that elect the ACRE Program cannot receive CC payments.

Note: If enrolling in ACRE, all producers on a farm must agree to the ACRE Program election.

REPORTING REQUIREMENTS

Producers on participating ACRE Program farms must annually report acreage and production to FSA. Failure to do so may result in ineligibility.

Payments		DCP	ACRE
Direct	Payment Rate	100% of the DCP direct payment rate.	80% of the DCP Direct Payment Rate.
	Payment Formula	Uses farm's base acreage.	Uses farm's base acreage.
	Advances	Available through 2011.	Available through 2011.
Counter-Cyclical (CC)	Payment Formula	Uses farm's base acreage.	
	Trigger	Low National Market Prices	
	Advances	40% advance of projected payment through 2010.	
Average Crop Revenue Election (ACRE)	Payment Formula		Uses planted and considered planted (P&CP) acreages of commodity crops and peanuts.
	Triggers		Revenue must be below the historical state average and the farm average.
	Advances		Not available.
Loan Rates		100% of the Market Assistance Loan rates.	70% of the Market Assistance Loan rates.

PAYMENT LIMITATION PROVISIONS

Maximum Payment Amounts

Direct payments are limited to \$40,000 per person or entity minus the 20 percent direct payment reduction, and CC or ACRE payments are limited to \$65,000 plus the 20% direct payment reduction amount. The limitation is attributed to entities and individuals, including indirect amounts received through entities.

Adjusted Gross Income (AGI)

Persons or legal entities whose average **nonfarm** AGI exceeds \$500,000 are not eligible for direct, CC or ACRE payments.

Also, persons or legal entities whose average **farm** AGI exceeds \$750,000 are not eligible for direct payments under the DCP and ACRE Programs.

2009 Average Crop Revenue Election (ACRE)

Fact Sheet

PAYMENTS

Producers on participating ACRE Program farms can receive direct and ACRE payments. Payments will be reduced if base acres are enrolled in a Federal program which prohibits the production or harvesting of crops, such as the Conservation Reserve Program, Grassland Reserve Program and the Wetlands Reserve Program.

Direct Payments

Direct payments are based on the farm's base acres and program yields for cov-

ered commodity crops and peanuts. The payment rates for direct payments are 20 percent less than the DCP direct payment rates. Similar to DCP, payment amounts are reduced if fruits or vegetables are planted on base acres, or the acres are used for non-agricultural purposes.

ACRE Payments

ACRE payments are revenue-based payments and are tied to crop production and the National Average Market Price for planted, and considered planted, covered commodity crops or

peanuts on the farm. ACRE payment acreage is limited to the total amount of base acres on the farm, and can only be issued for a crop if two triggers are met for the covered commodity crop or peanuts.

State Trigger: The Actual State Revenue for the program year must be less than the State ACRE Guarantee.

Farm Trigger: The participating farm's Actual Farm Revenue for the program year must be less than the Farm ACRE Guarantee.

Triggers: The State and the Farm trigger must be met to receive an ACRE payment for the planted or considered planted commodity crop or peanuts.

ACRE State Trigger:

State ACRE Guarantee must exceed the Actual State Revenue

Note: State ACRE Guarantee cannot change by more than 10% from the previous year's guarantee.

State ACRE Guarantee

90 percent multiplied by
Benchmark State Yield
(5 year "Olympic" average)
multiplied by
ACRE Guarantee Price
(Previous 2-yr National Average Market Price)

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Actual State Revenue

Actual State Yield
multiplied by the ACRE Price:
(the higher of the National Average Market Price or 70% of the National Loan Rate)

ACRE Farm Trigger:

Farm ACRE Benchmark must exceed the Actual Farm Revenue

Farm ACRE Guarantee

Benchmark Farm Yield
(5 year "Olympic" average)
multiplied by
ACRE Guarantee Price
plus
Crop Insurance Premium per acre paid by producer

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Actual Farm Revenue

Actual Farm Yield
multiplied by ACRE price:
(National Average Market Price or 70% of the National Loan Rate)

ACRE Payment Calculation: If both triggers are met for a planted or considered planted commodity crop, then an ACRE payment may be calculated for the eligible crop.

ACRE Payment = P&CP Acres multiplied by 83.3%* multiplied by

Benchmark Farm Yield

Benchmark State Yield

(Farm Productivity Index Factor)

multiplied by
lesser of



State ACRE Guarantee

minus

Actual State Revenue

State ACRE Guarantee

multiplied by **25%**

* 85% in 2012

2009 Average Crop Revenue Election (ACRE)

Fact Sheet

Table 1: 2009 ACRE and DCP Rates	ACRE		DCP		
	Direct Rate	National Loan Rate	Direct Rate	National Loan Rate	CC Threshold: Payment will be issued if the National Average Market Price is less than...
Wheat (bu)	0.416	1.93	0.52	2.75	3.40
Barley (bu)	0.192	1.30	0.24	1.85	2.00
Oats (bu)	0.0192	0.93	0.024	1.33	1.416
Corn (bu)	0.224	1.37	0.28	1.95	2.35
Grain Sorghum (bu)	0.28	1.37	0.35	1.95	2.22
Upland Cotton (lb)	0.05336	0.3640	0.0667	0.52	0.6458
Rice (cwt)	1.88	4.55	2.35	6.50	8.15
Soybeans (bu)	0.352	3.50	0.44	5.00	5.36
Other Oilseeds (cwt)	0.64	6.51	0.80	9.30	9.30
Peanuts (ton)	28.80	248.50	36	355	459
Dry Peas (cwt)		3.78		5.40	8.32
Lentils (cwt)		7.90		11.28	12.81
Sm. Chickpeas (cwt)		5.20		7.43	10.36
Lg. Chickpeas (cwt)		7.90		11.28	12.81

Note:
Counter-cyclical rate cannot exceed the CC threshold minus the DCP loan rate.

Table 2: Hypothetical State ACRE Guarantee			Corn Example	Your Example
1.	Benchmark State Yield (Olympic Average from 5 most recent crop years)		160	
2.	ACRE Guarantee Price (Average National Average Market Price from 2 most recent crop years)		4.15	
3.	Calculated State ACRE Guarantee for the crop year (90% x Item 1 x Item 2)		597.60	

Note: For subsequent years, the State ACRE Guarantee cannot change by more than 10% from the previous year's Guarantee.

Table 3: Hypothetical ACRE Triggers and Payment Calculation			Corn Example	Your Example
State Trigger	ACRE Program Guarantee	1. Benchmark State Yield (Item 1 from Table 2)	160	
		2. ACRE Guarantee Price (Item 2 from Table 2)	\$4.15	
		3. State ACRE Guarantee (Item 3 of Table 2)	\$597.60	
	Actual State Revenue	4. Actual State Yield	155	
		5. National Average Market Price	\$3.78	
		6. National Loan Rate (see Table 1)	\$1.95	
		7. 70% of the National Loan Rate (70% times Item 6)	\$1.37	
		8. ACRE Price (Higher of Item 5 or Item 7)	\$3.78	
		9. Actual State Revenue (Item 4 times Item 8)	\$585.90	
		10. Is Item 3 greater than Item 9? If yes, State trigger has been met and continue to Item 11. If no, the crop is not eligible for ACRE payments.	Yes	
Farm Trigger	Farm ACRE Guarantee	11. Benchmark Farm Yield (Olympic average from 5 most recent crop yrs.)	170	
		12. Crop Insurance Premium per acre paid by producer for the crop	\$15	
		13. Farm ACRE Guarantee ((Item 11 x Item 2) plus Item 12)	\$720.50	
	Actual Farm Revenue	14. Actual Farm Yield (Production divided by planted acreage)	185	
		15. Actual Farm Revenue (Item 14 times Item 8)	\$699.30	
		16. Is Item 13 greater than Item 15? If yes, Farm trigger has been met and continue to Item 17 to calculate the payment. If no, the crop is not eligible for payments.	Yes	
ACRE Payment	17. Maximum Acres (Total base acreage on the farm)		125	
	18. Planted and Considered Planted Acreage for the crop		150	
	19. Payment Acreage (Item 18 times 83.3% (85% for 2012), not to exceed Item 17)		125	
	20. Farm Productivity Index Factor (Item 11 divided by Item 1)		1.0625	
	21. ACRE Program Guarantee minus Actual State Revenue (Item 3 minus Item 9)		\$11.70	
	22. 25% of ACRE Program Guarantee (Item 3 times 25%)		\$149.40	
	23. Projected ACRE Payment for the crop (Share times Item 19 times Item 20 times lesser of Items 21 and 22)		\$1,554	

Table 4: Payment Comparison		Calculation	Corn	
DCP	Direct	Base acres x 83.3% (85% in 2012) x 120 Bu program yield x DCP Direct Rate (Table 1)	\$ 3,499	
	CC	Base acres x 85% x program yield x CC rate (see CC Threshold, Table 1)	0 (\$3.78 price)	
	Total		\$ 3,499	
ACRE	Direct	Base acres x 83.3% (85% in 2012) x 120 Bu program yield x ACRE Direct Rate (Table 1)	\$ 2,799	
	ACRE	See Table 3	\$ 1,554	
	Total		\$ 4,352	

Frequently Asked Questions

Q1: If a farm is already enrolled in DCP and advance direct payments were issued, can the farm still participate in ACRE Program?

Yes, as long as the producers on the farm elect and enroll in the ACRE Program during the sign-up period.

Q2: If a farm misses the 2009 election period, can the producers elect to participate in a later year?

Yes. The producers may elect the ACRE Program in a subsequent year.

Q3: If one producer (owner, tenant, etc) on the farm does not sign the election form, can the farm still participate in the ACRE Program?

No. Without exception, all producers must agree in writing to the ACRE Program election.

Q4: If all producers sign the ACRE Program Election Form, is the farm considered enrolled in the ACRE Program?

No. Producers on the farm must also sign a contract to enroll in ACRE Program by the sign-up deadline.

Q5: Does a producer have to enroll all farms in ACRE?

No. Election and enrollment for the ACRE Program is on a farm by farm basis.

Q6: Can a farm enroll some base acres and not others?

No, the enrollment is for the farm and all of the base acres.

Q7: Can base acres be established to participate in the ACRE Program?

No. There is no authority to establish base acres to participate in the ACRE Program.

Q8: Is crop insurance or NAP required to receive ACRE payments?

No, there are no risk management purchase requirements for the DCP or the ACRE Programs. However, higher levels of insurance due to higher premiums will enhance the ability to meet the "Farm Trigger".

Q9: If both state and farm "triggers" are met, will the ACRE payment calculation provide benefits for prevented planted acres of covered commodity crops or peanuts?

Yes. Prevented planted acres are "considered planted."

Q10: Can ACRE payments be calculated for eligible commodity crops that do not have base acres on the farm?

Yes. ACRE payments are based on planted and considered planted acres of eligible commodity crops, without regard to whether the farm has base acres for that crop. How-

ever, the maximum acreage eligible for ACRE payments cannot exceed the total base acres on the farm.

Q11: If the National Average Market Price for a covered commodity crop or peanuts is higher than average, will this result in no ACRE payments?

Not necessarily. Since the ACRE "triggers" are based on revenue (yield and prices) reductions, a significant yield loss for the State could result in ACRE payments.

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ACRE (AVERAGE CROP REVENUE ELECTION) DECISION QUESTION Carl Zulauf, March 2009

Background: Beginning with crops harvested in 2009, farmers can choose between:

- ▶ The Traditional Farm Program Suite, consisting of price counter-cyclical, direct income, and marketing loan programs, or
- ▶ An ACRE Farm Program Suite, consisting of a state revenue program, 80% of direct income payments, and marketing loan payments at 70% of the loan rate
 - See the appendix (page 4) for a thumbnail sketch of ACRE provisions in the 2008 Farm Bill.

Comparing program suites leads to this **Decision Question:** “Does ACRE’s state revenue program improve management of revenue risk enough, compared to the price counter-cyclical program, to compensate for the 20% reduction in direct payments and 30% reduction in marketing loan rates?”

- ▶ The reason for focusing on revenue risk management is that both ACRE’s state revenue program and the price counter-cyclical program address a systemic risk related to revenue. A systemic risk is a risk beyond the control of an individual farmer. ACRE addresses the systemic risk of a decline in state revenue, defined as a state’s yield times U.S. cash price. The counter-cyclical program addresses the systemic risk of a decline in U.S. cash price.

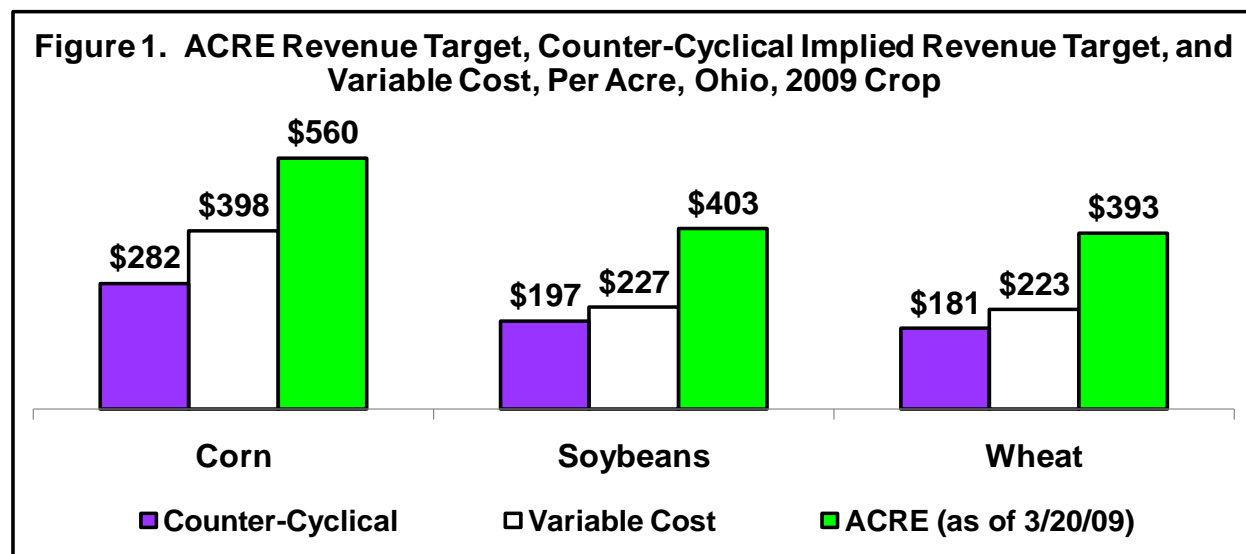
Risk Management Benefits of ACRE’s Revenue Program vs. Counter-Cyclical Program

- ▶ **The revenue target is higher for ACRE.** For 2009 Ohio corn, soybeans, and wheat, ACRE’s revenue target (revenue guarantee) is estimated to be at least 90% higher than the counter-cyclical program’s implied revenue target (Figure 1, page 2).
 - ACRE updates yield annually as a 5-year Olympic moving average. This yield for 2009 markedly exceeds the historical counter-cyclical yield (Table 1, page 2).
 - ACRE updates price annually as a 2-year moving average. This price for 2009 markedly exceeds the fixed counter-cyclical price (Table 1, page 2).
 - ACRE’s annual update of its revenue guarantee (target) is especially important when costs are increasing faster than productivity, as has happened since 2005. For Ohio for 2009, ACRE’s revenue target is estimated to exceed variable production costs while variable costs exceed the counter-cyclical program’s implied revenue target (Figure 1, page 2).
 - Because ACRE’s revenue guarantee cannot decline by more than 10% percent per year, the revenue target will be higher for ACRE than the counter-cyclical program through the 2012 crop no matter what happens to price and yield over the next few years (Figure 2, page 3).
- ▶ **ACRE payments are tied to planted acres, not base acres.** Planted acres are a farm’s current production risk. They can differ markedly from the historical base acres used to calculate payments from the counter-cyclical program (Table 1, page 2).
 - Note, planted acres that receive an ACRE payment cannot exceed a farm’s total base acres.

Risk Management Costs of ACRE’s Revenue Program vs. Counter-Cyclical Program

- ▶ **Direct income payments are reduced by 20%.** Ohio farmers received direct payments of \$165 million in 2007 and averaged 8.9 million acres planted per year to ACRE crops in 2006-08. A 20% reduction in direct payments equals \$3.71/planted acre [(20% of \$165 million) / 8.9 million].
- ▶ **What is the expected value of marketing loan and counter-cyclical payments?** The counter-cyclical program will make payments only when the U.S. season average price is less than \$2.35 for corn, \$5.36 (\$5.56 in 2010-12) for soybeans, and \$3.40 (\$3.56 in 2010-12) for wheat. The marketing loan program will make payments only when the market price is below the loan rate, which for the U.S. is \$1.95 for corn, \$5.00 for soybeans, and \$2.75 (\$2.94 in 2010-12) for wheat. Thus, a decision-maker must ask, “What is the possibility prices will be below the loan rate and target price by 2012?” The greater is this possibility, the more likely are marketing loan and counter-cyclical payments.

Summary: For average Ohio row crop land, the ACRE decision question can be rephrased as: **“Is the higher per acre revenue coverage of ACRE’s state revenue program plus ACRE’s better match with planted acres worth an annual risk management fee of \$3.71 per planted acre plus any estimated potential marketing loan and countercyclical payments (these payments depend on variable cost of production being below the target price/loan rate)?”** Each person facing a decision on ACRE should customize this question to match their individual farm’s situation.

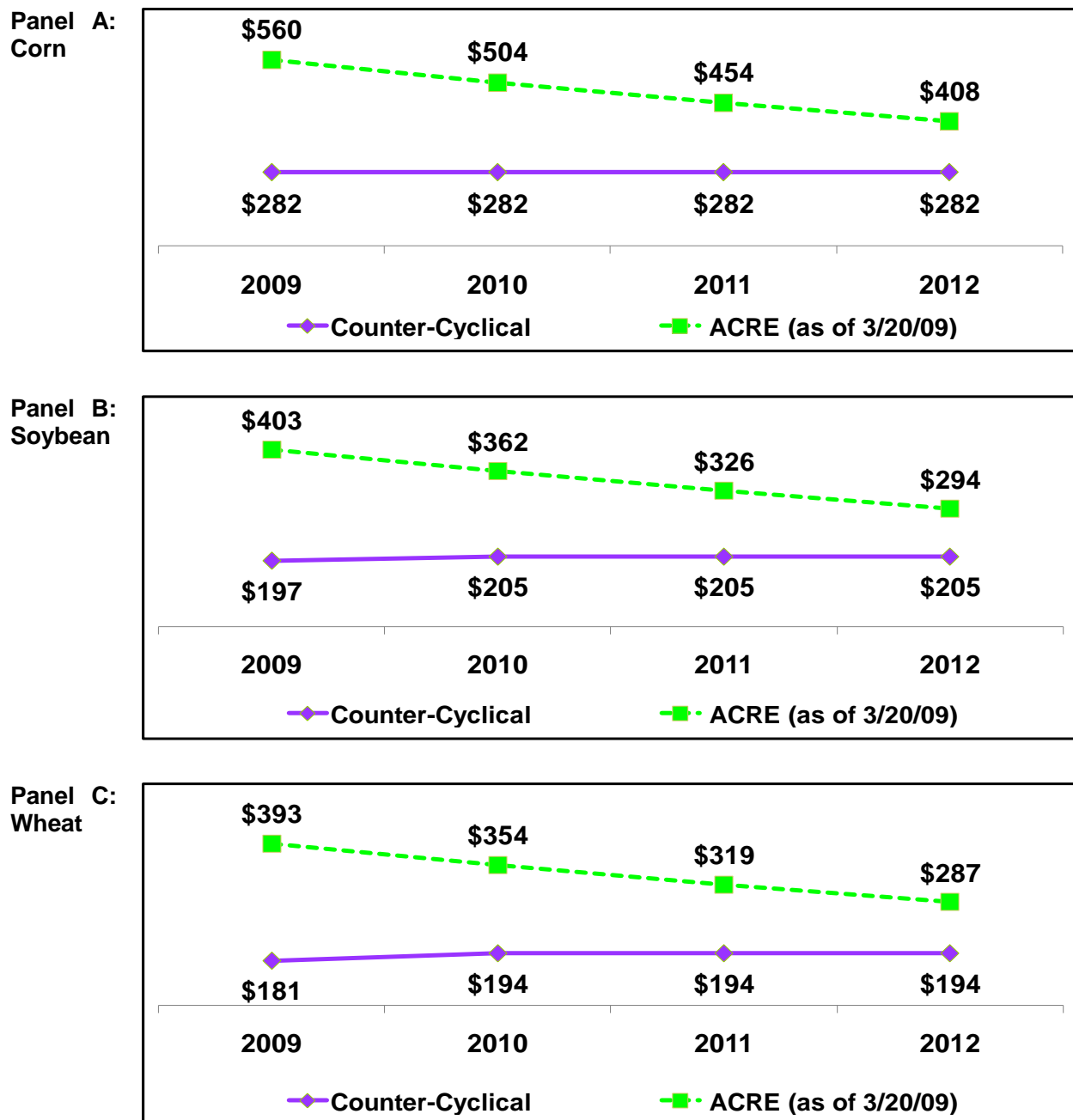


NOTES: Implied revenue target for counter-cyclical program is [counter-cyclical yield times effective target price]. Counter-cyclical payment rate is 85%. Revenue target (revenue guarantee) for ACRE state revenue program equals [90% times average U.S. cash price times Olympic average state yield]. ACRE payment rate is 83.3% for 2009-2011 and 85% in 2012. ACRE state payment is capped at 25% of the ACRE revenue target (revenue guarantee). The data used to make these two calculations are presented in Table 1 (below). Variable production costs are seed, fertilizer, chemicals, fuel, oil, grease, repairs, crop insurance, miscellaneous, interest on operating capital, and hired labor. SOURCES: Ohio Crop Production Budgets for costs and original calculations.

Table 1. Variables Used to Evaluate Risk Management Benefits of ACRE State Revenue and Counter-Cyclical Farm Programs, Corn, Soybeans, and Wheat, Ohio, 2009 Crop, as of 2/10/09								
Crop	Olympic Average Yield 2004-08	Counter-Cyclical Yield 2003		Average Cash Price 2007-08	Effective Target Price 2009		Planted Acres 2006-08	Base Acres 2003
Corn	150.0/acre	119.8/acre		\$4.15/bushel	\$2.35/bushel		3.4 million	4.1 million
Beans	46.0/acre	36.8/acre		\$9.73/bushel	\$5.36/bushel		4.5 million	3.5 million
Wheat	65.8/acre	53.2/acre		\$6.64/bushel	\$3.40/bushel		1.0 million	1.1 million

NOTES: An Olympic average excludes the highest and lowest values. Effective target price equals (target price minus direct payment rate per bushel). SOURCE: U.S. Department of Agriculture.

Figure 2. Estimated Minimum Per Acre ACRE Revenue Target and Counter-Cyclical Implied Revenue Target, Corn, Soybeans, and Wheat, Ohio, 2009-2012 Crop Years, as of 3/11/09



The 10% limit on the decline in a state's ACRE revenue target (revenue guarantee) per crop year allows a minimum target to be estimated for future years. To illustrate for Ohio wheat, the minimum target for the 2010 crop year is 90% of \$393/acre or \$354/acre (a decline of 10%). For the 2011 and 2012 crop years, the revenue target is again reduced by 10% per year. ACRE state payment is capped at 25% of the state's ACRE revenue target (revenue guarantee). ACRE payment rate is 83.3% for 2009-2011 and 85% in 2012. Counter-cyclical implied revenue target is calculated using the average counter-cyclical yield for Ohio and the effective target price for the crop. Counter-cyclical payment rate is 85% for 2009-2012.

APPENDIX: Thumbnail Sketch of ACRE (Average Crop Revenue Election) Provisions in *Food, Conservation, and Energy Act of 2008*

ACRE Decision:

- ▶ The decision to elect ACRE begins with covered commodities and peanuts harvested in 2009.
- ▶ ACRE must be elected -- if no choice is made, a farmer remains in the traditional farm programs.
- ▶ As long as a farmer is not in ACRE, the election of ACRE is an annual decision. However, once ACRE is elected, a FSA farm is in ACRE through the 2012 crop. Thus, a farmer can elect to participate in ACRE for the 2009-12 crops, 2010-12 crops, 2011-12 crops, or 2012 crop.
- ▶ ACRE must be elected for all covered program crops and peanuts grown on a farm (for example, if corn, soybeans, and wheat are grown on a FSA farm, ACRE must be elected for all 3 crops). However, ACRE payments are crop specific (corn but not wheat can receive a payment).

ACRE Suite of Farm Programs:

- ▶ Direct payments equal to 80% of traditional direct payments established in the 2008 Farm Bill
- ▶ Marketing loan payments at 70% of the marketing loan rates established in the 2008 Farm Bill
- ▶ ACRE state revenue payments

ACRE Revenue Payment to a Farm for a Crop:

- a. $[83.3\% \text{ of the farm's acres planted to the crop}]$ (83.3% becomes 85% for the 2012 crop)
- b. times lesser of $[ACRE \text{ state revenue guarantee per acre minus state actual revenue per acre}]$
or $[25\% \text{ of ACRE state revenue guarantee}]$
(ACRE state payment per acre capped at 25% of the state revenue guarantee)
- c. times $\{[farm's \text{ Olympic average yield (removes high and low yield) for 5 most recent crop years}]$
divided by $[state's \text{ Olympic average yield for 5 most recent crop years}]\}$

ACRE state revenue guarantee per acre for a crop for a year is:

- ▶ $[90\% \text{ times } (ACRE \text{ state yield per planted acre}) \text{ times } (ACRE \text{ price})]$
 - ACRE state yield is an Olympic average of a state's yield for the 5 most recent crop years
 - ACRE price is an average of U.S. market year cash price for the 2 most recent crop years
 - For 2010-12, revenue guarantee cannot change more than 10% from prior year's guarantee
 - Separate state revenue guarantees are created for irrigated and non-irrigated land if a state's planted acres are at least 25% irrigated and at least 25% non-irrigated.

ACRE actual state revenue per acre for a crop for a year is:

- ▶ $\{[state \text{ yield per planted acre for crop year}] \text{ times higher of } [U.S. \text{ average price for the crop year or } 70\% \text{ of crop's marketing loan rate}]\}$

ACRE Planted Acre Limit: Payments cannot be received on more than a farm's total base acres.

- ▶ If total acres planted to crops eligible for ACRE exceed a farm's total base acres, the farmer and landlord chooses which planted acres to enroll in ACRE.

ACRE Farm Eligibility Condition:

To receive an ACRE payment, a farm's actual revenue for the crop must be less than the farm's ACRE benchmark revenue for that crop year.

- ▶ Farm's actual revenue is: $[farm's \text{ actual yield per planted acre} \text{ times } U.S. \text{ average price for crop year}]$
- ▶ Farm's ACRE benchmark revenue is:
 $\{[Olympic \text{ average of farm's yield for 5 most recent years} \text{ times } average \text{ U.S. price for the 2 most recent years}] \text{ plus } [per \text{ acre crop insurance premium paid for the crop}]\}$

ACRE Payment Limits for a Person or Legal Entity:

- ▶ Direct Payments: \$40,000 minus amount equal to 20% reduction in direct payments
- ▶ ACRE revenue payments: \$65,000 plus amount equal to 20% reduction in direct payments