

AG-ECO NEWS

Vol. 24, Issue 25

Jose G. Peña

Professor & Ext. Economist-Mgmt.
9 September 2008

**Farm Bill Sign-Up for 2008 Underway:
Insurance Coverage Buy-In for Disaster Assistance Eligibility Ends September 16, 2008**

Jose G. Peña, Professor and Extension Economist-Management

While sign-up for the direct and counter-cyclical payment programs for 2008 crops ends on September 30, 2008, the insurance coverage buy-in deadline to be eligible to receive disaster assistance program benefits for 2008 ends on September 16, 2008. Very few of the changes initiated by the recently passed Food and Energy Conservation Act of 2008 will be in effect this year, but the new permanent disaster assistance program and the Average Crop Revenue Election (ACRE) program, require special attention soon.

While the new farm bill makes minor adjustments to payment rates, basic commodity provisions (direct, counter-cyclical and loan deficiency payments) and most other programs remain as they were in Farm Bill 2002. Producers signing up for the direct payment program for 2008 will immediately become eligible for a 22% advance payment at the same rates as last year.

Disaster Assistance Program

This new permanent disaster program does not require sign-up, but potential recipients of benefits must meet eligibility requirements. A large number of counties in Texas have been declared as primary natural disaster areas. These counties as well as their contiguous counties will be eligible to receive disaster assistance benefits, which are yet to be announced, as long as the potential recipient is eligible. According to a recent newsletter from the Farm Service Agency (FSA), to be eligible for these programs, farmers and/or ranchers MUST have purchased at least the Catastrophic Insurance (CAT) level of crop insurance for ALL insurable crops and/or Noninsured Crop Disaster Assistance Program (NAP) coverage for noninsurable crops. Sales closing dates for CAT and NAP passed for the 2008 crop year, but the FSA is accepting an

administrative buy-in fee through **September 16, 2008** at the cost of \$100 per crop for crops which are not fully covered by crop insurance, CAT or NAP for 2008 to be eligible for Supplemental Agricultural Disaster Assistance. Keep in mind that all insurable crops traceable to an individual (in all counties/states) must be covered by a government sponsored crop insurance program. For example, if an operator pastures some horses or if the operation includes a native pecan bottom, both of these activities would be considered insurable enterprises and must be covered by insurance to remain eligible to receive disaster assistance benefits.

Producers are advised to consult their FSA office with any specific questions about the new disaster assistance program.

2009 Sign-Up

Sign-up for the farm program for the 2009 crop year will start in October 2008 and end in June 2009. Producers should familiarize themselves with various components of Farm Bill 2008 as soon as the final rules (regulations) are released. The decision to sign up for the new Average Crop Revenue Election (ACRE) program will not be an easy decision. Producers are cautioned not to be in a rush to sign up for the ACRE program until after the rules (regulations) are published and more specific details are available. Keep in mind that you will have at least until June 2009 to make that decision. Participation in the ACRE program is optional, but keep in mind that once a farm is enrolled in the ACRE program, that farm is in that program for the remainder of Farm Bill 2008 (at least through the 2012 Crop). Also, keep in mind that with the national election year underway, the release of the final Farm Bill 2008 regulations may be delayed until after the new administration is in place. Decision aid software will be available after the rules (regulations) are made final.

The following is a very brief conceptual outline of the ACRE program.

ACRE

The bill added a new, optional, Average Crop Revenue Election (ACRE) program, beginning with the 2009 crop year. Producers may elect to participate in the ACRE program instead of the counter-cyclical

program, and may sign-up for the ACRE program any year during the remaining life of Farm Bill 2008 (2009-2012), starting in 2009. Once selected, the ACRE program becomes permanent for all covered commodities produced on that farm.

This new ACRE option would generate payments on a crop-specific basis whenever average per acre revenue at the state level falls below the per acre state guarantee. To participate in the ACRE program, producers must agree to a 20 percent reduction in direct payments and a 30 percent reduction in loan rates on enrolled farms. In return, producers are eligible for a state-based revenue guarantee, by commodity, equal to 90 percent of the product of a state average yield per acre for the previous five years (after dropping the highest and lowest years) times the national average price for the previous two years for the commodity. If actual state per acre revenue is less than the guarantee and if a producer suffers an actual revenue loss for the crop on the farm, then the producer will receive an ACRE payment equal to the difference between the state per acre revenue guarantee and the state actual revenue calculation paid on 83.3 percent (85 percent for 2012) of the acres planted to the covered commodity on the farm.