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Disadvantages of ACRE

Besides enrolling a farm prior to the annual deadline, a farm enrolled in ACRE must also provide the farm's yields for the most recent five years. The farm's crop insurance Actual Production History (APH) can be used for ACRE purposes. A producer enrolled in ACRE must provide the actual yields on that farm annually in order to compare farm's actual revenue to the revenue guarantee. The final ACRE payment is not made until October, nearly one year following harvest, when the national cash price for that marketing year becomes final.

A farm enrolled in ACRE must also give up 20 percent of the farm's direct payment (DP) annually, or roughly \$5 per acre. The decision to accept 80 percent of the DP under ACRE vs. 100 percent of the DP under the traditional programs annually adds to the complexity of the enrollment decision.

ACRE as a risk management tool

Thus determining to enroll in ACRE requires weighing the risk of giving up a portion of the DP vs. the reward of a payment should a loss in both state and farm revenue be triggered. ACRE can be used to better manage revenue risk on a farm and should not be confused as a means to make up for poor marketing or crop insurance decisions.

A producer's bias as to the national average cash price comes into play as a part of the 2010 ACRE enrollment. Forecasting yield is no doubt difficult, thus making an accurate determination for revenue at both the state and farm levels seem daunting.

As of Feb. 19, 2010, the USDA's Ag Outlook Conference forecast average cash prices during the 2010-11 marketing year to be \$3.60 per bushel corn and \$8.80 per bushel for soybeans. Assuming average 2010 state yields equal to the

benchmark yields of 171 bushels per acre for corn and 51 bushels per acre for soybeans, the national cash price average would have to drop by more than \$.15 per bushel for corn, but only \$.08 per bushel for soybeans. Thus the potential for 2010 ACRE payments is apparent.

Prior to the June 1 ACRE 2010 sign-up deadline, the USDA will release the May crop production report on May 11. It will provide the first update of potential 2010 planted acres, yield and the 2010-11 marketing year prices. However, the majority of the 2010 growing season lies beyond the June 1 deadline, making forecasting yield and price even more difficult than 2009 when the ACRE sign-up deadline took place in mid-August.

Finalizing 2010 ACRE enrollment

Remember ACRE payments are determined at the state level but paid on planted acres for a farm and adjusted to 83.3 percent. The planted acres cannot exceed the total base acres on that farm.

Thus if you thought ACRE payments favored one crop over another, the particular crop you plant in 2010 might merit consideration as to the likelihood of triggering an ACRE payment.

FSA allows the use of default yields to calculate the farm's benchmark yield. This yield is 95 percent of the county's average yield per planted acre for the crop years 2004 through 2008. The producer enrolling in ACRE can use the higher of the default or the actual farm yield. This is a benefit for those farms that have actual farm yields that are below the county's average yields.

ACRE enrollment is by FSA farm number, so specific enrollment questions should be directed to your county FSA office.



2009 Farm and Rural Life Poll: Mixed livestock and grain farming*

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The Iowa Farm and Rural Life Poll is an annual survey that collects and disseminates information on issues of importance to rural communities across Iowa and the Midwest. Conducted every year since its establishment in 1982, the Farm Poll is the longest-running survey of its kind in the nation. This article highlights information from the 2009 survey on mixed livestock and grain farming.

Mixed livestock and grain farming

Over the last several decades, Iowa farmers have increasingly shifted from mixed grain and livestock operations to specialized grain production. In 1989, 64 percent of Farm Poll participants raised both grain and livestock, 31 percent specialized in crop production only and three percent produced only livestock. By 2009, the percentage of farmers

with mixed crop and livestock farming systems had dropped to 42 percent, with 50 percent producing only row crops and slightly over one percent specializing in livestock. The 2009 Farm Poll investigated potential reasons behind this long-term shift away from mixed systems and toward specialized operations.

Several items received near unanimous endorsement as factors related to the decline in mixed grain and livestock farming. At the top of the list, with 92 percent agreement, was the statement "As farmers age, working with livestock becomes more difficult" (table 1). A second item related to the work involved in production processes, "Livestock production requires more labor than grain production," drew 91 percent agreement among participants. The average age

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of Iowa farmers has risen steadily over the last decades and continues to rise, so these responses both make sense and merit attention.

Other factors, including displacement by grain farming, the Conservation Reserve Program (CRP) and recreation, also loomed large in farmers' assessments of the decline in mixed grain and livestock production systems. Ninety-one percent of farmers agreed that "increased grain production has displaced pasture and hay acreage" (table 1). Recent changes in land rental rates were also implicated, with 84 percent agreeing that higher rents have led to reductions in acreage available for grazing and haying. Sixty-four percent of participants agreed that the CRP has displaced pasture and hay acreage, and 51 percent agreed that conversion of farms to recreational and hunting land has led to a decline in land available for pasture and hay.

Substantial percentages of participants indicated that policy and market effects have also played a role in the decline of mixed systems. While 78 percent of participants agreed that mixed livestock and grain farms can better manage risk than specialized operations, 73 percent believed that commodity programs favor grain production over livestock or mixed grain-livestock systems, and 59 percent agreed that the profitability of livestock production has declined relative to grain production (table 1). Thirty-nine percent agreed that the costs of production systems are so high that producers have to choose between grain and livestock systems.

Survey information

Iowa State University Extension, the Iowa Agriculture and Home Economics Experiment Station, and the Iowa Department of Agriculture and Land Stewardship are partners in the Farm Poll effort. The information gathered through the Farm Poll is used to inform the development and improvement of research and extension programs and is used by local, state and national leaders in their decision-making processes. We thank the many farmers who responded to this year's survey and appreciate their continued participation in the Farm Poll.

Who Participates?

The 2009 Farm Poll questionnaires were mailed in January and February to a statewide panel of 2,201 farm operators. Usable surveys were received from 1,268 farmers, resulting in a 58 percent response rate. On average, Farm Poll participants were 64 years old, and had been farming for 39 years. Fifty percent of farmers reported that farm income made up more than half of their overall 2008 household income, and an additional 20 percent earned between 26 and 50 percent of their household income from farming. Copies of this or any other year's reports are available from your local county Extension office, the ISU Extension Online Store (www.extension.iastate.edu/store), ISU Extension Sociology (www.soc.iastate.edu/extension/farmpoll.html), or from the authors.

Table 1. Reasons for the decline in mixed livestock and grain farming

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
	—Percentage—				
As farmers age, working with livestock becomes more difficult	0	2	5	66	26
Increased grain production has displaced pasture and hay acreage.....	0	2	6	62	29
Livestock production requires more labor than grain production.....	1	3	6	62	29
The increase in land rental rates has reduced available pasture for grazing.....	0	3	12	57	27
Mixed livestock and grain farms can better manage risk than farms that rely only upon grain or livestock	1	6	16	64	14
Commodity programs favor grain production over livestock or mixed grain-livestock systems.....	1	6	21	55	18
The Conservation Reserve Program (CRP) has displaced pasture and hay acreage.....	1	11	25	51	13
The profitability of livestock production has declined relative to grain production	0	11	29	51	8
Conversion of pasture land to recreational/hunting land has reduced available pasture for grazing.....	2	13	35	37	14
Costs of production systems (machinery and equipment, facilities, etc.) are so high that farmers have to choose between grain and livestock	2	21	38	33	6

*Reprinted with permission from the Iowa Farm and Rural Life Poll, 2009 Summary Report, PM 2093. Renea Miller provided valuable layout assistance to the questionnaire and this report. The Iowa Department of Land Stewardship, Division of Statistics, assisted in the data collection.