

Farmland rental rates increase sharply for 2011, continued from page 1

The Cash Rental Rates for Iowa 2011 Survey is available online as a downloadable document; from the Ag Decision Maker website <http://www.extension.iastate.edu/agdm/wholefarm/pdf/c2-10.pdf> and from the ISU Extension online store at <http://www.extension.iastate.edu/Publications/FM1851.pdf>.

Other resources available for estimating a fair cash rental rate include the Ag Decision Maker information

files Computing a Cropland Cash Rental Rate (C2-20) <http://www.extension.iastate.edu/agdm/wholefarm/html/c2-20.html> and Flexible Farm Lease Agreements (C2-21) <http://www.extension.iastate.edu/agdm/wholefarm/html/c2-21.html>. Both documents include decision file electronic worksheets to help analyze leasing questions.



2011 ACRE enrollment deadline nears

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Farmers nationwide have until June 1, 2011, to sign up at their USDA Farm Service Agency (FSA) office for the annual Direct and Counter-Cyclical Payment (DCP) program. This is the same deadline to also enroll in the Average Crop Revenue Election (ACRE) program.

The ACRE enrollment is optional by FSA farm number with payments triggered by state-level, crop specific revenue losses. ACRE acts in place of the price-only based Counter-Cyclical Payment (CCP). The ACRE program is a much better revenue safety net than the price-only CCP if you have a combination of yield and price that results in low state and farm revenue.

Iowa farmers have only enrolled 16 percent of their base acres in the ACRE program to-date, according to FSA data. Once a farm is enrolled in ACRE, that farm stays in the program through the 2012 crop year and the farmer gives up 20 percent of the annual direct payment and loan rates for bushels on that farm are reduced by 30 percent. In summary, farmers can enroll farms by FSA farm number in the ACRE program and receive revenue protection based on a state-level, crop specific revenue guarantee.

Will Iowa farmers enroll additional farms in the 2011 ACRE program?

The probability of collecting a 2011 ACRE payment in Iowa seems remote based on current price forecasts for the 2011-12 marketing year which begins Sept. 1.

In February 2011, USDA projected the national average cash price for corn would be \$5.60 per bushel and

\$13 per bushel for soybeans. These numbers could be updated in the May 11, 2011 USDA World Ag Supply and Demand Estimates (WASDE) report. With continued tight U.S. ending stocks forecast for both 2011 corn and soybean crops, ACRE payments in Iowa will be hard to trigger.

The 2011 ACRE projected revenue guarantee for corn in Iowa is expected to be \$645 per acre. This uses a 169 bushel per acre average for the 5-year Olympic average yield times the 2-year average cash price of \$4.48 per bushel times 90 percent. However, the state trigger can't change by more than 10 percent from the 2010 guarantee which was \$586.36 per acre. Thus, the 2011 projected guarantee is limited to no more than \$58.64 per acre more than the \$586.36 per acre 2010 revenue guarantee.

Using the 2011 ACRE revenue projected guarantee of \$645 per acre, a combination of a low state yield and a low national average cash price would be needed to trigger a 2011 ACRE payment at the state level. Since Iowa is the largest corn producing state, the chance of this occurring isn't likely.

Corn Example: Suppose in 2011, Iowa produces a final state corn yield equal to the 5-year Olympic average yield of 169 bushel per acre. The national average cash price for the 2011 crop would have to drop below \$3.81 per bushel (\$645/A divided by 169 bu/A) to trigger an ACRE payment at the state level. In February 2011 USDA forecast a national average cash price of \$5.60 per bushel for the 2011-12 marketing year.