BARNYARDS & BACKYARDS

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UW Cooperative Extension Service | Profitable & Sustainable Agricultural Systems | RMA Risk Management Agency

ACRE program helps manage price risk

By James Sedman and John Hewlett

The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) created several new programs to assist crop and livestock producers manage risk through disaster aid programs.

The Average Crop Revenue Election program (ACRE) was included in the legislation. ACRE gives managers the option of a revenue-based support program. Producers can switch to ACRE from the price-based program of direct and countercyclical payments by taking a reduction in these payments. While the program may not have been originally intended to be a risk management tool for producers, ACRE can provide certain producers the ability to manage more of their price and financial risk.

ACRE Provisions

ACRE uses a revenue-based approach to make support payments. It is based on guarantees using moving averages rather than fixed target prices. The state- and farm-based ACRE guarantees are established using a five-year Olympic average yield (an average calculated by dropping the highest and lowest values) and a two-year national average price. Payments are made when the actual state revenue is lower than the state guarantee and the actual farm revenue is lower than the farm guarantee.

When this occurs, ACRE payments are calculated as 83.3 percent of the program crop acres times the benchmark farm yield divided by the benchmark state yield. This number is then multiplied by the lesser of the state ACRE guarantee minus the actual state revenue or 25 percent of the state ACRE guarantee. ACRE is an irrevocable commitment – once a producer signs up, the acreage is locked into the program for the production year. Producers who choose ACRE are required to take a 20-percent reduction in direct payments and a 30-percent reduction in loan rates.

The Farm Service Agency Web site at www.fsa.usda.gov has much more information, including an Excel-based payment calculation tool. To access the tool, click the "Direct and Counter Cyclical Program/ACRE" link on the left side of the page and follow the links to the ACRE information.

Benefits of Using ACRE in Risk Management Planning

The ACRE program is not for every operation. The decision to participate will depend on the crop mix and marketing options. The main benefit of participating in ACRE is that, by choosing to receive support payments on a revenue basis (rather than market price triggers), producers may reduce some of the price risk they face.

Because ACRE has a state-level component, payments are better targeted to local conditions than the previous direct and countercyclical payment programs.

With a modest investment of time and money, managers can purchase even higher levels of risk protection by utilizing crop insurance policies. The tradeoff is a reduction in direct payments, which may be sizeable for certain operations.

Remember, sound risk management strategies are not based on maximizing insurance payments from every program or insurance product available. Rather, the goal is to minimize risk – in this case, price risk associated with market fluctuations.

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For more information

Visit a local Farm Service Agency office or www.fsa.usda.gov for more information to determine if ACRE is a fit for specific operations. For more information on this and other risk management topics on the Web, visit the Western Risk Management Library at agecon.uwyo.edu/riskmgt.

Revitalize aging windbreaks: Here's how

By Donna Cuin

Across Wyoming and the West there are aging windbreak trees standing guard around well-established ranch headquarters and historic homestead sites.

These trees have protected generations of rural residents from the forces of nature associated with winter blizzards as well as the drying brought on by Wyoming winds. However, many of these trees are 100 years old and some more than 150 years old. Trees of this age are past their healthy prime and into decline.

Susceptible to Disease

Most trees this age are cottonwood and willow trees, which are both susceptible to a fungal canker disease that attacks stressed trees. Cottonwoods and willows are natives to riparian or wetland areas and need moisture available to their roots at all times. Over the many decades, these water-loving trees have survived many a drought as well as the stresses of the winds. As stress and disease take their toll, damage, disease, and decay take over, and the trees will eventually succumb.

Removing some of the aging trees in this windbreak will provide room for another row of young trees.

Plan for the Future

You can plan now for the future needs of these windbreaks. Properly prune existing trees, possibly eliminate a portion of the older trees, and leave room for planting young trees to succeed the aging sentries.

First, remove all the dead and dying branches or whole trees to minimize the quantity of disease organisms in the branches of the affected trees. This will reduce the spread of diseases to younger or healthier trees. Hiring a certified arborist to do the work may be necessary due to the size of these large trees. Arborists are often more readily available during the winter months for large projects such as this. Another option is to learn proper pruning techniques and partner with a neighboring rancher or farmer to share equipment and assure safety during the work.

Removing dead trees is a must and will open the canopy of the windbreak allowing space and sunlight for younger trees. Younger trees are likely to be damaged if planted before the dead trees are removed as the branches fall to the ground around the younger trees.

Resources for Selecting Trees

This leaves the second step of planting young, replacement trees. There are several sources for younger trees depending upon the size wanted and the amount of money available to purchase plants. Conservation districts and University of Wyoming Cooperative Extension Service (UW-CES) offices offer seedling trees for sale, usually during winter months. The winter timing allows ample time for species selection and planning for the planting season. Conservation district contact information is available online at www.conservewy.com/DISTRICTS.htm. Contact information for UW CES offices is at http://ces.uwyo.edu/Counties.asp.

Assistance with species selection is available at either agency or at local nurseries and would be based upon information such as the windbreak site elevation, soil type, availability of water for the trees, a preference for evergreen or deciduous trees, and mature size of the trees for the site.

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Pruning will rejuvenate trees in this windbreak. Use care when pruning near electrical lines.

For more information

A University of Wyoming Cooperative Extension Service bulletin offers information specific to trees for Wyoming. *Landscaping: Recommended Trees for Wyoming* includes a list of deciduous and evergreen trees with elevation hardiness, USDA zones, and height and width information. It is available online at http://ces.uwyo.edu/PUBS/B1090.pdf