

FARM POLICY BRIEF

MISSISSIPPI STATE
UNIVERSITY

Department of Agricultural Economics

By Corey Miller, Chrissy Jeanson, and Keith Coble

P.O. Box 5187, Mississippi State, MS 39762

Speeding Up CCPs and ACRE

The 2008 farm bill contains two programs that utilize price information calculated by USDA known as the Marketing Year Average (MYA) price. The MYA price is calculated by USDA's National Agricultural Statistics Service (NASS) for most of the major crops for which the agency reports data.

The two programs that use MYA prices to calculate payments include counter-cyclical payments (CCPs) and the Average Crop Revenue Election (ACRE) program. The CCP was actually created in the 2002 farm bill to, as its name implies, provide participating farmers with financial support during periods of relatively low prices. The CCP is closely related to the fixed direct payments that trace their origins to the historic 1996 farm bill. However, fixed direct payments provide a pre-determined level of support to producers by crop at regular intervals, and are therefore not affected by changing market conditions.

The ACRE program was created in 2008 to provide producers with the option of receiving payments based on shortfalls in revenue rather than price. The revenue guarantees established in ACRE are calculated using MYA prices and state yields. Participating producers receive either ACRE payments or CCPs, but not both, as producers who enroll in the ACRE program must forgo receiving CCPs.

Final MYA prices are not calculated until the end of a particular crop's marketing year, which vary by commodity. Table 1 below lists the marketing years and reporting dates used by NASS by commodity.

Table 1. Marketing years and MYA price dates.

Commodity	Marketing Year	MYA Price Release Date
Corn	Sept. 1–Aug. 31	September
Cotton	Aug. 1–July 31	October
Peanuts	Aug. 1–July 31	August
Rice	Aug. 1–July 31	January
Sorghum	Sept. 1–Aug. 31	September
Soybeans	Sept. 1–Aug. 31	September
Wheat	June 1–May 31	June

Significantly, NASS cannot report a current year's MYA price until the beginning of the next marketing year. The result of this practice is CCPs are not paid to producers until well after harvest, and ACRE payments also cannot be calculated until this information is known. (ACRE payment state yields are calculated by NASS, and released in its mid-January annual Crop Production Summary report.) Advanced partial counter-cyclical payments have been available to producers in previous crop years, but USDA will end this practice in 2011.

Relatively straightforward research indicates the timing of CCPs and ACRE payments could potentially be moved forward, allowing producers to receive CCPs and ACRE payments sooner and closer to actual harvest rather than the beginning of the next marketing year. Table 2 below lists correlations between harvest month prices for various crops and their MYA prices, which indicate how close a relationship exists between the two. The monthly price reflects the harvest month in the major production region(s).

Table 2. Monthly price correlation with MYA price.

Crop	Monthly Price	Correlation with MYA Price
Cotton	Nov	0.959
Corn	Nov	0.959
Rice	Nov	0.972
Soybeans	Nov	0.979
Wheat	July	0.947

Significantly, the November price for each crop in Table 2 expresses a high correlation with the MYA price, as each value is greater than 0.95. These correlations are calculated from the 1975-76 through 2009-10 marketing years, a 35-year time period. Over this period, each harvest month price closely tracks the corresponding MYA price. For example, Figures 1 and 2 depict this relationship for soybean and corn prices over the period, respectively. By utilizing this information, USDA’s Farm Service Agency (FSA) could issue CCPs and ACRE payments to participating producers much sooner than under the current system. Of course, these correlations between prices do not equal 100 percent. However, a system that recognizes the close relationship between MYA prices and harvest month has the potential to improve upon the partial payment system for CCPs being phased out in 2011 by FSA. In summary, modifying commodity programs to use harvest month prices rather than MYA prices would appear to have few effects on program costs or producer risk, yet would speed up program resolutions by several months.

References

USDA Farm Service Agency. Fact Sheet: Direct and Counter-cyclical Payment Program. Available from: http://www.fsa.usda.gov/Internet/FSA_File/dcp2008.pdf. December 2008.

..... 2008 – 2012 DCP/ACRE Payment Rates and Payment Schedule. Available from: http://www.fsa.usda.gov/Internet/FSA_File/fce_dc_p_rates_chart.pdf. December 2010.

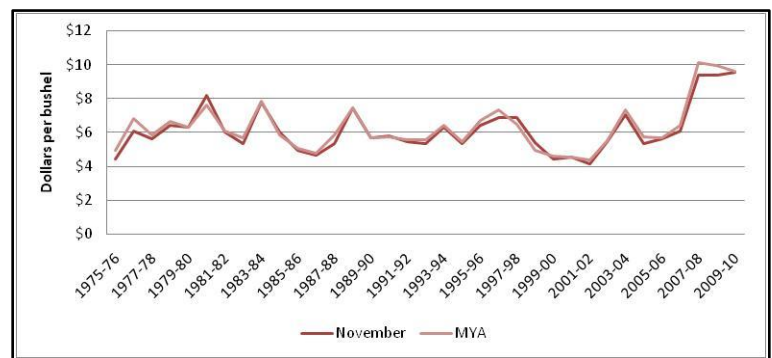


Figure 1. Soybean November and MYA prices, 1975-76 to 2009-10 (NASS).

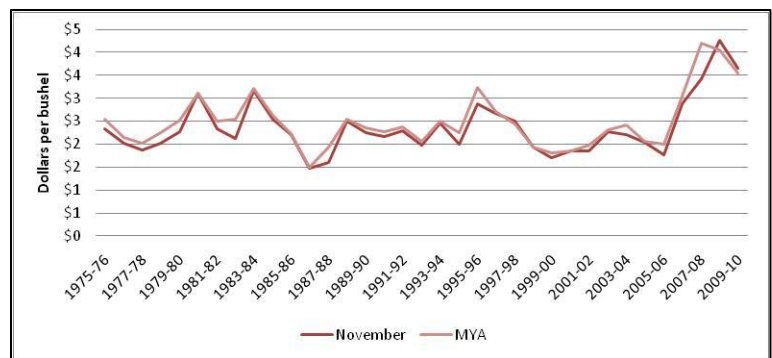


Figure 2. Corn November and MYA prices, 1975-76 to 2009-10 (NASS).