

September 4, 2008

The Honorable Ed Schafer
Secretary
U.S. Department of Agriculture
200-A, Jamie L. Whitten Federal Building
1400 Independence Avenue, S.W.
Washington, D.C. 20250

Dear Secretary Schafer:

We are writing today regarding recent news reports of discussions within USDA on the rule making for the new Average Crop Revenue Election program authorized in the Food, Conservation and Energy Act of 2008. In light of the questions raised on the implementation of ACRE, we are extremely concerned by statements that suggest the statutory language for establishing the price-guarantee component of the program may be interpreted by USDA in a manner that would seriously undermine the viability of this critically important safety net option.

The statute provides authority for ACRE payments to be delivered to producers if their state's actual state revenue for the crop year is less than the state's crop revenue guarantee and their individual farms experience a crop revenue loss during the same crop year. Based on various press accounts, it appears that one of the department's key questions centers on how the ACRE program price guarantee price will be determined.

In our view, Section 1105 (d) (3) is quite clear on the determination of the ACRE price guarantee and leaves very little to debate. The statute says *"For purposes of paragraph (1)(A)(ii), the ACRE program guarantee price for a crop year for a covered commodity or peanuts in a State shall be the simple average of the national average market price received by producers of the covered commodity or peanuts for the most recent 2 crop years, as determined by the Secretary."*

Under the statute, the ACRE program shall begin in the 2009 crop year requiring the use of the "most recent 2 crop years", 2007 and 2008, for each covered commodity in determining the ACRE price guarantee. Some reports indicate within USDA there is a debate whether to use 2006 rather than 2008 year data, based on the flawed assumption that a final price guarantee must be declared for producers to enroll in the ACRE program and before all price data for the 2008 crop marketing data year is available. The fact is the official 2008 national season average price will be available to determine the price guarantee shortly after Oct. 1, 2009; one year prior to any payments being delivered to producers for the 2009 crop. An estimated ACRE program price guarantee for sign-up early next year, based on the 2007 season average price and projections for the balance of the 2008 marketing year, will provide potential participants sufficient information to assist their decision making and program selection.

The underlying purpose of the ACRE program is to provide an optional farm safety net that is more contemporaneous with actual market conditions. By moving the ACRE guarantee price to 2006, the department will make market signals more remote from actual planting decisions and significantly diminish the program's effectiveness at a time of steep increases in production costs. This distortion in the program's mechanism for establishing state revenue guarantee levels would, in effect, seriously undermine a key reform in the 2008 Farm Bill and future efforts to develop innovative reforms to the commodity title. We strongly urge the administration to carefully consider the above concerns and move forward with the writing of rules and regulations that accurately reflect the statutory language and congressional intent of these critical provisions in the new ACRE program.

Sincerely,

American Farm Bureau Federation
American Farmland Trust
American Soybean Association
National Association of Wheat Growers
National Barley Growers Association
National Corn Growers Association
National Farmers Union
National Sorghum Producers
National Sunflower Association
U.S. Canola Association
USA Dry Pea and Lentil Council

cc:

Senator Tom Harkin, Chairman, Committee on Agriculture, Nutrition & Forestry
Senator Saxby Chambliss, Ranking Member, Committee on Agriculture, Nutrition & Forestry
Congressman Collin Peterson, Chairman, Committee on Agriculture
Congressman Bob Goodlatte, Ranking Member, Committee on Agriculture