



An Overview of Changes to Farm Policy

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■ Farm Safety Net

➤ Commodity programs

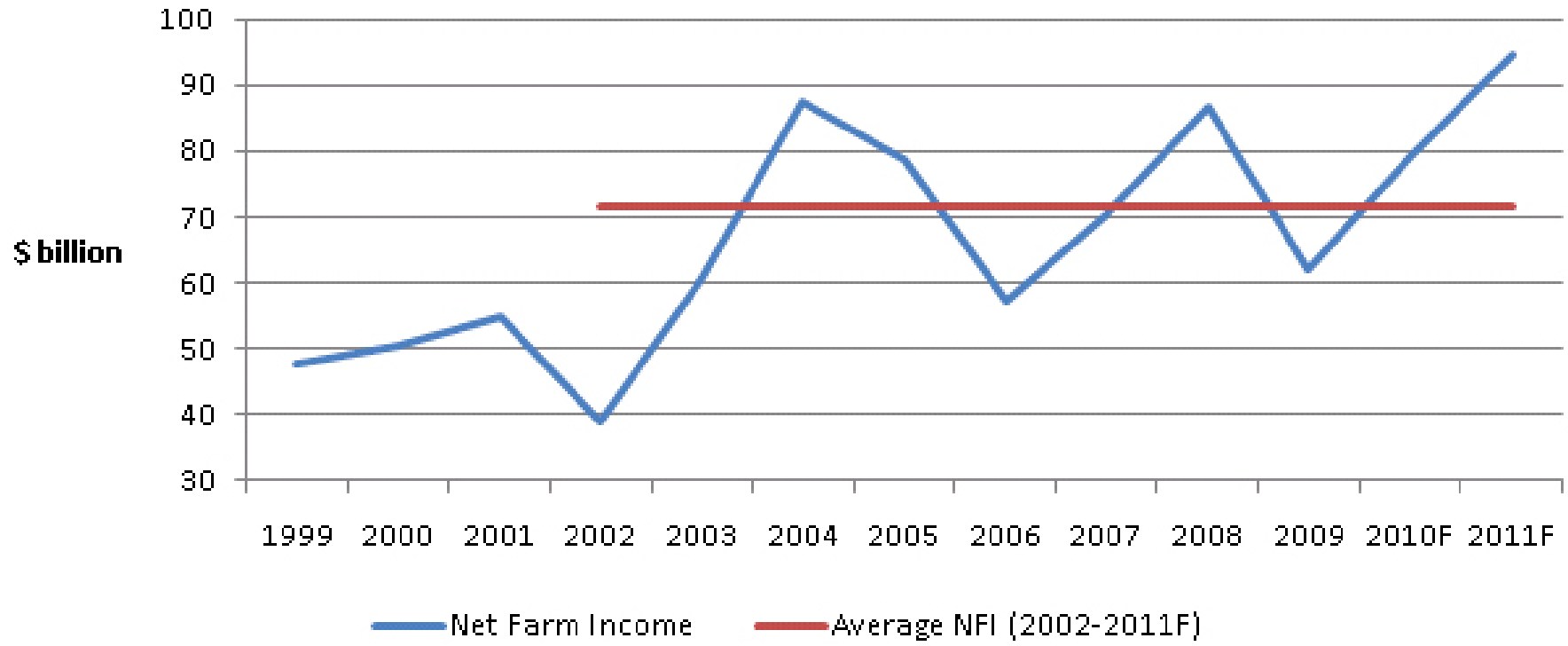
➤ Crop insurance

➤ Disaster assistance

➤ Budget/Spending

- Approximately \$20 billion in FY 2010 and 2011
- Less than 1 percent of total Federal budget

Figure 1. U.S. Net Farm Income 1999-2011F



■ Issues:

- Budget, deficit reduction
- Desire to reduce overlap, increase efficiency
- Alignment with trade agreements
- Program focus limited to major crops
- Effectiveness of existing programs

- **Congressional Super-Committee**
 - Proposals developed from various organizations
 - \$10 to \$40 billion in cuts/savings

- **General proposal themes:**
 - Reduce/eliminate direct and countercyclical programs, disaster programs
 - Modified revenue-based program
 - Modified crop insurance

- **\$4.9 billion/year price tag**
- **Less than \$4 billion in credited/scored savings if eliminated**

Positives	Negatives
Budgeting Stability	Relatively expensive; public perception
Trade: Green box status	Paid under all conditions
Liquidity	Regional variation in support

Direct Payments by State

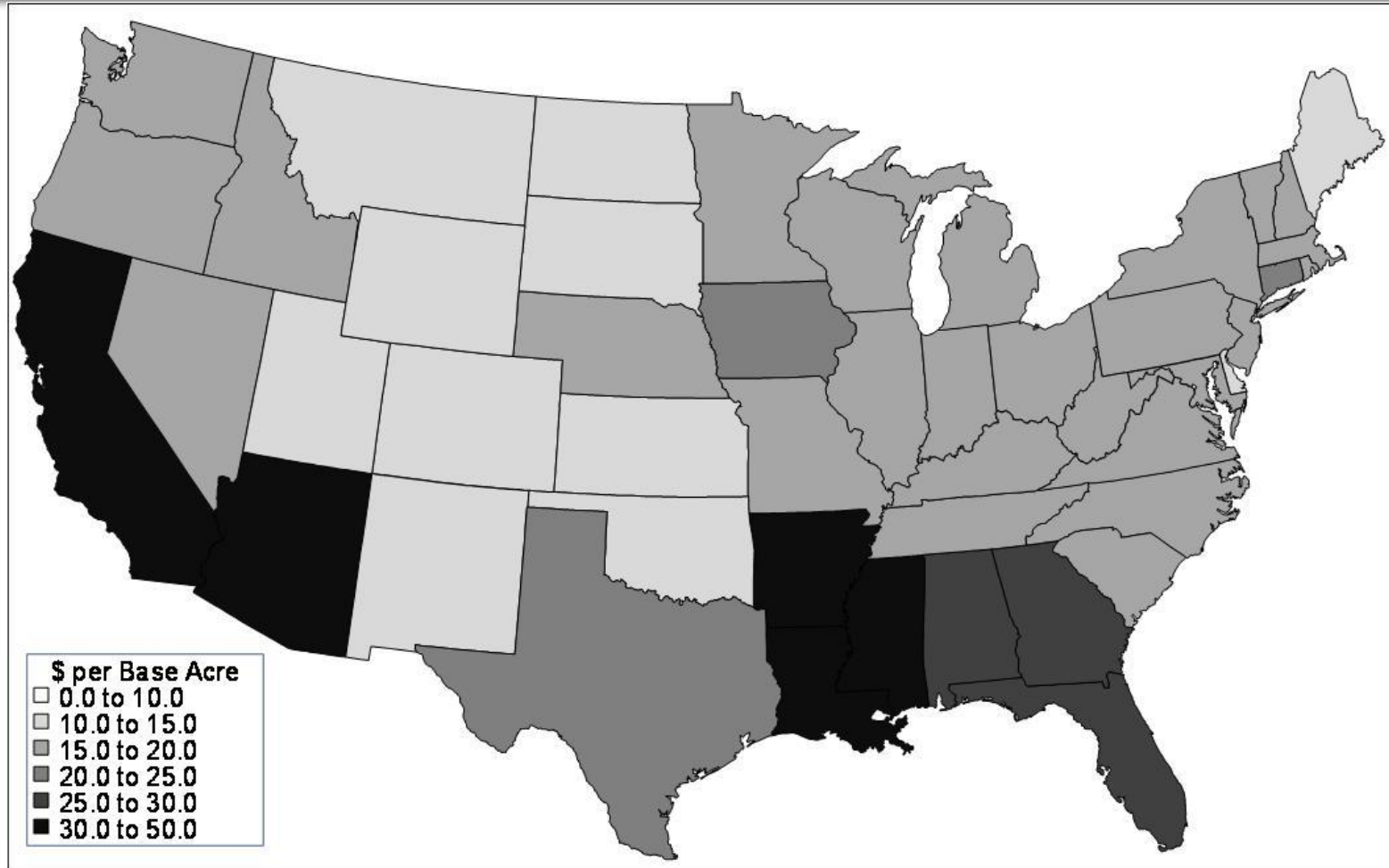


Figure 1. Fixed direct payments received (\$/base acre) by state in 2009

Source: Economic Research Service, USDA

- **Focus on:**
 - **American Farm Bureau Federation's Systemic Risk Reduction Plan (SRRP)**
 - Deep losses
 - **Brown-Thune-Durbin-Lugar Aggregate Risk Revenue Management (ARRM) program**
 - Shallow Losses
 - **Senate Ag Committee's Ag Risk Coverage (ARC) program**

- **Systemic Risk Reduction Plan (SRRP)**
 - **Deep loss revenue plan similar to GRIP**
 - **Replaces DP, CCP, ACRE, SURE**
 - **Suggests major changes to crop insurance**
 - **Eliminates CAT coverage**
 - **Wrapped insurance plans for individual risk**
 - **Offered to program crops, suggests expansion to others**

- **Ag Disaster Assistance Program (ADAP),
Aggregate Risk Revenue Management
(ARRM)**
 - **Shallow loss revenue program similar to ACRE**
 - **Eliminates DP, CCP, ACRE, SURE**
 - **Supplemental to crop insurance**
 - **Program crops**

- **Ag Risk Coverage (ARC)**
 - **Shallow loss revenue program**
 - **Eliminates DP, CCP, ACRE, SURE**
 - **Expanded crop insurance program**
 - **Underserved crops**
 - **Larger T-yields**
 - **Separate revenue program for cotton**

Revenue Program Comparison



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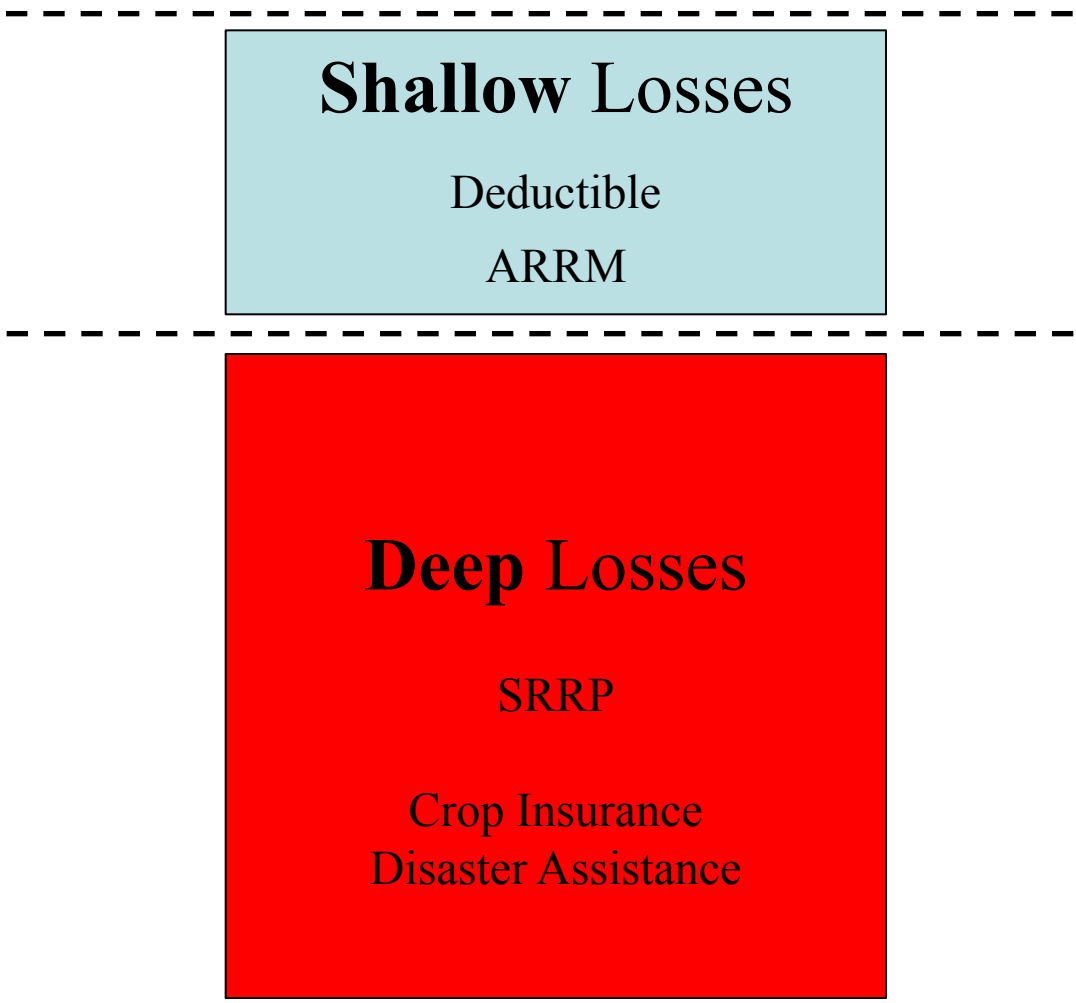
	ACRE	SRRP	ARRM	ARC
Yields	State-level 5-yr Olympic Avg	County or CRD	CRD	N/A
Prices	2-yr MYA	3-yr/5-yr Olympic Avg Insurance harvest prices	Insurance harvest prices	N/A
Revenue Guarantee	90%	Up to 90%, depending on budget score	90-95% of 5-yr Avg revenue	87% of 5-yr Olympic Avg farm-level revenue
Payment Cap	25% of Guarantee	none	10% of Guarantee	12% of Guarantee
Other	Cups/caps; Farm losses & adjustments; Planted base	Wrapped insurance, eliminates CAT; Planted acres	Wrapped insurance; Farm losses & adjustments; Planted acres	60% of planted acres; Price only option

Shallow vs. Deep Losses



100% of Revenue
Benchmark

75% to 80% of
Revenue Benchmark



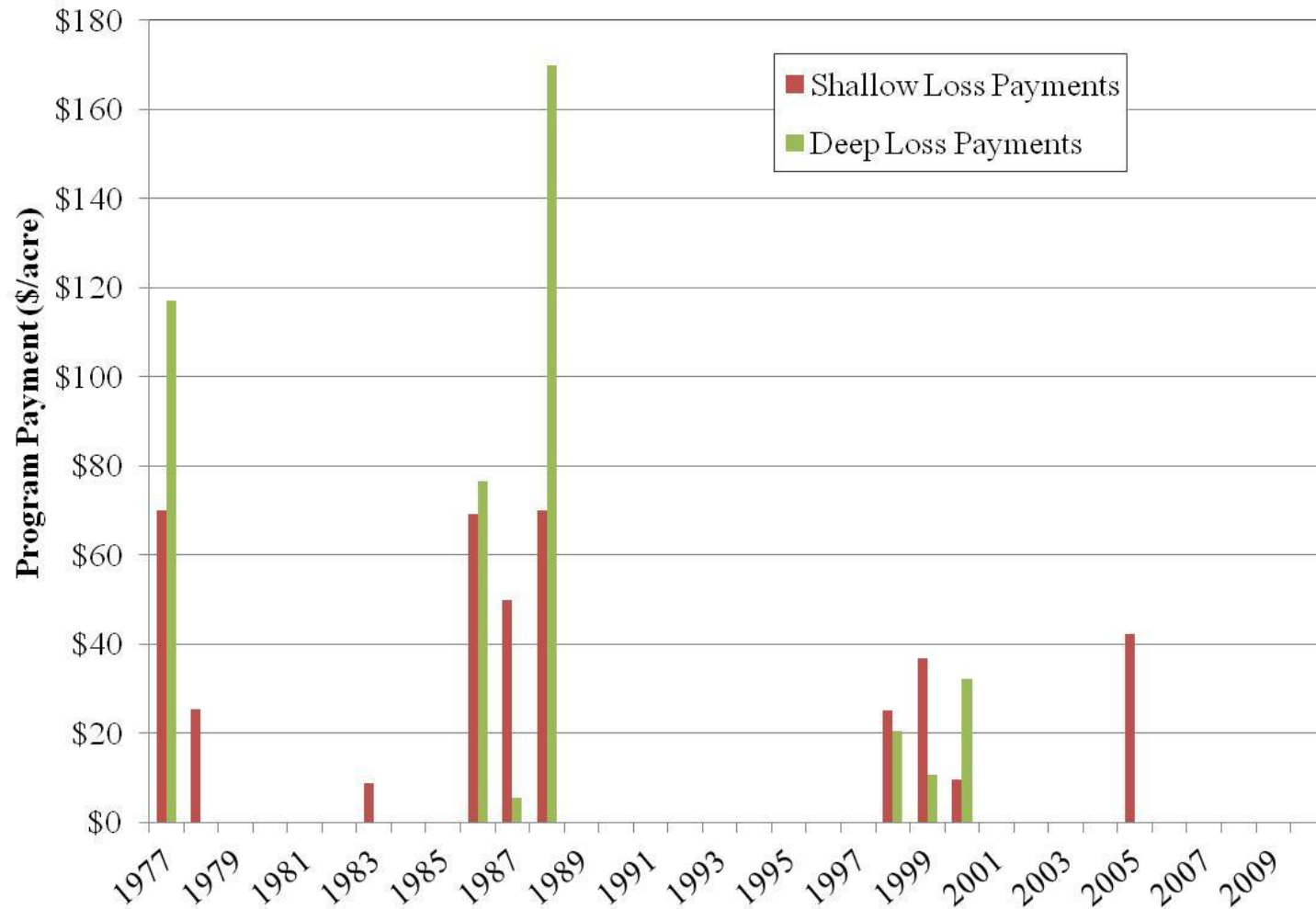
Shallow Losses

Deductible
ARRM

Deep Losses

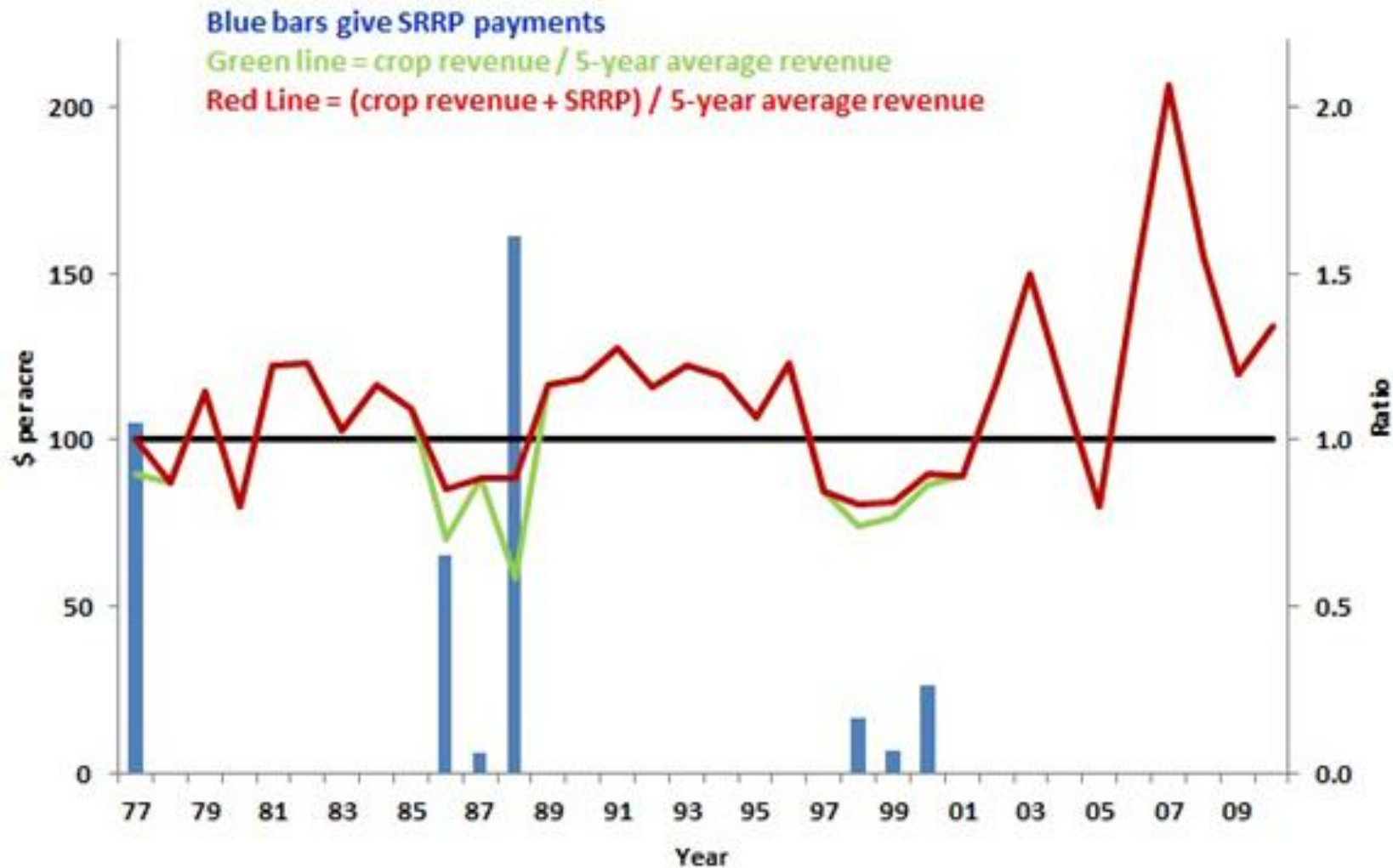
SRRP
Crop Insurance
Disaster Assistance

Revenue Program Comparison - Central Illinois, McLean County



Deep Loss Program: SRRP

Figure 4. Simulated SRRP Payments for Corn in Logan County, Illinois.

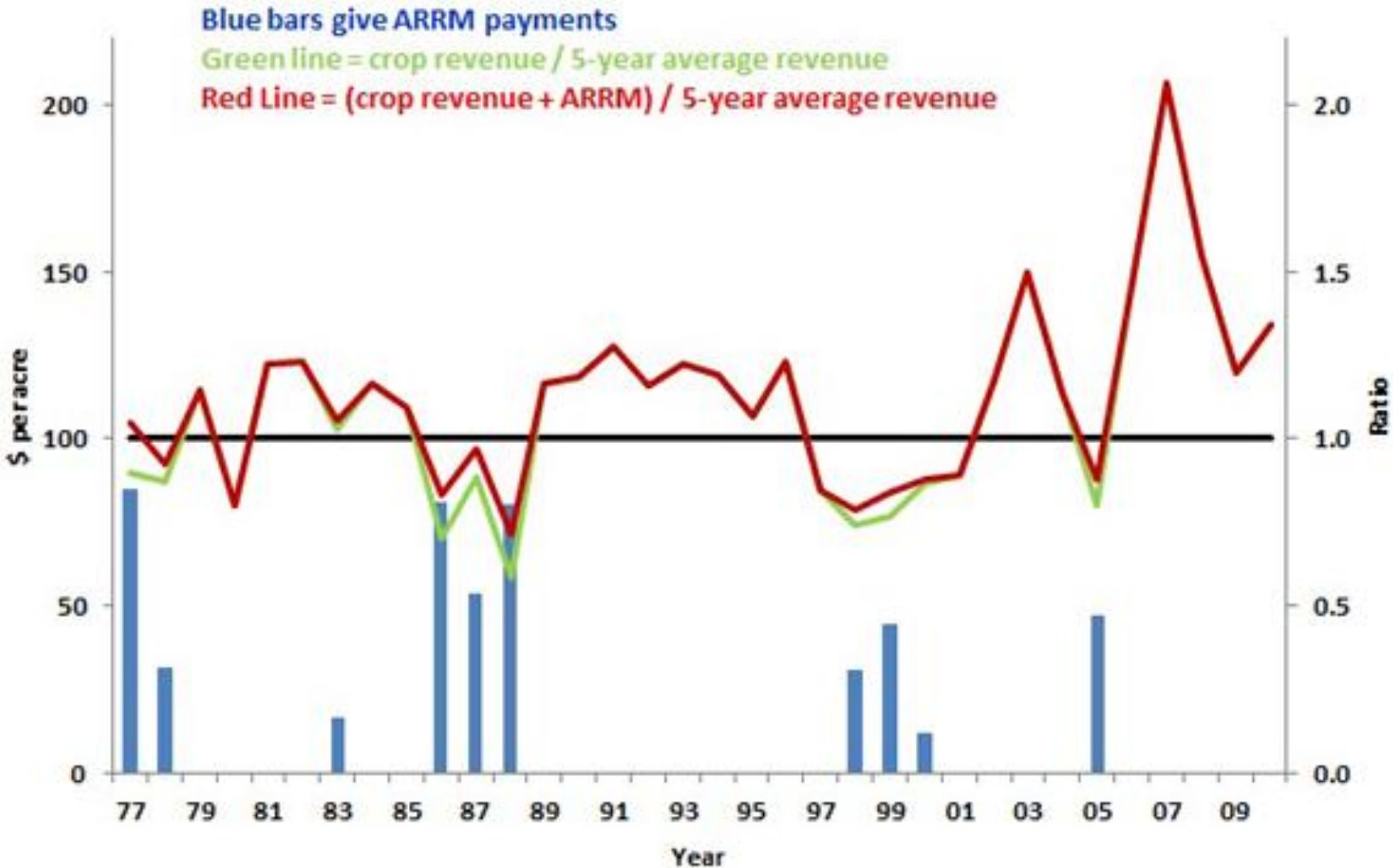


Shallow Loss Program: ARRM



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Figure 3. Simulated ARRM Payments for Corn in Logan County, Illinois.



- **SRRP, Deep Losses**
 - Less frequent, but potentially large payments
 - Potentially significant overlap with crop insurance coverage

- **ARRM, Shallow Losses**
 - More frequent, smaller payments
 - Payment cap reduces overlap with insurance, could encourage election of lower coverage levels

- **Other Areas:**
 - **Margin program for dairy producers**
 - **AGI limit of \$950,000/person or entity**
 - **Maintains \$105,000 payment limits**
 - **Reduction in CRP acres over time**
 - **Extends main nutrition programs, but tightens eligibility rules and enforcement**

- Goal of deficit reduction and record farm incomes have made agricultural programs a target for reform
- General proposal themes:
 - Elimination of DP/CCP/ACRE/SURE
 - New revenue program
 - AGI and payment limits headed down
 - Potential cuts in conservation and nutrition

- **Will now move through a more standard Farm Bill process**
 - **Senate and House Ag Committees write own bills**
 - **Will extend well into 2012**
 - **While existing proposals provide some guidance, speculation remains**
 - **Still many questions for commodity program modifications and beyond**