DIVISION OF AGRICULTURE
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2013 Farm Bill Policy Brief

Representative Arkansas Farm Analysis of 2013 Farm Bill Proposals. Analysis of Senate Bill S. 954 and House of Representatives Bill H.R. 1947 (revised without nutrition title as H.R. 2642) has been conducted using the Arkansas Representative Panel Farm models. Both bills substantially change the 2008 farm bill commodity title with the elimination of the decoupled direct payment, the counter-cyclical payment program, and the Average Crop Revenue Election (ACRE) program. The fundamental driver of the 2013 proposals is deficit reduction. The safety net focus is shifting from fixed, decoupled income payments to support for risk management through crop insurance, as depicted on the following page.

S. 954 provides for complementary price and revenue support programs. The Agricultural Risk Coverage (ARC) program remains similar to the 2012 proposal. New in the 2013 bill is a more robust counter-cyclical type program known as the Adverse Market Price (AMP) program. Analysis shows that, as in 2012, Arkansas rice and other commodity producers benefit relatively little from the ARC program. However, the AMP program with a reference price for rice at $13.30 per cwt. will provide potentially significant counter-cyclical price support should market prices decline. Because payment for both programs will depend on actual crop revenue or prices received, our analysis uses stochastic simulation of 500 iterations for each year for 2014-2018. Using the CBO price baseline from May 2013 and historical price variability, for Arkansas rice the expected annual average AMP payment per eligible acre is estimated to be $47/acre for the 2014-2018 period. The probability of receiving a rice AMP payment is 63%. Approximately 25% of the time the AMP payment would exceed the payment per acre received under the Direct Payment program of the 2008 farm bill and is estimated to be as high as $186 per acre, albeit with very low probability. On the other hand, the expected annual average ARC payment is estimated to be less than $2 per acre. An ARC payment under either the county or individual farm option would be expected only about 10% of the time.

The analysis of the Revenue Loss Coverage (RLC) and Price Loss Coverage (PLC) is estimated for H.R. 2642 using the updated CBO price May 2013 baseline. As under the 2012 proposal the PLC counter-cyclical price support program with a reference price of $14 per cwt. remains a much better safety net program relative to the RLC and slightly better than the Senate bill AMP program. The annual average expected revenue support under the RLC program is $2.33 per acre. The PLC program has a 5-year annual average payment per eligible acre of $62/acre with a probability of a payment greater than zero occurring 78% of the time. The likelihood that the PLC payment per eligible payment acre will be higher than the 2008 bill Direct Payment rate is approximately 40%. While occurring at a very low probability, the PLC payment is estimated to be as high as $222 per acre over the 2014-2018 period, should rice farm price fall to lowest probable price.

Payment limits. For the Arkansas representative panel farms, the payment limit of $50,000 per individual under S. 954 and $125,000 under H.R. 2642 are both binding, particularly for the larger farms. With a lower limit, the Senate bill is significantly more binding. Analysis presented below assumes farm participates in same program for all crops although both bills allow for flexibility by commodity.

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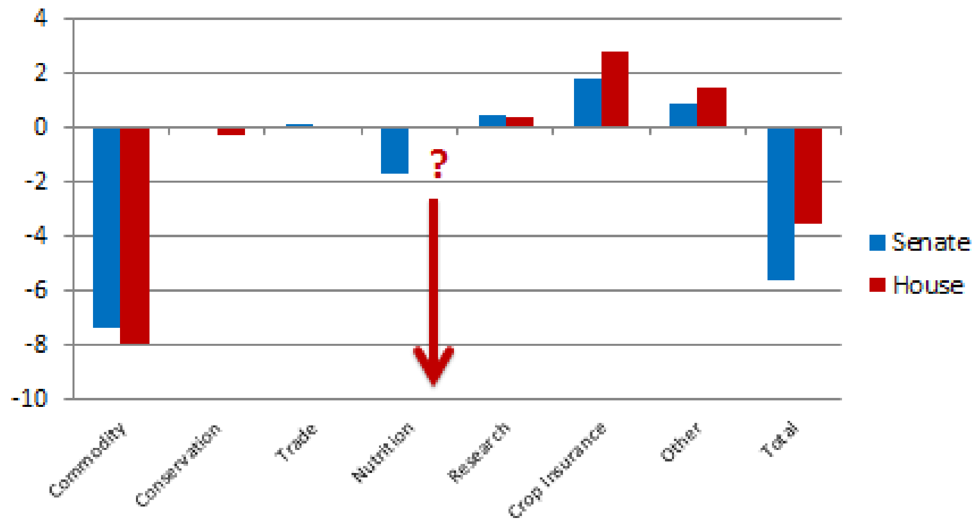
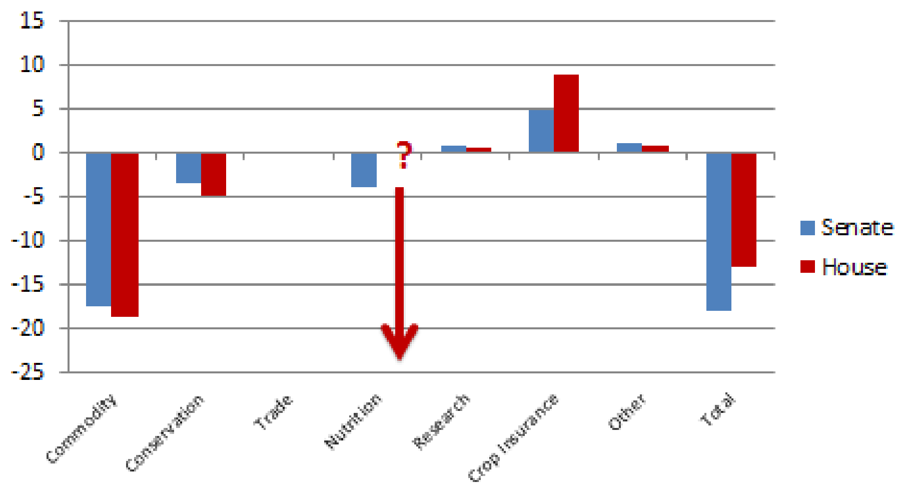
2013 Arkansas Rice Expo - August 2, 2013

Projected Changes in Program Spending by Title for the 2013 Farm Bill FY 2014-2018



Source: CBO Estimates, May17,2013 for S.954; July11,2013 for H.R.2642 against May,2013 Baseline

Projected Changes in Program Spending by Title for the 2013 Farm Bill FY 2014-2023



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Arkansas Representative Panel Farms
Basis to assess alternative commodity payments

Name	ARHR3240	ARWR1400	ARHR3000	ARC7500
Location	Stuttgart	Wynne	Hoxie	McGehee
County	Arkansas	Cross	Lawrence	Desha
Acres - Owned	648	420	1,000	1,200
Acres - Crop Share Lease	1,552	490	1,500	5,985
Acres - Cash Lease	1,040	490	500	315
Total Acres	**3,240**	**1,400**	**3,000**	**7,500**
Rice	1,620	700	1,450	1,875
Long-Grain	1,620	700	1,300	1,875
Medium-Grain	0	0	150	0
Soybeans	1,296	700	1,250	1,625
Cotton	0	0	0	1,500
Corn	0	0	300	1,500
Wheat	324	0	0	1,000

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Probability of Farms Hitting Payment Limits for Alternative Programs

Farm/Program	PLC		RLC		AMP+ARC-C		AMP+ARC-F	
	No.*	Prob.**	No.	Prob.	No.	Prob.	No.	Prob.
Stuttgart	45	9.1%	0	0.0%	127	25.4%	127	25.5%
Wynne	0	0.0%	0	0.0%	23	4.6%	33	6.6%
Hoxie	0	0.0%	0	0.0%	111	22.3%	120	23.9%
McGehee	68	13.6%	0.4	0.1%	161	32.2%	208	41.6%

Assumptions: Each farm has a total of two legal entities.
H.R. 2642 payment limit is $125,000 per entity. PLC (Price loss coverage) and RLC (Revenue loss coverage)
S. 954 payment limit is $50,000 per entity. AMP (Adverse Market Price) and ARC (Agriculture Risk Coverage) -C (county) and -F (farm)
* Average of number of times per 500 iterations per year, 2014-2018 that payment limit is reached.
** Average probability of reaching the payment limit per year, 2014-2018.

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