

FARM BILL UPDATE

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The U.S. Senate passed S. 3240, the Agriculture Reform, Food and Jobs Act of 2012 on a bipartisan 64-35 vote. This was over objections by southern senators who perceived southern commodities as being treated unfairly. The House Committee on Agriculture passed the Federal Agriculture Reform and Risk Management (FAARM) Act of 2012 also on strong bipartisan 35-11 vote. Key differences in the Senate and House proposals are the shallow loss coverage in the Commodity title and funding of the Nutrition title. Reluctance by the House leadership to bring the bill to the floor leaves the farm bill process in limbo. As the current 2008 legislation expires on September 30, a one-year extension appears increasingly likely. A further complication is that U.S. agriculture has been hit by one of the worst droughts and highest temperature growing seasons in years. Many of the disaster assistance provisions in the previous farm bill expired September 2011. So attention has turned to disaster assistance, putting the 5-year farm bill proposals on hold.

This update provides a brief summary of the Senate and House versions of the 2012 Farm Bill. It also summarizes the expected payment results for Arkansas producers of the safety net programs contained in the proposed legislations. Five Arkansas representative panel farms provide the framework for the analyses: Stuttgart (Arkansas County), Wynne (Cross County), Leachville (Mississippi County), Hoxie (Lawrence County), and McGehee (Desha County).

Agriculture Reform, Food, and Jobs Act of 2012 (S. 3240)

- **Title I: Commodities**
 - Agriculture Risk Coverage (ARC)
 - Loan-Deficiency Payments (LDPs)
- **Title XI: Crop Insurance**
 - Supplemental Coverage Option (SCO)
 - Stacked Income Protection Plan for Producers of Upland Cotton (STAX)

The following programs are repealed: direct payments (DPs), counter-cyclical payments (CCPs), and Average Crop Revenue Election (ACRE). The ARC program replaces ACRE and is made available for producers of crops such as rice, corn, wheat, soybeans, and grain sorghum (cotton is ineligible). In addition, they may elect to participate in SCO, a premium-based program that is intended to supplement an individual producer's crop insurance policy, but they are ineligible for STAX participation (also a premium-based program). The STAX program is made available exclusively for upland cotton producers and cotton producers participating in STAX however cannot participate in the SCO.

Federal Agriculture Reform and Risk Management (FARRM) Act of 2012 (H. R. 6083)

- **Title I: Commodities**
 - Price Loss Coverage (PLC)
 - Revenue Loss Coverage (RLC)
 - Loan-Deficiency Payments (LDPs)
- **Title XI: Crop Insurance**
 - Supplemental Coverage Option (SCO)
 - Stacked Income Protection Plan for Producers of Upland Cotton (STAX)

The following programs are repealed: DPs, CCPs, and ACRE. Producers (except for cotton) in 2013 may make a one-time irrevocable decision choice for each crop between PLC and RLC. In addition, only PLC participants may also elect to participate in SCO (RLC participants are ineligible). SCO is a premium-based program that is intended to supplement an individual producer's crop insurance policy. Cotton producers can participate in STAX but cannot participate in PLC and RLC. Finally, cotton producers participating in STAX cannot participate in the SCO.

Table 1: Agriculture Reform, Food, and Jobs Act of 2012 – Economic Analyses Results Summary*

	Stuttgart			Wynne			Leachville		Hoxie				McGehee							
Coverage	LRICE	ISOY	WHEAT	LRICE	ISOY	DSOY	ICOT	DCOT	MRICE	ISOY	DSOY	LRICE	CORN	LRICE	FSSOY	DCSOY	CORN	WHEAT	ICOT	
	<i>Annual Average (2013-2017) ARC Payments Per Planted Acre (in U.S. \$)</i>																			
Individual	18	4	6	19	4	7	na	na	15	7	5	16	14	19	5	5	16	6	na	
County	21	5	8	22	5	7	na	na	16	3	5	18	16	21	7	6	18	6	na	
Participation	Supplemental Coverage Option (SCO)																			
	<i>Annual Average (2013-2017) Indemnity Payments Per Planted Acre (in U.S. \$)</i>																			
ARC	0	11	8	1	14	12	na	na	1	15	9	1	5	1	16	11	4	8	na	
Non-ARC	8	36	23	10	44	33	na	na	9	45	23	9	21	10	49	34	20	23	na	
Revenue	Stacked Income Protection Plan for Producers of Upland Cotton (STAX)																			
	<i>Annual Average (2013-2017) Indemnity Payments Per Planted Acre (in U.S. \$)</i>																			
90%	na	na	na	na	na	na	99	76	na	na	na	na	na	na	na	na	na	na	98	

Table 2: Federal Agriculture Reform and Risk Management (FARRM) Act of 2012 – Economic Analyses Results Summary*

	Stuttgart			Wynne			Leachville		Hoxie				McGehee							
Program	LRICE	ISOY	WHEAT	LRICE	ISOY	DSOY	ICOT	DCOT	MRICE	ISOY	DSOY	LRICE	CORN	LRICE	FSSOY	DCSOY	CORN	WHEAT	ICOT	
	<i>Average Annual PLC Payments per Planted Acre (in U.S. \$)</i>																			
PLC	89	0	9	111	0	0	na	na	1	0	0	97	4	82	0	0	4	8	na	
RLC	26	3	7	26	3	6	na	na	11	2	5	22	13	25	4	4	15	5	na	
Participation	Supplemental Coverage Option (SCO)																			
	<i>Annual Average (2013-2017) Indemnity Payments Per Planted Acre (in U.S. \$)</i>																			
Non-RLC	8	36	23	10	44	33	na	na	9	45	23	9	21	10	49	34	20	23	na	
Revenue	Stacked Income Protection Plan for Producers of Upland Cotton (STAX)																			
	<i>Annual Average (2013-2017) Indemnity Payments Per Planted Acre (in U.S. \$)</i>																			
90%	na	na	na	na	na	na	99	76	na	na	na	na	na	na	na	na	na	na	98	

*Notes: In individual (county) ARC participation, payments are received on 65% (80%) of the planted eligible acres for the covered commodity. In SCO, we assume producer participation in a revenue protection individual crop insurance policy with a 70% coverage level. The SCO coverage level is 79% for ARC participants, and 90% for non-ARC and non-RLC participants. In STAX, a protection factor of 120% is assumed. For all premium-based programs, premiums are not considered in the analysis. As a result, only gross indemnity payments are reported. LRICE, ISOY, WHEAT, DSOY, ICOT, DCOT, MRICE, CORN, FSSOY, and DCSOY stand for long-grain rice, irrigated soybeans, wheat, dryland soybeans, irrigated cotton, dryland cotton, medium-grain rice, corn, full-season soybeans, and double-crop soybeans, respectively.