BROWN-THUNE-DURBIN-LUGAR
AGGREGATE RISK AND REVENUE MANAGEMENT (ARRM) PROGRAM

Overview:

The 2008 Farm Bill created a new, optional revenue protection program, the Average Crop Revenue Election Program (ACRE). With volatile prices and rising input costs, many producers determined that a revenue-oriented program like ACRE would be a better tool for managing that risk than the traditional suite of farm programs.

The bipartisan **Aggregate Risk and Revenue Management (ARRM)** program builds on the concept of the Average Crop Revenue Election program and makes it more responsive by determining losses more locally than at current state levels, reduces overlap with crop insurance, and simplifies the application and administrative processes, while saving billions of taxpayer dollars.

ARRM would take the place of fixed price-support programs (other than the marketing loan programs), by providing a revenue protection program more reflective of changes in market and yield trends. While this new program would provide critical revenue protection when needed, participants would rely on current private revenue insurance to manage greater losses that occur on their individual farms.

Background:

Through numerous discussions on farm policy and in roundtables in Midwestern states farmers have overwhelming expressed the following:

- With national focus on fiscal restraint, current federal farm policy should be reviewed to focus federal support where it is most needed.
- Direct payments and other farm programs should be consolidated and replaced with a defensible revenue protection program that is based on actual planted acres.
- Risk management is priority and challenge number one.
- SURE and ACRE are criticized for their complexity, time lag in determining payment eligibility, and restrictive landowner signature requirement for ACRE

The Problem:

- 2008 Farm Bill programs include a permanent disaster program, SURE, and counter-cyclical payments, which are paid when covered commodity prices reach certain low levels.
- Counter-cyclical payments have been issued for a limited number of crops since the 2008 Farm Bill was passed because prices did not reach low enough levels to trigger them.
- **SURE** is considered the most complicated of all programs USDA/FSA has ever administered and payments are issued a year or more after a loss occurs.

Participation levels in the 2008 Farm Bill's ACRE program are very low for several reasons:

- All operators and landowners on each participating farm are required to sign the contract.
- If a farm is enrolled in ACRE that farm is required to be enrolled each successive year through 2012 – once enrolled in ACRE, always enrolled
- Farms enrolled in ACRE are required to give up 20 percent of direct payments and have market assistance loan rates reduced by 30 percent.
- ACRE payments are not issued until approximately a year after harvest.

Summary of the Aggregate Risk and Revenue Management (ARRM) Program

- Consolidates several current 2008 Farm Bill programs into the Aggregate Risk and Revenue Management (ARRM) Program
- Eliminates/replaces direct payments
- Eliminates/replaces counter-cyclical payments
- Eliminates/replaces SURE for Commodity Title Crops
- Utilizes readily-available data to simplify program administration and the application process making it much easier for participants to understand and for USDA to administer
- ***Saves $19.810 billion over 10 years compared to reauthorizing current farm programs (CBO)***

  Note: This program would also potentially save several billion dollars in SURE payments for covered crops over ten years, if SURE would be reauthorized; however, because SURE has no baseline these savings cannot be included in the CBO score.

Why would a farmer choose to participate in ARRM?

- **Better protection for farmers by targeting revenue rather than price.** ARRM helps repair a hole in the traditional farm safety net, which can leave farmers with inadequate risk protection in years when prices are high, but yields are low and revenue is down.

- **More adaptive to market conditions than current farm programs**. Several current farm programs are based on outdated price and historical production data that do not accurately reflect current production and market conditions. ARRM uses actual planted acres, a rolling average of revenue, recent market prices and up to date yields to set its guarantee. Farmers get better protection because ARRM assistance reflects current market conditions and production.

- **Reflects actual planted acres**. Crop rotations, technology and commodity prices change. Several current farm programs are static and rooted in historical data and set prices. ARRM relies on up to date planting history and price data so the risk protection ARRM provides is more accurate and meets a producer's current risk management needs.

How Does ARRM Build and Improve on the Current ACRE Program?

- ***Less Complicated***
  - Less restrictive signature requirements
  - Relies on existing data FSA and RMA already share whenever possible
  - Calculations based on planted acres instead of base acres
- ***More Responsive:***
  - Initial eligibility trigger uses Crop Reporting Districts rather than the entire state
  - Uses RMA harvest price so payment amounts are determined more promptly
- ***Fiscally Responsible***
  - Saves $19.810 billion over 10 years compared to reauthorizing current farm programs
  - Eliminates the direct and counter-cyclical payment programs
  - Eliminates/replaces SURE for Commodity Title crops
  - Reduces chance of overlap with crop insurance
  - Payments are limited to 15 percent of the program guarantee

What are the Differences between ACRE and ARRM?

	2008 Farm Bill ACRE	ARRM
Eligible Crops	Covered Commodities	No Change
Enrollment Period	One time election stays in place for duration of farm bill	Annual election, Can opt in or out each year
Impact on Other Farm Payments	Direct Payments reduced by 20 percent. Marketing Assistance Loan rate reduced by 30 percent	Eliminates direct and counter-cyclical payments. SURE is not reauthorized for ARRM eligible crops and the 2008 Farm Bill ACRE is folded into ARRM.
Eligible Acres/Acreage Cap	Capped by Base acres on farm	Planted acres – not capped by base acres
Eligibility Triggers	State Level and Farm Level	NASS Crop Reporting Districts and Farm Level
Guarantee	90 percent of the 5-year Olympic average of Revenue	90 percent of the Olympic average of preceding five years of revenue. For each year, product of (CRD yield) x (harvest price or alternative price)
Prices Used to Calculate Guarantee	Season Average Prices (Marketing Year Average Prices)	RMA Harvest price (Alternative for crops without is first five months of marketing year)
Signatures Required	All landowner and operators	Operator
Guarantee Cup/Cap	Cannot change by more than 10 percent from previous year's guarantee	Revenue guarantee cannot move up or down by more than 10 percent in successive years
Planting Flexibility	Fruit and Vegetable (FAV) Restrictions (payment amounts are reduced if FAVs are planted on base acres)	Full flexibility – no fruit and vegetable restrictions (no ARRM payment for ineligible crops)