



Managing Risk With a Consolidated Safety Net for Growers

Introduction

Since the first farm bill in 1938, Congress has provided critical assistance to protect farm income from adverse weather conditions, crop diseases and volatile commodity markets. In light of the pressing need for our federal government to reduce our budget deficits, NCGA supports the effort to get our nation’s budget under control, but in a manner that is equitable and proportional to those being borne by other federal activities.

Responding to calls for more market-oriented, predictable farm support, NCGA has long advocated for a revenue-based risk management tool that adjusts with market prices and crop yields. Adoption of the Average Crop Revenue Election (ACRE) Program in the 2008 farm bill represented a fundamental reform in U.S. farm policy. Today, more than 137,900 farms are participating in ACRE, which accounts for 13 percent of the nation’s total base acres enrolled in USDA commodity programs.

NCGA has worked to identify needed program refinements, including simplification of enrollment, streamlining administrative procedures as well as elimination of overlapping coverage with disaster assistance and federal crop insurance.

A Consolidated Farm Safety Net Framework

Cause of Loss		
	<i>Idiosyncratic (Farm-Specific)</i>	<i>Systemic (Large-Scale)</i>
Size of Loss Small Shallow Deep	Deductible	
	Insurance Wrap-Around Product	Multi-Year and Area Systemic Loss Program
	Crop Insurance	

Our Proposal for the 2012 Farm Bill

In response to membership desire to create an even more effective revenue based farm program, NCGA's Public Policy Action Team launched an in-depth, comprehensive evaluation of revenue based concepts that might more efficiently address gaps in protection that cannot be addressed by federal crop insurance alone.

This process has been guided by the delegates' charge at the March 2011 Corn Congress, in accordance with two additions to the NCGA Policy Book, under Risk Management:

- "NCGA should investigate transitioning direct payments into programs that allow producers the ability to manage risk while assuring food security."
- "We believe a safety net is defined as a combination of risk management tools available to producers that have the ability to protect against revenue losses due to circumstances beyond their control."

Mindful of further cuts to commodity program funding and the positive reforms achieved with the introduction of ACRE in the 2008 Farm Bill, NCGA is proposing a new program that builds on ACRE's existing structure, the Agriculture Disaster Assistance Program (ADAP). In doing so, the program is designed to address the need for simplification and elimination of overlapping coverage with individual federal crop insurance.

Comparing ACRE and ADAP

Program Parameter	ACRE	ADAP
Crop specific	Yes	Yes
Benchmark (guarantee) based on ...		
<i>Years</i>	2-year average price and 5-year Olympic average yield	5-year revenue
<i>Area</i>	State trigger	Crop Reporting District trigger
<i>Price</i>	Season average cash price	Crop insurance harvest price
Revenue coverage level	90%	95%
Maximum payment	25%	10%
Movement up/down limit	110% / 90%	None
Payment acres	Planted, up to farm's base acres	Planted
Payment adjusted to farm	Yes, by farm to state yield ratio	Yes, by farm-to-state CRD ratio
Farm must have a loss	Yes, relative to farm benchmark	Yes, relative to farm benchmark

The Farm Bill and the National Debt

NCGA and its allied commodity organizations urge a timely resolution to the ongoing national debt crisis. A long-term, comprehensive solution that reduces federal deficits must be found to help ensure our nation's fiscal integrity and economic strength. Such an agreement will also establish budget certainty for all federal policies, including upcoming farm bill negotiations.

Agriculture is prepared to take a proportionate and equitable share of budget cuts provided everything is on the table. The U.S. Department of Agriculture's budget has already sustained large budget cuts, including most recently \$6 billion from the federal crop insurance program through the new Standard Reinsurance Agreement (RSA).

Sufficient resources are needed to ensure the continued production of food, fiber, feed and fuel, which is the lifeblood of the rural economy. In this time of economic uncertainty and weather-related disasters, the farm bill provides safeguards for farmers and ranchers to consistently provide a safe and stable food supply.

Any decision to reduce agriculture spending must allow the Senate and House Agriculture Committees to determine how the reductions are made. These committees have the expertise to best evaluate specific programs and to include any changes in the 2012 farm bill in a manner that does not disrupt long-term commitments reflected in current farm legislation.

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