

Comparison of 2013 House, 2013 Senate, and 2014 Farm Bill Shallow Loss Programs - Feb. 2014



	Commodity Title Programs			Crop Insurance Title Programs					
	ARC	RLC	ARC	Supplemental Coverage Option (SCO)			Stacked Income Protection Plan (STAX)		
	2013 Senate	2013 House	2014 Farm Bill	2013 Senate	2013 House	2014 Farm Bill	2013 Senate	2013 House	2014 Farm Bill
Participation requirements	None**	Can participate in RLC or SCO**	Can participate in ARC or SCO but not both	None**	Can participate in either RLC or SCO*	Can participate in ARC or SCO	STAX only available for upland cotton**	Same	Same
Guarantees what percentage of anticipated revenue?	Between 78% and 88%	Between 75% and 85%	Between 76% and 86%	Between the level of crop insurance coverage selected by the producer and 78% if participating in ARC or else 90%	Between the level of crop insurance coverage selected by the producer and 90%	Between the level of crop insurance coverage selected by the producer and 86%	Between 70% and 90%	Same	Same
Fully taxpayer subsidized?	Yes	Yes	Yes	Nearly, taxpayers pay 65% of premiums	Same	Same	Nearly, taxpayers pay 80% of premiums	Same	Same
Subject to payment limitations or income tests?	Yes, \$50,000; individuals are ineligible if AGI >\$750,000*	Yes, \$125,000 for RLC & PLC payments; individuals are ineligible if AGI >\$950,000*	Yes, included in \$125,000 overall commodity title payment limit; individuals are ineligible if AGI >\$900,000*	No payment limitation; for individual producers with AGI >\$750,000, subsidy rates reduced by 15%*	No	No	No payment limitation but subsidy rates reduced by 15% for producers with AGI >\$750,000	No	No
Public disclosure?	Yes	Yes	Yes	No	No	No	No	No	No
Conserve land in exchange for subsidies?	Yes	Yes	Yes	Yes	No	Yes	Yes	No	Yes
Projected 10-year cost**** (CBO)	\$23.8 billion	\$23.4 billion	\$14.11 billion	\$2.25 billion	\$3.85 billion	\$1.72 billion	\$3.7 billion	\$3.7 billion	\$3.29 billion

Notes:

* ARC = Agriculture Risk Coverage, RLC = Revenue Loss Coverage, and AGI = adjusted gross income. Peanuts are eligible for separate payment limit in 2013 House bill and final 2014 farm bill.

** ARC subsidies will be available to growers of wheat, corn, sorghum, barley, oats, rice, pulse crops (chickpeas, dry peas, lentils), soybeans, other oilseeds (sunflowers, safflower, rapeseed, others), and peanuts. The manager's report accompanying the final 2014 farm bill urged the U.S. Department of Agriculture to add popcorn as an eligible crop as well. SCO participants will be determined by USDA's Risk Management Agency, but most subsidies will flow to the most produced crops of corn, soybeans, and wheat. STAX is only available for upland cotton.

*** The final 2014 farm bill allows SCO coverage between the level of crop insurance coverage selected by the producer and 86%. For instance, if a producer selected crop insurance covering 75% of his or her revenue and enrolled in SCO's individual farm coverage policy, then if revenue dropped just 14% below an expected level, a taxpayer-subsidized payout would be made.

**** Cost estimates for new shallow loss programs are only provided for eight years instead of the typical ten years since subsidies would not be paid out until after Fiscal Year 2016 starts (at the beginning of Oct. 2015); however, if the programs continue through all 10 years in the baseline, the programs could incur obligations in each of those ten years. Therefore, the cost estimates listed below do not even include the full cost of the shallow loss programs that will exist during the FY14-23 timeframe since obligations incurred in later years would be made outside of this ten-year window. The Congressional Budget Office (CBO) eight-year cost estimate of ARC in the 2013 Senate bill was \$23.8 billion. Adding in the expected eight-year cost of Adverse Market Payments (AMP), or government-set target prices brings the cost of these two subsidy programs to \$26.8 billion. However, this estimate fails to include the FY2014-15 costs of these programs to presumably reduce the overall farm bill cost. If the full ten-year costs are factored in, these programs would cost taxpayers \$33.5 billion. The CBO eight-year cost estimate of RLC (\$23.4 billion) in the 2013 House bill also included the cost of Price Loss Coverage (PLC) subsidies, or government-set target prices; however, similar to the Senate CBO score, the total cost estimate does not include the FY2014-15 costs of these programs to presumably reduce the overall farm bill cost. The annual cost of RLC/PLC is approximately \$3 billion so including this estimate for FY2014-15 brings the 10-year cost estimate to \$29.5 billion. Producers can participate in either PLC or RLC, but not both. Producers selecting PLC can also enroll in SCO. The final CBO eight-year cost estimate of ARC in the 2014 farm bill is \$14.108 billion, but combined with the cost of the Price Loss Coverage (PLC) target price program, the eight-year cost to taxpayers is \$27.232 billion, which is significantly higher than comparable costs of these programs in either the 2013 House or Senate farm bill.

References (cost estimates are from the Congressional Budget Office):

1. http://cbo.gov/sites/default/files/cbofiles/attachments/hr1947_LucasLtr.pdf
2. http://cbo.gov/sites/default/files/cbofiles/attachments/s954_StabenowLtr_o.pdf
3. <http://cbo.gov/sites/default/files/cbofiles/attachments/hr2642LucasLtr.pdf>
3. S. 954
4. H.R. 1947
5. H.R. 2642