PolicyPennings by Daryll E. Ray & Harwood D. Schaffer

# American Soybean Association pitches its farm program proposal into the 2012 FB ring

In recent weeks we have reviewed farm bill proposals from the National Farmers Union, the American Farm Bureau Federation, the National Corn Growers, and a congressional initiative led by Senator Richard Lugar and Rep. Marlin Stutzman. This week we focus our policy examination on a proposal by the American Soybean Association (ASA) http://www.soygrowers.com/policy/ASA-RMAF.pdf.

In making their proposal, the ASA makes the point that "soybeans are grown by farmers over a broad area in the U.S. and in rotation with every other program crop." As a result it asserts that "this gives ASA a unique perspective as [it] considers changes in current farm programs that will impact all program crops."

Critiquing the current set of policies the ASA writes, "currently, marketing loan rates and target prices are too low to provide effective price and income support. The ACRE program has too many disincentives to participation. The SURE disaster program has not made timely payments and is expiring, and there is concern about how to protect against shallow losses. Direct Payments are increasingly difficult to defend as farm prices remain at historically high levels."

To overcome these problems, the ASA proposes a program it calls Risk Management for American Farmers (RMAF), which "provides meaningful protection against shallow revenue losses for producers of all program crops in all regions, and that complements the federal crop insurance program."

In the RMAF, the ASA makes a distinction between irrigated and non-irrigated crops. For non-irrigated crops ASA proposes a revenue guarantee against losses between 90 and 75 percent of the producer's revenue benchmark, thus requiring a 10 percent loss before the program provides a percentage compensation to producers. Crop insurance provides protection against revenue losses greater than 25 percent.

"For irrigated commodities," the RMAF would "provide a revenue guarantee against losses below 95 percent of the producer's revenue benchmark down to 80 percent of the revenue benchmark (a 5 percent revenue loss is required before the program is applicable)."

The ASA calculates the revenue benchmark for each commodity based on the higher of three calculations—"the producer's APH (Actual Production History) yield, the producer's five-year Olympic average APH yield, or 80 percent of the county yield"—times the five-year Olympic average (leave out the high and low values and average the remaining three) of National Agricultural Statistical Service (NASS) season average prices received by farmers.

To calculate a producer's actual revenue for a commodity, the RMAF multiplies the producer's "actual yield times the national average price received by farmers for the commodity during the first four months of the marketing year, plus net crop insurance indemnities received."

The farm program payment for each commodity under RMAF would be 85 percent of the difference between the producer's revenue benchmark and the producer's actual revenue. The "Payments are based on a producer's revenue for each commodity and on actual planted and prevented planted acres."

To fund this proposal the ASA would eliminate Direct Payments, Counter-Cyclical Payments, the ACRE (Average Crop Revenue Election) program, and the SURE (Supplemental Revenue Assistance) program. If the elimination of these programs is insufficient to fund RMAF, the ASA would support a reduction in the payment level to a lesser percentage than the proposed 85 percent.

To meet any deficit reduction that would be imposed on the farm bill, the ASA would allocate 50 percent to commodity programs and 50 percent to conservation programs, leaving crop insurance untouched, as ASA regards crop insurance as "the foundation of the farm income safety net for producers of soybeans and most other commodities."

With regard to conservation programs "reductions would come from proportionate reductions in baselines for the Conservation Reserve Program (CRP)," the Conservation Stewardship Program, and the Environmental Quality Incentive Program. The ASA would make any reduction in the CRP by reducing the acreage cap.

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