Revenue-Based Income
Safety Nets

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Current Farm Support

• Either fixed (direct payments) or price-based (counter-cyclical and marketing loan)

• Critics point out 3 major issues:
  – Marketing loan program’s WTO standing
  – Continuing need for disaster assistance
  – Potential for overcompensation
Revenue-based Farm Support

- Has the potential to address all 3 concerns

- Basic structure:
  
  \[
  \text{Payment} = \max(0, \text{Target Revenue} - \text{Actual Revenue})
  \]

- Payments could be triggered by low prices or low yields
Revenue-based Issues

• Complexity comes from defining revenues
  – Yields (farm, county, state, or national?)
  – Prices (government-based or market-based?)

• Complexity comes from defining acreage
  – Planted acres versus base acres

• Complexity comes from interaction with other farm programs
  – Crop insurance
Cost Changes with Area

Program Cost

National  State  CRD  County
Cost Changes with Coverage Level

Program Cost

75% 80% 85% 90% 95% 100%

County National

CARD
Cost Changes with Price Level

Target Revenue = $2.35/bu * 150 bu/ac
Target Revenue = $3.50/bu * 150 bu/ac
Gaining Some Support

• National Corn Growers Association

• American Farmland Trust

• The current Administration farm bill proposal

  – But each has their own version of revenue-based support