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

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Revenue-based Farm Support

- Has the potential to address all 3 concerns

- Basic structure:

  Payment =

  $$\text{Max}(0, \text{Target Revenue} - \text{Actual Revenue})$$

- Payments could be triggered by low prices or low yields

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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

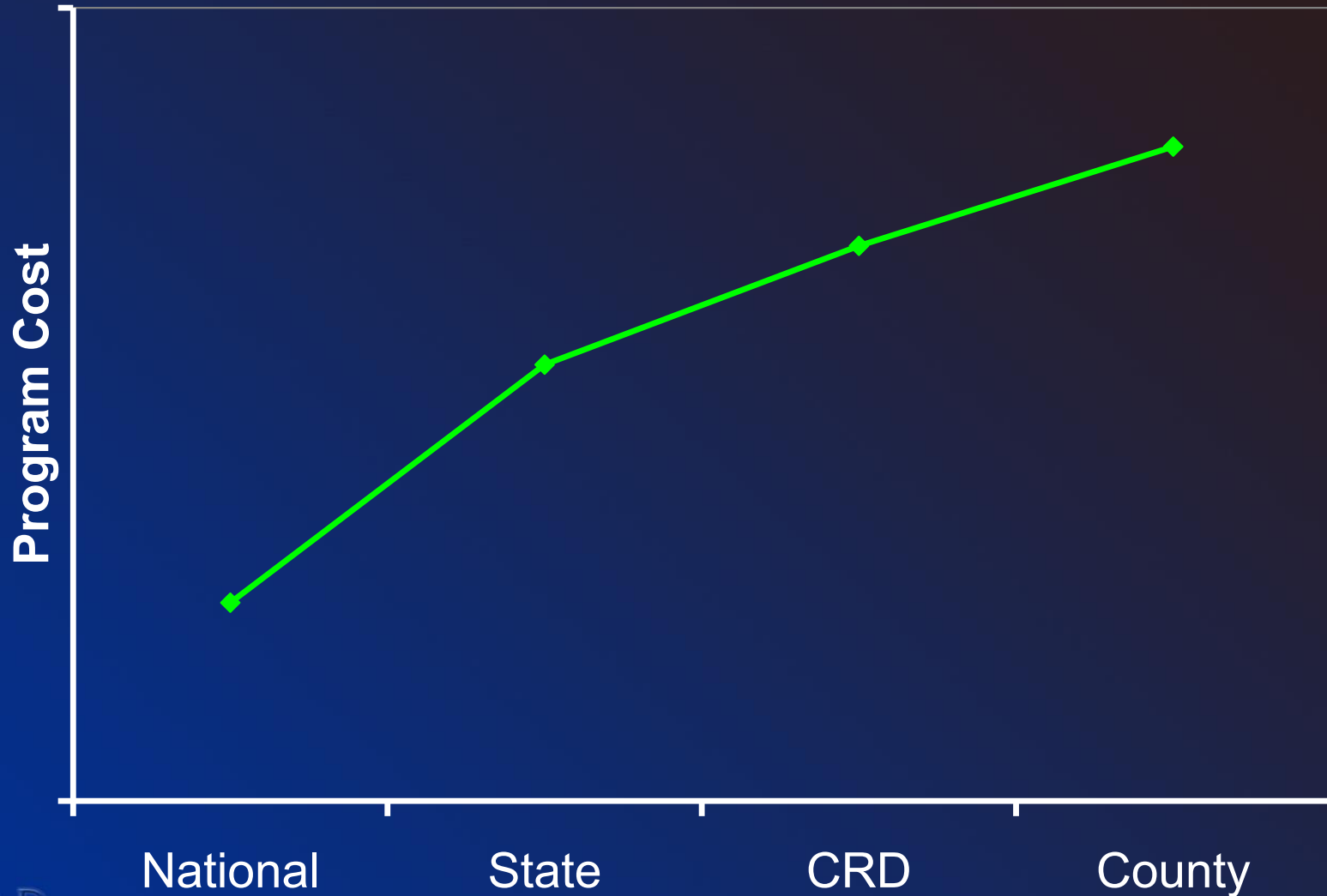- Complexity comes from interaction with other farm programs
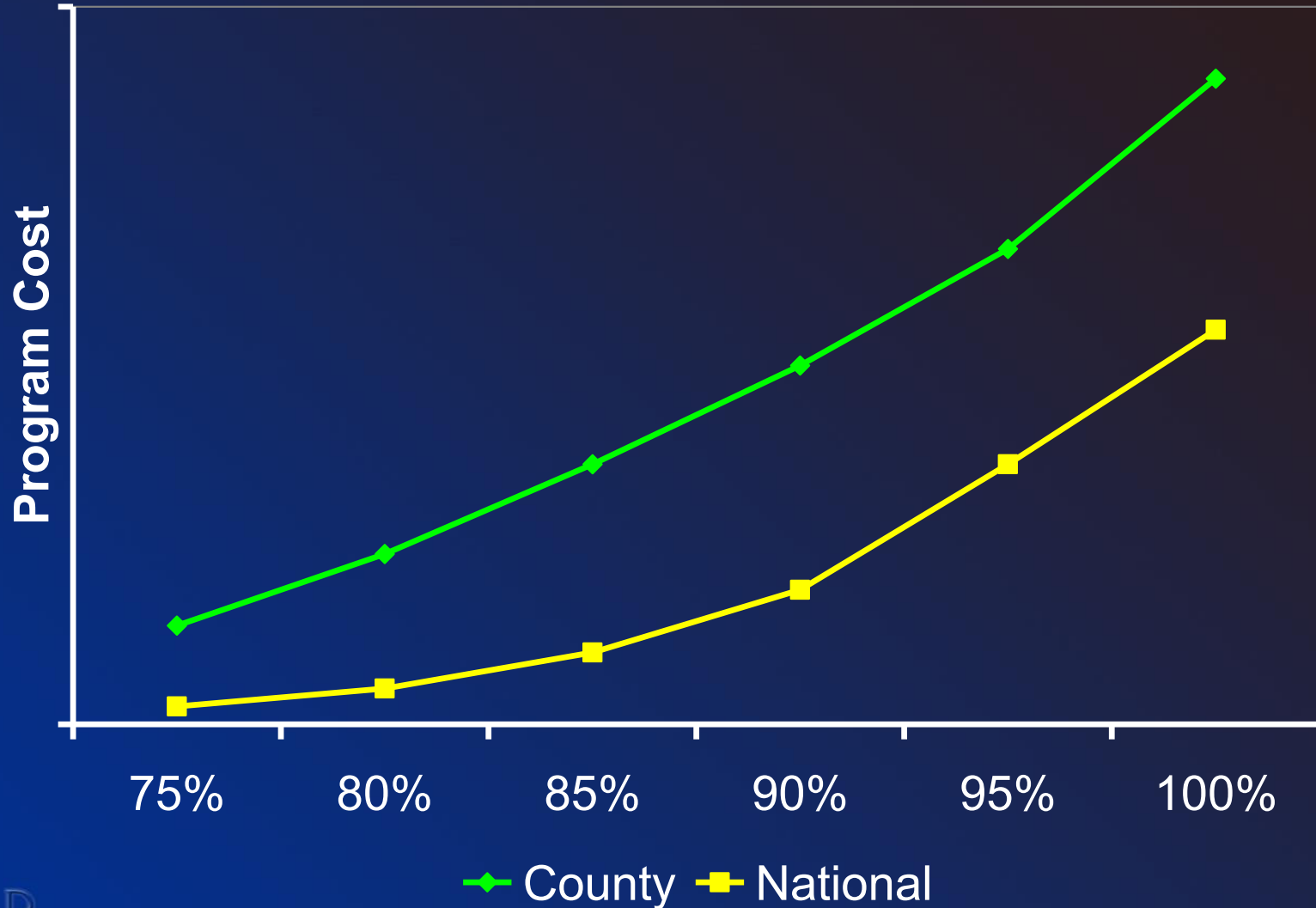 - Crop insurance

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Different Payment Triggers

Cost Changes with Area
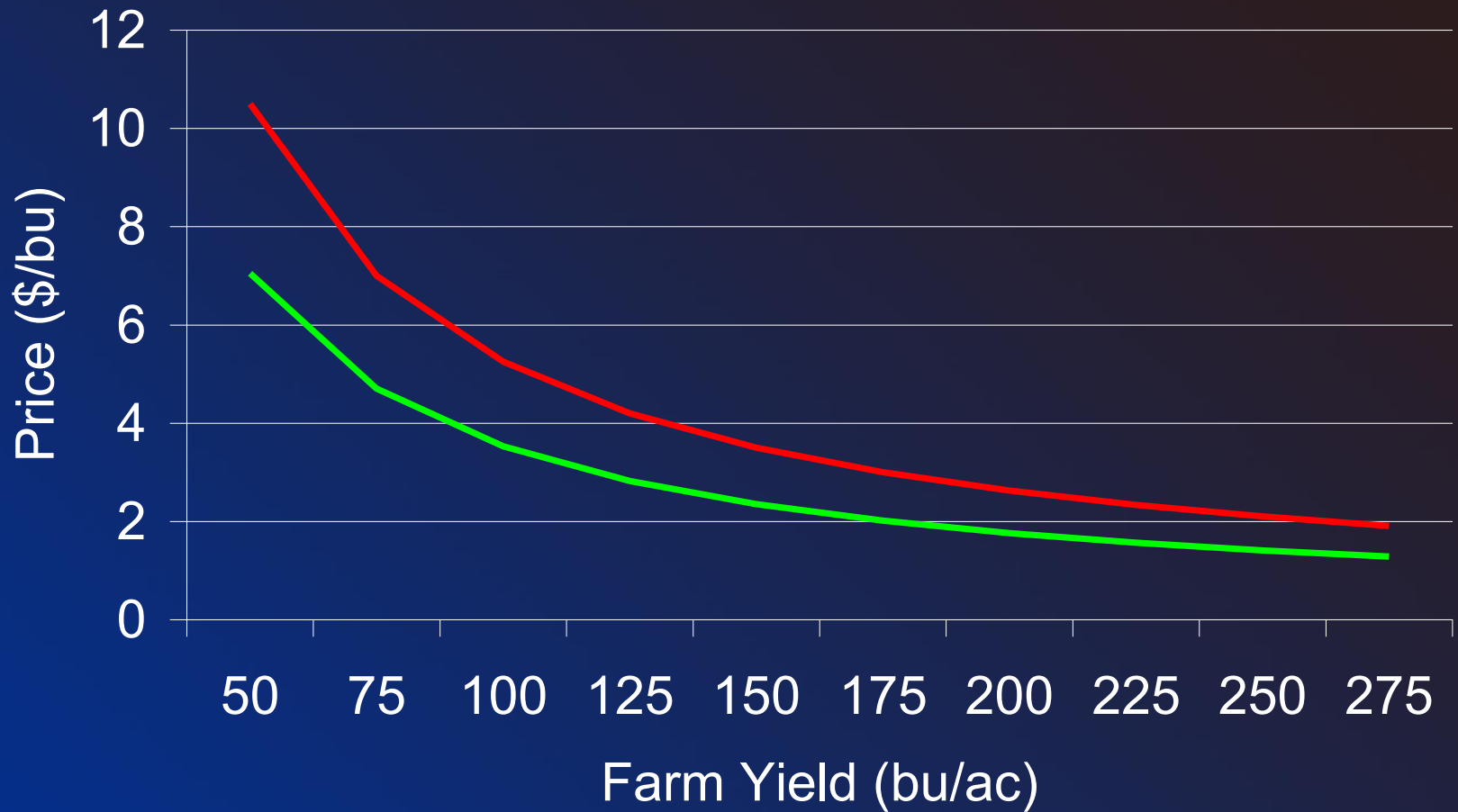
Cost Changes with Coverage Level

Cost Changes with Price Level

Farm Yield (bu/ac)

Price ($/bu)

— 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

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