



Average Crop Revenue Program Is Real Reform in Commodity Policy

The need for reform in U.S. agriculture policy is well documented and widely supported among the public. There is general agreement that reform is needed to reduce payments to wealthy farmers and landowners, lessen trade and market distortions, and redistribute payments to fund nutrition, conservation and renewable energy.

In discussions over reform of commodity policy in the press as well as on Capitol Hill, proposals focus on three elements:

- Payments limits like the Grassley-Dorgan bill ;
- Cuts in direct payments to fund critical priorities; and
- Linking support to market indicators like the Durbin-Brown bill.

Senators need to support all three types of reform and not allow the debate to be defined as only payments limits or only cuts to direct payments. Changing how subsidy programs operate is critical to achieving real reform that has long term impact.

The real fundamental reform in U.S. commodity programs is a safety net that protects farmers against unexpected losses in revenue based on actual market conditions. Most people agree that farmers need a strong safety net given their dependence on weather and market prices that they can do little to control. However, a true safety net would pay farmers only when they need it—when they face a real loss in their revenue. Existing policies that pay farmers based on historical production or when prices fall below artificial targets set by Congress don't always do that and, as a result, they distort production decisions, markets and trade.

The new Average Crop Revenue (ACR) program represents real reform in commodity policy. It incorporates two of the three elements of reform: market orientation and cuts in direct payments. It is an innovative, forward looking proposal that fundamentally changes the way commodity subsidies operate.

The ACR program is an optional program based on the Farm Safety Net Improvement Act of 2007 (S. 1872) offered by Senators Durbin (D-IL) and Brown (D-OH). For those who choose to participate in the ACR program, it **provides better protection, less distortion and frees up funding for other important priorities.** The ACR program fundamentally reforms the way subsidy programs operate. Its benefits include:

- **Better protection** for farmers by protecting revenue (price x yield) rather than merely price as the current system does;
- **Less market and production distortions** by using a revenue target that adjusts with the market rather than politically set target prices and loan rates;
- **Treatment of crops equitably** by linking support to market indicators based on the same formula for all crops; and
- **Generating savings** that are directed to critical priorities including conservation, renewable energy, nutrition, and specialty crops.

ACR is a policy designed for the future. It works in good times and bad times. It gives farmers a choice between a new way and existing programs that have holes in them. The Senate should reform commodity policies and give farmers a choice. It is a small step for farmers but a giant leap forward for U.S. farm policy.