THE SUPPLEMENTAL REVENUE ASSISTANCE PROGRAM: HISTORY AND OVERVIEW

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THE SURE PROGRAM: A BRIEF HISTORY OF DISASTER ASSISTANCE PROGRAMS

- “Disaster assistance” was provided for agriculture in 19 of 21 years from FY 1989 to FY 2009 with total budget cost of $22.3 billion
- 18 of the 21 years were in response to some form of crop loss emergency
- Passed as “supplemental bills” – not farm bills
- Issue: After 21 years, can such programs be considered unexpected emergencies?

THE 2008 FARM BILL: FUNDING FOR AGRICULTURAL DISASTER ASSISTANCE

- 2008 farm bill created the Agricultural Disaster Relief (ADR) Trust Fund
  - Reserves 3.08 percent of receipts collected on imports under the U.S. Harmonized Tariff Schedule
  - Funds the Supplemental Agricultural Disaster Assistance (SADA) program
- SADA includes five disaster assistance programs
  - Supplemental Revenue Program (SURE)
  - Livestock Indemnity Program
  - Livestock Forage Disaster Program
  - Emergency Assistance Program for Livestock, Honey Bees, and Farm-Raised Fish
  - Orchard and Nursery Tree Assistance Program

SURE IN A BROADER CONTEXT: A SHIFT IN PROGRAM PHILOSOPHY?

- Risk management: (1) the identification, assessment, and prioritization of risks and (2) the coordinated and economical use of resources to minimize and control the impact of uncertain events
- Systemic risk: Market risk associated with events beyond the control of an individual producer
  - China reduces soybean imports
  - Widespread drought affects U.S. corn yield
- Idiosyncratic risk: Production risk associated with events affecting an individual producer
  - Localized/individual production shortfalls

SURE IN A BROADER CONTEXT: A SHIFT IN PROGRAM PHILOSOPHY?

- DCP programs: manage systemic risk of chronic low market prices over an extended period of years
- Crop Insurance (CI, NAP): manage farm specific crop production risk that occurs between planting and harvest
- SURE: manage whole farm losses due to adverse weather and associated with the deductible part of crop insurance
- ACRE: manage systemic risk of decline in revenue (price times yield) over a short period of years
THE SURE PROGRAM: BASIC PROGRAM

**PROVISIONS**

- For a producer to be eligible for SURE payments:
  - all of the farming operation’s crops (planted or intended planted) that are of economic significance must be covered by either federal Crop Insurance (CI) or Noninsurable Crop Disaster Assistance Program (NAP) coverage
  - CI or NAP coverage must be obtained for other crops for which CI or NAP is available, such as nursery, honey, aquaculture, and floriculture
  - But statute does not require coverage for grazed crops

- A “farm” refers to all acreage in all counties that is planted or intended to be planted to crops that are for sale by the producer, and all hay crops

- SURE payments are available to producers on farms that:
  - suffer at least a 10% eligible production loss on at least one crop of economic significance
  - are located in a county covered by a qualifying natural disaster declaration (USDA Secretarial Declarations only) or a contiguous county

- the actual production is less than 50% of the normal production

- Producers with qualifying losses are eligible to receive 60% of the difference between the SURE Disaster Program Guarantee and the actual Farm Revenue

- Producers or legal entities whose average adjusted gross income exceeds $2.5 million shall not be eligible for benefit payments unless 75% or more of the income is from agriculture

- For 2009 and subsequent years, the average adjusted gross income cap changes to $500,000 of non-farm income, with no cap for on-farm income

- Individual producers are limited to combined payments of no more than $100,000 from the SURE, LFP, LIP and ELAP Programs in a crop year

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**SUMMARY AND OVERVIEW:**

**THINKING ABOUT RISK MANAGEMENT**

- Risk management: (1) the identification, assessment, and prioritization of risks and (2) the coordinated and economical use of resources to minimize and control the impact of uncertain events

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THINKING ABOUT RISK MANAGEMENT
- Risk management: (1) the identification, assessment, and prioritization of risks
  - Systemic risk: Market risk associated with events beyond the control of an individual producer
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- Risk management in agriculture must include four combinations of price/yield and systemic/idiosyncratic risk (SPR, SYR, IPR, IYR)

SUMMARY AND OVERVIEW:
THINKING ABOUT RISK MANAGEMENT
- Risk management: (2) the coordinated and economical use of resources to minimize and control the impact of uncertain events
  - DCP programs: manage systemic risk of chronic low market prices over an extended period of years
  - Crop Insurance (CI, NAP): manage farm specific crop production risk that occurs between planting and harvest
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SUMMARY AND OVERVIEW:
THINKING ABOUT RISK MANAGEMENT
Does program assist in managing:
SPR? IPR? SYR? IYR?
Program
DCP Yes, if MP<TP-DP
CI/NAP No No No Yes
SURE No No No Yes
ACRE Yes No Yes Yes

SUMMARY AND OVERVIEW:
THINKING ABOUT RISK MANAGEMENT
CONCLUSIONS: RISK, THE SHORT RUN, AND THE FUTURE OF FARM POLICY
- Future farm programs
  - ACRE and SURE are experimental programs, but future farm bill debates will continue to include the risk management issue
- The short run (2009-12)
  - We must ask: Is agriculture entering an era of unusual instability/turbulence/risk?
  - Risk management requires a consideration of risks and all tools available to minimize the impact of those risks – no one tool addresses all risks

QUESTIONS?