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Identifying Overlap in the Farm Safety Net

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What Is the Issue?

Recent public discussion of Federal farm programs has suggested that the current array of programs, constructed over time through successive farm acts and other legislation, has created the potential for overlap among programs. While the Government Accountability Office (GAO) has explored overlap with respect to fraud, it found little systematic evidence of such abuse. However, farmers often receive payments from multiple, similar programs, which suggests to some observers that overall payments from these multiple programs could exceed actual losses. Identifying and measuring overlap could help to trim Federal spending while maintaining a farm safety net capable of meeting the needs of farmers and the broader society.

What Does the Study Propose?

Because many U.S. farm programs are designed to prevent actual duplication of coverage, assessing overlap in programs depends largely on how overlap is defined. This report offers a conceptual framework for identifying program overlap in the farm safety net and an exploration of how to measure that overlap. We propose a typology of overlap as the basis for identifying program overlap and, within that framework, explore the interactions between the new Average Crop Revenue Election (ACRE) and Supplemental Revenue Assistance Payments (SURE) programs and crop revenue insurance, as well as avenues for further research into other forms of overlap.

- To identify the potential overlap of farm safety net programs, we classified overlap as falling into two broad categories:
 - o **Type I**—Multiple types of support that together provide coverage above levels intended by any of the individual programs, including cases of actual duplication where, for example, multiple payments compensate for the same loss; and
 - o **Type II**—Patterns of participation in multiple programs that may offer coverage of the same commodity and/or risk so that, even though coverage does not exceed intended levels for any individual program, total support still exceeds levels necessary to meet farm safety net goals of maintaining farm business viability.

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- This report focuses on Type I overlap. To examine and measure Type I overlap, ERS researchers adopted the concept of considering Government program benefits as farm income, based on the model incorporated in the new SURE program. ERS researchers identified specific overlap of risk coverage among the ACRE, SURE, and crop insurance programs. For example, if the ACRE payment was integrated into a revenue-based crop insurance program to eliminate overlap between the two programs, premiums could decrease between 20 and 38 percent for a State-level ACRE program, depending on the farm/crop combination explored.
- Many risk management programs are designed to preclude overt duplication. However, overlap among them may occur because different programs may protect producers from similar risks at different points in time or under several different risk scenarios. For example, a crop yield insurance policy covers potential production losses for an individual crop on a farm without reference to prices, covering a pre-harvest risk. Meanwhile, SURE covers post-harvest whole-farm revenue losses that reflect gains and losses for multiple commodities and for production- and/or price-based losses. The combination of risk management programs with income support programs may provide a more overt form of overlap, since precautions to prevent such duplication have not been incorporated into policy design.

How Was the Study Conducted?

The study is intended to provide a conceptual framework for considering the question of overlap in the U.S. farm safety net. The conceptual framework was developed from exploration of the economic literature and public debate on the U.S. farm safety net and potential overlap/duplication among programs, culminating in the proposed typology of farm program overlap to guide further research. The typology is explored through a review of recent and ongoing work that explores the operation of the new programs under the 2008 Farm Act—ACRE and SURE—and their interactions with Federal crop insurance and ad hoc disaster assistance programs. Additionally, we use Farm Service Agency (FSA) program administrative data, county-level Risk Management Agency (RMA) data, and individual payment data reported by FSA to the Internal Revenue Service (IRS) to illustrate the patterns of farmer participation in various programs.