

Eliminate the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) Programs

SAVINGS IN MILLIONS OF DOLLARS

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2020	2016-2025
\$4,748	\$4,360	\$3,488	\$2,736	\$2,322	\$2,189	\$2,182	\$2,291	\$2,262	\$2,262	\$17,654	\$28,840

Heritage Recommendation:

Eliminate the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs. This proposal saves \$4.7 billion in 2016, and \$28.8 billion over 10 years.

Rationale:

In the 2014 farm bill, Congress eliminated the infamous direct payment program that paid farmers regardless of need. However, Congress also added two major new commodity programs, the ARC and PLC programs.

Eligible farmers can choose between the ARC and PLC programs. ARC is a shallow-loss program, meaning that it covers minor losses. Payments are provided when crop revenue falls below 86 percent of historical revenue. The concept of a safety net for farmers who suffer significant losses is being trumped by a new model of protecting farmers from virtually all risk.

PLC provides payments to farmers when prices for certain commodities, such as corn and wheat, fall below a fixed reference price set in statute. The reference prices were set so high that some commodities may receive payments at the outset, even though the program is only intended to cover deep losses.

Taxpayers are basically writing a blank check to farmers, with costs that could go well beyond CBO projections that assumed prices would stay at or near record highs. These two programs could cost more than the direct payment program, while continuing to promote harmful and unnecessary subsidies that discourage innovation and private risk-management solutions, and distort agricultural decisions.

Additional Reading:

- Daren Bakst, “Addressing Waste, Abuse, and Extremism in USDA Programs,” Heritage Foundation *Backgrounder* No. 2916, May 30, 2014, <http://www.Heritage.org/research/reports/2014/05/addressing-waste-abuse-and-extremism-in-usda-programs>.
- Daren Bakst and Rachel Sheffield, “The ‘Heat and Eat’ Food Stamp Loophole and the Outdated Cost Projections for Farm Programs,” Heritage Foundation *Issue Brief* No. 4193, April 7, 2014, <http://www.Heritage.org/research/reports/2014/04/the-heat-and-eat-food-stamp-loophole-and-the-outdated-cost-projections-for-farm-programs>.

Calculations:

Savings based on CBO projections of program costs as found on pages 8 and 9 of “CBO’s April 2014 Baseline for Farm Programs,” April 14, 2014, <http://www.cbo.gov/sites/default/files/cbofiles/attachments/44202-2014-04-USDA.pdf>. Savings include those reported for “Price Loss Coverage,” “Agricultural Risk Coverage–County,” and “Agricultural Risk Coverage Individual.” The CBO’s projections are for 2016–2024. It is assumed that 2024 spending levels are held constant in 2025.