The Agricultural Risk Coverage (ARC) program was created in the Agricultural Adjustment Act of 2014 as a shallow loss program protecting against year to year declines in farm income. The 2014 farm bill redirected commodity programs from fixed direct income transfers to countercyclical payments that are released when certain financial stress indicators are reached. This study looks at four adaptations to the ARC program and their consequences at the county level and to the U.S. government.

The four adaptations considered were: changing formulas that currently restrict the use of very low yields in computing revenue guarantees; adjusting the geographic region from county to the crop reporting district or state; tying payments to planted acres instead of historical base acres; and using a simple average of prices and yields rather than Olympic averages to compute the ARC benchmark revenue for each county. The analysis focuses on five major commodities (corn, soybeans, wheat, sorghum, and oats) accounting for 98 percent of ARC program base acres. Calculations were made on a county by county basis using published National Agricultural Statistics Service and Farm Service Agency yields for each commodity to analyze monetary changes to the program.

Conclusions from the scenario results show that as geographical area boundaries get larger, ARC county payments become less variable across the country. Making payments on planted acres instead of base acres would have reduced commodity program spending by 258 million dollars in 2014 and 403 million dollars in 2015. If yields used in ARC calculations are restricted to a downside limit of 70% of t-yields producers will receive higher payments than if the limit is removed. There is no consistency across commodities in the relationship between payments and the use of either an Olympic average or simple average in calculating revenue benchmarks.