



# Crop Insurance and the 2018 Farm Bill

[www.CropInsuranceInAmerica.org](http://www.CropInsuranceInAmerica.org)



**CROP INSURANCE**  
*Keeps America Growing*

# Presidents Love Farmers

"It will not be doubted that with reference either to individual or national welfare, agriculture is of primary importance..."

**President George Washington**



"Cultivators are the most valuable citizens...they are tied to their country."

**President Thomas Jefferson**

"The planter, the farmer, the mechanic, and the laborer... are the bone and sinew of the country..."

**President Andrew Jackson**



"Agriculture is now, as it's always been, the basis of civilization."

**President Theodore Roosevelt**

"...no other human occupation opens so wide a field for the profitable and agreeable combination of labor with cultivated thought, as agriculture."

**President Abraham Lincoln**



"Prosperous farmers mean more employment, more prosperity for the workers, and the businessmen of every industrial area in the whole country."

**President Franklin D. Roosevelt**

"The farmers are to be most highly complimented on the contribution that they made to the war effort, and the contribution that they are making to the peace effort now."

**President Harry S. Truman**



"In no other country do so few people produce so much food, to feed so many, at such reasonable prices."

**President Dwight D. Eisenhower**

"Our farmers deserve praise, not condemnation; and their efficiency should be cause for gratitude, not something for which they are penalized."

**President John F. Kennedy**



# Presidents Love Farmers

"The miracle of American agriculture is thus an example to all the world's billions of the wisdom and the rewards of our democratic system."

**President Lyndon B. Johnson**



"We start this Bicentennial year with justifiable pride in our agricultural strength and progress.... I pledge to do everything in my power of the Presidency to keep farm income high and it will be."

**President Gerald Ford**

There is no way that any other nation can challenge us in our capacity to produce food and fiber, and there is no way that we can ever be deprived of this tremendous advantage... We are stewards of that tremendous gift."

**President Jimmy Carter**



"[Farmers] are the real miracle workers of the modern world – keepers of an incredible system based on faith, freedom, hard work, productivity, and profit—a system that feeds us and sustains millions of the world's hungry."

**President Ronald Reagan**

"Can you imagine a country that was unable to grow enough food to feed the people? It would be a nation that would be subject to international pressure. It would be a nation at risk."

**President George W. Bush**



"Time after time, I've found that helping a country meet its own food needs accelerates economic growth in other sectors, creates jobs, reduces reliance on imports, and preserves social balances between urban and rural areas."

**President Bill Clinton**

"Not only does American agriculture put food on the table of American families at affordable prices...it also supports one out of every 12 jobs in the economy."

**President Barack Obama**

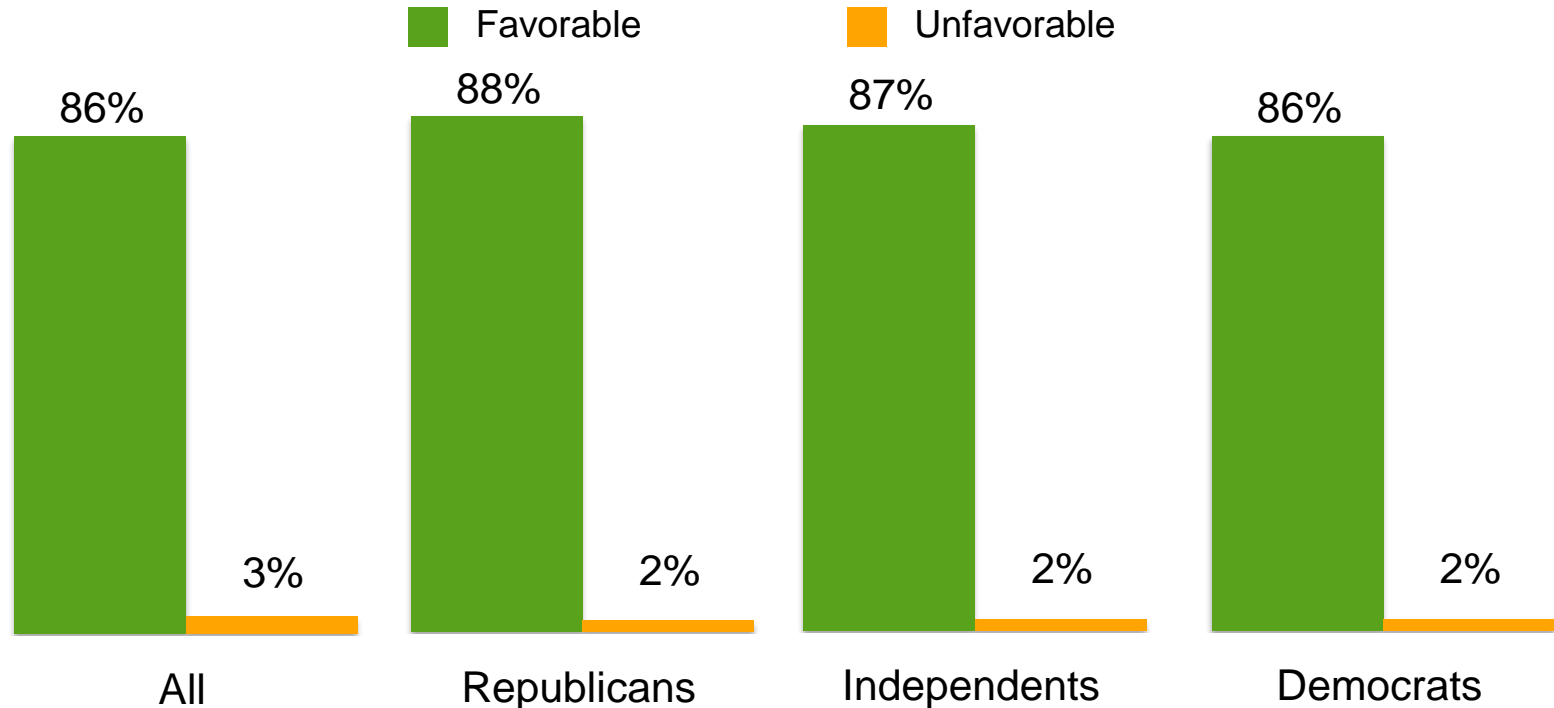


"Our farmers deserve a government that serves their interest and empowers them to do the hard work that they love to do so much."

**President Donald Trump**

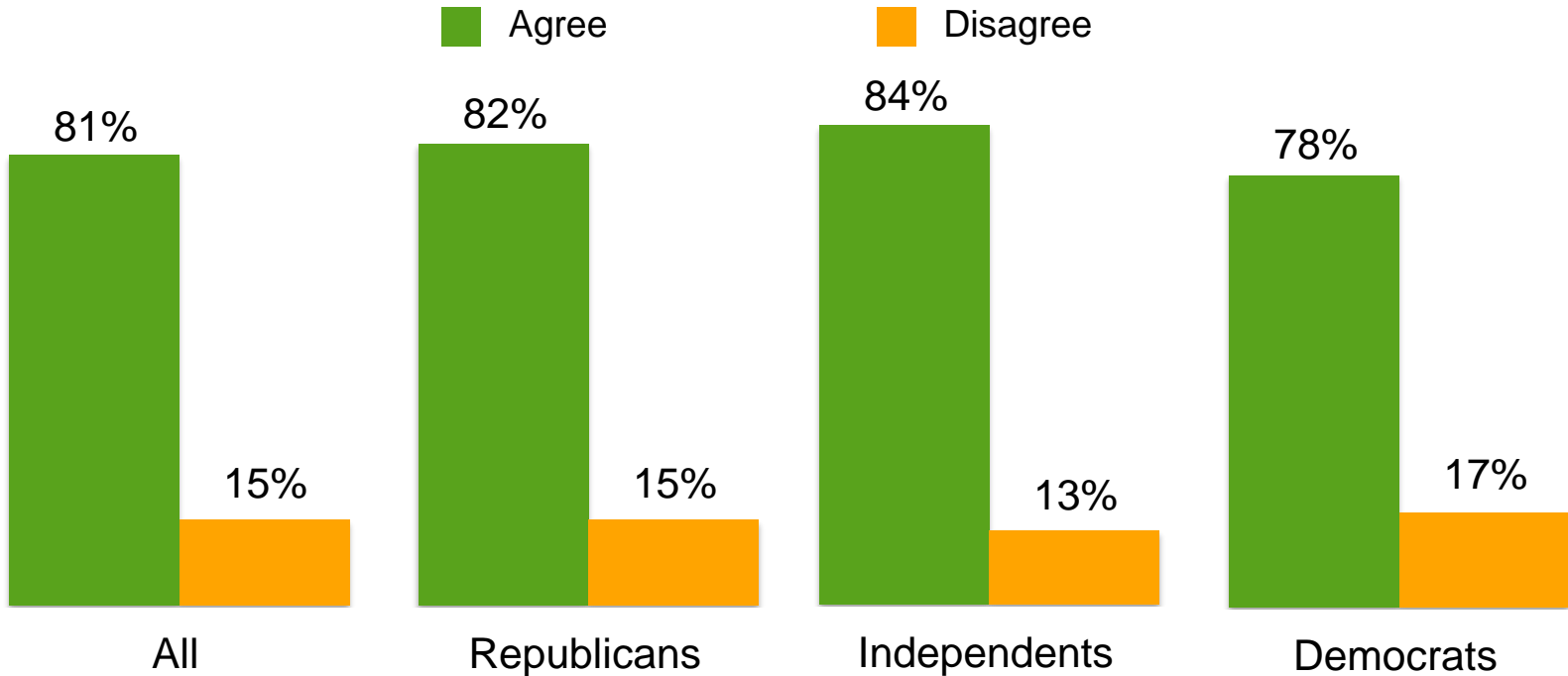


# It's No Wonder. Americans Support Farmers...



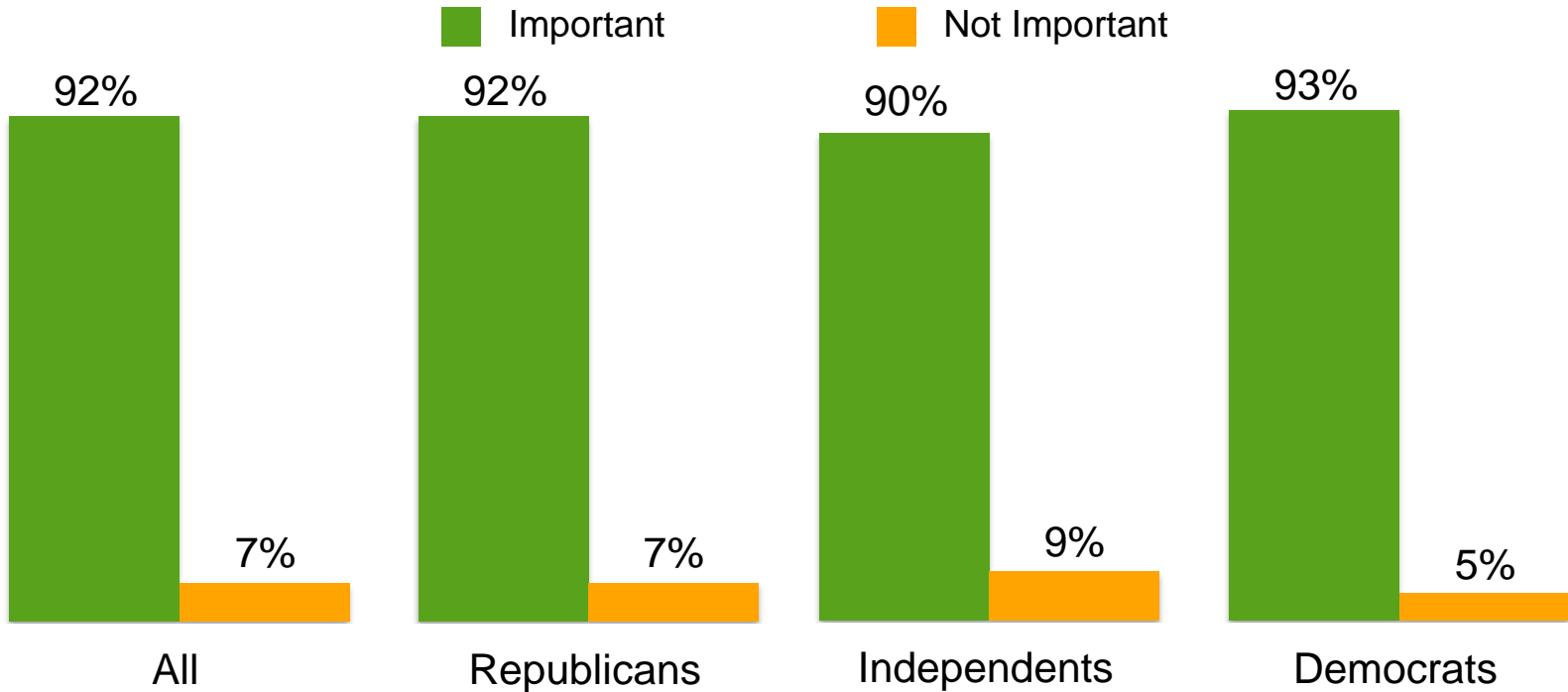
I would like to read you a list of names of groups and have you tell me, for each one, whether you've heard of that group and, if so, whether you have a favorable or unfavorable opinion of them. If you haven't heard of the group, just say so: Farmers.

# ...Support the Thin Green Line...



Do you agree or disagree with each of the following Statements:  
A strong and thriving American farming industry is critical to American national security.

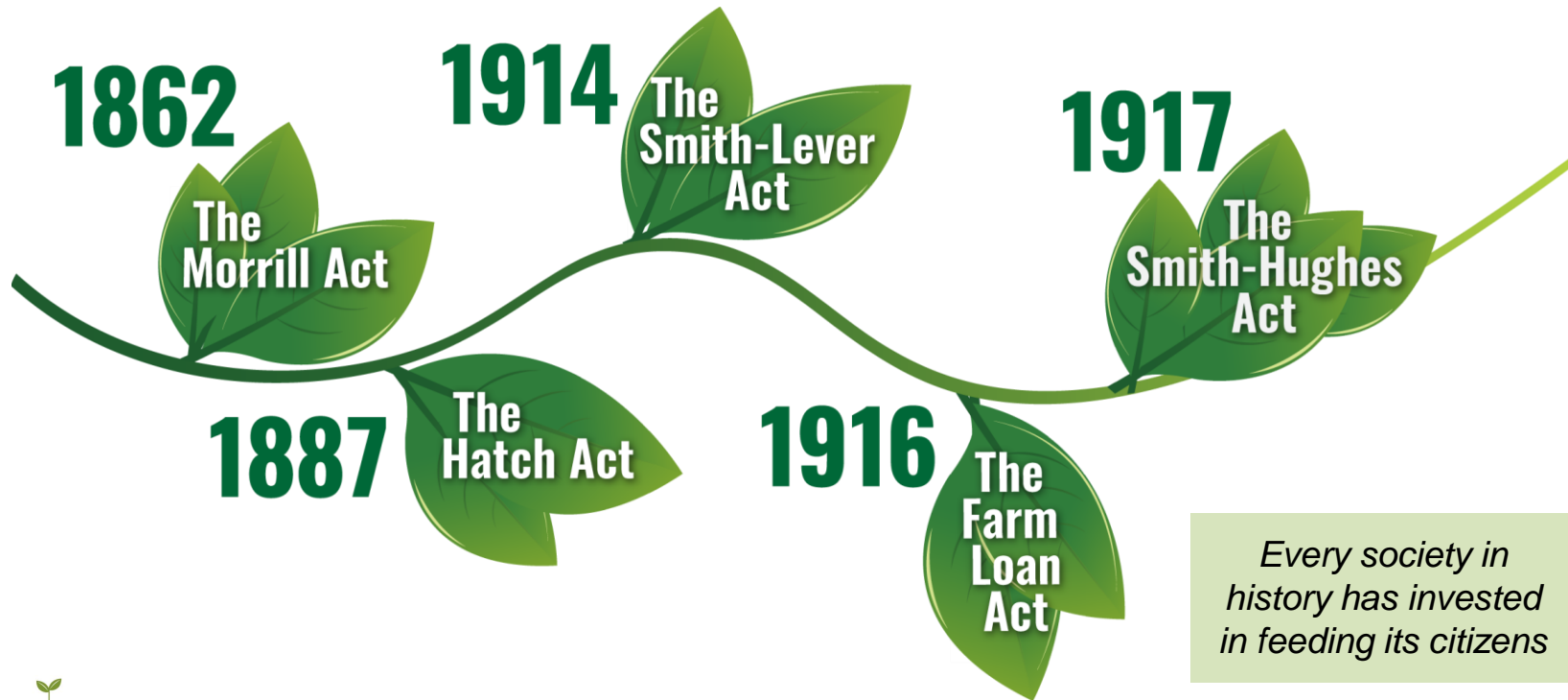
# ...& Support Farm Policy Investments



Now I am going to read you a list of policy areas that the federal government spends money on. For each one, would you please tell me if you view federal spending in that area to be important, or not important: Support for farms and farmers.

# Evolution of U.S. Farm Policy

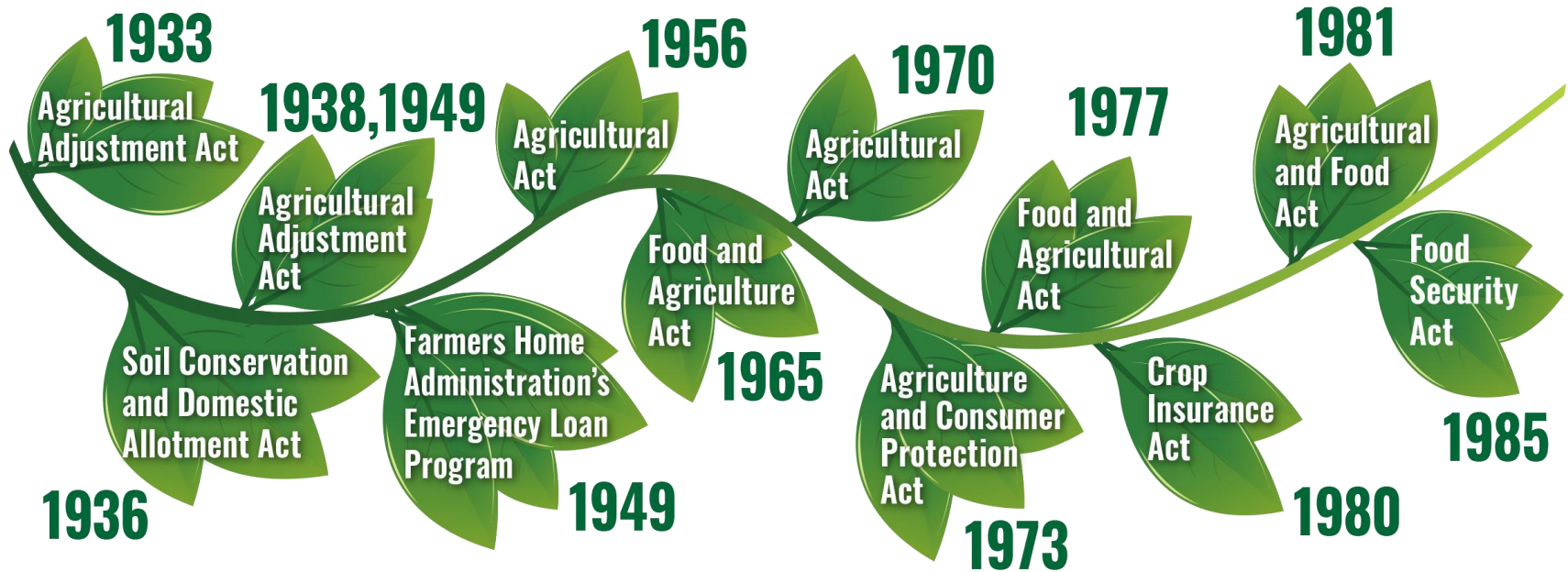
## 1862-1917 – Focus on Education



*Every society in history has invested in feeding its citizens*

# Evolution of U.S. Farm Policy

## 1933-1985 – Focus on Farm Safety Net





# Evolution of U.S. Farm Policy

## 1994-Today – Focus on Risk Management

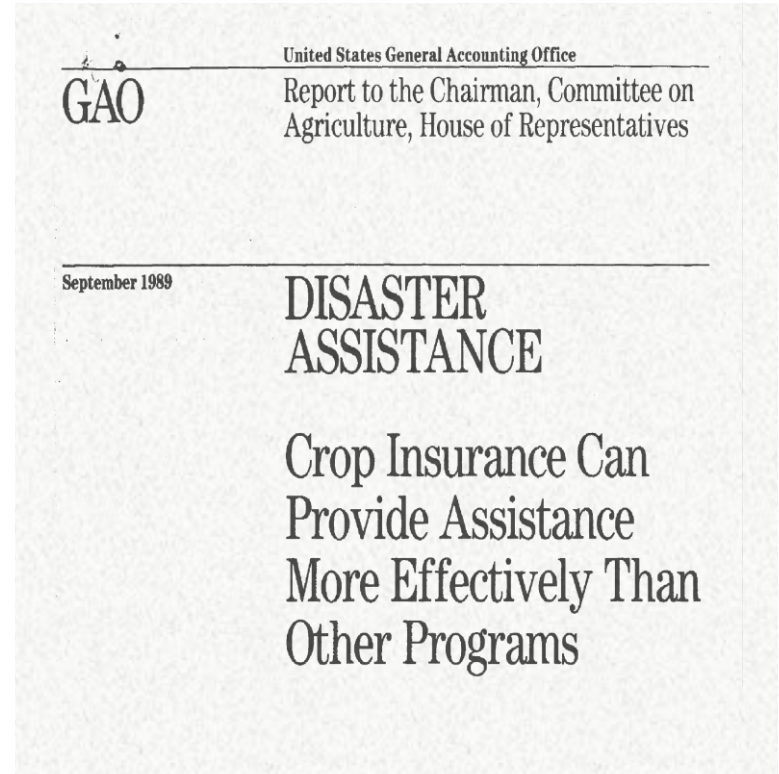


# 1989 GAO: Setting the Stage

“Crop insurance treats disaster victims more equitably” and “provides farmers disaster assistance more efficiently because farmers generally have more incentive to reduce risk under the program than they do under loan and direct payment programs.”

“If the Congress chooses to rely on the crop insurance program exclusively to provide crop disaster assistance, a transition period for strengthening the program would probably be necessary.”

“Crop insurance is a more equitable and efficient way to provide disaster assistance” than both direct disaster payments and emergency loans.



# Transitioning to Risk Management



## Federal Crop Insurance Act of 1980

- Made crop insurance more affordable
- Created a public-private partnership

## Ag Risk Protection Act of 2000

- Provided broader access to policies
- Targeted waste, fraud and abuse

## Federal Crop Insurance Reform Act of 1994

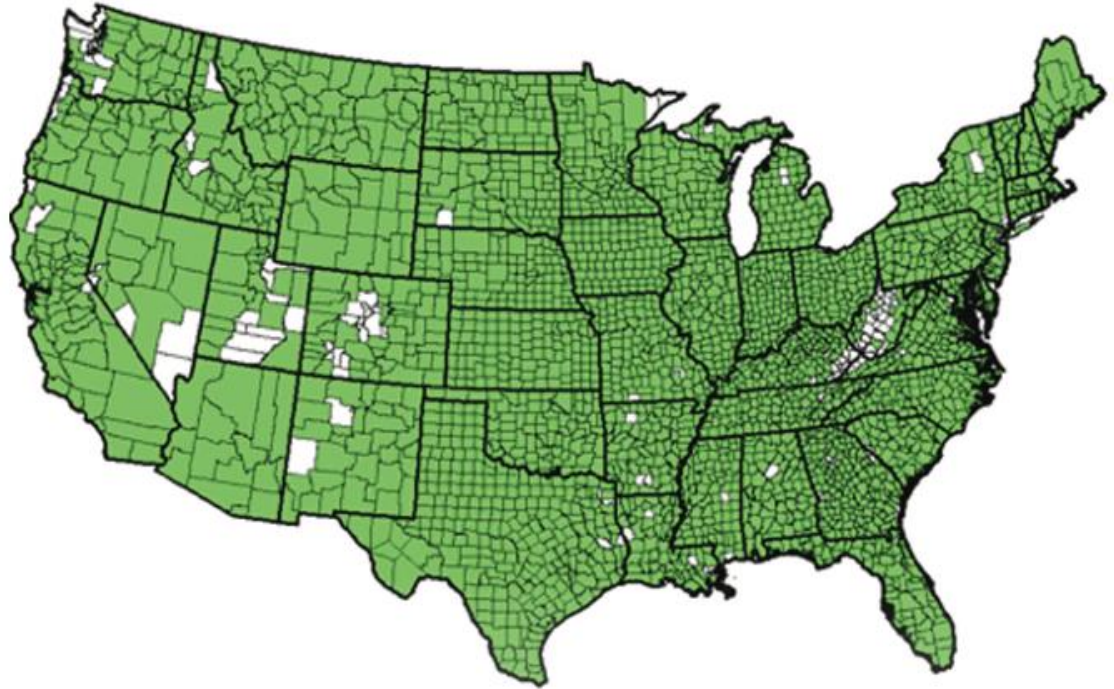
- Created the Risk Management Agency
- Promoted participation with premium discounts

## Agricultural Act of 2014

- Expanded product offerings
- Invested in beginning farmers

# Crop Insurance Has America Covered

**1.2 million  
policies provide  
\$106 billion in  
coverage on  
311 million  
acres in all  
50 states**



# It's Working As Designed

**Farmers help fund  
their own safety  
net by paying  
premiums and  
shouldering  
deductibles**

## Farmer-Paid Premiums

<u>Year</u>	<u>Amount</u>
2014	\$3.9B
2015	\$3.7B
2016	\$3.5B
2017	\$3.7B
<b>TOTAL</b>	<b>\$14.8B</b>

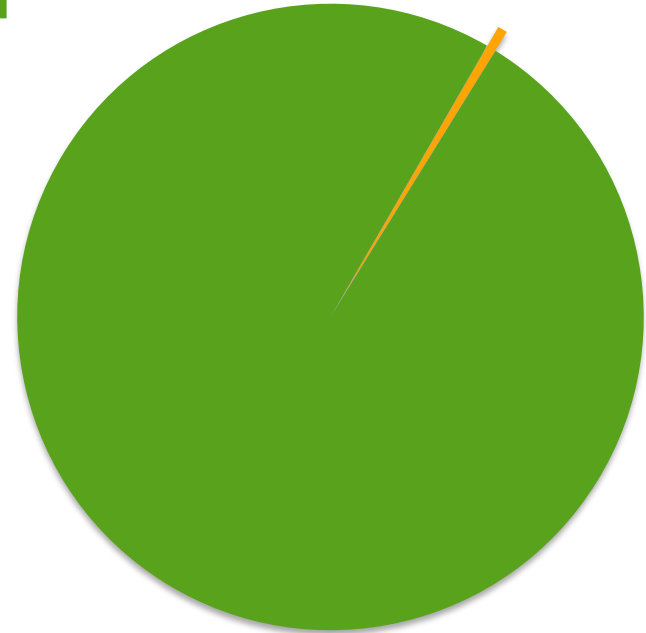
# It's Working As Designed

**Less than 1% of government spending goes to insuring America's food and fiber production**

## **Did You Know?**

**10-year budget projections for crop insurance are down nearly \$10 billion since the 2014 Farm Bill was enacted**

Source: Johnson, Renee, *Previewing a 2018 Farm Bill*, CRS, R44784, March 15, 2017



Source: Congressional Budget Office and Office of Management and Budget

# It's Working As Designed

**20,000 private-sector workers deliver aid faster than the government**

## Old-School Farm Policy



Farmers lobby Congress



Lawmakers pass a disaster bill



USDA delivers payment



**1 – 3 YEARS**

## Modern-Day Farm Policy



Farmers customize protection and purchase insurance policies



Private-sector insurer verifies losses, and provides assistance

**30 DAYS**

# It's Working As Designed

Insurers have dollars at risk on every policy and are financially incentivized to reduce waste and improve efficiency

## Improper Payment Rates\*: A Measure of Efficiency for Federal Spending

	Crop Insurance	Government-Wide
2015	2.2%	4.4%
2016	2.0%	4.7%

\*An improper payment occurs when funds go to the wrong recipient; when a recipient receives too little or too much; or when funds are used inappropriately. Many errors are rooted in data entry and reporting mistakes.



# Will It Continue to Work? That Depends

Will crop insurance remain **AFFORDABLE** for farmers?

Will crop insurance be widely **AVAILABLE** to all farmers?

Will crop insurance be economically **VIABLE** for private-sector insurers?



# 2018 Farm Bill Fight

## There are a lot of unknowns



**SNAP**



**Budget**



**Elections**



**Floor Time**



**Cotton & Dairy**

# Attack on Affordability: The Plan

115TH CONGRESS  
1ST SESSION

## H. R. 2332

To reform the Federal Crop Insurance Act and reduce Federal spending on crop insurance.

### **PER PERSON LIMITATION —**

The Corporation shall not pay more than \$40,000 for any reinsurance year to any person or legal entity for premiums under this section.”

# Attack on Affordability: The Spin

## The Spin

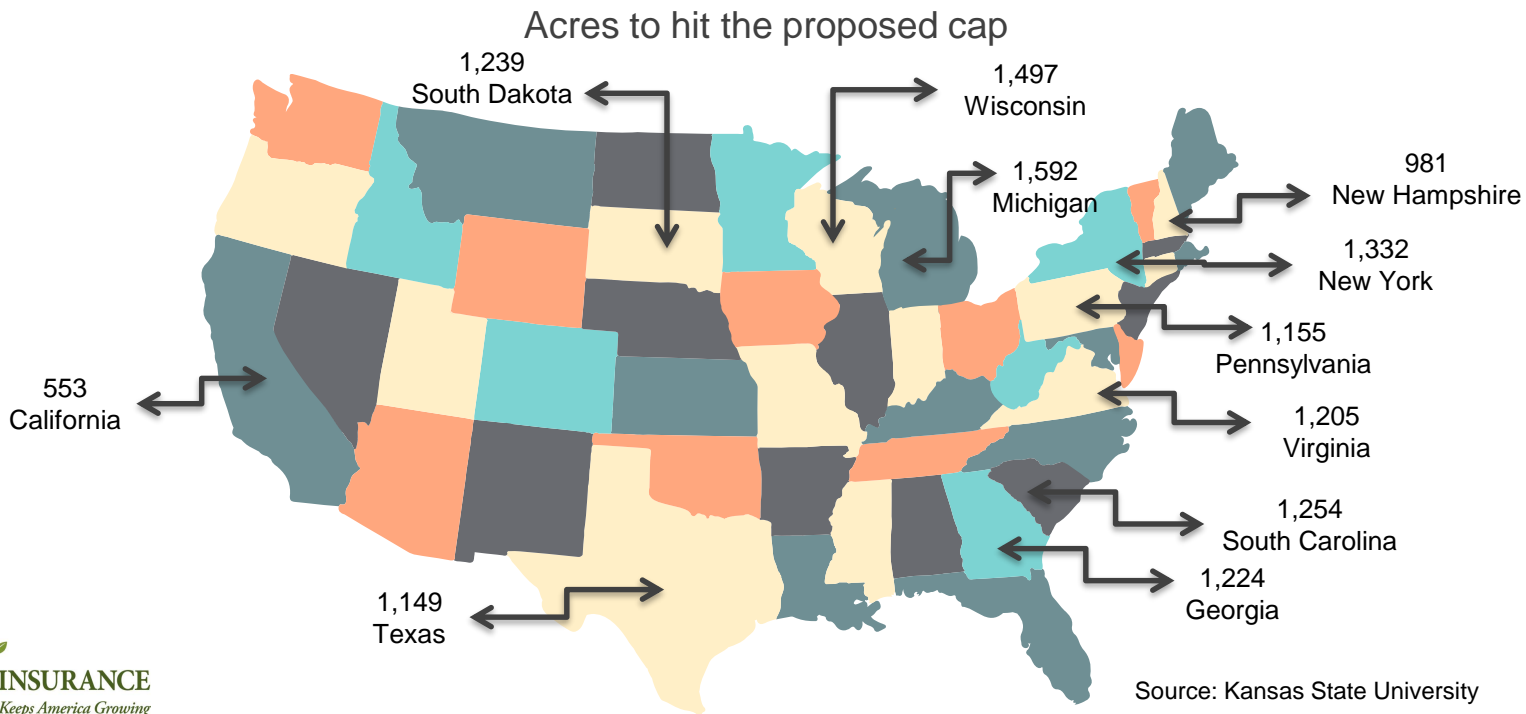
“Crop insurance is a handout.  
Farmers pray for drought, not rain.”

## The Truth

Farmers get a bill, not a check most  
years. Only 19% of policies were  
indemnified in 2016.

# Attack on Affordability: The Result

**Reduced participation only increases the likelihood of taxpayer-funded *ad hoc* disaster bills**



# Attack on Availability: The Plan

115TH CONGRESS  
1ST SESSION

## H. R. 2332

To reform the Federal Crop Insurance Act and reduce Federal spending on crop insurance.

### **ADJUSTED GROSS INCOME**

**LIMITATION** —The Corporation shall not pay a part of the premium for additional coverage for any person or legal entity that has an average adjusted gross income (as defined in section 1001D(a) of the Food Security Act of 1985 (7 U.S.C. 1308–3a(a))) that is greater than \$250,000.

### **PROHIBITION ON PREMIUM SUBSIDY FOR HARVEST PRICE POLICIES** —

Notwithstanding any other provision of law, beginning with the 2018 reinsurance year, the Corporation shall not pay any amount of premium subsidy in the case of a policy or plan of insurance that is based on the actual market price of an agricultural commodity on the date of harvest.”

# Attack on Availability: The Spin

## The Spin

“Big farms can afford private-market solutions and should be excluded from Federal crop insurance.”

## The Truth

That’s like removing the safest drivers from auto insurance. Everyone else’s premiums would increase.

## The Spin

“Insuring against weather is one thing, but the government shouldn’t insure farmer profits.”

## The Truth

Farmers face volatile markets and pay more for revenue policies, which facilitates forward contracting.

# Attack on Availability: The Result

## Reduced participation only increases the likelihood of taxpayer-funded *ad hoc* disaster bills

Eliminating revenue coverage would  
“reduce crop insurance protection for  
nearly 95% of Iowa’s crop farmers...and  
about 80% to 90% of the crop acres in  
many other states, including Kansas.”

**Source: Kansas State University**





# Attack on Viability: The Plan

115TH CONGRESS  
1ST SESSION

## H. R. 2332

To reform the Federal Crop Insurance Act and reduce Federal spending on crop insurance.

**LIMITATION ON AVERAGE RATE OF RETURN.**—The target average rate of return for reinsured companies for the 2018 reinsurance year and each subsequent reinsurance year shall be 8.9 percent of retained premiums.

**ADDITIONAL CAP ON REIMBURSEMENTS.**—Notwithstanding subparagraphs (A) through (F), the total amount of reimbursements for administrative and operating costs for the 2018 reinsurance year for all types of policies and plans of insurance shall not exceed \$900,000,000.

# Attack on Viability: The Spin

## The Spin

“The government should not be guaranteeing crop insurance profits. They can afford a little cut.”

## The Truth

Crop insurers lost money in 2012, 2002, 1993, 1988, 1984 and 1983 – a far cry from other lines of insurance. Returns are not guaranteed.

## The Spin

“The government even pays companies’ operating costs through A&O subsidies. That’s excessive.”

## The Truth

A&O payments are made on behalf of farmers, and they fall short of covering expenses by \$800 million/year.

# Attack on Viability: The Result

**Without private-sector participation, the government and taxpayers will again deliver disaster assistance**

<u>Year</u>	<u>Net Return</u>
2011	11.3%
2012	-20.2%
2013	-0.7%
2014	3.0%
2015	13.9%
<b>Average</b>	<b>1.5%</b>

*“Returns to crop insurance companies were substantially reduced by the 2010 SRA... As of yet, there has not been a broad exodus of companies from the industry, suggesting that returns are adequate. However, there are elements that could occur in the future that would make net returns less attractive.”*

**Source: University of Illinois  
Cornell University**

# What Critics Want: It's Not "Reform"

Eliminate U.S. farm policy



Redirect funding to environmental mandates



Punish GMO crop farmers



Make farms smaller



CENTER for RURAL AFFAIRS

# What Farm Leaders Want

*“Cuts to crop insurance during this difficult time for rural America should be avoided. Farmers and lawmakers agree that crop insurance...is crucial to the economic security of rural America.”*

American Agri-Women  
American Bankers Association  
American Farm Bureau Federation  
American Farmland Trust  
American Malting Barley Association  
American Seed Trade Association  
American Sesame Growers Association  
American Society of Farm Managers & Rural Appraisers  
American Soybean Association  
American Sugar Alliance  
American Sugarbeet Growers Association  
Association of Equipment Manufacturers  
Association of Fish and Wildlife Agencies  
California Association of Winegrape Growers

Corn Refiners Association  
Ducks Unlimited  
Farm Credit Council  
Florida Sugar Cane League  
Independent Community Bankers of America  
National Association of State Departments of Agriculture  
National Association of Wheat Growers  
National Barley Growers Association  
National Corn Growers Association  
National Cotton Council  
National Council of Farmer Cooperatives  
National Farmers Union  
National Grain and Feed Association  
National Oilseed Processors Association

# What Farm Leaders Want

National Peach Council  
National Potato Council  
National Rural Lenders Association  
National Sorghum Producers  
National Sunflower Association  
National Young Farmers Coalition  
Panhandle Peanut Growers Association  
Pheasants Forever  
Quail Forever  
Rio Grande Valley Sugar Growers  
Rural & Agriculture Council of America  
Southern Peanut Farmers Federation

Specialty Crop Farm Bill Alliance  
Theodore Roosevelt Conservation Partnership  
United Fresh Produce Association  
US Apple Association  
US Canola Association  
US Dry Bean Council  
US Rice Producers Association  
USA Dry Pea & Lentil Council  
USA Rice  
Western Peanut Growers Association  
Wildlife Mississippi



# Promoting Our Story

## Focus Group Message Testing

- 0.79** *Before crop insurance's rise to prominence, taxpayers funded 100% of farm policy and shouldered 100% of the risk. Congress has passed 42 ag disaster bills since 1989, totaling \$70 billion, but those bills are now a thing of the past. Thanks to crop insurance, risk is shared with farmers and insurance companies so taxpayers aren't footing the whole bill.*
- 0.73** *Unlike other farm programs of the past, which favored big crops like corn and soybeans, crop insurance provides a safety net to more than 130 different kinds of crops – including fruits and vegetables – and to farmers of all sizes.*
- 0.58** *Crop insurance supports the rural economy in tough economic times and after Mother Nature strikes. For example, a study by the banking industry credited crop insurance with saving 20,900 jobs following the 2012 drought in Iowa, Nebraska, South Dakota, and Wyoming alone.*

*\*Messages scoring above 0.5 are considered effective. 1.0 is a perfect score.*

# Promoting Our Story

## Focus Group Message Testing

**0.53**

*Crop insurance is the world's only farm policy that requires farmers to have "skin in the game." An average Midwest corn farmer, for example, spends roughly \$40,000 a year from his own pocket for crop insurance. Collectively, farmers have spent \$50 billion on insurance since 2000, and they shoulder a portion of losses through deductibles.*

**0.53**

*Crop insurance can only succeed if it remains affordable and widely available to farmers and if it remains economically viable for private-sector participation. Proposals to weaken the current system only increases taxpayer risk exposure by making costly ad hoc disaster bills more likely in the future.*



# A Lot is Riding on the Outcome

**In 2015:**

**\$992 billion**

Agriculture contributed \$992 billion to the GDP.

**\$375.4 billion**

Farms and ranches spent \$362.8 billion on inputs to produce \$375.4 billion in goods.

**21 million**

Agriculture created work for 21 million Americans, 11% of the U.S. workforce.

**\$19 billion**

Agriculture runs a \$19 billion trade surplus.