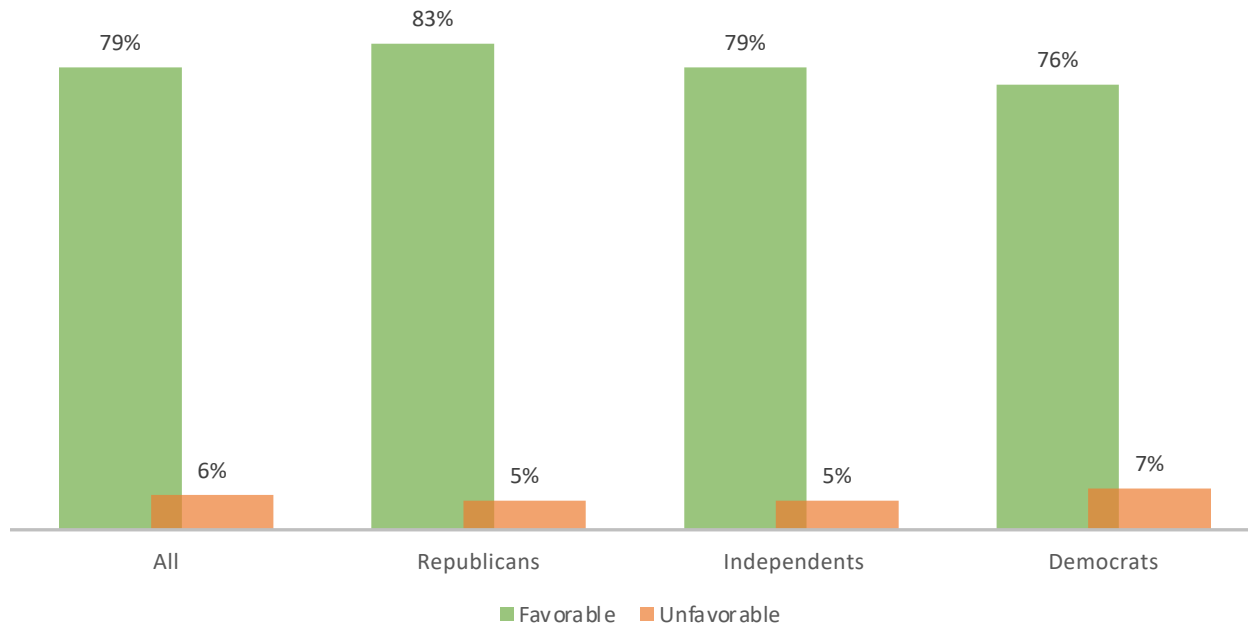




# Crop Insurance: A Cornerstone of U.S. Farm Policy

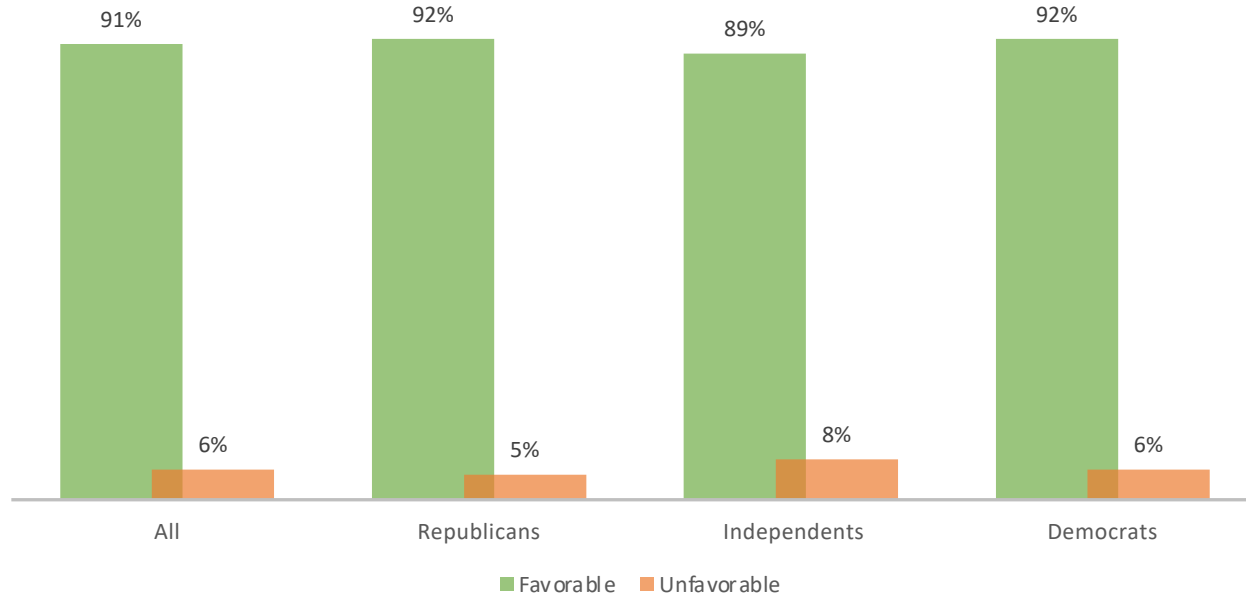


# Americans Support Farmers...



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 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.

# They're In Good Company

"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**



# They're In Good Company

"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**

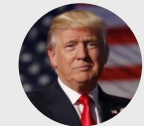
"Not only does American agriculture put food on the table of American families at affordable prices...it also supports one out of every 12 jobs in the economy."

**President Barack Obama**



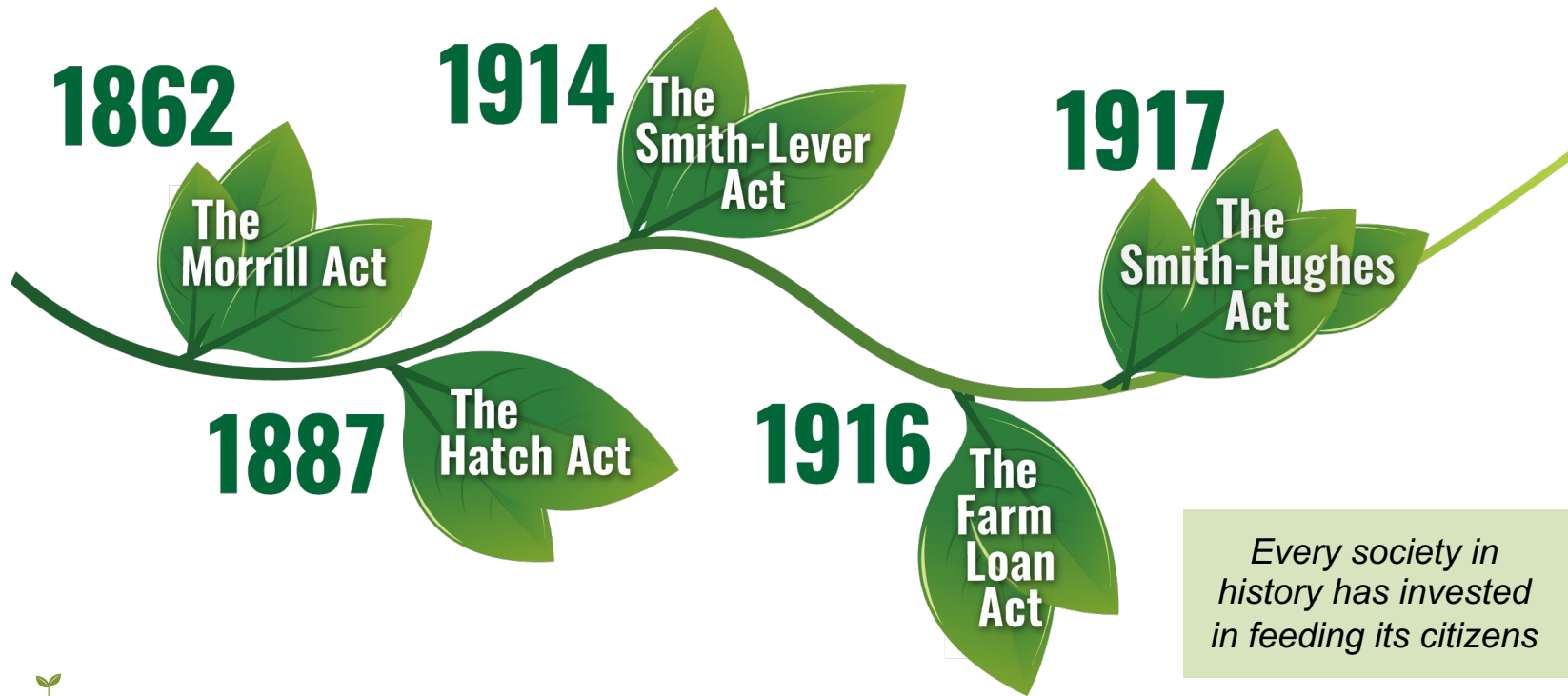
"Our farmers deserve a government that serves their interest and empowers them to do the hard work that they love to do so much."

**President Donald Trump**



# Evolution of U.S. Farm Policy

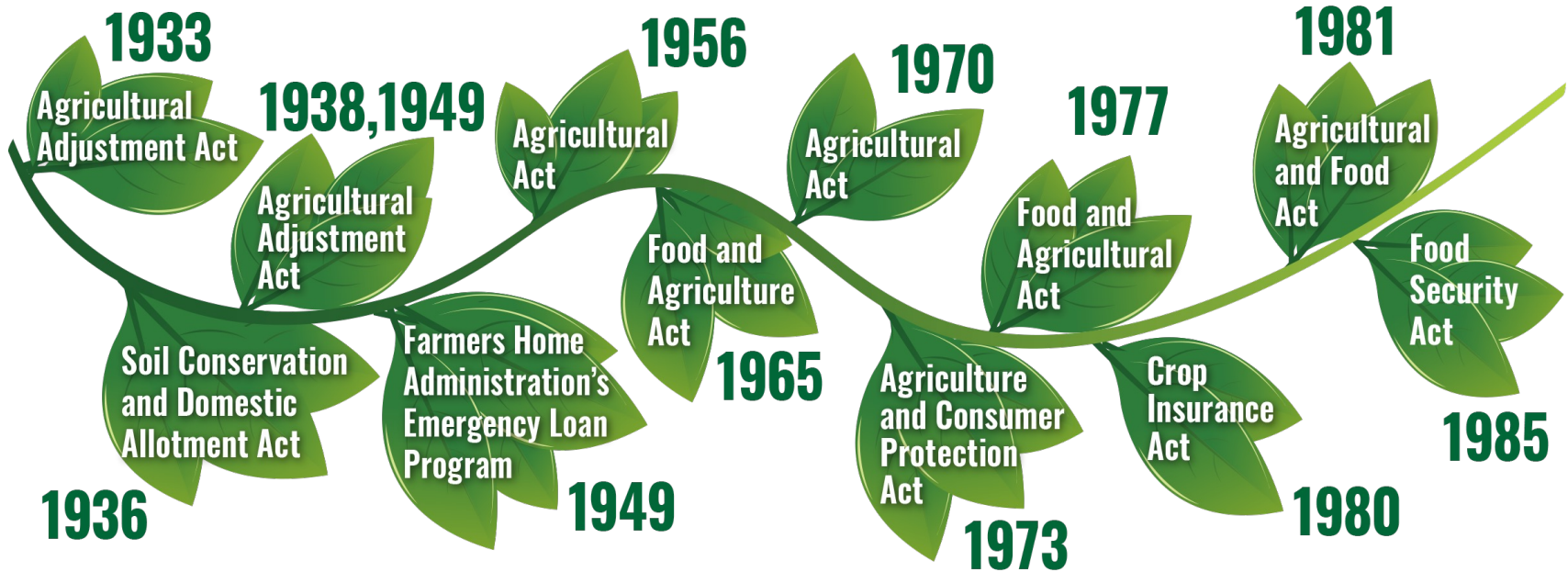
## 1862-1917 – Focus on Education



*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

**1994**

Federal Crop  
Insurance  
Reform Act

**2000**

Agricultural  
Risk Protection  
Act

**2008**

Food, Conservation  
and Energy Act

**2018**

Agriculture  
Improvement  
Act

**1996**

Federal  
Agriculture  
Improvement  
and Reform  
Act

**2002**

Farm Security  
and Rural  
Investment  
Act

Agricultural  
Act

**2014**



# 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.

GAO

United States General Accounting Office

Report to the Chairman, Committee on  
Agriculture, House of Representatives

September 1989

## DISASTER ASSISTANCE

Crop Insurance Can  
Provide Assistance  
More Effectively Than  
Other Programs

# Transitioning to Risk Management



## Federal Crop Insurance Act of 1980

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

## Federal Crop Insurance Reform Act of 1994

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

## Ag Risk Protection Act of 2000

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

## 2014 & 2018 Farm Bills

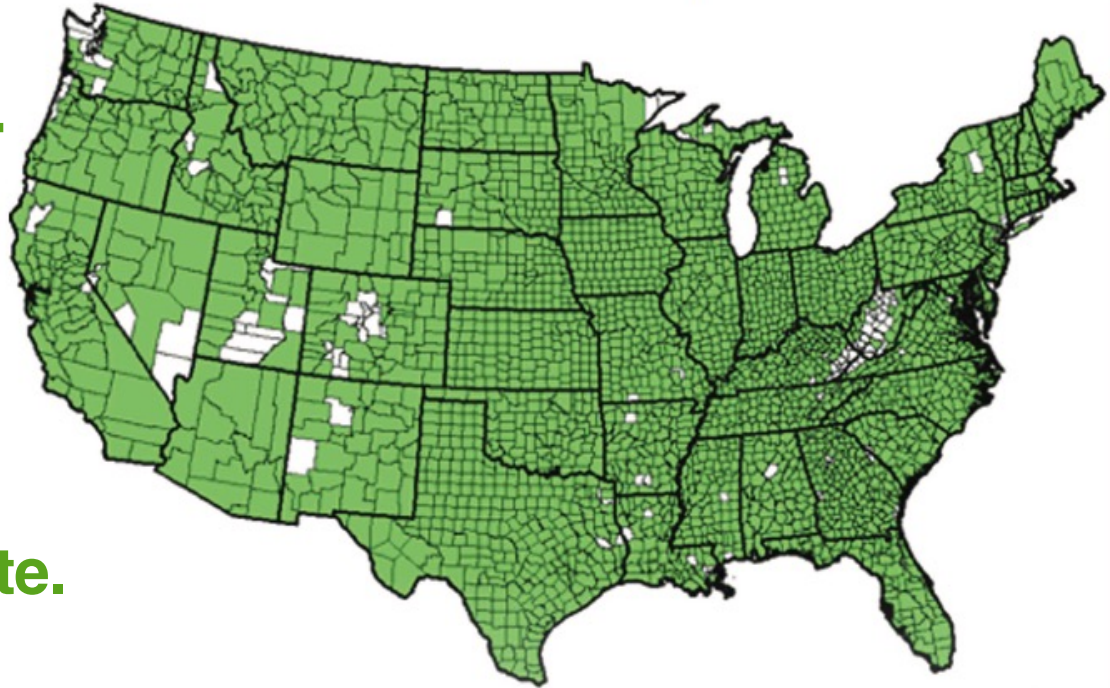
- Expanded product offerings
- Focus on specialty crops
- Invested in beginning & veteran farmers

# Crop Insurance Has America Covered

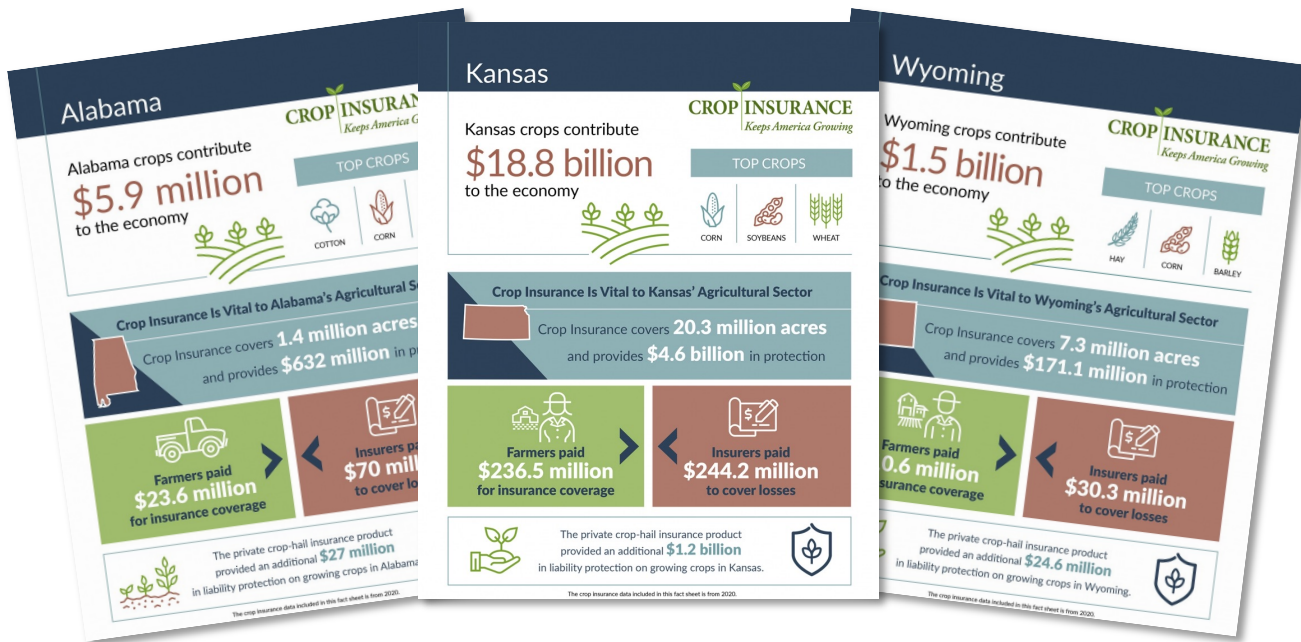
**Over 1.2 million policies provide...**

**Over \$173 billion in coverage on...**

**Over 490 million acres in every state.**



# CropInsuranceInMyState.org



PEER-REVIEWED ARTICLE

### STUDY HIGHLIGHTS CROP INSURANCE'S ROLE IN MAINTAINING HEALTHY SOIL

A peer-reviewed study in the renowned Journal of Environmental Management found that crop insurance is not acting as a barrier to the adoption of conservation practices and has a role in helping farmers maintain healthy soil. [Click here to learn more about how crop insurance promotes conversation practices.](#)



### Crop Insurance Basics



#### Crop Insurance Basics: Moral Hazard

Moral hazard is a phrase commonly used in the business community...

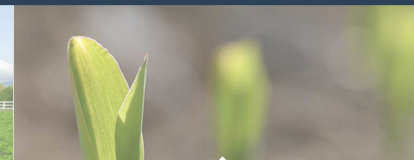
June 8, 2021



#### Crop Insurance Basics: Risk Mitigation and Risk Management

Risk mitigation and risk management are two sides of the same...

June 8, 2021



#### Crop Insurance Basics: Incentives

When policymakers prioritize specific behaviors or actions, they...

April 1, 2021

# Why It Works: Public-Private Partnership



## Government

- Sets premium rates & rules
- Acts as a reinsurer
- Discounts farmer premiums
- Covers delivery expenses
- Provides regulatory oversight

## Standard Reinsurance Agreement



## 14 Private-Sector Companies

- Market, sell and write policies
- Adjust and process claims
- Educate and train
- Invest in infrastructure
- Fight waste and improper payments

# Why It Works: Private-Sector Efficiency

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

**Ad Hoc  
Disaster  
Assistance**



Farmers lobby  
Congress



Lawmakers pass  
a disaster bill



USDA delivers  
payment



**100% Taxpayer  
Funded**

**1 – 3 YEARS**

**Federal  
Crop  
Insurance  
Program**



Farmers customize  
protection and purchase  
insurance policies



Private-sector  
insurer verifies losses,  
and provides assistance

**Cost Shared**

**30 DAYS**

# Why It Works: Cost Sharing



**Farmers help fund their own safety net by paying premiums...**



**...and shouldering a portion of losses as deductibles.**



# Why It Works: Inclusivity

**Crop insurance is available to farmers no matter what they grow or where they grow it**

ALFALFA SEED  
ALMONDS  
APICULTURE  
APPLES  
APRICOTS  
AVOCADO  
BANANA  
BARLEY  
BEANS  
BLUEBERRIES  
BUCKWHEAT  
CABBAGE  
CAMELINA  
CANOLA

CHERRIES  
CHILE PEPPERS  
CITRUS  
CLAMS  
COFFEE  
CORN  
COTTON  
CRANBERRIES  
CUCUMBERS  
FIGS  
FLAX  
FORAGE  
GRAPES  
GRASS SEED

LIVESTOCK  
MACADAMIA NUTS  
MILLET  
MINT  
MUSTARD  
NURSERY  
OATS  
OLIVES  
ONIONS  
OYSTERS  
PAPAYA  
PASTURE  
PEACHES  
PEANUTS

PEARS  
PEAS  
PECANS  
PEPPERS  
PISTACHIOS  
PLUMS  
POPCORN  
POTATOES  
PRUNES  
PUMPKINS  
RAISINS  
RICE  
RYE  
SAFFLOWER

SAGE  
SESAME  
SORGHUM  
SOYBEANS  
STRAWBERRIES  
SUGAR BEETS  
SUGARCANE  
SUNFLOWERS  
SWEET POTATOES  
TOBACCO  
TOMATOES  
WALNUTS  
WHEAT  
WHOLE FARM

**+MANY MORE**

# Why It Works: Climate-Smart Practices

Crop insurance complements climate-smart agriculture practices.

As farmers' front-line defense against climate change, crop insurance incentivizes the adoption of practices to:

- increase resiliency
- improve conservation
- support a healthy environment



# Why It Works: Climate-Smart Practices



The Journal of Environmental Management published a peer-reviewed study that **credited crop insurance with encouraging the adoption of conservation practices**, such as cover crops.

”

...the adoption rate of conservation practices for those who have *enrolled* in crop insurance is higher than those who have *not enrolled* in crop insurance...”

# 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?



# A Lot is Riding on the Outcome

**\$ 1.264 trillion**

Agriculture, food and related industries contributed more than \$1.2 trillion to the GDP in 2021.

**\$388.5 billion**

Farms and ranches spent \$326.4 billion on inputs to produce \$388.5 billion in goods, according to the 2017 Census of Agriculture.

**21.1 million**

Agriculture created work for more than 21 million Americans in 2021, 10.5% of the U.S. workforce.

**\$177 billion**

U.S. agricultural exports were valued at \$177 billion in 2021.