



## FARM BILL WILL NOT SOLVE DROUGHT

July 24, 2012

Dear Speaker Boehner,

We write urging you to resist special interest calls to use the current drought to lock taxpayers into a trillion dollars worth of bad agriculture policy. As you accurately noted recently, passing a new Farm Bill filled with special interest entitlements is not needed to address the drought facing many of our nation's farmers.

The challenging, yet predictable, drought conditions across much of the country must not be misused to expand an overly-generous federal role in agriculture. Agriculture already has a more than adequate safety net in the gold-plated federal crop insurance program in which taxpayers pick up, on average, 62% of the premium costs for crop insurance. These policies allow businesses to guarantee up to 85% of their expected revenue. Crop insurance cost taxpayers more than \$11 billion last year. With more than half of the country in moderate to severe drought, taxpayer costs for this generous program will easily be double, triple, or more in 2012.

Agriculture is an inherently risky business, and as you said in your July 19<sup>th</sup> press conference, most producers already have subsidized federal crop insurance policies. Those that do not enroll in the highly subsidized program have a multitude of private sector options available for managing risk, including hedging, forwarding, diversification, contracting, and many other unsubsidized options. Taxpayers cannot afford to bail out producers who chose not to purchase subsidized crop insurance or to avail themselves of the many private sector options for managing their normal business risk. Taxpayers simply cannot afford to bear all the risks for any business sector, including agriculture.

The Federal Agriculture Reform and Risk Management Act (FARRM) passed by the House Agriculture Committee is not needed to address the current drought conditions. In fact, nearly 80% of the bill's \$957

billion price tag is not even directed at producers, but on social welfare spending programs such as the Supplemental Nutrition Assistance Program. Regardless of whether a Farm Bill is passed, crop insurance will continue to quickly compensate producers for the bulk of their losses. The bill should have been used as an opportunity to save taxpayers billions while reducing the manipulative role of the federal government in the business decisions of a vital sector of the American economy. Instead, the Committee bill obligates nearly 60% more than the last Farm Bill, creates three new taxpayer-paid “shallow loss” programs, and does nothing to rein in, and in fact expands, taxpayer-subsidized crop insurance.

Farm businesses are riding on several years of record farm income unlike other sectors in the economy. Net farm income is at \$98 billion, nearly doubling between 2001 and 2011. Like all business cycles, farm incomes rise and fall as favorable growing years are periodically followed by poor years. Most farm businesses will not only be compensated by crop insurance for losses caused by the drought, but can also dip into savings wisely built up over years of record income. With concerns about tight commodity supplies, crop prices, especially for corn and soybeans, have risen to record highs and it is with these record prices that crop insurance losses will be calculated. In fact, some producers may see record profits when crop insurance indemnities are calculated.

Even with the drought, America’s agricultural economy remains strong. This strength and the glaring weakness of the federal budget – \$15 trillion in debt and trillion dollar deficits for the next decade – make it even more essential that Washington’s role in agricultural policy be reduced. Now is the time to roll back wasteful and market distorting taxpayer subsidies. FARRM does the exact opposite.

Using the current drought as a pretext to bail out yet another sector of the U.S. economy while expanding the federal government’s role in the business decisions of agricultural enterprises is something taxpayers and our free-market economy cannot afford.

Again, we urge you to resist special interest calls to misuse the current drought to lock taxpayers into a trillion dollars worth of bad agriculture policy.

For more information please contact Joshua Sewell, Taxpayers for Common Sense at 202-546-8500 x116 or [josh@taxpayer.net](mailto:josh@taxpayer.net).

Sincerely,

American Commitment  
Americans for Prosperity  
Americans for Tax Reform  
Competitive Enterprise Institute  
Cost of Government Center  
Council for Citizens Against Government Waste  
FreedomWorks  
Heritage Action for America  
National Taxpayers Union  
R Street  
Taxpayers for Common Sense  
Taxpayers Protection Alliance

*Cc: Majority Leader Cantor*