Just the FACTS...

... about the federal crop insurance program

The highly subsidized federal crop insurance program is routinely the most expensive entitlement for agricultural businesses. Yet supporters of the program consistantly obscure the significant cost and financial risks federal taxpayers incur in providing this income subsidy program.

1

Fact: The federal government is projected to spend an average $8.0 billion annually on the federal crop insurance program. Actual costs, however, can be much greater than projections. In 2011, taxpayers spent $11.3 billion on this agricultural subsidy program. In 2012, costs were $14 billion.

2

Fact: More than 70 percent of federal crop insurance policies are revenue policies, protecting farm businesses from dips in anticipated revenue, rather than from crop loss due to unexpected weather or disease. Farm businesses can obtain insurance policies guaranteeing as much as 85% of the revenue they anticipate. Through a feature known as Harvest Price Option, most of these policies retroactively increase revenue guarantees if prices are higher at harvest than anticipated at planting (they do not reduce guarantees if prices are lower.)

3

Fact: On average, federal taxpayers foot the bill for 62 percent of the premiums charged by crop insurance companies. These premium-support payments are paid directly to the crop insurance companies and totaled $58.7 billion in the last ten years. Taxpayers also pay crop insurance companies more than $1.4 billion a year to cover their administrative and operating costs.

4

Fact: Over the last ten years, agricultural businesses received $45 billion more in insurance payouts than the payments they made for insurance premiums. For every $1 of premium paid, producers received $2.21 in payments.

Our Take: Federal taxpayers annually spend billions of dollars subsidizing insurance policies that lock in high levels of guaranteed income for agricultural businesses. If agricultural producers assumed more of the costs for their own business risks and utilized private sector risk management options, agribusinesses would be more financially resilient and taxpayer spending could be drastically reduced.

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