



Crop Insurance Professionals Association LLC

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Crop Insurance Underpins the Farm Safety Net

- More than 1.2 million policies covering 270 million acres were written last year to help farmers reduce the risk of unforeseen weather disasters and price freefalls.
- Without adequate crop insurance, farmers would be unable to obtain the loans needed to keep pace with ever-increasing production costs.
- Crop insurance is the only safety net available to fruit and vegetable producers.
- Congress bolstered crop insurance in 1994 and 2000 to insulate taxpayers from expensive disaster aid packages by shifting risk to private insurance companies.
- This public-private partnership enabled the government to parlay a \$6.4 billion net investment (\$5.4 billion of which is producer premium assistance) into \$80 billion in protection in 2009.
- In 2008, the private insurance companies paid \$8.7 billion in claims to producers who had losses. For 2009, \$5.1 billion has been paid out.

The USDA Wants to Cut Holes in That Safety Net

- The Administration has proposed a \$6.9 billion cut to the crop insurance delivery system—a reduction of 25% based on CBO assumptions, which would dramatically change the way companies and agents do business, potentially limiting future insurance options for growers and certainly harming rural economies.
- For perspective, the proposed cuts are three times larger than proposed cuts overwhelmingly rejected by Congress in the 2008 Farm Bill debate.
- Even without the cuts, crop insurance delivery expenses have decreased by more than 35% since their high in 2008, a reduction of more than \$700 million.

Farmers and Lawmakers Aren't too Happy About it

- *“These reductions in the federal crop insurance program may undermine this component of the farm safety net and will sharply reduce the agriculture budget in the advent of a baseline budget farm bill.”*

-April 9 letter to the USDA from American Farm Bureau Federation and farm groups representing corn, soybean, wheat, rice, dairy, sugar, peanut, and barley growers

- *“The President's 2010 budget proposal cut \$6.9 billion from crop insurance, which could severely weaken one of the most important safety nets for farmers and would likely take money away from the next farm bill baseline... special emphasis should be placed on preserving agricultural programs such as crop insurance...and other federal initiatives to strengthen agricultural and rural economies.”*

-March 16 National Farmers Union policy resolution

- *“We know you [Secretary Tom Vilsack], as our former Governor, understand the gravity of the situation to Iowa. Crop insurance is a key safety net that underpins agriculture, one of Iowa's primary drivers of economic growth and opportunity.”*

-April 13 letter to USDA from Iowa's U.S. Representatives

USDA Should Scrap its Scheme and Reinstate the Current Contract with Crop Insurers