

# Crop Insurance —

## How a Safety Net Became a Farm Policy Disaster

### A Land Stewardship Project Special Report

## Introduction

A number of years back, the Land Stewardship Project (LSP) began to survey the graduates of its nationally-recognized Farm Beginnings Program about what barriers they faced when trying to launch their farming operations. One challenge kept coming to the top of the list: affordable, long-term access to land. Whether for diversified livestock and crop farms, or for operations focusing on producing high-value fruits and vegetables, not having access to the land they need remains the number one barrier to these farmers' entry and success. And these are the farmers who are helping to build up this nation's local/regional food system, one of the fastest growing sectors of the agricultural economy (U.S. Census of Agriculture data shows direct to consumer food sales grew twice as fast as total agricultural sales during a recent 15-year period).<sup>1</sup> If these innovative farmers can't access the land they need, one of the most positive developments we have seen in agriculture in recent decades will wither on the vine.

Meanwhile, LSP members and staff who work for farm policy reform were witnessing an extremely negative development in U.S. agriculture. As a result of Congressional action, the USDA dramatically increased the amount of public dollars spent to subsidize federal crop insurance, with no limits placed on how much of a premium subsidy each producer could receive. As a result, crop insurance has become the number one recipient of tax dollars directed toward agriculture, while conservation, food assistance and other programs have been cut, sometimes drastically.

At the same time, across the Midwest farmers and rural residents have witnessed an unprecedented growth in the size and dominance of the largest farms, as houses, barns and other outbuildings are replaced by massive grain bins that sit on operations running 10,000, 20,000, 30,000 acres and more of corn and soybeans. The impact on access to land is being widely felt, as land prices and rental rate have spiraled to record levels, bid up by the largest operations.

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<sup>1</sup> Tropp, Debra, USDA Agricultural Marketing Service. "Why Local Food Matters: The rising importance of locally-grown food in the U.S. food system — a national prospective." Presentation given at the Agriculture and Rural Affairs Steering Committee, Subcommittee on Agriculture, National Association of Counties Legislative Conference, March 2, 2014.

The bottom line is that more farms than ever are being bought up by mega-operations, which proceed to bulldoze the buildings, trees, conservation structures and fencing. Once a farm has been eradicated, it becomes just one more field to be planted into corn or soybeans, rather than an independent business that supports a family and contributes to the community.

As an organization made up primarily of farm and rural members concerned with the long-term stewardship of America's farmlands and the health and vitality of family farms and rural communities across the Upper Midwest, LSP decided to take a closer look at the role the nation's biggest crop subsidy program is playing in shaping our landscape and communities.

Staff and volunteers hit the books and hit the road. We pored over USDA reports and gleaned county land records across Minnesota. We talked to farm policy experts. We visited farmers and neighbors in the countryside. What we discovered is described in the three white papers that follow this introduction. Our research shows that:

- Federally subsidized crop insurance virtually guarantees large profits for corporate insurance companies, whose interests powerfully shape the program.
- Among farmers, the vast majority of the financial benefits of crop insurance are captured by a small minority of producers. The largest crop operations receive the lion's share of crop insurance premium subsidies and insurance payouts.
- The manner in which crop insurance is structured and administered puts beginning farmers at a severe disadvantage by 1) inflating rental rates and land prices and 2) placing them in a position of being viewed by lenders as "high risk" producers.
- Crop insurance is a major vehicle for using public funds to concentrate agricultural wealth in this country. This consolidation increases economic and environmental risk faced by many agricultural communities by decreasing access to land, degrading rural housing and farm infrastructure, and causing long-term damage to our soil, water and wildlife.

In short, a program that started out simply as a way for farmers to ride out the droughts, floods, pest infestations and other hardships nature tosses their way has quietly been transformed into one of the biggest drivers of how crop farming is carried out in this country. The result is bad news for our communities, the land, our economy and our country. Major reform is required.

To be sure, it is important that America's farmers have access to affordable crop insurance. Crop insurance is an important risk management strategy that can protect a farm family in the case of natural disasters as well as provide a moderate level of income protection—a safety net in hard times that enables farmers to pay their expenses and get the next year's crop in.

But intense lobbying pressure from the insurance industry, agribusiness firms and commodity groups has transformed this safety net into a wasteful multi-billion dollar revenue stream for some of the nation's largest cropping operations, as well as the insurance companies that sell and service the policies. It

funnels public dollars into private hands, producing a result that policy makers never dreamed of when crop insurance was created three-quarters of a century ago: fewer farms, concentrated wealth and diminishing opportunities for some of the most innovative beginning farmers we've seen in a generation. Ultimately, by prioritizing and facilitating short-term financial gain over long-term farm sustainability, the current federally subsidized crop insurance program makes it harder for America's farmers to grow food while building diversity and land stewardship into their operations.

Please take a few minutes, read these white papers, listen to the voices of the farmers—beginning and established—who helped put it together and see if you agree. And send us your thoughts and ideas.

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**The Land Stewardship Project (LSP)** is a private, nonprofit organization founded in 1982 to foster an ethic of stewardship for farmland, to promote sustainable agriculture and to develop healthy communities. LSP is dedicated to creating transformational change in our food and farming system. At the core of all our work are the values of stewardship, justice and democracy. LSP's work has a broad and deep impact, from new farmer training and local organizing, to state and federal policy and community based food systems development. The Land Stewardship Project wants more successful stewardship farmers raising both livestock and crops on the land. LSP believes that by working together, the people who live in our region can take practical steps that result in greater stewardship of the land, more family farms and ranches, resilient, racially just communities, and healthy food for all.

## White papers in the “Crop Insurance: How a Safety Net Became a Farm Policy Disaster” series

- Crop Insurance — The Corporate Connection
- Crop Insurance Ensures the Big Get Bigger
- How Crop Insurance Hurts the Next Generation of Farmers



To read all of these white papers and for more information on the Land Stewardship Project's “Crop Insurance: How a Safety Net Became a Farm Policy Disaster” initiative, see:  
[www.landstewardshipproject.org/organizingforchange/cropinsurance](http://www.landstewardshipproject.org/organizingforchange/cropinsurance).

More information is also available by contacting **Mark Schultz, Land Stewardship Project Policy Program Director**, at 612-722-6377 or [marks@landstewardshipproject.org](mailto:marks@landstewardshipproject.org).