Executive Summary

Crop Insurance: A Torn Safety Net

Why the Farm Bill's Biggest Program is a Boon to Corporations & a Bust for Family Farmers and the Land

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Federal crop insurance, the Farm Bill's biggest agricultural program, has transformed from a key safety net for our nation's farmers to a system that consolidates land ownership, shifts billions of dollars in public funding to large corporations, and harms the land and water. Farmers require a basic safety net to protect them from being wiped out by severe weather and other disasters. However, as it stands today federal crop insurance threatens the viability of our farmers, the health of our soil and water, and the prosperity of our communities.

• As it is currently designed and implemented, federal crop insurance has two major flaws:

1) It lacks limits on how much an operation can receive in premium subsidies. Crop insurance is the only farm program with no subsidy cap. In 2015, half of the insurance indemnities went to farms with household incomes greater than $143,806.
2) There are few mechanisms for deterring the farming of environmentally sensitive land or incentivizing practices that improve soil health, habitat and water quality.

• While farm income plummets and rural communities suffer, profits for multi-national insurance companies have skyrocketed. The 15 insurance companies sanctioned by the government to sell crop insurance have their administrative costs related to crop insurance covered by the public. Crop insurance companies' average rate of return was 24.8 percent in 2015; the Government Accountability Office determined that a fair market rate of return for the crop insurance industry would be closer to 9.6 percent. Meanwhile, the customers of these insurance companies are entering what is being dubbed a "new farm crisis" as a result of low commodity prices.

• Insurance companies that offer federally subsidized crop insurance have worked successfully to fend off reform of the program. Lawmakers crafting the 2014 Farm Bill were the target of more than $159 million worth of lobbying. The most heavily lobbied provision *inside* the Farm Bill was crop insurance. As a result, the program was greatly expanded by the 2014 Farm Bill.

• The 2018 Farm Bill offers a prime opportunity to re-make federal crop insurance into a program that provides family farmers a basic safety net while incentivizing farming practices that are good for the land and our communities. A reformed crop insurance program should:

1) Place a $50,000 annual limit on how much each farming operation can receive in crop insurance premium subsidies. This would affect a tiny minority of farmers, while saving taxpayers billions of dollars.
2) Reward cover cropping, diverse rotations and other conservation-based farm management systems that make our fields more resilient.