Crop Insurance: *A Torn Safety Net*

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

LAND STEWARDSHIP PROJECT

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Introduction

The Farm Bill belongs to all Americans and serves as both our agreement to support farmers and the guiding vision for our food system. Lawmakers have made federal crop insurance the primary safety net for farmers in the Farm Bill.[1] Unfortunately, this program has serious problems that, if left unfixed in the 2018 Farm Bill, threaten the viability of our farmers, social and economic equity in our society, the health of our soil and water, and the prosperity of our communities.

The two main problems with crop insurance — the **1) lack of sensible premium subsidy limits**, and **2) absence of meaningful conservation-based risk management** — contribute to dramatic consolidation of farmland, damage to soil and water and the weakening of rural communities. Powerful insurance corporations, which are the real beneficiaries of this public-private partnership, have spent huge sums of lobbying dollars to defend the status quo. Many commodity groups and lawmakers exacerbate this problem by claiming to represent all farmers, but instead listen to these lobbyists and push policy that helps corporate agribusiness interests and insurance companies at the expense of the bulk of America's farmers, as well as the land itself.

In early 2014, Congress passed the Agricultural Act of 2014, our latest version of the federal Farm Bill. While a few worthwhile changes involving crop insurance and conservation made it into the 2014 Farm Bill, none of them addressed the fundamental structural problems and serious negative impacts related to federal agriculture policy that the Land Stewardship Project (LSP) and many others have raised.

In the fall of 2014, LSP published a series of white papers identifying serious problems in the federal crop insurance program and proposing policies for reform.[2] ***Crop Insurance: How a Safety Net Became a Farm Policy Disaster*** received widespread media coverage and generated much discussion in the agricultural and conservation communities.

Since the 2014 Farm Bill, rural America and family farmers have been living an unfolding crisis. Federally-subsidized crop insurance, sold to the public as a primary safety net for farmers and rural economies, has failed. Because of poorly crafted farm policy, family farms are disappearing every day, which in turn hurts rural communities in many ways. The land and water we all depend on is under increasing pressure and at risk of more damage. Federal crop insurance is the largest agricultural program in the Farm Bill and has significant impact on family farmers and rural America.[3] As lawmakers work on the 2018 Farm Bill, they have the opportunity to implement needed changes.

What is needed now are two practical policy reforms that promote land stewardship and support all family farmers in building a more just and sustainable food and farming system. The choice is clear: lawmakers need to listen to family farmers, rural communities and the American public, and work for sensible reform of the federal crop insurance system.

What is Federal Crop Insurance?

The Farm Bill has 12 sections that address everything from agricultural research and crop insurance to the Supplemental Nutrition Assistance Program, or SNAP—formally known as food stamps.[4] This comprehensive legislation is supposed to be renewed approximately every five years; the current Farm Bill expires in September 2018.

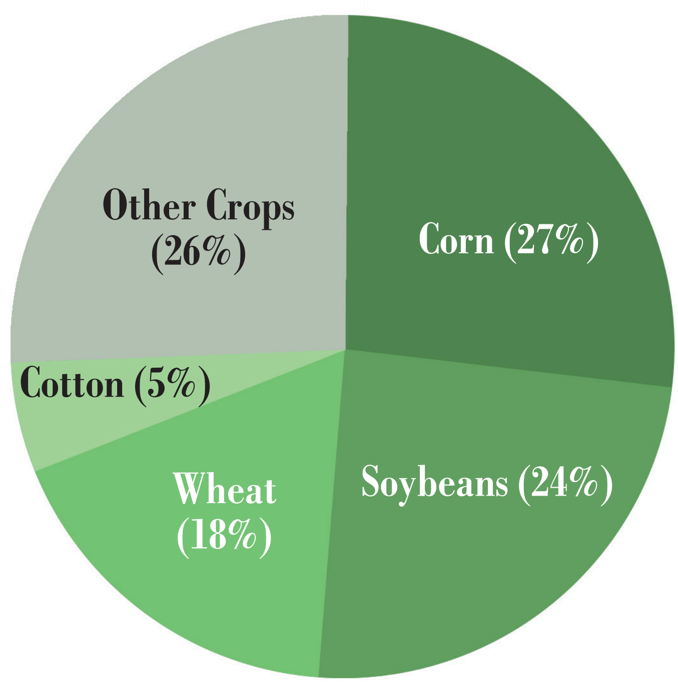
Federal crop insurance began with the Federal Crop Insurance Act of 1938 as a way to guarantee a steady supply of food for the United States. Crop insurance's initial goal was to provide a safety net for farmers so that one year of catastrophic weather would not put them out of business. It was privatized and expanded in 1980, and in order to increase the number of policies farmers purchased from insurance corporations, the government added coverage for more crops and introduced government subsidies. Crop insurance is administered by the U.S. Department of Agriculture's (USDA) Risk Management Agency (RMA) and offered to farmers through a select group of 15 insurance corporations. The federal government reimburses crop insurance corporations for their administrative and operating costs. Crop insurance must be offered to all farmers who are raising approved crops, and the federal government takes on the riskiest policies that are most likely to result in indemnity payments.

When buying insurance from one of these corporations, farmers pay a portion of the premium, and the federal government subsidizes the rest.[5] Today, over 60 percent of the cost of a typical farmer's insurance premium is covered by the government.

Farmers work with local agents who are retained on commission by the insurance corporations. Besides yield loss insurance, farmers are now able to choose other forms of coverage, such as revenue insurance. Revenue insurance triggers a payment at harvest if the combination of crop yield and price—based on a farmer's yield history and a price determined by commodity futures around planting time—is lower than the revenue guarantee selected by the farmer when buying the policy. After harvest, insurance adjusters determine whether farmers have incurred a loss (caused by low yields, low prices, or both) and whether they are eligible for an indemnity payment.

Federal crop insurance is now the single largest agricultural program, measured by funding, delivered by the Farm Bill.[6] Taxpayers have paid on average nearly $9 billion a year since the 2014 Farm Bill to cover the expense of running the federal crop insurance program.[7]

Acres Enrolled in the Crop Insurance Program, 2000 to 2016



Corn, soybeans, wheat and cotton account for nearly 3/4 of the enrolled acres in the federal crop insurance program.

Source: Options to Reduce the Budgetary Costs of the Federal Crop Insurance Program," Congress of the United States Congressional Budget Office 12/2017, accessed 2/22/2018 https://www.cbo.gov/publication/53375

What's Broken: Two Major Problems

The crop insurance program has many benefits for farmers, but it contains two major structural problems: **1)** it lacks sensible subsidy limits and **2)** does not provide a mechanism for meaningful conservation-based risk management.

That means crop insurance gives the most to those who need the least, and penalizes farmers for using a diversity of crops and livestock to manage risk. As it is structured now, federal crop insurance in effect rewards farmers for a style of farming reliant on monocrops and off-farm inputs and expensive crop protection products, and discourages farmers from using land stewardship practices that build soil health, improve water quality and prevent erosion. In short, this tax-funded program encourages and supports behavior that funnels money to corporate agribusinesses and crop insurance corporations, and that diminishes the long-term resilience of our farmland.

Having No Limits Benefits the Largest Farms

Currently, federally subsidized crop insurance is the only farm program without payment limits: farm operators can collect an unlimited amount of insurance subsidies that grow with the size of the operation. This gives an unfair advantage to the largest farms because they are in a position to collect an undue share of the subsidy. A 2017 USDA study found that there has been a dramatic increase in the amount of crop insurance benefits going to the largest farms over the past decade. Farms with a Gross Cash Farm Income (GCFI) of over $1 million grew from receiving 12 percent of the total crop insurance indemnity payouts in 1997 to 33 percent of the total in 2015. In 2015, half of the

Limits: What a Corn & Soybean Farmer Thinks

Randy Krzmarzick farms corn and soybeans on a Century Farm in Brown County near Sleepy Eye, Minn. Krzmarzick sees the federal crop insurance program as important, but also recognizes it has problems. "Farming is a uniquely risky business," he says. "Crop insurance is an essential tool for managing risk. It helped me in 2016 when we received hail damage. But we can't turn a blind eye to the problems with it—problems that need fixing if we want our public resources to benefit the public good."

Krzmarzick agrees that the lack of subsidy limits is a huge problem. "Crop insurance is the only Farm Bill program not subject to any limits on the amount of support any one operator can receive," he says. "The largest recipients in Minnesota have received up to, and sometimes over, $1 million of this support under the current Farm Bill. That is unnecessary. It is wasteful. It allows the most aggressive farm business operators to outbid beginning farmers or small- and mid-sized diversified farmers competing for land to rent or buy. We need limits."

What might limits look like on the ground? "If the 2018 Farm Bill imposed an annual limit of $50,000 in premium subsidies per operator, you could farm 3,000 acres or more of corn and soybeans at today's market prices, and not meet the limit," Krzmarzick says.

indemnities went to farms with household incomes greater than $143,806.[8] To put that in context, the median farm household income for that same year was $76,735.[9] In short, most payments flow to the largest farms, those with nearly double the median income. This unjust distribution of government farm dollars puts our nation's largest farms in a position where they can outbid smaller and beginning farmers looking to expand their land base via purchase or rental. The bottom line: public funds are subsidizing the consolidation and expansion of mega-operations.

This unlimited public subsidy to already wealthy farm operations continues to tilt an already tilted playing field in their favor. The massive farm operations already benefit from favorable deals on chemicals, seed, credit and market access.[10] Now federal crop insurance extends that unfair advantage to farmland access.

Iowa State University economist Mike Duffy researched the correlation between land prices and crop insurance subsidies in Iowa and found that crop insurance subsidies have increased land values.[11] The Land Stewardship Project's 2014 crop insurance white papers reached this same conclusion. In LSP's interviews with beginning farmers, the advantage unlimited crop insurance subsidies provided to very large farm operations was one of the principle factors identified as limiting access to land. Another major disadvantage beginning farmers face is that federal crop insurance provides better coverage to established farmers due to their cropping history. This can become a major issue when risk-averse creditors are approached by beginning farmers for loans.[12] Although falling commodity prices have led to a drop in land values since 2014, the problem of limited beginning farmer access to affordable acres remains.

I used and needed crop insurance, so is criticizing crop insurance anti-farmer?

Paul Sobocinski has farmed near Wabasso, Minn., since 1976, and benefited from federal crop insurance when he raised crops like corn and soybeans. According to Sobocinski, there are positives to the program: "It covered a loss sooner, and it took away the need for disaster programs every time there was a disaster."

But Sobocinski has misgivings about how it has been implemented in recent years. "Crop insurance gave the largest farmers a protection tool to go out and rent land at the very highest dollar per acre. That made it difficult for farmers who might be very good in terms of conservation and all the other traits of being a good farmer, but don't already have a lot of acres. It allowed large farmers to position themselves financially, to pay maximum dollars for rent, and have federal crop insurance to back their play," he says.

According to Sobocinski, rather than acting as a safety net, crop insurance now destabilizes small- and mid-sized farmers by choking off their supply to land. "A mid-sized farmer, operating a couple parcels of land, if he lost one, it makes his operation unstable and unfeasible."

"I see more and more in my county open farm fields and depleted soil—so much soil is being washed away into our ditches and streams. We aren't encouraged through crop insurance to farm in the right way to save our soil. In fact, we are encouraged to do the opposite. Crop insurance needs to work to encourage sustainable farming practices that value soil and water as much as corn and soybeans."

— Darrel Mosel, farmer, Gaylord, Minn.

No Meaningful Conservation = More Long Term Risk, Damaged Land

The farming practices encouraged by federal crop insurance clash with the vision of land stewardship and conservation-based risk management that has guided generations of Minnesota farmers. Instead of looking at a farm's long-term resiliency in the face of risk, federal crop insurance focuses on yields and revenue from the major commodity crops. A welcome exception is Whole Farm Revenue Protection, a federally subsidized crop insurance policy that rewards farm diversification.[13]

In addition, the 2014 Farm Bill added "conservation compliance" to eligibility requirements for crop insurance. "Conservation compliance" requires farmers to put in place certain conservation practices in order to remain eligible for enrollment in government farm programs.

Unfortunately, the new crop insurance conservation compliance provision applies only to highly erodible land and wetlands, and has been inconsistently enforced, if at all.[14] In addition, crop diversification and other methods that build soil health, which are critical in long-term risk management, are not considered, and in many cases discouraged, under the conservation compliance rules.[15]

Crop insurance is designed to primarily benefit the planting of monocultures of crops like corn, soybeans, cotton and wheat.[16] These four crops accounted for 74 percent of insured acres between 2000 and 2016.[17]

The Damage Done

A 2012 research paper found that there are several ways the current crop insurance system undermines conservation:[18]

- **It encourages farmers to plant the eligible crops that are most heavily subsidized, and to plant much more of them than they otherwise would.**
- **It encourages farmers to plant these crops on marginal and environmentally fragile land that, without subsidies, they would usually not consider because of the potential for huge yield losses.**
- **Farmers who receive the most subsidies are less likely to undertake other risk-management techniques.**

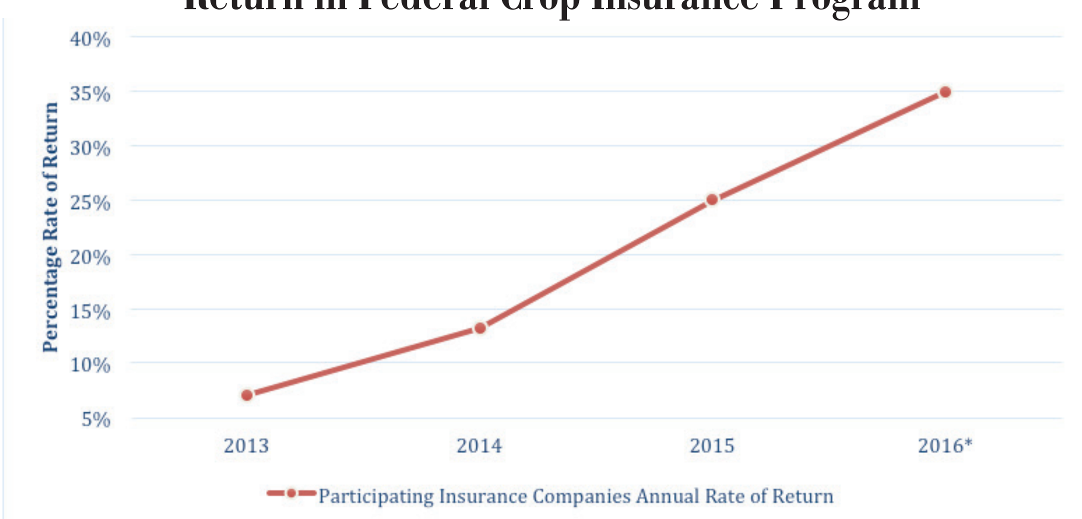
The Real Beneficiaries: Insurance Companies

Crop insurance's problems are not being addressed during the current debate over the 2018 Farm Bill. In fact, leaders in the House and Senate agriculture committees have pledged to ***not*** reform the insurance program,[19] claiming that doing so will hurt farmers. It turns out they are repeating a myth (*see the sidebar on page 14*) that is being expressed by multi-billion dollar crop insurance corporations and agribusiness firms, which, by the way, profit immensely from the current system.[20]

Crop insurance is supposed to distribute the risks of farming amongst insurance companies, farmers and the public. However, the benefits of the program disproportionately go to insurance companies, while the bulk of the risk is borne by the American public. Between 2005 and 2009, for every dollar in insurance benefits that farmers received from the program, insurance companies received $1.44.[21] In 2017, a Government Accountability Office (GAO) report concluded that the current program sets up insurance companies to make more than $1.3 billion annually until 2026, and that the target rate of return, which is set by law, does not reflect market conditions.[22] Insurance companies are able to shield themselves from risk and make large profits from the program in multiple ways.

First, insurance companies can shift their risk to the public through so-called "risk sharing agreements."

Participating Insurance Companies' Annual Rate of Return in Federal Crop Insurance Program



*Data for 2016 rate of return is an estimate
Source: "Crop Insurance: Opportunities Exist to Improve Program Delivery and Reduce Costs," United States Government Accountability Office, 7/2017, accessed 2/22/2018 https://www.gao.gov/assets/690/686145.pdf

Under these agreements, the public assumes a greater responsibility for the riskiest policies while companies can profit from the less risky ones. Because of this, between 2004 and 2013, insurance companies collected $10 billion more in premiums than indemnities they paid out, while the public paid $2.8 billion to cover the losses of the riskiest policies.[23]

Second, the public pays insurance corporations for all their administrative costs related to federal crop insurance. The goal of covering these costs is to lower insurance premiums for farmers. One result in that it generates a direct subsidy to private corporations that amounts to billions of dollars of public money every year.[24] Between 2007 and 2017, these administrative costs totaled $14.8 billion and equaled 20 percent of the total direct costs paid by the public.[25]

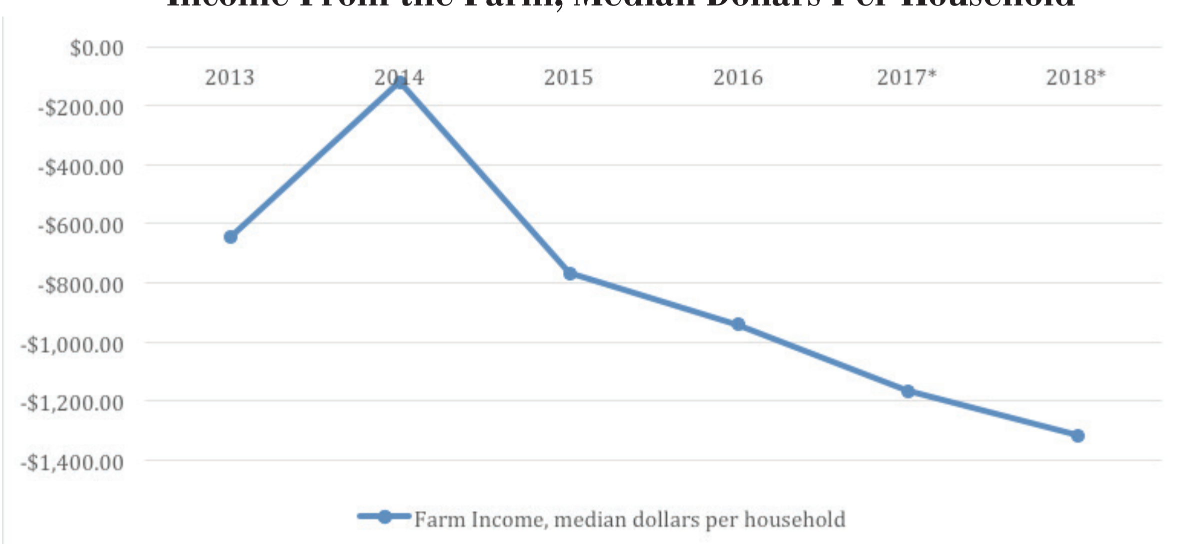
Third, federal crop insurance providers benefit from a 14.5 percent target rate of return set by our lawmakers in Congress. Rate of return is a measure of profitability. The actual rate of return of participating insurance companies has varied widely, and in 2015 it was 24.8 percent, according to the GAO. The GAO determined that a fair market rate of return for the private crop insurance industry would be closer to 9.6 percent.[26]

Lastly, the way crop insurance is implemented acts as a barrier to competition. *(continued on page 11)*

"I know my crop insurance is supported by public farm policy, and so it should benefit the public — our food system, land and water — not the growing profits of multinational corporations."

— Tom Nuessmeier, farmer, Le Sueur, Minn.

Income From the Farm, Median Dollars Per Household



*2017 & 2018 forecasts
Source: USDA, Economic Research Service and National Agricultural Statistics Service, 2013-16 Agricultural Resource Management Survey. Data as of February 7, 2018.

The Broken Safety Net: Crisis in Rural America

A Farm Crisis

As the graphs on pages 8 and 9 show, farm income and crop insurance company profits are going in opposite directions. The federal crop insurance safety net has incentivized farmers to plant more commodity crops, yet since the 2014 Farm Bill, falling prices for those crops have brought deep financial distress to farmers and the rural communities they support (a). Ironically, as a safety net the federal crop insurance system provides little protection from multi-year drops in crop prices (b). In 2018, farm income is forecast to drop to its the lowest level since 2006 (c).

This has resulted in what many farmers are starting to call another "1980's style farm crisis," as suicide hotlines are now being inundated by calls from distressed farmers (d). The USDA's annual "Farms and Land in Farms" summary reports that between 2013 and 2017, Minnesota alone lost 800 farms. The United States has lost a total of 36,000 farms during the same period (e). The dramatic loss of farms reverberates throughout rural communities (f).

A Land & Water Crisis

Erosion and contaminated water have risen to crisis levels in Minnesota.

The Minnesota Pollution Control Agency (MPCA) has labeled western and southern Minnesota's streams and rivers as "most impaired," stating that only 16 percent meet the standards for aquatic life (g). A stretch of the Mississippi River south of Minnesota's Twin Cities has been determined to be "impaired" because of excessive sediment caused by eroding soil. According to "State of the River Report in 2016," the equivalent of 71,000 dump trucks of sediment are dumped into the Mississippi River's Lake Pepin every year. Seventy-six percent of the sediment comes from the Minnesota River Basin and is caused by "eroding river bluffs, stream banks and farm fields."

Minnesota contributes the sixth highest load of nitrogen to the Mississippi River; runoff of farm nutrients such as nitrogen is causing the "dead zone" in the Gulf of Mexico. According to the report, 48 percent of the nitrogen comes from farm drainage systems (h).

(a) United States Department of Agriculture, National Agricultural Statistics Service, accessed 2/22/2018 https://www.nass.usda.gov/Charts_and_Maps/Agricultural_Prices/

(b) Ray, Daryll E & Schaff, Harwood D. "Crop insurance is under fire from two fronts: budget cutters and critics of its adequacy as a safety net," Agriculture Policy Analysis Center, University of Tennessee, 11/2/2015, accessed 2/25/2018 http://www.agpolicy.org/weekpdf/799.pdf

(c) "Highlights From the February 2018 Farm Income Forecast: Farm Sector Profits Expected To Decline in 2018" United States Department of Agriculture Economic Research Service 2/20/2018, accessed on 2/22/2018 https://www.ers.usda.gov/topics/farm-economy/farm-sector-income-finances/highlights-from-the-farm-income-forecast/

(d) Davis, Don, "Suicides make farm crisis real," Forum News Service, 8/02/2017, accessed 2/25/2018 http://www.agweek.com/news/4306517-suicides-make-farm-crisis-real

e) "Farms and Land in Farms 2014 Summary" United State Department of Agriculture National Agricultural Statistics Service, 2/19/2015, accessed 2/22/2018 http://usda.mannlib.cornell.edu/usda/nass/FarmLandIn//2010s/2015/FarmLandIn-02-19-2015.pdf "Farms and Land in Farms 2017 Summary," United State Department of Agriculture National Agricultural Statistics Service 2/16/2018 accessed 2/22/2018 http://usda.mannlib.cornell.edu/usda/current/FarmLandIn/FarmLandIn-02-16-2018.pdf

(f) "Greater Minnesota Refined & Revisited," Department of Administration Minnesota State Demographic Center,01/2017, accessed 2/25/2018, https://mn.gov/admin/assets/greater-mn-refined-and-revisited-msdc-jan2017_tcm36-273216.pdf

(g) The State of Rivers and Streams, Minnesota Pollution Control Agency, accessed 2/22/2018, https://www.pca.state.mn.us/water/state-rivers-and-streams

(h) "State of the River Report 2016: Water Quality and River Health in the Metro Mississippi River," Friends of the Mississippi River and National Park Service, 9/18/2016, accessed 2/25/2018 https://issuu.com/friendsmissriv/docs/state_of_the_river_report_2016_for_

(continued from page 9) It does this by requiring farmers to purchase insurance through one of 15 approved providers — several of which are subsidiaries of multi-billion-dollar transnational corporations headquartered around the world in places such as Australia and Zurich[27] (***see chart below***). One example in Minnesota is NAU Country Insurance Company, which was started by Minnesota native James Deal and, according to its website, "helped initiate the successful partnership between the government and private sector in the early 1980's."[28]

NAU Country grew to become the third largest provider of crop insurance policies in the United States. Because of the profits being generated, Australia's biggest insurer by market value, QBE, acquired NAU Country for $565 million in 2010.[29] The most recent shareholders' report published in August 2017 by QBE stated that its net profits were $345 million and have risen 30 percent since August 2016.[30]

In 2012, when then President Barak Obama proposed reforms to crop insurance that would have saved the federal government billions, QBE worked to defend the program that had generated so much of its profit. James Deal, the founder of NAU, was paid $260,210 by QBE for lobbying services in 2012 and is credited with successfully preventing QBE's interests from being impacted by insurance reform proposals.[31] The federal crop insurance system benefits insurance companies so well that Speaker of the House Paul Ryan called it, "crony capitalism" in 2013.[32] President Donald Trump's latest budget has called for crop insurance reforms.[33]

15 Participating Companies in Federal Crop Insurance Program	Multinational Parent Company	Parent Company HQ
ACE American Insurance Company	Chubb Ltd.	Zurich, Switzerland
American Agri-Business Insurance Company	Sompo International Holdings, Ltd.	Tokyo, Japan
American Agricultural Insurance Company	N/A	N/A
CGB Insurance Company	Itochu Corporation, ZEN-NOH Grain Co,	Tokyo, Japan
Country Mutual Insurance Company	Country Financial	Bloomington, Illinois
Farmers Mutual Hail Insurance Co. of IA.	Farmers Mutual Hail of IA. Insurance Grp.	West Des Moines, Iowa
Great American Insurance Company	American Financial Group, Inc.	Cincinnati, Ohio
GuideOne Mutual Insurance Company	Crop Pro Insurance Services	Johnston, Iowa
Hudson Insurance Company	Fairfax Financial	Toronto, Canada
NAU Country Insurance Company	QBE Insurance	Sydney, Australia
Producers Agriculture Insurance Company	Tokio Marine Group of Companies	Tokyo, Japan
Rural Community Insurance Company	Zurich Insurance Group	Zurich, Switzerland
Stratford Insurance Company	Archer Daniels Midland Company	Chicago, Illinois
Technology Insurance Company, Inc.	AmTrust Financial Services	New York City, New York
XL Reinsurance America, Inc.	XL Group Ltd	Hamilton, Bermuda

*** RED denotes non-U.S. ownership   *N/A denotes info not available/not publicly traded**

Crop Insurance Doesn't Work for Many Farmers: Those Left Behind

Farmers of Color

Farmers of color have historically been prevented from accessing most of the benefits of various federal farm programs. For example, one of the largest civil rights settlements in U.S. history is Pigford v. Glickman 1999, where the courts ruled that the USDA had systematically excluded black farmers from loans and other benefits for decades. Another ruling was reached in 2011 that found similar discrimination had been perpetuated against native farmers.

Robert Shimek has an 18-acre farm on the White Earth reservation in Minnesota; his family once owned a larger dairy operation. Fewer native farmers benefit from crop insurance because there are fewer native farmers, in part because they were systematically denied loans in the 1980's and 1990's. This discrimination played a part in Shimek's family losing their dairy operation. "When I was denied access to loans, I wasn't able to expand my herd or housing for my herd at a key time," says Shimek. "Would this have made it for me? I'll never know...That's what's happened to a lot of us."

While not as overt, this discrimination continues in the crop insurance system. For example, naturally occurring, hand-harvested wild rice is the main crop farmed by many Minnesota tribes, but they are excluded from participating in the crop insurance program because wild rice is only subsidized if it is grown and harvested in man-made irrigation ditches. Before federal crop insurance serves as a risk management tool for all Americans, the 2018 Farm Bill must ensure that insurance products approved by the USDA are suitable for tribal food production systems.

For more information, see the University of Arkansas School of Law Indigenous Food and Agriculture Initiative: http://www.indianaglink.com/wp-content/uploads/2017/08/Title-XI-Crop-Insurance-Final-080317.pdf.

Women in Farming

In the 25-year period between 1982 and 2007, the number of women farmers tripled, making up 30 percent of all farm operators. That made women the fastest growing segment of farmers in 2007. However, since then the number of women who are principal operators of farms has fallen by at least 4 percent. Women face many obstacles, including access to capital to purchase farmland, which is being made more expensive by crop insurance policies. Thus, women are grossly underrepresented among those raising commodity crops, instead tending to be concentrated into small, diversified farm operations that are roughly one-half the size of those owned by men. Consequently, women farmers have total sales that are about 25 percent of what's earned by male farm operators (a).

Without access to the capital and loans that are so plentiful for large, technology-intensive farms, small farm operations, including those owned and managed by women, will increasingly not be able to utilize the federal crop insurance program.

(a) *The Rise of Women Farmers and Sustainable Agriculture*. Sachs CE, Barbercheck ME, Brasier KJ, Kiernan NE, Terman AR. 2016, University of Iowa Press, Iowa City, IA.

Money Defending the Status Quo

The large profits that have been made by insurance companies and the growth of large farms has created a conglomeration of groups that lobby to defend the status quo. These groups range from the insurance industry itself, to agribusiness and commodity groups whose interests are tied to the biggest farm operations that benefit most from the current program.

Their lobbying power was on display during debate over the 2014 Farm Bill. Lawmakers crafting the agricultural legislation were the target of more than $150 million in lobbying by 350 companies.[34] That made it the sixth most heavily lobbied piece of legislation that year.

The most heavily lobbied provision ***inside*** the Farm Bill was crop insurance. Groups such as the American Farm Bureau Federation, the International Dairy Foods Association, the American Association of Crop Insurers, and the American Wheat Growers Association all weighed in on the issue.

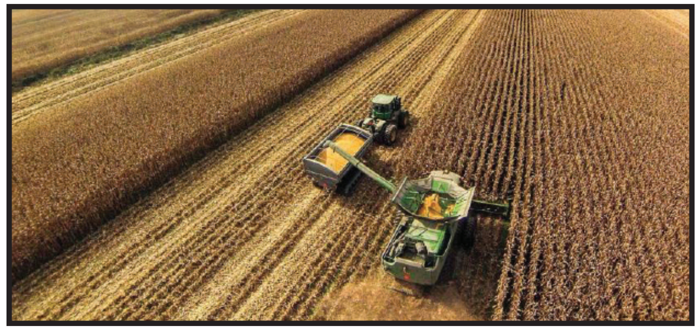
Every year since 2006, the Minnesota Corn Growers Association has spent $160,000 lobbying on public policy. In 2013 and 2014, every lobbying report the commodity group filed (24 total) mentioned crop insurance.[36]

In 2013 and 2014, insurance giant QBE contributed $186,249 to Congressional candidates and political party committees, and it spent a little over a half-a-million dollars on lobbying from 2011-2013. In 2014, the top five candidate recipients of QBE's donations were candidates for congressional office in Minnesota.[37]

During drafting of the 2014 Farm Bill (2013 and 2014) the Minnesota Congressional delegation received $1.8 million in political donations from the agribusiness sector, according to the Center for Responsive Politics. Much of this money went to the members of the delegation who were on the U.S. House and Senate Agriculture Committees. For the Minnesota members on the Ag Committees, the agribusiness sector's donations averaged around one-fifth of their total campaign contributions. The insurance industry gave $711,302 to members of the Minnesota Congressional delegation in 2013 and 2014.[38]

Clearly, no combination of family farm, conservation or good government groups can match the financial firepower invested in literally fleets of corporate lobbyists walking the halls of Congress. While a direct connection between political donations and policy positions is difficult to make, it is a fact of American political life that millions must be raised to run for office.[39]

Few family farmers or average American citizens could ever give the amount of political donations that these large industries shovel out. These industries can also employ lobbying and public relations firms to argue for their interests. These areas of indirect and direct influence of lawmakers drown out the voices of average citizens when they are calling for sensible reforms to the crop insurance system.



"My question is, do politicians work for family farmers and people, or do they work for insurance companies and agribusiness?"
— James Kanne, dairy farmer, Franklin, Minn.

Would Caps Affect the Soundness of the Insurance Pool and Raise Premiums for Everyone?

One of the main arguments that the insurance industry makes to defend the status quo is that premium subsidy limits would wreck the "actuarial soundness" of the insurance pool (a). The industry claims that the largest farm operations would leave the program, rather than settle for a premium subsidy of, say, $50,000, which is the annual limit that has been proposed by the Land Stewardship Project and others. (To be clear, a subsidy limit does not prohibit a farm operation from participating in the program once it reaches the size limit. It simply would cap the amount of premium subsidy it could receive annually.)

The "actuarial soundness" argument is based on the hypothetical scenario that many farmers would leave a capped program and that this would trigger an increase in premiums for the remaining crop insurance participants. Two studies dispute this theory. A 2015 Government Accountability Office report states that: "…the highest income participants account for only about 1 percent of the premiums in the program. As a result, their decisions to stay in or leave the program would likely not affect the crop insurance program's actuarial soundness at the national level" (b). A more recent Congressional Budget Office report from December 2017 estimates a $50,000 premium subsidy limit would possibly reduce enrollment on .5 million acres of the 290 million acres currently insured. It concludes that a limit would reduce federal spending without a significantly large drop in program participation (c).

The bottom line: placing common sense limits on how much one farm can receive in crop insurance premium subsidies is unlikely to cause enough farmers to leave the program that its "actuarial soundness" is threatened.

(a) See latest video ads from Crop Insurance in America, https://cropinsuranceinamerica.org/real-stories/
(b) "Crop Insurance: Reducing Subsidies for Highest Income Participants Could Save Federal Dollars with Minimal Effect on the Program," United States Government Accountability Office, 03/2015, accessed 2/26/2018, https://www.gao.gov/assets/670/669062.pdf
(c) "Options to Reduce the Budgetary Costs of the Federal Crop Insurance Program," Congress of the United States Congressional Budget Office 12/2017, accessed 2/22/2018 https://www.cbo.gov/publication/53375

Fix Federal Crop Insurance: *Two Policy Proposals*

Two common sense reforms to federal crop insurance would benefit family farmers, the land and rural communities.

Reasonable Subsidy Limits

Crop insurance is the only segment of the farm safety net (or the Supplemental Nutrition Assistance Program safety net, for that matter) that is not subject to a payment limit by the USDA. A broad national alliance of grassroots organizations that advocate for farm policy reform in the 2018 Farm Bill have proposed limiting the premium subsidy within the crop insurance program to $50,000 a year per participating farmer.[40] The Land Stewardship Project is part of this coalition and believes this limit is reasonable. There is plenty of precedent for implementing reasonable caps when it comes to federal farm programs. For example, the Conservation Stewardship Program has been capped at a level of $40,000 per enterprise per year in order to allow for greater participation of eligible farmers in this program, and to not allow the program to be "captured" by corporate agribusiness and the biggest of the big farm operations.

Lawmakers should create premium subsidy limits in line with other USDA programs to re-focus the program on its original mission: to be a safety net for family farmers grappling with disasters and other unforeseen circumstances. A subsidy limit of $50,000 would affect a small minority of farmers and save public dollars for important investments elsewhere.

As part of this reform, the federal government should renegotiate the Standard Reinsurance Agreement (SRA) to make sure our public funds are being invested fairly and efficiently, and to stop multinational insurance corporations from benefiting from excessive administrative payments and a bloated target rate of return.

Meaningful Conservation Risk Management Strategy Focused on Soil Health

Conservation-based risk management is the tried and true way farmers for generations have dealt with the risk of farming. Through crop diversification and the building of healthy soil, farmers are more able to bear downturns in prices, as well as the extreme weather events that are becoming more the norm.

Federal crop insurance should build off a conservation-based risk management system and reward farmers who use cover cropping, diverse rotations and other methods that make their fields more resilient. If you farm in a less risky way, it should be factored into your crop insurance. Lawmakers should create pilot programs that test insurance policies which reward diverse crop rotations of three or more crops that include a resource conserving crop. Also rewarded would be adoption or continuance of approved conservation practices that conserve soil, protect water and improve soil health, with a corresponding increase in premium subsidy support.

The new Farm Bill should also enable farmer innovators using Natural Resources Conservation Service (NRCS) approved cover crop practices to access crop insurance without risk of losing coverage. All NRCS approved practices should be recognized by the Risk Management Agency as "Good Farming Practices." These are straightforward, common sense reforms that would make a difference.

Beyond Crop Insurance

A Farm Bill for the People and the Land

Betsy Allister farms near Northfield, Minn., with her family and is a Land Stewardship Project member who has worked to create LSP's Farm Bill platform: "Our Farm Bill." She represents a growing segment of beginning farmers growing local foods who have a broad vision for the Farm Bill. "I want a Farm Bill that helps with land access so that more farmers can get started, and incentivizes those farmers to grow food that is accessible to local folks of all income levels, all while creating more jobs and spurring rural economic development," says Allister. SNAP (Supplemental Nutrition Assistance Program) initiatives account for almost 80 percent of Farm Bill dollars and Allister understands how these low-income food programs are connected to farming. "Food programs like SNAP are so important to making sure that more Americans have access to good food," she says. "Access to fresh and healthy food shouldn't be a privilege. I want to see the money that is flowing towards huge corporate interests redirected towards creating broader opportunities through beginning farmer education, land access initiatives, and local and healthy produce in schools and other institutions."

A Natural Ally: SNAP Recipients

Personal care attendant and Minneapolis resident Deborah Howze isn't a farmer, but the Farm Bill has a major impact on her and her community. "When my client's hours were cut back I decided not to go looking for another client. I've been working sick. I didn't want to apply for assistance, but when you are a caregiver, there's no time off to heal. I've worked my whole life, paid my taxes, thought I should be able to get food stamps." Because of cuts to the program, however, Howze isn't sure she'll get the help she needs. "It's hit or miss if you get it or not. They write laws to benefit corporations, even though the farmers are the ones who make the food. And they're slashing SNAP benefits for poor people, things people rely on. I support farmers. We want to feed our families good too, not just soda pop and potato chips."

OUR FARM BILL

A Farm Bill for
the **PEOPLE**
&
the **LAND**

Conclusion

Playing out in the background of today's Farm Bill debate is a slowly unfolding crisis enveloping rural America and family farmers. Broken and mis-directed federal farm policy, like the crop insurance program, is contributing to the loss of family farms and the emptying of rural communities. This is not an inevitable outcome but a choice made by Congress, influenced heavily by major multinational insurance corporations and their allies. Due to the out-sized impact of federal crop insurance on the land, water, our food, and families (both rural and urban), its structure plays a key role in whether the 2018 Farm Bill makes the situation better or worse.

This Farm Bill process will be influenced by scores of reports, legislative lobby visits, grassroots communications from citizens across the country, and significant contributions to lawmakers' campaign funds. Lawmakers involved in the 2018 Farm Bill's drafting, deliberation and passage have the opportunity to write a better vision into law, one where public policy works for everyone: urban and rural communities, new and established farmers, large and small operators. Reforms to crop insurance that enact fair and equal subsidy limits while promoting the long-term stewardship of our land and water should not be seen as uniquely rural priorities. We believe the public interest is overwhelmingly on the side of these reforms, but that the financial interests and lobbying power of the crop insurance companies themselves stand against it. Economic and racial justice, the security of our food supply, and long-term health of the land are in the vital self-interest of all Americans, and we all have a voice when it comes to bringing about these reforms. There is nothing inevitable or unchangeable about the current crop insurance system.

As lawmakers craft policy and cast their votes, they must be guided by a vision of a renewed rural America, food security for all, and a vibrant, resilient agriculture. They should reject the influence of money and the old, self-serving arguments that support the status quo. They need to stand with their constituents, not lobbyists. That is the choice.

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Crop Insurance:
A Torn Safety Net

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

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