FARM BUREAU® 2018 Farm Bill Position

• Commodities • Conservation • Credit • Crop Insurance • Energy • Forestry • Nutrition • Research, Extension, and Related Matters • Rural Development • Specialty Crops & Horticulture • Trade •

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Assisting Family Farmers through Insurance Reform Measures (AFFIRM) Act S. 2096 and H.R. 4305

ISSUE

Amendments to significantly damage the crop insurance program continue to be at the center of the farm bill debate.

BACKGROUND

Most farmers view crop insurance as their most important risk management tool.

While there is an adjusted gross income (AGI) limit of $900,000 for participation in commodity programs, there is no such limit for crop insurance programs. There is also no limit to the amount of premium discounts that can be afforded to any farmer.

LEGISLATION

Identical bills to reduce assistance to farmers through the crop insurance program have been introduced in the House and Senate. In the Senate, Sens. Jeff Flake (R-Ariz.) and Jeanne Shaheen (D-N.H.) have introduced S. 1025, Assisting Family Farmers through Insurance Reform Measures (AFFIRM) Act. The House bill, H.R. 2332, has been introduced by Rep. Ron Kind (D-Wis.).

There are no Senate cosponsors.

There are three House cosponsors: Reps. James Sensenbrenner (R-Wis.), Rosa DeLauro (D-Conn.) and Earl Blumenauer (D-Ore.).

The legislation:

- Prohibits premium subsidies: (1) for additional coverage for any person or legal entity that has an average AGI that is greater than $250,000; (2) that exceed $40,000 per year for any person or legal entity; or (3) for Harvest Price Option (HPO) policies;
- Establishes an annual cap on total reimbursements for administrative and operating costs of crop insurance providers that begins at $900 million for 2018 and is adjusted for inflation in each subsequent year. The average rate of return for insurance providers is limited to 8.9 percent of retained premiums.
- Eliminates a requirement that any renegotiated Standard Insurance Agreement be budget-neutral. (The SRA is an agreement between USDA and the private companies that administer the federal crop insurance program that specifies details such as administrative and operating expense reimbursements and risk-sharing. Eliminating the budget neutrality requirement permits USDA to use the renegotiation of the SRA to achieve savings.); and
- Requires USDA to annually disclose to the public specific details regarding the recipients and amounts of federal crop insurance subsidies.

POSITION

Farm Bureau opposes the legislation because:

-While opponents espouse that means testing such as AGI limits and premium assistance caps are only targeted at large, wealthy farmers, changing the risk pool by reducing participation from any group of farmers will change the premiums for all farmers. Crop insurance is, by statute, an actuarially sound program, which means that the more participant acres in the program, the more the risk will be spread, keeping premiums and costs down for all participants.

-A General Accounting Office analysis in 2011 showed that a $40,000 premium support cap would affect 26 percent of total insured liability in the crop insurance program. While a premium support cap might only impact a small number of producers, it would put a very large portion of crop production at risk.

-A cap on premium support does not affect all farmers in the same way. Farmers who produce high-value crops, such as fruit, vegetable and organic crops, large-acreage farms and/or those who farm in higher-risk areas would be hit especially hard.

-Midsize family farms, large family farms and nonfamily farms represent only 10.3 percent of all farms in the United States. However, they represent 51.7 percent of the acres operated and 75.8 percent of the value of agricultural production. An AGI limit will lead to less coverage and more risk exposure. Even with premium discounts, most of the country already purchases reduced levels of crop insurance due to high premium costs. In 2016, the average crop insurance deductible was about 25 percent, meaning farmers have to lose 25 percent of production or revenue before an indemnity is paid.

-Limiting crop insurance availability undermines important landlord/tenant relationships. More than half of the farmland in this country is rented, much of it using share leases where the landowner maintains some of the risk. If landowners are no longer able to afford crop insurance, they can simply transfer the risk to tenants through cash leases. Since many small-to medium-sized farms must rely on rented land to stay in business, eligibility restrictions could actually hurt smaller operations, as well as beginning farmers who aren’t yet able to buy land of their own.

-Imposing means testing is a slippery slope. If history is any guide, any threshold is likely only temporary and can reasonably be expected to be lowered in the future. This creates enormous uncertainty in the countryside, which is unfortunate given that the purpose of crop insurance is to help mitigate uncertainty in the first place.

FARM BUREAU POLICY SUPPORTS:

-Continuation of federal government financial support, at a percent not less than current levels, for the program, with the private sector continuing to serve as the primary deliverer of insurance;

-Continuation of everyone being eligible for the program, regardless of the size of the operation or payments; and

-The current legislatively approved farmer premium discount schedule.

FARM BUREAU POLICY OPPOSES:

-Means testing and payment limitations for crop insurance.