

MYTH: Disaster assistance would be better and cheaper than crop insurance.

FACT: Crop insurance provides a certainty to farmers (and their lenders) that ad hoc disaster assistance can never provide. Crop insurance payments are also timely, unlike ad hoc disaster payments which often come years after a loss. The cost of crop insurance versus ad hoc disaster assistance is difficult to compare because ad hoc disaster assistance packages vary significantly. They can cover different commodities and different types of losses.

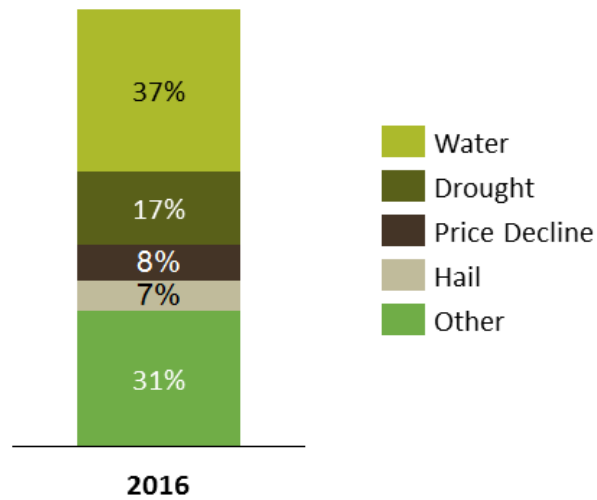
- Farmers and ranchers (and their lenders) know going into any given year what their crop insurance coverage is going to be. Ad hoc disaster assistance can never provide that certainty.
- If a farmer has a loss, they will typically receive a crop insurance payment within 30 days of a claim being finalized through an efficient private-sector delivery system, whereas ad hoc disaster assistance can often take years after a disaster before a farmer receives a payment.
- In some cases, ad hoc disaster packages have not even required a farmer or rancher to prove a loss. They have often just required a farmer to grow a specific crop or be in a specific region of the country.
- Several studies have attempted to compare various ad hoc disaster packages to the cost of crop insurance. However, these analyses have several flaws that a critical eye should consider.
 - First, it's important to take into account the commodities covered in ad hoc disaster assistance analysis. In some cases ad hoc disaster assistance will provide assistance to a few hard-hit commodities. For example, the 2010 disaster package only covered upland cotton, rice, soybean and sweet potato losses from excessive moisture. Crop insurance, on the other hand, provides coverage to more than 100 commodities every single year, and covers a variety of types of losses .
 - Second, it's important to take into account what prices were used in any analysis comparing crop insurance to disaster assistance. Comparing crop insurance's most expensive year (2013) to ad hoc disaster payments a decade ago is not a useful analysis. Market prices for commodities in 2013 were in some cases double those from five or ten years prior. As commodity prices have decreased, so too has the cost of crop insurance.
 - Finally, it's important to take into account what other farm programs were in existence when ad hoc disaster packages were more prevalent. Recent years have seen significant cuts to the farm safety net, which makes crop insurance even more critical to farmers.

Losses Covered by Crop Insurance



Crop Insurance Covers A Variety Of Types Of Losses To Protect American Farmers And Ranchers

Causes Of Crop Failure In 2016



Source: United States Department of Agriculture, Risk Management Association