

MYTH: Crop insurance discourages farmers from using other risk management tools such as market hedging, crop rotation, and off-farm income. The use of these other risk management tools without crop insurance would be enough risk management for farmers.

FACT: Farming is a risky business, so farmers utilize a multitude of risk management strategies to manage the enormous hazards they face every year when they plant a crop. However, crop insurance is the only risk management tool that farmers can literally take to the bank to prove their ability to pay back annual operating loans required to keep the farm going.

Because each farm is unique, the types of risk management strategies used by each farm can vary, but crop insurance is a critical tool in a farmer's tool box. Here are a few examples of the other risk management tools utilized by farmers:

- The use of **market hedging** has increased significantly since 2000, and approximately one quarter of all corn, soybeans and wheat are hedged.¹

Additionally, farmers of other commodities often utilize **production or marketing contracts** to lock in prices for their goods. USDA estimates that more than one-third of the value of all agricultural production is grown under contract, with this risk management tool being most-utilized in livestock, dairy, sugar beets, fruit and processing tomatoes.

- **Crop rotation** is used on more than 80 percent of the corn, soybean and wheat acres in the United States, and the use of crop rotation has been relatively stable over the years.²
- Most farms in the United States already rely heavily on **off-farm income** to maintain their operations and carry the enormous risk that comes with farming. According to USDA, recent increases in total farm income “largely reflect greater income from off-farm sources, where the majority of farm households earn most, if not all, of their income.”
- **Conservation tillage** practices are utilized on approximately 40 percent of corn, soybean, wheat and cotton acres in the United States. These practices help manage risk reducing topsoil erosion.³
- **Cover crops** were planted on more than 10 million acres of US farmland in 2012⁴, and recent studies have shown a dramatic increase in the use of cover crops.⁵ Planting cover crops can help manage risk in a variety of ways, including the improvement of soil health and an increased ability of soil to hold moisture in dry regions.
- Clearly the existence of crop insurance is not keeping farmers from utilizing other risk management strategies. However, cover crops, conservation tillage and crop rotations are not going to be enough for lenders who are looking to pencil out operating loans.

¹ Economic Research Service, USDA

² Economic Research Service, USDA

³ Economic Research Service, USDA

⁴ 2012 Census of Agriculture, USDA

⁵ Sustainable Agriculture Research & Education (SARE) 2015 Cover Crop Survey