

WHY IT'S ESSENTIAL

12 Strengths of Crop Insurance

Crop insurance helps make America's farmers and ranchers world leaders in agriculture, allowing producers to stay competitive and be more innovative. It also helps them sleep better at night knowing that should the unexpected happen, they will have the financial security to stay in business and go on to plant the next season.

A vibrant Federal crop insurance program is a key component to the tremendous success of our country's agricultural economy, and below are twelve reasons why crop insurance is an essential business tool for America's agricultural producers.

ESSENTIAL STRENGTH

1

Producers Receive Individualized Risk Management Solutions

Most farm programs are, in general, similar across all crops and producers, despite variations in an individual farmer's operations. However, crop insurance allows farmers to customize their plans and coverage to accurately reflect individual losses and their unique yields or risk.

ESSENTIAL STRENGTH

2

Producers Can Use Crop Insurance as Collateral for Loans

Crop insurance is essential to the rural economy and preserving the production capacity of farmers; it provides producers the financial freedom to build capacity and innovation. The program also is fiscally sound, and has never required a government bailout. Bankers prefer it to farm program payments, which can be less certain.

ESSENTIAL STRENGTH

3

Producers are Involved in, and Take Responsibility for Risk Management Choices

Producers design their own crop insurance programs and must meet farming standards in order to qualify for payments. Crop insurance encourages producers to become active risk managers and operate efficiently because they are required to meet the standards of "good farming practices" in order to be eligible for payments when incurring losses.

ESSENTIAL STRENGTH

4

Producers Can Use Crop Insurance to Improve their Pre-Harvest Marketing Plans

Crop insurance products provide the financial backstop needed to optimize farm marketing. In the case of a disaster affecting yields or prices, crop insurance revenue products provide farmers with the income needed to settle forward contracts, or futures and options positions.

ESSENTIAL STRENGTH

5

Producers Receive Crop Insurance Indemnities in the Timeliest Way

Crop insurance payments are paid close to the timeframe when loss occurs -- before harvest time in case of prevented planting and replant payments, or shortly after harvest in case of yield or revenue shortfall. Some farm programs provide payment long after it is needed (e.g., ACRE payments for 2010 spring planted crops won't be made until October 2011, and SURE payments can occur 1.5 years after harvest). Crop insurance companies are required to pay claims within 30 days after settlement.

ESSENTIAL STRENGTH

6

Producers Do Not Receive Unnecessarily Excessive Payments

Crop insurance payments are related to actual loss due to price volatility or natural disaster, whereas some farm program payments are not related to need or performance. In addition, a trained crop insurance loss adjuster assesses the producer's claim, thereby rewarding proper effort and appropriately protecting against events beyond the producer's control.

ESSENTIAL STRENGTH

7

Producer Indemnities are not Capped by Arbitrary Payment Limits

There are no income caps to buy crop insurance, and crop insurance premium subsidies and indemnities are not limited. Farm programs have both caps and payment limits (ACRE payments limited to \$65,000, SURE is limited to \$100,000).

ESSENTIAL STRENGTH

8

Producers Share in the Program Cost

Producers must contribute financially in order to receive crop insurance. Though partially subsidized by the federal government, these contributions help defray taxpayer costs and encourage financial discipline.

ESSENTIAL STRENGTH

9

Producers Benefit from the Efficiencies and Service of the Private Sector Delivery System

There are 15 private sector companies that deliver the crop insurance program, all driven by competition to meet producer needs. Agents are trained on an ongoing basis to understand and educate producers about the ever-changing complexities of the program.

ESSENTIAL STRENGTH

10

Crop Insurance is Comprehensive and Program Features can be Adjusted Quickly

Crop insurance products can be quickly adjusted to the changing needs of producers, without going through a long legislative process. Having the flexibility to make major program adjustments also imposes financial discipline on the government because it has the authority to correct or eliminate programs and features that are not working.

ESSENTIAL STRENGTH

11

Crop Insurance Has Already Contributed to Deficit Reduction

The crop insurance industry provided \$4 billion of the \$6 billion reduction it took from the 2011 Standard Reinsurance Agreement negotiation, and an additional \$6.4 billion from the 2008 Farm Bill toward deficit reduction. Congress must understand that consideration of additional cuts for the 2012 Farm Bill could undermine the stability of the program, leaving farmers and rural communities vulnerable.

ESSENTIAL STRENGTH

12

Crop Insurance Has Flexibility to Help Meet World Trade Organization Disciplines

Although crop insurance is considered an "amber box," it offers significant advantages over other farm safety net programs. Changes to the crop insurance program and the way it is reported to the WTO, along with provisions under discussion in a new WTO agreement, could result in future easing of compliance with WTO limitations.