

Alternative Methods to Reduce Taxpayer Cost for Crop Insurance

By

Dr. G. Art Barnaby, Jr.

Professor

Agricultural Economics

Kansas State University



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Email barnaby@ksu.edu

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Alternative Methods to Reduce Taxpayer Cost for Crop Insurance

1. Headlines claim 2012 crop insurance will cost taxpayers \$30 to \$40 billion!
2. Provide a “free” disaster program;
3. Or eliminate all safety net programs and layoff all FSA and RMA employees.
4. Farm Bill interest groups include farmers, ag lenders, Farm Credit (agent), Grain Companies, RMA employees, FSA employees, crop insurance agents, AIPs, EWG, RMA consultants, food stamp supporters, Land Grant Universities, others, and taxpayers.
5. Many analysts doubt that current institutional constraints would allow either policy extreme.

Alternative Methods to Reduce Taxpayer Cost for Crop Insurance

1. Status Quo, pass the Pending Farm Bill without additional cuts.
2. Harvest Price Causes Payments Greater than Expected Farm Revenue? Reduce HP subsidy or eliminate HP?

Excluding Harvest Price from RP Insured Iowa
Corn Farmers would have Reduced Payments by
over 50%; Assuming a 50% Yield Loss

% of Acres	Cov Lvl	Liabilities	Average APH	Avg. Indemnity	\$ Reduction in Claim,	% Reduction in Claim,
2.4%	65	653.55	177.02	190.39	190.39	(100.0%)
10.2%	70	701.92	176.54	264.81	224.50	(84.8%)
28.6%	75	773.29	181.52	340.36	248.12	(72.9%)
33.4%	80	841.99	185.30	416.92	270.83	(65.0%)
15.1%	85	907.75	188.02	493.55	285.52	(57.9%)
<u>89.7%</u>	Total					

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3. Require CAT buyers to pay a share of the premium.
4. Increase farmers' paid premium share by 5 points, from a current average of 37% to 42%.
5. Reduce Margins going to AIPs & Agents.

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6. Improve the underwriting and adjust the rates on the assigned risk pool.
7. Reduce RMA and FSA administrative costs.
8. Leave crop insurance funding as is, and take all of the cuts in the Farm Service Agency's programs, e.g. Direct Payments, target prices, etc.
9. Eliminate crop insurance and replace it with a "free" Disaster program provided by FSA.
10. Other proposals?

Crop Insurance Summary

1. FSA employees have lobbied to take over sales, loss adjusting, and production records for crop insurance.
2. FSA will have a program and employment will be maintained. But there appears to be little support for FSA to take over crop insurance.
3. CAT will remain "free" and no payment limit.
4. In the short run, the harvest price will be maintained but likely to continue being attacked. Means testing & subsidy limits will continue to be argued.
5. Disaster aid for crops will remain on the agenda.

10. Other Taxpayer Cost Reduction proposals?

1. **Your theories, ideas, suggestions or comments.**
2. **Questions**

Thank You

DR. G. A. "ART" BARNABY Jr.
KANSAS STATE UNIVERSITY
& 4B AG CONSULTANTS, LLC

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EMAIL: barnaby@ksu.edu; PHONE: 785-532-1515

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