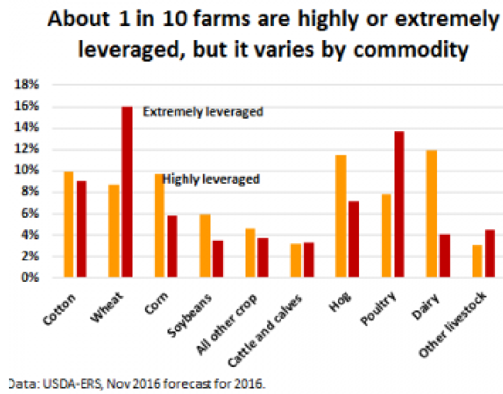
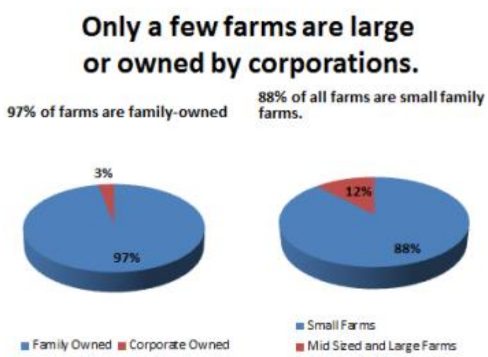
Farm Bill Myths and Facts

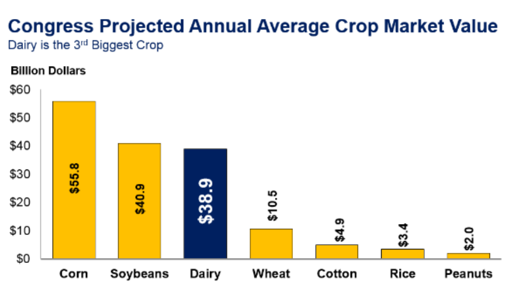
Myth: Farmers and ranchers already have more than a sufficient safety net.
Fact: Farm bills should be written for the "bad times" rather than the "good times". Now is the time to ensure we have a robust safety net as most commodity prices are low and too many farmers are highly or extremely leveraged.

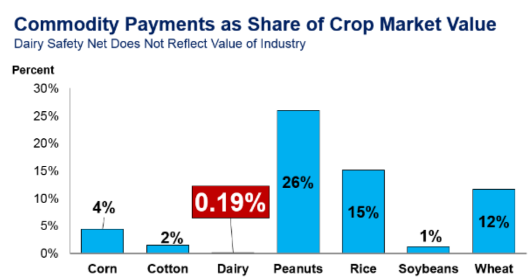




Myth: Most farms are large, corporate farms rather than family farms.
Fact: Family owned farms continue to be the backbone of the agriculture industry: 97 percent of the 2.1 million farms in the U.S. farms are family-owned operations and 88 percent of all farms are small family farms with less than $350,000 in gross cash farm income.

Myth: Dairy's safety net is on par with other commodity safety nets.
Fact: The Congressional Budget Office's (CBO) most recent baseline projected annual farm-level cash receipts in the dairy sector at $39 billion - behind only the value of corn and soybeans. Yet, a workable safety net for dairy is absent. For example, CBO projected outlays in dairy from 2018 to 2027 will total $749 million and the farm value of milk production during this time is $389 billion. The ratio of outlays to the farm value of milk production is less than one-quarter of one percent - far below assistance levels for other commodities.





Myth: Crop insurance is only for big corn, soybean, wheat and cotton farmers.
Fact: Crop insurance is available for more than 100 crops and to farmers of all sizes and in all 50 states.

Myth: Waste, fraud and abuse are rampant in crop insurance.
Fact: According to the Risk Management Agency (RMA) at USDA, the improper payment rate for crop insurance for fiscal year 2015 was 2.2 percent, which is almost half of the average rate for all government programs (4.39 percent).

Myth: Crop insurance doesn't even require a farmer to have a loss.
Fact: Crop insurance requires a deductible to be met before a payment is made. Losses are verified by certified adjusters before payments are made, and these payments are subject to audits.

Myth: Most ag production comes from large farms that can manage their own risk. Besides, farm household income is up and crop insurance payments are only a small portion of total farm household income so they must not matter.
Fact: Farmers of all sizes utilize crop insurance, and crop insurance provides meaningful collateral to lenders when farmers seek operating capital.

Myth: Crop insurance is market-distorting and discourages farmers from following market signals.
Fact: Markets don't respond to crop insurance; crop insurance responds to markets. Crop insurance uses current-season market prices to determine coverage, losses, indemnities and premiums.

Myth: Crop Insurance inflates property values in a way that biases against small farmers.
Fact: The prices of the commodities produced on the land primarily determine property values, not crop insurance.

Myth: The harvest price option eliminates all risk from farming and is unnecessary.
Fact: Even with the harvest price option, farmers must meet a deductible for loss and pay a premium for coverage. Risk still exists for these farmers. The harvest price option simply provides these farmers with the replacement value for their lost crop.

Myth: Crop insurance makes it more difficult for beginning farmers and ranchers to enter the farming business.
Fact: The 2014 Farm Bill included provisions to make crop insurance an even better risk management tool for beginning farmers and ranchers. These provisions have only been implemented for one full year, yet have had a meaningful impact.

Myth: Means testing such as adjusted gross income (AGI) limits and premium assistance caps will keep large, wealthy farmers from receiving assistance they do not need.
Fact: Reducing participation from any group of farmers will change the premiums for ALL farmers because it will change the risk pool.

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. The cost of crop insurance versus ad hoc disaster assistance is difficult to compare because ad hoc disaster assistance packages vary significantly.

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.

For more information:
http://www.fb.org/issues/farm-policy/