FARM CREDIT
FACT SHEET

ONE MISSION | MANY VOICES

Crop Insurance Program Benefits Rural Communities and Agriculture

Minimizing Risk Promotes Reliable and Consistent Credit

Congress created the crop insurance system through the Federal Crop Insurance Corporation (FCIC) to promote the economic stability of agriculture. A successful public-private partnership, crop insurance is federally regulated and delivered by the private sector to help farmers maintain the country's safe, affordable food supply. Crop insurance is food insurance.

Crop insurance protects farmers and ranchers against financial losses caused by natural disasters (hail, drought, freezes, floods, fire, insects, disease and wildlife) and market disruptions resulting in lower prices for agricultural products. In 2015, USDA's 1.2 million federal crop insurance policies covered 120 different crops grown on approximately 300 million acres with an insured value of more than $102 billion.

Approximately 17 private insurance companies sell crop insurance policies. They share in the risk, collect premiums and pay claims quickly. The USDA offers premium discounts to producers, sets the premium rates, and reinsures the 17 private companies.

The Farm Credit System (FCS), a dedicated provider of credit to agriculture and rural communities, supports a range of risk-management tools for producers. A viable federal crop insurance program allows lenders to finance many of those agriculture producers, particularly young and beginning farmers and ranchers who typically have less collateral and equity.

Crop insurance was a critical component of the 2014 Farm Bill. Interested parties with varied concerns reached a broad compromise to restructure the farm safety net. The 2014 Farm Bill reduced and in some cases eliminated direct payments. It also continued the shift away from expensive ad hoc disaster assistance.

Crop Insurance Basics

- Given the trend in recent years of lower prices for commodities and declining farmer net income, it is critical for policy makers to maintain a strong farm policy that includes affordable crop insurance.
    - Participation by producers of all types—small and large—is vital to the safety and actuarial soundness of the crop insurance program.
    - Impairments to the program, such as shrinking the risk pool, could make crop insurance unavailable or unaffordable to producers.
- Farm Credit believes crop insurance must provide more coverage options for specialty and niche crops, while continuing to serve its traditional commodities constituency.
- Without the risk protections provided by crop insurance, agricultural lenders would have to tighten underwriting standards. The consequence of tighter credit would make it harder for farmers to plant crops and replace capital assets. Economic growth would slow, and rural communities would suffer.

For more information, please contact the Farm Credit Council (ask@fccouncil.com or 202.626.8710).

www.FarmCredit.com