



Crop insurance is the primary risk management tool for many producers as over 90% of Kansas corn, cotton and wheat acres were [insured in 2020](#), with grain sorghum (89%) and soybeans (87%) not far behind. \$111 million of protection was provided via the Annual Forage, and the Pasture, Rangeland, Forage policies; and another \$10+ million through Livestock Risk Protection products.

Farm Bureau policy supports the current public/private relationship whereby premium rates for RMA-approved policies are set by the Federal Crop Insurance Corporation (FCIC) Board of Directors and the policies are offered to farmers by privately-owned, Approved Insurance Providers (AIPs). We oppose means testing, income limits, or added requirements, that might limit availability or adversely impact risk pools, and support the federal premium cost-share available that makes these actuarially sound products more affordable to farmers.

Compared to other portions of the ag safety net, crop insurance stands alone in its ability to adjust to market conditions with policies like Revenue Protection and Livestock Risk Protection that seek to reflect current agricultural market prices; and the relative speed in which indemnities are paid, especially when compared to title 1 commodity, and some disaster programs.

But a weakness of our federal crop insurance program is that in higher risk regions or areas that have suffered extended periods of drought or adverse weather, the premium costs are so great that **farmers often cannot afford to insure at more than the 60-70% level, creating a safety net gap. A gap that when production disasters occur, can imperil a farms financial viability.**

BACKGROUND

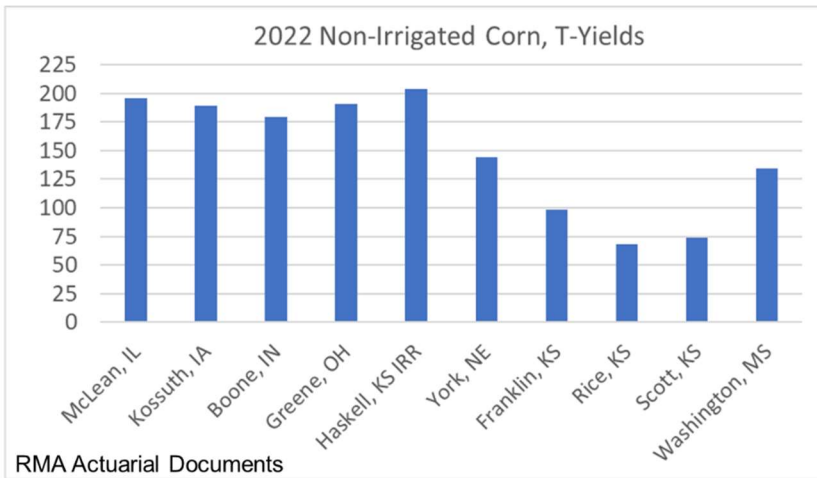
By law, the Federal Crop Insurance program is required to be actuarially sound, meaning that over the long term, every dollar of indemnity (the payment to producers for verified losses) must equal the amount of premium paid by farmers and the federal government. Sound insurance programs need high levels of participation and producers purchasing higher levels of coverage (known as “buy up”) to function efficiently and effectively. Insurance programs work best when losses are spread across as many acres and participants as possible, including both large and small operations.

As the level of coverage increases, so too does the total premium cost. Unfortunately, the federal share of premium costs declines as levels of “buy-up,” or coverage increase, and correspondingly, the farmer share of the premium increases. The table below shows the current cost-share schedule for the crop insurance plans available to farmers.

Federal Cost-Share (%) of Crop Insurance Premiums									
Insurance Plan	Coverage Level / Buy Up %								
	CAT	50	55	60	65	70	75	80	85
Basic & Optional Units	100	67	64	64	59	59	55	48	38
Enterprise Units	n/a	80	80	80	80	80	77	68	53
Area Yield Plans	n/a	n/a	n/a	n/a	n/a	59	59	55	55
Area Revenue Plans	n/a	n/a	n/a	n/a	n/a	59	55	55	49
Whole Farm Units	n/a	80	80	80	80	80	80	71	56

Some regions are just more risky. To help illustrate this, let's examine crop insurance yields¹, and premiums for non-irrigated corn in a few selected counties across the midwest.

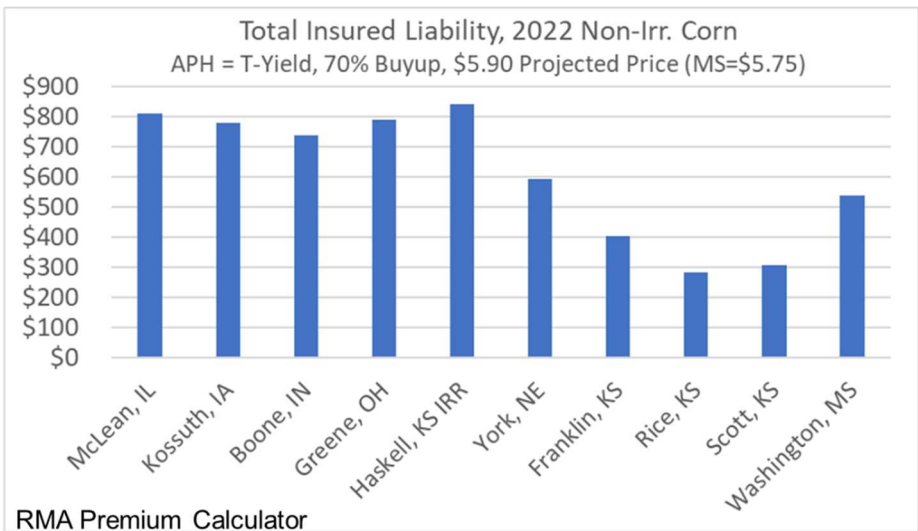
¹ For this analysis, we'll use transitional, or T-Yields as a proxy, which are generated by the Risk Management Agency for each crop in each county based on historical average county yields.



At left, we see that historical average corn yields in several counties in the more eastern Midwest are comparable to irrigated corn yields in Haskell County KS, and that Kansas dryland corn yields are much less. One indicator of the challenges of growing corn in Kansas.

Below, we examine the safety-net offered based on the T-yield, by calculating the Total Insured Liability (yield x price x percent coverage).

County	70% Buy Liability
McLean, IL	\$809.48
Kossuth, IA	\$780.57
Boone, IN	\$739.27
Greene, OH	\$788.83
Haskell, KS IRR	\$842.52
York, NE	\$594.72
Franklin, KS	\$404.74
Rice, KS	\$280.84
Scott, KS	\$305.62
Washington, MS	\$539.35



At the 70% buy-up, the safety net offered is well over \$700 per acre in the less risky production counties and at or less than \$300 per acre in central and western Kansas.

Below are the “actuarially sound,” total premiums calculated using the RMA web-based Premium Calculator, at the 70% buy up, along with the farmer share (41%). McLean county non-irrigated farmers, at \$6.97 per acre are much more likely to consider spending more to further buy up their crop insurance beyond the 70% level, versus the average Scott County farmer who is paying \$50 per acre for 70% coverage.

County	70% Buy Up (59% Cost-Share)			Farmer Premium
	Liability	Premium	TP/\$L	
McLean, IL	\$809.48	\$17.00	\$0.021	\$6.97
Kossuth, IA	\$780.57	\$25.00	\$0.032	\$10.25
Boone, IN	\$739.27	\$31.00	\$0.042	\$12.71
Greene, OH	\$788.83	\$37.00	\$0.047	\$15.17
Haskell, KS IRR	\$842.52	\$44.00	\$0.052	\$18.04
York, NE	\$594.72	\$87.00	\$0.146	\$35.67
Franklin, KS	\$404.74	\$62.00	\$0.153	\$25.42
Rice, KS	\$280.84	\$59.00	\$0.210	\$24.19
Scott, KS	\$305.62	\$122.00	\$0.399	\$50.02
Washington, MS	\$539.35	\$244.00	\$0.452	\$100.04

“I’m Buying Up”

Maintaining Actuarial Soundness

“I Can’t Afford the 70% Buy Up”

INCREASING THE FEDERAL COST SHARE

Below, the blue shaded area is a similar table than before, but now depicting the total insured liability, total premium, and farmers share (62%), for the 85% buy up. The average non-irrigated corn premium for farmers in McLean IL, Kossuth IA and Boone County IN, despite the larger farmer share, pay less for 85% coverage, than the Scott County corn producer does for 70% coverage!

But what if we increased the federal cost-share percentage to 55% (vs. 38%) at the 85% buy up, reducing the farmer share to 45%? This is shown in the white shaded area below and to the right. Now the average Scott County dryland premium would be \$81/acre, still extremely high but nearly \$31 per acre less than at the current cost-share split.

Note: **In this simple example**, increasing the federal cost-share will benefit farmers in the less risky areas as well, but the per acre savings to the higher risk farms is substantially more (\$30.60 vs. \$9.52). **INCREASING THE FEDERAL COST-SHARE PROVIDES A BIGGER BANG FOR THOSE HIGHER RISK GROWING REGIONS!**

County	85% Buy Up (38% Cost-Share)			85% w/ 55% Cst-Shr		
	Liability	Premium	TP/\$L	62% Farmer Premium	45% Farmer Premium	Farmer Savings*
McLean, IL	\$982.94	\$56.00	\$0.057	\$34.72	\$25.20	\$9.52
Kossuth, IA	\$947.84	\$63.00	\$0.066	\$39.06	\$28.35	\$10.71
Boone, IN	\$897.69	\$74.00	\$0.082	\$45.88	\$33.30	\$12.58
Greene, OH	\$957.87	\$84.00	\$0.088	\$52.08	\$37.80	\$14.28
Haskell, KS IRR	\$1,023.06	\$99.00	\$0.097	\$61.38	\$44.55	\$16.83
York, NE	\$722.16	\$148.00	\$0.205	\$91.76	\$66.60	\$25.16
Franklin, KS	\$491.47	\$103.00	\$0.210	\$63.86	\$46.35	\$17.51
Rice, KS	\$341.02	\$94.00	\$0.276	\$58.28	\$42.30	\$15.98
Scott, KS	\$371.11	\$180.00	\$0.485	\$111.60	\$81.00	\$30.60
Washington, MS	\$654.93	\$354.00	\$0.541	\$219.48	\$159.30	\$60.18

RMA Premium Calculator

ISSUE

Rising crop insurance premiums and declining federal cost-shares at higher coverage levels, create a “safety net” gap, in areas with increased production risk, and this problem is magnified as input prices increase, and the ability of farmers to buy up has never been more important.

CONCLUDING REMARKS

This simple example, suggests that increasing federal cost-share percentages at higher buy up levels would make crop insurance more affordable for ALL farmers, and provides a “bigger bang” in higher risk regions. Unfortunately, anecdotal estimates are that significant increases in federal cost-share would cost into the billions of dollars.

While the above example is noteworthy, a more complete, multi-county, multi-crop and multi-coverage analysis should be conducted before any positions are taken, policies suggested or programs enacted. Funding such a study could be included in the 2023 Farm Bill. Key questions:

- 1) What farmer cost-share would be needed to get most farms/acres up to the 80-85% coverage level?
- 2) How effectively would increasing the federal cost-share address the safety net gap between high-risk (high-crop insurance cost) and low-risk (lower-cost) cropping areas?
- 3) What would be the overall budgetary impact?
- 4) Would this be a better investment and policy position than asking for increased reference prices, commodity loan rates or additional disaster programs?