



May 4, 2017

An Open Letter to the United States Congress: Support the Assisting Family Farmers through Insurance Reform Measures Act!



Dear Member of Congress,

On behalf of the millions of Americans represented by the undersigned organizations, we encourage you to support the recently reintroduced bipartisan Assisting Family Farmers through Insurance Reform Measures (AFFIRM) Act.



Introduced by Representatives Ron Kind (D-WI) and Jim Sensenbrenner (R-WI) in the House, and Senators Jeff Flake (R-AZ) and Jeanne Shaheen (D-NH) in the Senate, the AFFIRM Act places strong, sensible taxpayer protections on our nation's unaccountable and expensive federal crop insurance program.



With the demise of direct payments, crop insurance is now the largest, most important support for farms. Unfortunately, the program's expansion puts the taxpayer at risk and distorts agriculture markets. Currently, the federal government subsidizes crop insurance premiums by 62% on average, regardless of whether the farm is a small, family operation or a multi-million dollar agribusiness. Premium support payments are unlimited, resulting in a handful of farms receiving over \$1 million in federal support while 80% of farms receive \$5,000 or less. Subsidizing farms regardless of size or income skews the playing field toward large agribusiness, driving up land costs and encouraging those with the means to over-insure and lock in high revenues.



In addition, subsidies flow to overly generous insurance policies, namely, the policies with a harvest price option. The harvest price option, which fast is becoming known as the "Cadillac" coverage option of federal crop insurance, differs from standard insurance by paying farmers using either the standard locked-in price or the market price at harvest, whichever is higher. HPOs actually can result in a farmer's revenues *exceeding* the expectations when the crop was planted.

The program also generates large revenues for the companies that administer the policies, with a 14% target rate of return and \$1.3 billion annually in payments to cover administrative costs.

Without proper restrictions to limit these overly generous subsidies, the crop insurance program repeatedly comes in above spending projections. Taxpayers are on the hook, and most egregiously, they never know what they are paying for, since crop insurance subsidies are not transparent.

The AFFIRM Act addresses each of these important issues by instituting a payment limit of \$40,000 annually, a means test that ends premium support at an adjusted gross income of \$250,000, a reduction of annual payments to crop insurance providers to \$900 million, lowering the target rate of return to 8.9%, elimination of premium support for harvest price option policies and, finally, putting crop insurance subsidies in line with all other agriculture subsidies by making recipient information transparent and available to the American people.

We commend the sponsors for continuing to sound the alarm regarding the egregious taxpayer abuses embodied in the federal crop insurance program. With many Americans struggling across the Farm Belt, now more than ever is the time to implement meaningful reforms to our crop insurance program and ensure taxpayer dollars are spent to help only those who truly need assistance.

Members of Congress must not conflate support for rural America with more of the status quo in our unsustainable farm support system. It's patently unfair to ask struggling Americans to subsidize our nation's largest and richest agribusinesses and crop insurance providers while small farms are increasingly driven out of business.

We encourage all members of Congress to support these sensible solutions.

Sincerely,

R Street Institute
Campaign for Liberty
Coalition to Reduce Spending
Council for Citizens Against Government Waste
FreedomWorks
National Taxpayers Union
Taxpayers for Common Sense
U.S. Public Interest Research Group (PIRG)