



November 16, 2017

Dear Member of Congress,

On behalf of the millions of Americans represented by the undersigned organizations, we write to urge your strong support of the Harvest Price Subsidy Prohibition Act, sponsored in the Senate by Sen. Jeff Flake, R-Ariz., and in the House by Rep. John Duncan, R-Tenn. This commonsense legislation would protect taxpayers from being asked to subsidize the most costly and extravagant federal crop insurance product, known as the harvest price option (HPO) policy. The nonpartisan Congressional Budget Office estimates the Flake-Duncan bill would save \$21.1 billion over the next decade, with no effect on the premium subsidies farmers receive for standard crop insurance policies.

A standard crop insurance policy locks in a guaranteed level of revenue at planting time. When Congress designed crop insurance as a safety net for farmers, this is the system they intended to create. The HPO, which is fast 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. Due to this feature, HPOs can actually result in a farmer’s revenues exceeding the revenue expected when the crop was planted.

In 2012, for instance, HPOs increased payouts to both corn and soybean farmers by a total of \$6 billion despite corn and soybean prices increasing by 32 and 23 percent, respectively. In a year where crop insurance payouts topped \$16 billion, the \$6 billion in taxpayer losses due to HPO policies was an egregious and unnecessary misuse of tax dollars. From 2011-2016, taxpayers paid more than \$30 billion in subsidies for HPO policies. This product goes above and beyond the definition of a safety net; it represents the crop-insurance equivalent of your auto insurer surprising you with a new Cadillac Escalade after you’ve totaled your Toyota Corolla.

While we’d like to see premium subsidies eliminated entirely and believe insurance matters in most sectors of the economy should be left to the private market, the time has come to address some of the “lowest-hanging fruit” in the federal



budget. The Harvest Price Subsidy Prohibition Act is a terrific first step.

We commend Sen. Flake and Rep. Duncan for their leadership and urge you to sponsor and support swift action on this important legislation.

Sincerely,

R Street Institute
Campaign for Liberty
Center for Individual Freedom
Coalition to Reduce Spending
Competitive Enterprise Institute
Council for Citizens Against Government Waste
FreedomWorks
National Taxpayers Union
Taxpayers for Common Sense
Taxpayers Protection Alliance