



February 20, 2020

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 Senators Pat Toomey (R-PA) and Jeanne Shaheen (D-NH), the AFFIRM Act places strong, sensible taxpayer protections upon our nation's unaccountable and expensive federal crop insurance program.

Currently, the federal government requires taxpayers to subsidize, on average, 62 percent of the premiums paid for crop insurance. Farmers are eligible for these subsidies regardless of whether a farm is a small, family operation or a multi-million-dollar agribusiness. There is also no limit to the amount of premium subsidies per farm, 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 agri-business, 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 has become 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 insurance 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 often comes in above spending projections. Taxpayers are on the hook, and most egregiously, they can't even know what they are paying for, as crop insurance subsidies are not transparent.

The AFFIRM Act would address 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 in annual payments to crop insurance companies to \$900 million, lowering the target rate of return for crop insurance companies 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 Sens. Toomey and Shaheen for continuing to sound the alarm regarding the egregious taxpayer abuses embodied in the federal crop insurance program. As federal spending continues to spiral out of control, this is the time to put meaningful reforms around our crop insurance program and ensure that taxpayer dollars are being spent to help 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 take hard-earned dollars from American families to subsidize our nation's largest and richest agribusinesses and crop insurance providers.

We encourage all members of Congress to join with the Senators and support these sensible solutions.

Sincerely,
R Street Institute
Americans for Prosperity
Campaign for Liberty
Council for Citizens Against Government Waste
FreedomWorks
Heritage Action for America
National Taxpayers Union
Taxpayers for Common Sense