

U.S. Crop Insurance Policy

HOW MODEST REVISIONS CAN ACHIEVE SIGNIFICANT CHANGE

What Is Crop Insurance?

For nearly 150 years, crop insurance has helped protect American farmers and ranchers from a wide range of potential threats to their crops, livestock, and operations. For example, insurance policies provide support when natural disasters such as droughts, freezes, flooding, fires, insect damage, and disease cause a loss of crops or livestock. In addition, indemnity payments support farms and ranches when yields fall below expectations or if oversupply drives down the prices they can charge.

Today, U.S. farmers and ranchers spend over \$1 billion on more than 1 million private and federal crop insurance policies that collectively protect nearly half a billion acres of U.S. farm and ranch land. Government-funded subsidies ensure these policies are affordable to farmers and ranchers at an annual cost to taxpayers of nearly \$10 billion.

How Can Crop Insurance Reform Help Fix the Food System?

At present, most crop insurance policies do not incentivize farmers and ranchers to use Regenerative Organic Agriculture (ROA) methods, such as cover crops, reduced tilling, and livestock rotation, even though it is well documented that ROA protects farm and ranch land while generating improved crop and livestock production. Specifically, crop insurance premiums paid by ROA farmers and ranchers are generally not discounted, even though ROA land is less at risk of droughts, freezes, flooding, infestation, disease, and more. Likewise, today's policies typically do not reward use of ROA methods, even though they significantly stabilize yields from season to season.

Instead, the crop insurance program effectively underwrites conventional intensive farming, which is closely associated with harm to topsoil, waterways, the climate, population health, and - most paradoxically - the long-term financial health of farmers and ranchers themselves.

What Steps Should be Taken Now?

The Food Fix Campaign urges the U.S. Department of Agriculture (USDA) and its Risk Management Agency (RMA) to develop a suite of insurance policy options for farmers and ranchers that would eliminate disincentives for climate smart agriculture, such as today's coverage of organic crops at less than their value, and provide premium discounts to farmers and ranchers who engage in specified climate smart agriculture practices.

Fortunately, encouraging steps are now being taken in this direction. On January 5, 2022, for example, USDA announced a new insurance option that will promote climate-smart agriculture by providing supplemental payment for weather-related yield losses to corn growers who split-apply nitrogen, an important practice that will help prevent runoff and leaching of nutrients into waterways and groundwater. The Food Fix Campaign applauds this step and calls on federal policymakers to continue in this much-needed direction.