The Role of Crop Insurance in Agricultural Risk Mitigation

U.S. Department of Agriculture
Risk Management Agency
Overview

• Benefits of Crop Insurance

• Program Growth

• Programs Meeting Diverse Needs
Benefits of Crop Insurance

• Farmers receive individualized risk management solutions

• Farmers share in the program cost and are responsible for their risk management choices

• Farmers can use crop insurance as collateral for loans

• Farmers can use crop insurance to improve their marketing plans

• Farmers receive payments in a timely manner through the private delivery system
Benefits of Crop Insurance

• Reduces financial stress

• Loans get paid
  – Farm credit system stabilized
  – Averted bankruptcies

• Suppliers get paid
  – Disruption to rural economy reduced

• Allows for longer-term perspective
  – Invest in new technologies
  – Conservation

• Programs can be adjusted quickly to meet stakeholder needs and address vulnerabilities.
Benefits of Crop Insurance

- Financially sound
Program Growth

Number of Crops and Types Insured

United States Department of Agriculture

- 2000: 325
- 2001: 340
- 2002: 358
- 2003: 376
- 2004: 393
- 2005: 402
- 2006: 418
- 2007: 427
- 2008: 440
- 2009: 438
- 2010: 482
- 2011: 488
- 2012: 507
- 2013: 517
- 2014: 542
- 2015: 543
- 2016: 547
- 2017: 551
- 2018: 556
Program Growth

--- Administrative Expenses --- County Crop Programs

<table>
<thead>
<tr>
<th>Year</th>
<th>Administrative Expenses</th>
<th>County Crop Programs</th>
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<tbody>
<tr>
<td>2007</td>
<td>$60</td>
<td>$70</td>
</tr>
<tr>
<td>2008</td>
<td>$65</td>
<td>$75</td>
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<tr>
<td>2009</td>
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<td>2017</td>
<td>$140</td>
<td>$140</td>
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<tr>
<td>2018</td>
<td>$140</td>
<td>$140</td>
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</tbody>
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Program Growth

Number of County Crop Programs per $1 Million of S&E
FCIC Program Growth for Specialty Crops

- Fruits/Nuts/Trees
- Nursery
- Vegetables
- AGR / WFRP
Programs Meeting Diverse Needs

• Whole Farm Revenue Protection (WFRP)
  – Provides revenue coverage for highly diversified farms
  – Provides revenue coverage for farms selling in wholesale markets
  – Provides revenue coverage for crops that do not have a traditional revenue product available
  – Provides coverage for quality deficiencies (as reflected in actual revenue).

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td>Policies</td>
<td>1,122</td>
<td>2,203</td>
<td>2,731</td>
<td>2,477</td>
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<td>Avg Crops per Policy</td>
<td>3.34</td>
<td>3.71</td>
<td>4.01</td>
<td>4.04</td>
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<tr>
<td>Different Crops Insured</td>
<td>213</td>
<td>258</td>
<td>289</td>
<td>300</td>
</tr>
</tbody>
</table>
• Pasture, Rangeland, Forage (PRF)
  – PRF is an area program design based on NOAA Climate Prediction Center precipitation data
  – Program provides coverage for forage loss caused by lack of rainfall over two-month intervals
  – Farmers and ranchers can tailor coverage to meet their needs (e.g., selection of intervals, coverage level, productivity factor)
“USDA will be facts-based, data-driven, and customer-focused.”
- Secretary Sonny Perdue