

WHY IS Crop Insurance ESSENTIAL?



Crop insurance helps make America's farmers and ranchers world leaders in agriculture, allowing producers to stay competitive and be more innovative. It also helps them sleep better at night knowing that should the unexpected happen, they will have the financial security to stay in business and go on to plant the next season.

Crop insurance program is a key component to the tremendous success of our country's agricultural economy, and below are twelve reasons why crop insurance is an essential business tool for America's agricultural farmers and ranchers.

ESSENTIAL STRENGTH

1 Farmers Receive Individualized Risk Management Solutions

Most farm programs are, in general, similar across all crops and farmers, despite variations in an individual farmer's operations. However, crop insurance allows farmers to customize their plans and coverage to accurately reflect individual losses and their unique yields or risk.

2 Farmers Can Use Crop Insurance as Collateral for Loans

Crop insurance is essential to the rural economy and preserving the production capacity of farmers. It provides farmers the financial freedom to build capacity and innovation. Crop insurance is also fiscally sound, and has never required a government bailout. Bankers prefer it to farm program payments, which can be less certain.

3 Farmers are Involved in, and Take Responsibility for Risk Management Choices

Farmers design their own risk management plans and, when participating in crop insurance, must assess the farm's risks and develop a crop insurance plan that mitigates those risks and is affordable. Farmers are also required by the policy to meet the standards of "good farming practices" in order to be eligible for payments when incurring losses.

4 Farmers Can Use Crop Insurance to Improve their Pre-Harvest Marketing Plans

Crop insurance provides the financial backstop needed to optimize farm marketing. In the case of a disaster affecting yields or prices, crop insurance provides farmers with the income needed to settle forward contracts, or futures and options positions.

5 Farmers Receive Crop Insurance Indemnities in the Timeliest Way

Crop insurance payments are paid close to the time frame when loss occurs -- before harvest time in case of prevented planting and replant payments, or shortly after harvest in case of yield or revenue shortfall. Most crop insurance claims are paid within 30 days after settlement.



National Crop Insurance Services®

WHY IS Crop Insurance ESSENTIAL?



ESSENTIAL STRENGTH

6 Farmers Do Not Receive Unnecessarily Excessive Payments

Crop insurance payments are related to actual, verified losses due to price volatility or natural disaster. In addition, a trained crop insurance loss adjuster assesses the producer's claim, thereby rewarding proper effort and appropriately protecting against events beyond the farmer's control.

7 Indemnities are not Capped by Arbitrary Payment Limits

There are no income caps to buy crop insurance, and crop insurance premium subsidies and indemnities are not limited.

Farmers Share in the Cost of Crop Insurance

Farmers must contribute financially in order to receive crop insurance. Though partially discounted by the federal government, these contributions help defray taxpayer costs and encourage financial discipline.

8

Farmers Benefit from the Efficiencies and Service of the Private-Sector Delivery System

9

There are 16 private-sector companies that deliver the crop insurance program, all driven by competition to meet farmers needs. Agents are trained on an ongoing basis to understand and educate farmers about the ever-changing complexities of the program.

Crop Insurance is Comprehensive and Program Features can be Adjusted Quickly

Crop insurance products can be quickly adjusted to the changing needs of farmers, without going through a long legislative process. Having the flexibility to make major program adjustments also imposes financial discipline on the government because it has the authority to correct or eliminate programs and features that are not working.

10

Crop Insurance Has Already Contributed to Deficit Reduction

\$4 billion of the \$6 billion reduction from the 2011 Standard Reinsurance Agreement negotiation between the Federal government and the private insurance companies went directly towards deficit reduction. An additional \$6.4 billion was cut from the crop insurance industry in the 2008 Farm Bill. Congress must understand that consideration of additional cuts could undermine the stability of the program, leaving farmers and rural communities vulnerable.

11

Crop Insurance Has Flexibility to Help Meet World Trade Organization Disciplines

Although crop insurance is considered an "amber box," it offers significant advantages over other farm safety net programs. Changes to the crop insurance program and the way it is reported to the WTO, along with provisions under discussion in a new WTO agreement, could result in future easing of compliance with WTO limitations.

12



www.CropInsuranceInAmerica.com