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# UNSUSTAINABLE: STATE OF THE FARM SAFETY NET

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FEBRUARY 2024

## EXECUTIVE SUMMARY

Federal crop insurance, commodity, and disaster assistance programs, which comprise the modern farm safety net, account for a majority of federal investment in U.S. agricultural production. While the sheer scale of this investment suggests that all farmers would benefit, data from the Department of Agriculture suggests otherwise. The current farm safety net tends to disproportionately benefit large, high-income agricultural operations and private companies, often at the expense of small to mid-sized beginning and diversified farmers. A true safety net would act as a last-resort mechanism available to help all farmers continue to farm, especially those with the smallest operating margins, when felled by sudden loss from unexpected disasters or market volatility.

This report expands on how the farm safety net falls short of meeting the needs of the diversity of American agriculture and contributes to resource concentration that drives structural unsustainability at the heart of the U.S. food system.

The National Sustainable Agriculture Coalition (NSAC) finds more than \$142 billion was distributed to farmers between 2017 to 2022 through crop insurance premium subsidies (\$46 billion), commodity programs (\$29 billion), and ad-hoc disaster assistance (\$67 billion).<sup>1</sup> Farmers in just 10 states – Texas, North Dakota, Kansas, South Dakota, Minnesota, Iowa, Illinois, Nebraska, Missouri, and California – received 61 percent of more than \$88 billion in farm safety net subsidies, a figure which excludes Market Facilitation Program and Coronavirus Food Assistance Program payments. That resource concentration appears to correlate more closely to the number of acres planted to covered commodities than to the number of farms in a state or value of production. In comparison, analysis reveals producers across the Mid-Atlantic and Northeast are consistently underserved by permanent and ad-hoc safety net programs.

Historically, these programs are rarely designed with underserved producers in mind. The Whole-Farm Revenue Protection insurance program, on the other hand, does offer smaller and diversified farmers a pathway to coverage. In 2023, enrollment increased slightly for the first time in six years, and several opportunities exist to build upon recent improvements to the program that correlate with that rise. Elsewhere, new mechanisms built into ad-hoc disaster programs by the Farm Service Agency may improve the equitable distribution of assistance to producers with the most financial need, who are otherwise abandoned without access to a safety net in the wake of extreme weather events.

This report argues that the current farm safety net is ill-equipped to help farmers adapt to growing threats to the stability of the U.S. food system, and will only increase in cost without a significant recalibration. For example, crop insurance indemnities exceeded premiums in 2022 and broke a previous record set in 2012, yet the program does little to encourage farmers to mitigate preventable losses through adoption of on-farm risk reducing practices. Research finds that adding soil data to methodologies that calculate risk produces more accurate predictions of crop loss, and investing in the adoption of soil health practices as well as diversification of products and markets improves resilience against disasters. These measures would improve farmers' economic bottom-lines and strengthen the farm safety net while reducing its cost over time.

Ultimately, rather than promote a shortsighted dependence on federal subsidies, a holistic and informed approach to agricultural risk management must incorporate both the adoption of tailored, on-farm risk mitigation strategies and a limited, responsible safety net that can provide relief to all producers, especially those with the most financial need.

<sup>1</sup>This figure does not include commodity program data from 2022, which was not yet available at time of writing.

## POLICY RECOMMENDATIONS

NSAC recommends the following short-term, common-sense policy reforms to build a sustainable strategy for federal agricultural risk management that is functional, fair, and informed.

### Functional

**Improve access to the safety net for underserved beginning, small to mid-sized, specialty crop, and diversified farmers.**

- Improve the Whole-Farm Revenue Protection insurance program by expanding the Micro Farm option, removing the limit to revenue expansion, and offering additional compensation to agents who sell the product.
- Improve the Noninsured Crop Disaster Assistance Program by streamlining the application process, expanding options for base coverage, and creating an “on-ramp” option that allows for seamless graduation to WFRP.
- Align the definition of beginning farmers and ranchers enrolled in the federal crop insurance program with the less than 10 year definition used by all other USDA agencies.

### Fair

**Level the playing field for underserved farmers by ensuring responsible use of public funds.**

- Close loopholes to payment limits and means tests in commodity revenue and price support programs.
- Do not raise Price Loss Coverage reference prices at the expense of popular conservation programs.
- Implement a \$900,000 AGI means test and a simple \$50,000 payment cap on federal crop insurance premium subsidies.
- Update the reinsurance agreement between USDA and AIPs to reduce the target rate of return for AIPs and consider alternative models for administrative and operating subsidies that account for workload to sell and service policies.
- Require greater transparency regarding the distribution of federal crop insurance subsidies.
- Build upon the model of Emergency Relief Program Phase 2 and ERP 2022 in future disaster programs to prioritize relief to underserved farmers with the smallest margins.

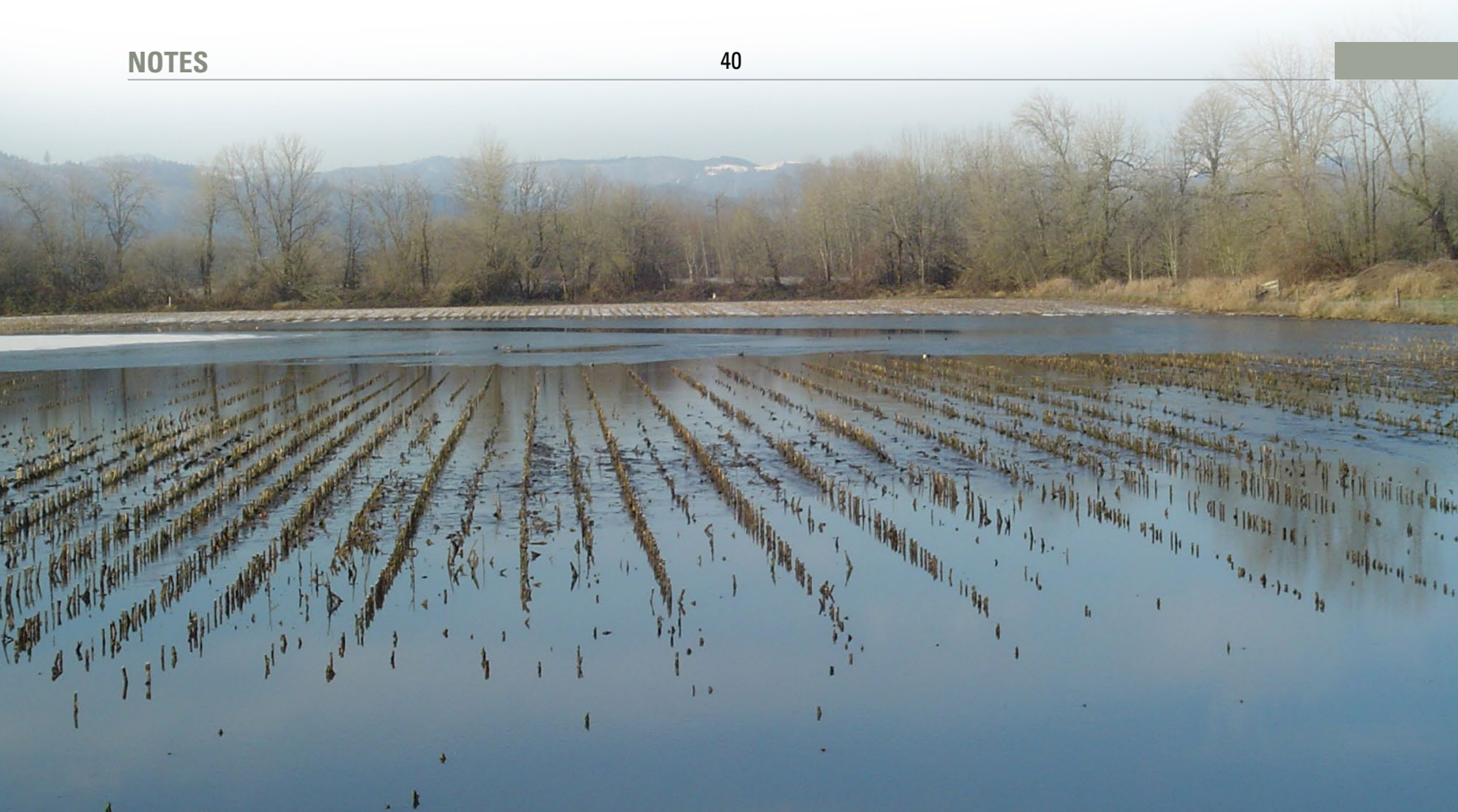
### Informed

**Promote a holistic risk management approach that helps farmers improve on-farm resilience and reduce dependence on federal subsidies.**

- Establish a secure data service to collect, link, and analyze data on conservation practices so this information can be integrated into crop insurance actuarial tables.
- Reform disincentives against the adoption of conservation practices that are perpetuated by federal crop insurance rules, including cover crop termination guidelines.
- Authorize a limited insurance premium discount to farmers who adopt practices from a menu of regionally appropriate, risk-reducing conservation practices, including but not limited to cover crops and resource-conserving crop rotations.
- Increase funding for oversubscribed working lands conservation programs by protecting the Inflation Reduction Act’s \$20 billion investment in climate-smart agriculture.
- Expand access to credit and encourage financial institutions to invest long-term toward building healthy profit margins and asset ownership among the next generation of producers.

## TABLE OF CONTENTS

<b>INTRODUCTION</b>	5
Farm safety net 101	5
<b>ACCESS TO FARM SAFETY NET PROGRAMS</b>	7
Barriers to access	7
Whole Farm Revenue Protection	10
Noninsured Crop Disaster Assistance Program	14
<b>CONCENTRATED DISTRIBUTION OF RESOURCES</b>	15
Federal crop insurance	15
Commodity programs	18
Ad-hoc disaster assistance	20
Unsustainable public spending	26
<b>REASSESSING RISK</b>	30
Lessons from the pandemic	31
Evolving with changing weather	33
<b>CONCLUSION</b>	36
<b>APPENDIX</b>	37
<b>NOTES</b>	40



## INTRODUCTION

Farming is a uniquely risky business. Farms are particularly susceptible to the elements, pest and disease outbreaks, and sudden market volatility triggered by changes to domestic and foreign circumstances or policy. It is essential that the federal government play a role to help farmers mitigate financial loss from unforeseeable risk to maintain a reliable food supply chain as well as support family farms and the economic security of the communities in which they live. However, current policies encourage farmers to manage risk through an almost exclusive dependence on federal subsidies. This report analyzes safety net program data to illustrate how federal spending artificially bolsters a fragile commodity production system while leaving behind the vast majority of farmers, often to the detriment of small to mid-sized beginning and diversified producers.<sup>1ii</sup>

The first portion of this report provides a brief and simplified overview of the programs which constitute the modern farm safety net. The report then discusses persistent barriers that underserved producers experience when attempting to access safety net programs, and in particular the federal crop insurance program. This is followed by a detailed analysis of the concentrated distribution of commodity, crop insurance, and disaster assistance benefits, and then a discussion on the unsustainability of maintaining that public spending. Finally, the report considers the implications of risk assessment for farmers increasingly faced with supply chain volatility as well as extreme weather events, and proposes a path toward more holistic agricultural risk management.

### Farm safety net 101

The primary goal of farm programs through most of the twentieth century was to control excess supply in order to boost or at least moderate commodity prices in the marketplace.<sup>2</sup> The 1996 Farm Bill represented a marked shift away from supply management and its underlying principles toward production incentive payments, a model which has continued to evolve.<sup>3</sup> Today, the farm bill's safety net leverages subsidies with the intent to maximize production while providing farms with some degree of protection against natural disasters, low commodity prices, and sudden price declines, theoretically allowing them to stay in business for another year.

The safety net includes the **federal crop insurance program**, **commodity support programs**, and **disaster assistance**. These programs are commonly analyzed in silos, independent from one another and the combined impact they have on farmers and rural communities. It is, however, important to understand the collective implications they pose for risk management on farms and resource concentration in rural communities today. This section briefly describes the key programs which comprise the current farm safety net and are relevant to this analysis.

### Federal crop insurance program

Federal crop insurance is a cornerstone of the farm safety net that helps protect producers from unforeseen weather events and sudden revenue shocks. It is authorized in Title XI of the farm bill and in recent years, it has surpassed Title I as the second-most expensive permanently authorized program in the farm bill.<sup>4iii</sup>

The federal crop insurance program is a public-private partnership. Farmers pay a premium to purchase insurance policies offered by 13 private sector insurance companies, known as Approved Insurance Providers (AIPs). The United States Department of Agriculture (USDA), specifically its Risk Management Agency (RMA), regulates the policies sold by AIPs and uses taxpayer dollars to subsidize farmer premiums as well as AIPs and crop insurance agents for the cost of selling and servicing insurance policies.

<sup>i</sup> USDA defines small farms as those with a gross cash farm income (GCFI) below \$350,000 and mid-sized operations as those with a GCFI above \$350,000 but below \$1 million.

<sup>iii</sup> Nutrition (Title IV) accounts for 84 percent of May 2023 baseline farm bill spending projections.

## INTRODUCTION (CONT'D)

Farmers enrolled in the federal crop insurance program may file a claim to receive an indemnity payment when they experience a natural peril or revenue loss, depending on the type of insurance policy purchased. Farmers may enroll in yield or revenue policies based on basic, enterprise, area, or whole farm units and purchase different coverage levels, among other options.<sup>5</sup> The availability of most insurance policies, with the exception of Whole-Farm Revenue Protection, varies by county and by crop, depending on local data for USDA to determine appropriate coverage. RMA must maintain the actuarial soundness of the federal crop insurance program, ensuring that the money generated from premiums is sufficient to cover indemnities paid out to farmers with reserves.

### Commodity programs

Commodity support programs are authorized in Title I of the farm bill.<sup>6</sup> They include the Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC) programs, both administered by the Farm Service Agency (FSA) within USDA.<sup>7</sup>

PLC makes payments relative to a price floor, or “reference price,” fixed in legislation, whereas ARC makes payments calculated according to individual or county revenue from the preceding five years. PLC is generally more attractive to farmers when commodity market prices drop below the reference price, while ARC is generally preferred when commodity prices are on the rise in order to protect against price dips. Payments are made according to base acres, or historical rather than current production of covered commodities.<sup>8</sup> Eligible farmers may elect whether to enroll base acres for a covered commodity in ARC or PLC on a commodity-by-commodity basis at the beginning of each planting year, irrespective of what is actually planted

that year. Eligibility to receive price and revenue support under Title I is limited to non-perishable commodity crops. The covered commodities include corn, soybeans, wheat, seed cotton, long- and medium-grain rice, sorghum, barley, oats, and peanuts. This leaves out any specialty crops (i.e., fruits, vegetables, tree nuts, and horticulture and nursery crops) as well as livestock and poultry.

Sugar and dairy producers are eligible for support authorized separately in Title I. In addition, the Marketing Assistance Loan program allows farmers to use eligible commodities as collateral for government loans. Those programs are beyond the scope of this analysis.

### Disaster assistance

FSA administers permanent disaster programs to provide financial compensation to producers that are generally not served well by commodity or crop insurance programs. The Noninsured Crop Disaster Assistance Program, or NAP, provides some coverage to crops for which no crop-specific policy is available under the federal crop insurance program.<sup>9</sup> Remaining permanently authorized disaster assistance programs exist to provide relief for livestock, animal, and tree producers, all outside the scope of this analysis.<sup>10</sup>

In addition to permanent programs, since 2018, Congress has routinely authorized ad-hoc disaster payments in response to hurricanes, wildfires, droughts, and other natural disasters. The spending for these direct payments to farmers and ranchers is appropriated outside of the farm bill’s baseline and is distributed as a supplement to commodity and crop insurance indemnities.

## ACCESS TO FARM SAFETY NET PROGRAMS

The current farm safety net upholds large, industrial farm operations exceedingly well, and for a reason. In 2022, large-scale operations and corporate nonfamily farms, most of which are also large, generated 62 percent of the country's agriculture production value, despite accounting for just six percent of farms and about 32 percent of acres operated.<sup>11</sup> This approach – in which few, large farms produce vast quantities of non-perishable commodities primarily used as inputs or international exports – is foundational to the dominant U.S. model of agriculture. For example, in 2022 roughly 249 million acres were planted to grains and oilseeds, or just under two-thirds of total cropland.<sup>12</sup> The current farm safety net primarily functions to maintain the stability and growth of that system.

However, NSAC believes that all farmers – not only those participating in the aforementioned system – should have the option to access relevant safety net programs as a tool to protect their operation against sudden loss. That is not currently possible for most small and diversified specialty crop farmers for whom commodity, disaster, and insurance programs are largely inaccessible.

In 2022, small farms accounted for 88 percent of farm operations and operated almost half (46 percent) of all farmland in the United States, while generating almost 19 percent the value of production.<sup>13</sup> That was roughly 38 percent of production value in conjunction with mid-sized farms, which represent 5.8 percent of farms and operate on 21.4 percent of farmland, and can also experience common barriers to access support from the safety net.<sup>14</sup> In its place, many of these producers often adopt soil health practices and diversify production and markets to improve their resilience against risk. But when hit with a sudden flood, frost, or wildfire, there is no readily accessible safety net for these producers to fall back on, save what may be collected to offset loss from crowdfunding or limited assistance from charities. Modern farm policy should keep farmers farming in case of unforeseeable disaster, but it is failing most U.S. producers.

### Barriers to access

The design and implementation of safety net programs disproportionately leaves many smaller, beginning, socially disadvantaged, and diversified farmers without access.<sup>15iv</sup> Title I revenue and price supports are simply not extended to perishable specialty crops. There are small and mid-sized farms that produce commodities and benefit from Title I programs, including mixed operations that grow feed grains for their own livestock. But it still does not provide compensation for the fruits and vegetables such farmers may grow.

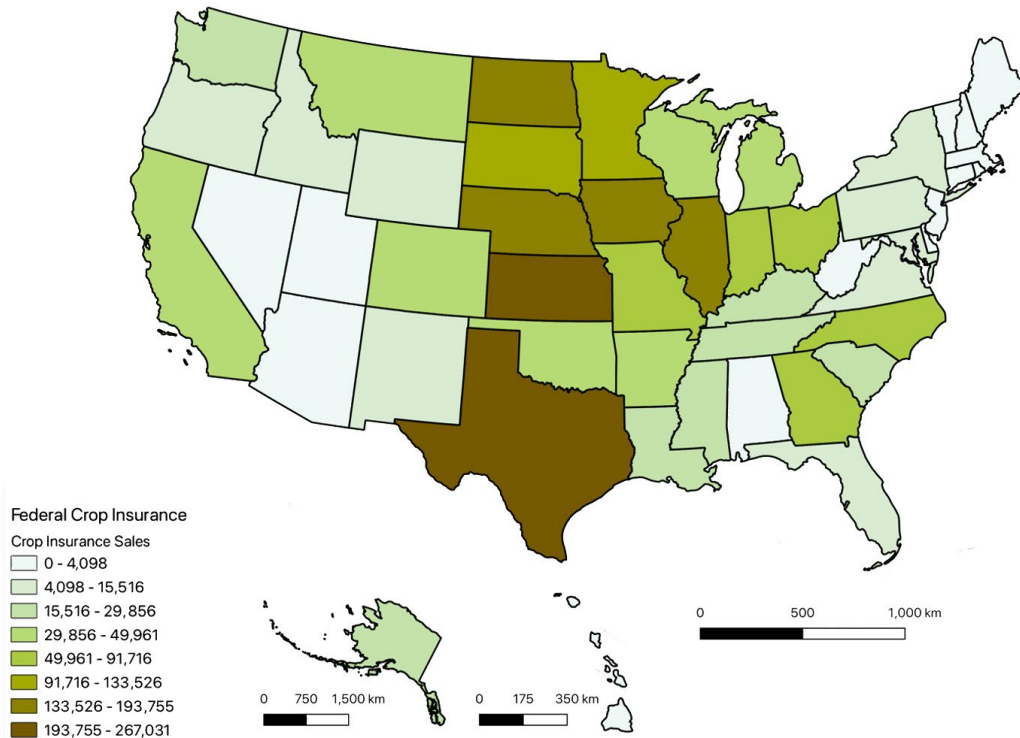
Notably, large specialty crop farms do benefit from alternative support structures, including marketing orders and export subsidies, but such benefits are largely irrelevant to smaller producers or those selling into local and regional markets.<sup>16</sup> Likewise, many underserved producers have been left behind by ad-hoc disaster assistance programs authorized since 2018, for which eligibility is predicated on prior enrollment in the federal crop insurance program or NAP, or conditioned on obtaining coverage for two years post receipt of assistance.

In theory, crop insurance extends a safety net to all remaining farmers. In practice, it does not. The Congressional Research Service reported that only 20 percent of farms were insured in 2019, yet that 20 percent accounted for more than 90 percent of acres planted to corn, soybeans, and cotton and 85 percent of wheat acres.<sup>17</sup> More recently, a new analysis published by the USDA Economic Research Service found that just 13 percent of U.S. farms were protected by a crop insurance plan in 2022.<sup>18</sup> In 2023, farmers in Kansas, Texas, North Dakota, Illinois, Iowa, and Nebraska – among the largest producers of row crops – enrolled most in the federal crop insurance program, as represented in Figure 1. It is important to note, throughout this report, that barriers to accessing farm safety net programs still exist for underserved farmers even in states where participation is otherwise high or payments are concentrated.

<sup>iv</sup> “Socially disadvantaged” is a statutory term used by USDA to refer to Black, Indigenous, and other farmers of color. It also sometimes includes women and veteran farmers.

## ACCESS TO FARM SAFETY NET PROGRAMS (CONT'D)

**FIGURE 1** Federal Crop Insurance Policies Sold in 2023



**Source:** Figure created using public data from RMA, Summary of Business.

Farmers in majority specialty crop-producing states are often underrepresented in the federal crop insurance program by comparison. In 2022, just nine percent of farms growing specialty crops purchased crop insurance.<sup>19</sup> Small farms are underrepresented as well: very few operations with less than 500 acres or with less than \$100,000 in annual sales are enrolled in the federal crop insurance program as compared to the total number of farms in those ranges.<sup>20</sup>

Low enrollment in crop insurance policies among smaller and diversified producers does not reflect disinterest in participation. When asked, these farmers commonly express interest in an affordable safety net to protect against unpredictable weather events and market variability.<sup>21</sup> Instead, this discrepancy

illuminates barriers in program design and implementation that prevent farmers from enrolling or seeking coverage. Insurable commodities vary by county for common multiperil insurance policies, dependent on RMA’s ability to verify the projected yield or value of a farmer’s product using local data. This county-by-county variability in whether an insurance policy is available already places small, beginning, and specialty crop growers at a structural disadvantage.

For example, a beginning farmer who wishes to grow strawberries in a Montana county where no other producer grows that crop will almost certainly not have the option to purchase a policy that insures strawberries, because RMA does not have the necessary data in that county to offer such a product.



## ACCESS TO FARM SAFETY NET PROGRAMS (CONT'D)

If they desire the security of a safety net, the farmer will be incentivized to instead grow a commodity that is already widely grown in the county – such as wheat – which is unlikely to unlock market opportunity and allow the beginning farmer to differentiate themselves, but for which an insurance product is readily available.

Farmers in this circumstance may technically avail themselves of a Written Agreement, authorized to provide coverage for an insurable crop when coverage is otherwise unavailable.<sup>22</sup> But the process can be complicated, requiring extensive paperwork and recordkeeping as well as justification from local agricultural experts. Few small scale and diversified farmers complete written agreements for uninsurable crops, and private crop insurance agents are not incentivized to tailor a written agreement to smaller operations.

A common barrier to purchase coverage for many smaller-scale farmers is the inability to find an agent who is willing or possesses sufficient knowledge to sell insurance to smaller-scale and diversified operations. Insurance companies receive more subsidies to sell and service policies with a higher premium, which creates an incentive for agents to write policies for larger operations and leaves smaller producers inadequately served.<sup>23</sup> Tailoring insurance policies or written agreements to farms which grow a diversity of specialty or organic crops is a more time- and labor-intensive endeavor, and one that agents are not always trained to do.<sup>24</sup> These operations are typically smaller and command lower premiums, so an agent may expect to receive only marginal financial return compared to a larger operation with a high premium. In this case the costs simply exceed the benefits for most agents, although all agents are technically required to offer the full range of policies.<sup>25</sup>

Several rules and guidelines that determine how the federal crop insurance program is administered also challenge the ability of diversified and conservation-minded farmers to remain eligible for protection.<sup>26</sup> Indeed, many farmers perceive that crop insurance rules are a barrier to conservation practice adoption.<sup>27</sup> For example, guidance on when and how cover crops may be terminated stifles innovation and can discourage farmers from adopting the practice if it would threaten insurance coverage.

What should be a farm-specific decision is applied to broad regions even though conditions may vary significantly from farm to farm. Likewise, farmers must plant before a final planting date determined by region and crop to receive their full coverage guarantee. Organic and conventional operations are currently held to the same final planting date, even though certified organic farmers must sometimes plant crops, such as corn, later than their conventional counterparts to avoid cross-contamination with neighboring fields that spray chemicals and plant genetically engineered seed.<sup>28</sup> The value of a yield or revenue guarantee is reduced each day for farmers who plant after the final planting date.

In late 2023, RMA lifted a historical barrier to conservation practice adoption for insured producers and those seeking insurance.<sup>29</sup> For context, farmers found to be out of compliance with RMA's definition of "Good Farming Practices" (GFPs) are not able to receive indemnity payouts. Previously, RMA considered practices defined and financially supported by the Natural Resources Conservation Service as GFPs, on the condition that they did not negatively impact a crop's ability to make normal progress toward maturity or affect yields in any way.<sup>30</sup> This became a deterrent against the adoption of many conservation practices because temporary yield drags are common on farms transitioning to climate-friendly, regenerative, and organic systems before yields can stabilize and even rise. RMA's decision to remove the yield condition in the 2024 Good Farming Practices Handbook was an important step towards removing barriers to coverage for farmers that adopt approved soil health practices and enhancements.<sup>31</sup>

New and beginning farmers can often experience specific challenges to access coverage as well. To help offset the costs and challenges of farm start-up, Congress authorizes a 10 percent premium discount for beginning farmers and ranchers to help them enroll in crop insurance.<sup>32</sup> However, whereas beginning farmers and ranchers are defined as those with less than 10 years of experience across all other USDA farm programs, this discount only applies to those with less than five years of experience.

## ACCESS TO FARM SAFETY NET PROGRAMS (CONT'D)

This can render the discount fairly ineffective, as many beginning farmers are unable to access insurance in their first five years of farming. In general, farmers need at least four years of actual production history or actual revenue history before becoming eligible to purchase insurance. This establishes an average yield or revenue amount based on a farmer’s historical production against which losses can be measured and indemnity payouts may be made in case of disaster. County-level average transitional yields, or T-yields, are sometimes available as a temporary placeholder to production history, but this rarely benefits farmers who grow specialty crops not grown elsewhere in the county for which RMA does not have the data to generate a T-yield.<sup>33</sup>

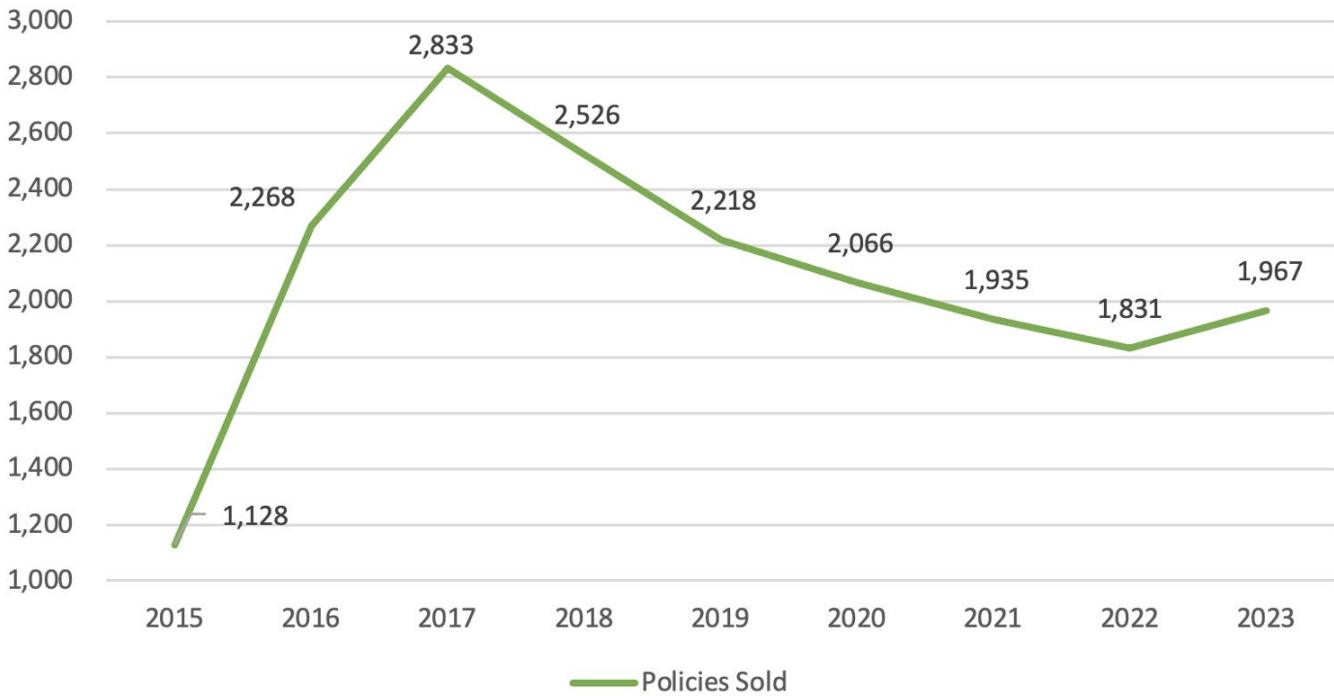
Notably, the required revenue history is reduced to three years for beginning farmers to access Whole-Farm Revenue Protection, and the discount for beginning farmers is extended to those farming less than 10 years under that product.

### Whole-Farm Revenue Protection

The Whole-Farm Revenue Protection program (WFRP) is a novel crop insurance product that offers farmers nationwide the option to insure against revenue loss for their entire operation, including crop, livestock, and nursery production, under a single policy.<sup>35</sup> It is the first insurance policy intended to cover smaller, diversified operations that, in theory, addresses several of the barriers to insurance access laid out above.<sup>35</sup> It even includes a premium discount for crop diversification in recognition of its inherent risk-reduction impact.

In practice, however, WFRP is not performing near its optimal potential due to complicated rules and paperwork, skepticism from farmers, and disinterest from insurance agents.<sup>36</sup> WFRP participation nationally is low, compared to the total number of farms that remain uninsured. Just 1,967 farmers purchased a WFRP policy in 2023, down about 31 percent from peak enrollment in 2017 at 2,833 farmers.

**FIGURE 2 Whole-Farm Revenue Protection Enrollment (2015-2-23)**



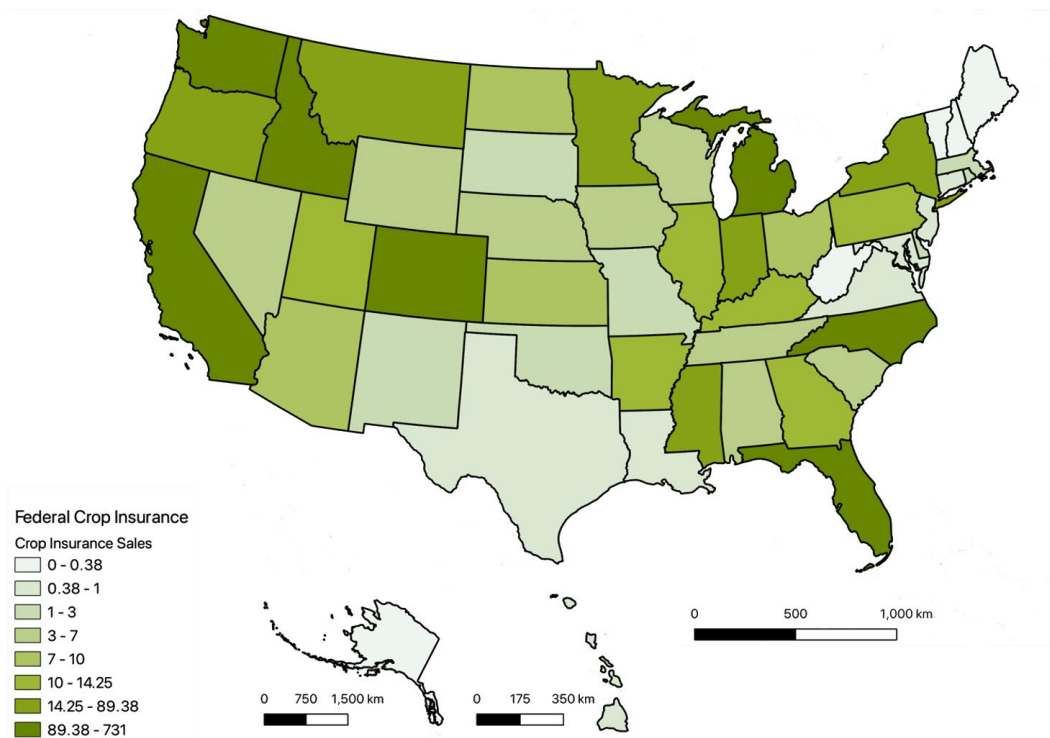
Source: Figure created using public data from RMA, Summary of Business.

## ACCESS TO FARM SAFETY NET PROGRAMS (CONT'D)

Notably, 2023 was the first year since 2017 that enrollment increased from year-to-year. In 2023, Washington maintained its spot as the state with the most farmers (741) participating in WFRP, due to a large number of apple producers that rely on the product in the historical absence of a crop-specific revenue policy.<sup>37</sup> California became second nationally with a record number of enrollments (207), followed by Idaho (143),

Colorado (141), Michigan (135), Florida (123), and North Carolina (92). In 2023, no farmers in Vermont, Maine, or Alaska enrolled in WFRP, and no farmers have ever enrolled in New Hampshire and West Virginia, despite a sizable presence of smaller and diverse farms in these states.<sup>v</sup> The distribution of WFRP enrollments is reflected in Figure 3.

**FIGURE 3 WFRP Crop Insurance Policies Sold in 2023**



Source: Figure created using public data from RMA, Summary of Business.

<sup>v</sup> These numbers include Micro Farm enrollment

## ACCESS TO FARM SAFETY NET PROGRAMS (CONT'D)

The 2023 increase in WFRP enrollment correlates with the implementation of several changes to the program from RMA and signals real potential for revival with continued progress toward removing consistent barriers to access. For example, the creation of a new option within WFRP in 2022, the Micro Farm pilot, was among the most important changes RMA has made to address a longstanding participation decline. Historically, a uniquely high paperwork burden prevented small and direct-to-consumer producers from enrolling in WFRP. Most farmers who sell fruits and vegetables at farm stands or markets simply do not keep the detailed expense reports which were required on daily transactions, and it proved unreasonable to expect that farmers produce such records. Micro Farm streamlined paperwork for eligible farms and allowed these producers to include market readiness and post-production operations, such as canning, freezing, and processing, as revenue. In 2023, RMA removed the burdensome expense report requirement for all farms applying for WFRP, not only Micro Farm. Together, these measures to streamline paperwork are important changes aligned with the original intention for a program that requires only a farmer's tax returns to verify revenue loss.

In its first year, RMA limited Micro Farm eligibility to farms with less than \$100,000 in approved revenue. Just 26 policies were sold nationwide. In 2023, RMA raised the ceiling to include all small farms as defined by USDA with an approved revenue up to \$350,000. In response to this change, Micro Farm participation almost quadrupled to 95 enrollments. Michigan leads the country in Micro Farm enrollment, with half (47) coming from the state. Minnesota and Washington are tied for second place, each with 7 policies sold in 2023. These numbers are small, but hold promise.

The concentration of policies in a small number of states highlights persistent challenges with WFRP. It appears to partly reflect the presence of several crop insurance agents who have carved a niche in offering the product to small, specialty crop, and diverse farmers. This can serve as a business model for other crop insurance agents eager to distinguish their services in a saturated market. But with those rare exceptions, farmers continue to experience significant hurdles when searching for an agent willing to sell WFRP or even with knowledge of the product.

During an NSAC-facilitated listening session in 2021, one farmer recalled that he “experienced flat-out denial of the existence or availability of WFRP [and] claims that it would not cover our farm.” Several farmers shared similar experiences, and one expressed: “It is not just that they don’t understand, but in my experience, they are outwardly hostile to a different insurance program.”

This speaks, at least in part, to concerns about inadequate education and outreach. Accounts from farmers NSAC received last year revealed that insurance agents continue to request extensive paperwork despite RMA's move to eliminate the expense report requirement for the 2023 insurance year. To address the gap in knowledge about the product that exists among both insurance agents and farmers, RMA facilitated virtual educational sessions and in-person workshops around the country as part of a “Roadshow” to discuss WFRP and Micro Farm. RMA estimates that over 1,750 agricultural producers attended.<sup>38</sup>

**“I would have been forced to quit farming if I did not learn about Micro Farm.”**

-Angela Smith

Education is only one piece of the puzzle, however. WFRP will remain underused until farmers can easily locate insurance agents knowledgeable about and willing to sell the product. For the reasons discussed above, insurance agents are disincentivized from selling policies to small, diversified farms including WFRP, which is especially complex. This remains one of the most detrimental outstanding barriers to access.

Even farmers who have successfully enrolled in the program nurse criticisms of WFRP, and some have dropped their policies after less than favorable experiences. Highly diversified farms often express that they are too diversified for the product to provide meaningful coverage for the cost, where the diversification premium discount only applies for up to seven commodities. Larger farmers that split acreage between specialty crop rotations and commodity crops can enroll in both WFRP and traditional insurance policies but are sometimes underinsured because WFRP does not consider indemnity payouts received during loss years as historic revenue.

## ACCESS TO FARM SAFETY NET PROGRAMS (CONT'D)

Further, many beginning and small farmers are underinsured because of an arbitrary 35 percent limit to annual revenue expansion, where rapid expansion of planted acres in early years of operation is common. RMA raised that ceiling to the higher of 35 percent or \$500,000 in 2021 but only for certified organic producers, who are not uniquely constrained by the ceiling compared to non-certified organic producers.

**Angela Smith** moved to Oronoco, Minnesota, and started Middle Fork Farm with her husband, Erik, in 2013. There was no record of regular flooding on that land when it was purchased by the couple, but they have endured crop loss from five significant flooding events in just 10 years.



“Due to the impacts of climate change, it’s becoming increasingly difficult to farm with every passing year. Our production field went under 12 feet of flood water in 2019 and two of the last three years we were in drought. It’s tough to grow under such unpredictable conditions and not feel discouraged. This is especially the case when I know that I might lose a large portion of my income no matter how hard I work.”

Angela is one of the many small farmers traditionally left out of farm safety net and assistance programs. But in 2022, she learned about Whole-Farm Revenue Protection and the new Micro Farm option.

It was a challenge to find a nearby insurance agent with the knowledge or willingness to sell her a policy, but Angela finally contacted an agent that agreed to work with her. He lives three hours away by car.

**“I would have been forced to quit farming if I did not learn about Micro Farm.”**

But Angela has found WFRP is not without its shortcomings. The growing success of Middle Fork Farm’s direct-market model means that revenue is outpacing the program’s 35 percent ceiling to annual revenue expansion. Revenue on her farm grew by 125 percent between 2021 and 2022, and by 68 percent the following year. That leaves Angela underinsured in case of disaster. If she made a claim this year, she would only have received 28 percent of actual expected revenue.

“I do everything in my power to make sure that I have a healthy, resilient farm. I use conservation practices like planting cover crops, and I grow a diverse mix of veggies so that my eggs aren’t all in one basket. I also spend a lot of time trying to build soil health so that when a flood or drought comes again, my plants are better able to weather it, but there is nothing I can do when it rains seven inches in one day or it doesn’t rain at all for months on end. If I’ve done all that I can to avoid crop loss in the first place and it still happens for reasons beyond my control, I need to have the safety net of crop insurance to keep me in business. That’s the only way that I will be able to continue growing healthy food for people in my community.”

Despite challenges, WFRP represents one of the most important opportunities to improve access to the farm safety net for small to mid-sized, beginning, specialty crop, and diversified farms – if it is improved. The 2021 USDA Action Plan for Climate Adaptation and Resilience even cites WFRP as a key program to support farmers who use diversification to reduce risk and combat decreasing agricultural productivity.<sup>39</sup>

## ACCESS TO FARM SAFETY NET PROGRAMS (CONT'D)

### Noninsured Crop Disaster Assistance Program

The Noninsured Crop Disaster Assistance Program (NAP) – a permanent disaster program administered by the Farm Service Agency (FSA) – was designed before WFRP existed as a coverage option for farmers who grow crops for which no crop-specific insurance policy was available. NAP continues to be a useful product for farmers who find themselves unable to enroll in WFRP, which is technically available to cover all crops. NAP offers free basic coverage for beginning, limited resource, and socially disadvantaged farmers and ranchers. There is also a NAP buy-up option where farmers may pay a premium for additional coverage. Unfortunately, NAP has experienced a decrease in applications for specialty crops, from 95,000 in 2017 to 54,000 in 2022.<sup>40</sup>

Falling enrollment among these producers is a nod to several challenges that small and limited-resource farmers growing specialty crops face when trying to access the program.

Farmers have reported difficulty navigating the amount of and complicated nature of program instructions which can be removed from on-the-ground realities. For example, strict application timelines to enroll in NAP vary by crop and state and do not always align with farmer planting decisions. In addition, there are separate processes to report a loss after a disaster and then request payment, with unique applications and timelines. Further, the 72-hour window for farmers to report a loss of hand-harvested crops does not always allow sufficient time for producers to assess damage or salvage what they can in the days following a disaster.

The role FSA plays as the administrator of NAP poses yet another barrier that can impede access for socially disadvantaged farmers, and in particular Black, Indigenous, and other farmers of color. A distrust toward FSA and USDA-writ large is ingrained in these communities, rooted in a well-documented history of discrimination.<sup>41</sup> FSA notably made enrollment in NAP automatic upon certification as a socially disadvantaged, limited resource, beginning, or veteran producer in 2023, but discrimination continues to be a barrier for producers seeking resources from FSA county offices today.



Mike Strain (left), the Louisiana Commissioner of Agriculture and Forestry with John (center) and Betty (right) Chenier (Photo courtesy of Betty Chenier, Louisiana Department of Agriculture and Forestry)

**Betty and John Chenier** have grown seasonal vegetables and raised animals at Chenier Farm in Opelousas, Louisiana for more than 30 years. Years ago, Betty visited the FSA office to inquire about disaster assistance.

“It was so uncomfortable for me going in there. The things that they would say to me- I had to take a deep breath when I went in there because of the way I was not accepted there.”

“I even had chills from the white farmers who would come in there. They were like ‘what is she doing in here?’”

After a series of similar experiences, Betty stopped coming for 15 years. When she approached the FSA again last year, her agent gave her an overwhelming list of tasks involved in the application process.

Betty recalls saying, “Oh wow! When am I going to have time to do all of this?”

By the time Betty applied, she had missed the deadline to receive the premium discount that FSA made available to Black farmers. Her agent never told her that the discount was available. Betty also reports that her agent actively discouraged her from applying for NAP.

“That’s been kind of a normal thing with them for me,” she said. “They say, ‘It’s a lot of work and we’re not going to get a lot of money from it.’ But still, whatever it is, if it’s my money, it’s my money.”

## ACCESS TO FARM SAFETY NET PROGRAMS (CONT'D)

Despite challenges to enroll in the program, NAP can fulfill an important role for producers unable to purchase insurance. NAP is available even to producers without several years of production history. This makes it a viable coverage alternative to new and beginning farmers who do not yet have the three years of revenue history needed to enroll in WFRP. In fact, an important but yet-untapped opportunity to improve WFRP enrollment is to establish an “on-ramp” from NAP to WFRP. This would create an option within NAP to structure the farm operation and finance records required to match what WFRP requires, enabling farmers to seamlessly transition from NAP to WFRP once they have established three to five years of historic revenue.

In the same spirit of collaboration, FSA should actively share data collected on uninsured crops with RMA to improve the availability of crop-specific multiperil insurance options for specialty crops.<sup>42</sup>

Together, NAP and WFRP are currently the most viable options for small, beginning, and specialty crop producers to access the farm safety net. Improvements to the federal crop insurance program are needed to guarantee that undeserved farmers are no longer forced to choose between purchasing crop insurance as a safety net or adopting on-farm, risk mitigating conservation practices to build resilience. Both risk management tools should be within reach for all farmers.

## CONCENTRATED DISTRIBUTIONS OF RESOURCES

The current safety net leaves many small to mid-sized, beginning, and diversified farmers behind, but it functions exceedingly well for large, industrial farm businesses. The concentrated distribution of billions of public dollars each year aligns with the intention of the framers of contemporary farm policy: that farmers must “get big or get out,” in the infamous words of Earl Butz, who served as the U.S. Secretary of Agriculture from 1971 to 1976.<sup>43</sup> In fact, concentration has reached such heights that even the current Secretary of Agriculture Tom Vilsack – in his second reprisal of the role under the Biden Administration – has publicly challenged that longstanding rhetoric, even as important shifts in statutory and regulatory policy are still needed to give producers across the country a fair shake.<sup>44</sup>

This section of the report draws from crop insurance, commodity program, and ad-hoc disaster assistance data between 2017 and 2022 from the Risk Management Agency and Farm Service Agency, respectively, to analyze the distribution of subsidies across the United States. Note that state and even county level data cannot account for the diversity that exists within each state and county. However, this aggregate data does provide a useful snapshot to understand where

farmers have benefited most from farm safety net programs and can be used to infer the kinds of farm operations which, in general, are and are not supported by federal subsidies. See the Appendix for aggregate data sorted by state.

### Federal crop insurance

Congress first authorized subsidization of crop insurance premiums in the 1980 Farm Bill to encourage participation in the program. Today, the public pays on average 60 percent of a farmer’s premium, which means farmers pay less than 40 percent of the cost to purchase an insurance policy.

In 2021, premium discounts which benefited farm operations growing corn, soybeans, cotton, and wheat averaged 78 percent of all premium subsidies paid.<sup>45</sup>

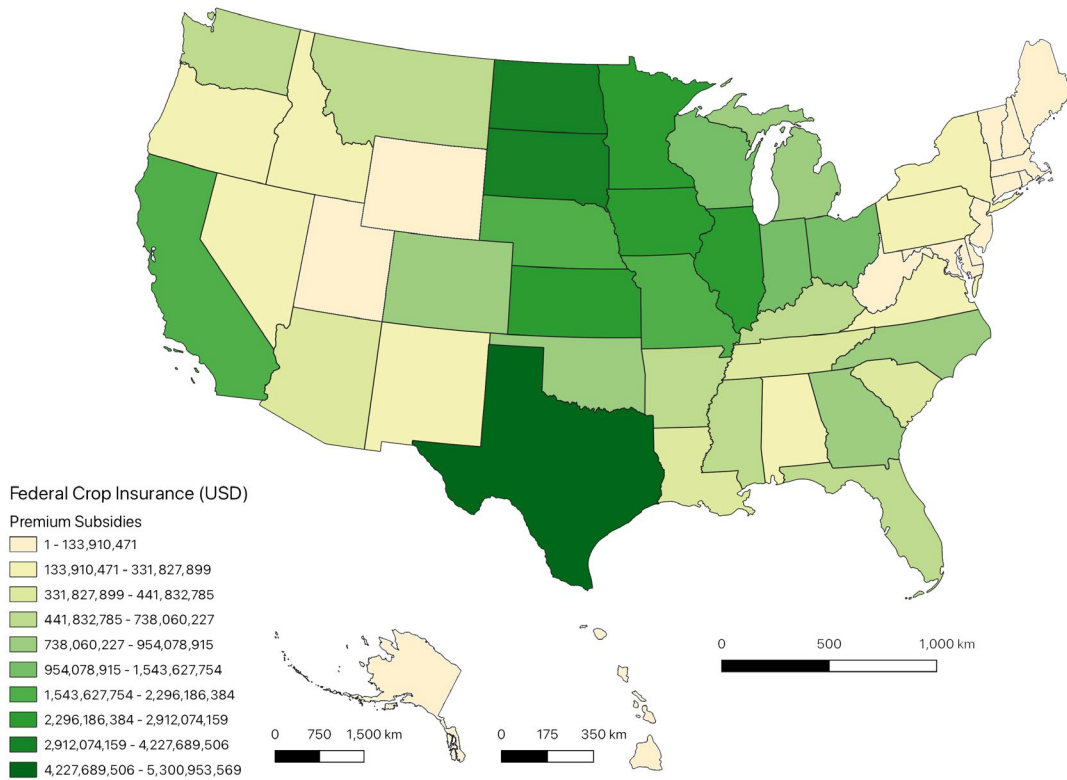
From 2017-2022, farmers benefited from \$46 billion in crop insurance premium subsidies.<sup>46</sup> That figure is inclusive of livestock policies, which only account for two percent of the total. Farmers purchasing crop insurance in Texas and North Dakota alone received 21 percent of premium discounts.

## CONCENTRATED DISTRIBUTIONS OF RESOURCES (CONT'D)

The top 10 states, most in the Midwest, also included South Dakota, Kansas, Illinois, Iowa, Minnesota, Nebraska, California, and Missouri, where collectively farmers received 64 percent of all premium subsidies.

Farmers in the 25 states which benefited least from crop insurance discounts received just nine percent of subsidies, or \$3.9 billion, and were largely concentrated in the Mid-Atlantic, Northeast, and West.

**FIGURE 4 TOTAL CROP INSURANCE PREMIUM SUBSIDIES BY STATE (2017-2022)**



**Source:** Figure created using public data from RMA, Summary of Business.



## CONCENTRATED DISTRIBUTIONS OF RESOURCES (CONT'D)

Farm economists find that the largest 10 percent of farms with the highest annual crop sales nationally receive 65.4 percent of all crop insurance subsidies, and that the smallest 80 percent of farms receive just 23.3 percent of premium subsidies.<sup>47</sup> The top percentile of farms alone receives 10 percent of total premium subsidies, or an average of \$41 per acre.<sup>48</sup> These farms have an average adjusted gross income (AGI) of \$1.5 million and possess an average household wealth of \$15.7 million – far above the household wealth of the average American household.<sup>49</sup>

In short, crop insurance subsidy benefits are heavily concentrated on the largest commodity farms, despite these large operations’ ability to cover more of their premium costs.

The disparity is exacerbated because any farmer or landowner, even millionaires and billionaires, can be eligible to receive unlimited premium subsidies.<sup>50</sup> The federal crop insurance program is the only farm subsidy program without any means test or payment limit. By comparison, farmers with an AGI above \$900,000 are ineligible to receive subsidies from Title I (commodity) and Title II (conservation) programs, and payment ceilings, which vary by program, limit how much money an eligible farmer may receive each year. These spending guardrails exist to steward the responsible use of taxpayer dollars and reach farmers who need assistance most.



**Lindi and Jared Phillips** raise sheep and hay on Branch Mountain Farm in Washington County, Arkansas. They believe farming sustainably means creating healthy systems that will last through their lifetimes and benefit their whole community. To help secure that vision, they have off-farm jobs and Pasture, Rangeland, and Forage insurance to protect against droughts like the one they experienced in 2022.

“Last year, we got a small check, like \$80 or \$100, or whatever it was. It wasn’t enough to really impact anything for us. It was nice, it felt good to be remembered, but it wasn’t that much,” said Jared.

“The program isn’t built for farms like us,” said Lindi. “Not that we don’t appreciate it, but it feels like a gesture or a token and not like compensation.”

This is part of a larger trend regarding the farm safety net, where smaller producers fall between the cracks. Even those with coverage sometimes find it does not meet their unique needs.

“It sounds and feels out of touch to me. Because even if crop insurance was working in the past, even just for the big guys, our climate is changing,” said Lindi. “If you suddenly find yourself playing a different game, you probably ought to revisit the rules.”

“It’s also an indictment of the USDA, though,” added Jared. “The USDA has operated for a long time as though there’s a one size model for agriculture no matter what.”

## CONCENTRATED DISTRIBUTIONS OF RESOURCES (CONT'D)

Unchecked spending is only increasing – and dramatically.<sup>51</sup> In the last decade, the average total premium subsidy sat between \$5 and \$6 billion per year. But the premium subsidy reached an all-time high in 2021 at \$8.6 billion, followed by another record-breaking \$11.6 billion in 2022 – roughly double the preceding decade’s average.<sup>52</sup> Expanding insurance enrollment for livestock producers accounts for at least some of this rise.<sup>53</sup> But doubling public dollars spent on crop insurance premiums without a comparable rise in insurance enrollment for underserved farming operations represents a shortcoming in the program’s design and a missed opportunity to ensure the farm safety net can serve all producers.

In addition to premium subsidies, USDA subsidizes private insurance companies and agents to sell and service policies. This cost taxpayers more than \$33 billion in the last 10 years alone, and \$58.8 billion since 2001.<sup>54</sup> The reinsurance agreement which governs the public-private partnership between USDA and 13 private insurance companies, or Approved Insurance Providers (AIPs), reimburses companies for administration and operation expenses and shares the risks of underwriting gains and losses. Total compensation to these entities continues to rise over time, and is projected to cost an average \$3.8 billion annually from 2024 through 2033.<sup>55</sup>

Ten AIPs are owned by large, publicly traded corporations, seven of which are headquartered outside of the United States, but still receive billions of dollars annually from American taxpayers.<sup>56</sup> That includes a federally-guaranteed target rate of return of 14.5 percent. The actual rate of return has averaged 16.8 percent each year from 2011 to 2022, which the Government Accountability Office (GAO) found exceeds a market-based 10.2 percent rate of return.<sup>57</sup> But a provision in the 2014 Farm Bill requires that any reinsurance agreement USDA negotiates with AIPs be budget neutral, effectively preventing the federal government from negotiating a lower target compensation for insurance companies, even when doing so would bring government rates in line with the market and would save significant taxpayer dollars.<sup>58</sup>

Congress authorizes the federal crop insurance program to operate with “such sums as necessary,” to guarantee a non-competitive process that can support all farmers who experience disaster.<sup>59</sup> But because the distribution of benefits is highly consolidated – both in terms of who can enroll in the program and whose participation is actively subsidized or rewarded – it is clear that most smaller and diversified operations are unable to sufficiently access insurance.

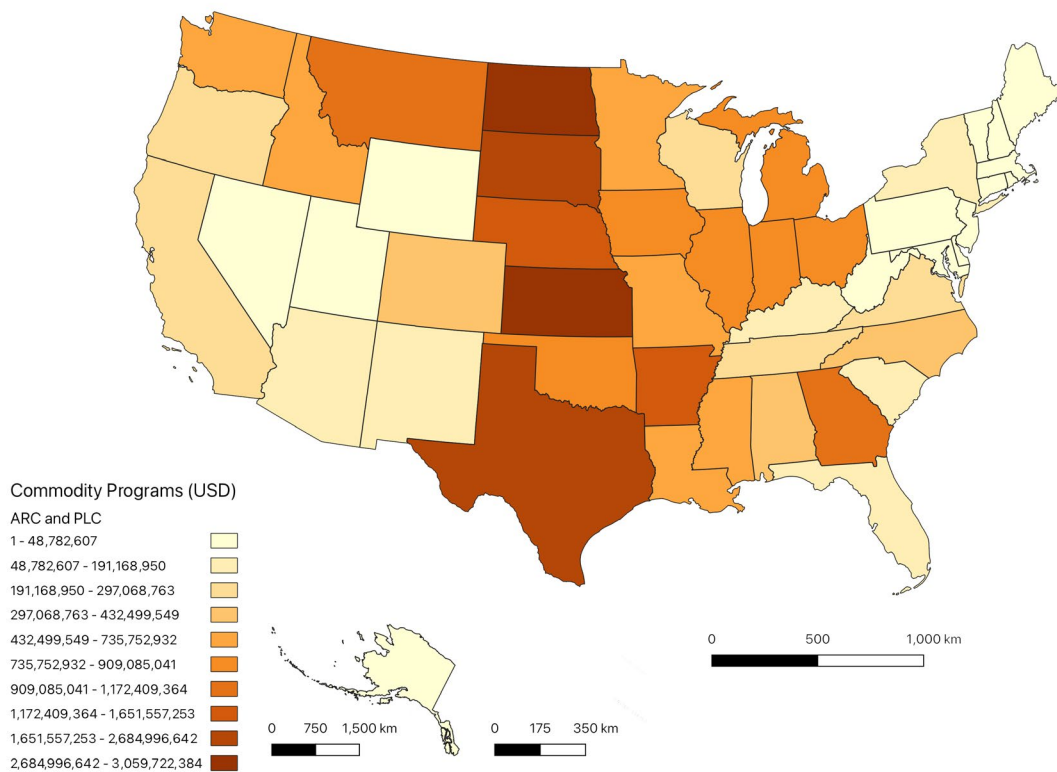
### Commodity programs

Most farmers are simply ineligible for Title I commodity programs, which offer revenue and price support for a relatively narrow list of commodities. The Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs primarily benefit the country’s largest commodity farms, in the top 10 to 20 percent of crop sales.<sup>60</sup> The Congressional Budget Office estimates that farms growing wheat, seed cotton, peanuts, and rice received 95 percent of PLC payments in 2022, and corn operations alone received 50 percent of ARC payments that same year.<sup>61</sup>

From 2017 to 2021, FSA distributed \$16 billion in PLC payments to commodity farms.<sup>62</sup> Farmers in Texas, Arkansas, Kansas, North Dakota, and Georgia alone received 45 percent of dollars distributed. Just 12 percent of total PLC payments, less than \$2 billion, was allocated to farmers in the 30 states which benefited least from the program. The distribution of almost \$13 billion in ARC payments from 2017 to 2021 follows a familiar pattern of concentration.<sup>63</sup> Farmers in South Dakota, North Dakota, Kansas, Nebraska, and Michigan received 54 percent of ARC payments during that time. Seventy-three percent of ARC payments were concentrated in 10 states which benefited most from ARC subsidies. Meanwhile, only four percent of ARC payments were distributed to farmers in the bottom-half of states which received the least assistance.

## CONCENTRATED DISTRIBUTIONS OF RESOURCES (CONT'D)

FIGURE 5 TOTAL ARC AND PLC SUBSIDIES BY STATE (2017-2021)



Source: Figure created using public data from FSA.

In total, FSA distributed a total of \$29 billion in PLC and ARC payments to commodity farmers between 2017 and 2021.<sup>64</sup> Collectively, farmers in North Dakota, Kansas, Texas, South Dakota, Arkansas, Nebraska, Georgia, Montana, Illinois, Oklahoma, and Iowa received 65 percent of commodity payments in this timeframe. These states are all in the American South and Great Plains. Just six percent of commodity program payments were distributed to farmers in the 25 states which received the least revenue and price support, mostly in the Mid-Atlantic, Northeast, and West.

While Title I commodity programs are technically subject to means tests and payment limits, loopholes are exploited that render these spending guardrails ineffective. The nominal farm bill payment limit is \$125,000 a year, or \$250,000 to farmers with a spouse.

But allowing people who are not actively and robustly engaged in the operation of the farm to collect federal subsidy payments,

as current FSA rules allow, is a linchpin for commodity program fraud and abuse, and allows large farms to collect multiple payments far beyond the limits.

The 2018 Farm Bill expanded the list of family members who are eligible to receive Title I payments to include first cousins, nieces, and nephews, in addition to children, grandparents, and siblings.<sup>65</sup> It did, however, simultaneously assert that only those family members who were actively engaged in the farm business would be eligible for farm program payments. In August 2020, USDA released a final rule whereby, to be considered actively engaged, recipients must contribute significantly to the farm. Requirements to meet this standard included either personal labor equal to 1,000 hours or 50 percent of total hours necessary to conduct the farm, or management “on a regular, continuous, and substantial basis” equal to 500 hours or 25 percent of the farm’s total management annually. Recipients could also abide by a combination of hours for labor and management.<sup>66</sup>

## CONCENTRATED DISTRIBUTIONS OF RESOURCES (CONT'D)

That original final rule, which clearly reflected the bipartisan consensus from Congress in the 2018 Farm Bill, was abruptly “corrected” by the Trump Administration in November 2020 to exempt “family farms” – or 98 percent of all farms, as defined by USDA – from the requirement.<sup>67</sup> This means that absentee landowners and millionaires benefit from commodity programs, despite statutory intent to prevent such wasteful taxpayer spending.

### Ad-hoc disaster assistance

Congress authorized a permanent, highly subsidized farm safety net to be a reliable and cost-effective alternative to free disaster

coverage authorized under farm bills in the 1960s and 1970s. But an astounding \$67 billion in ad-hoc disaster assistance – spending authorized outside of the farm bill to supplement permanent crop insurance and commodity programs – has been distributed directly to farms since 2017. These ad-hoc relief programs included the Market Facilitation Program (MFP), Coronavirus Food Assistance Program (CFAP), Wildfire and Hurricane Indemnity Program (WHIP), WHIP Plus, Emergency Livestock Relief Program (ELRP), and the Emergency Relief Program (ERP) Phases 1 and 2.

**TABLE 1 Ad-Hoc Disaster Assistance Programs**

Program	Program Loss Year	Dollars (billions)
MFP	2018, 2019	\$ 23
CFAP	2020, 2021	\$ 31.3
WHIP and WHIP Plus	2017, 2018, 2019	\$ 3.4
ERP Phase 1	2020, 2021	\$ 7.4
ERP Phase 2	2020, 2021	\$ 0.8
ELRP	2021, 2022	\$ 1.1

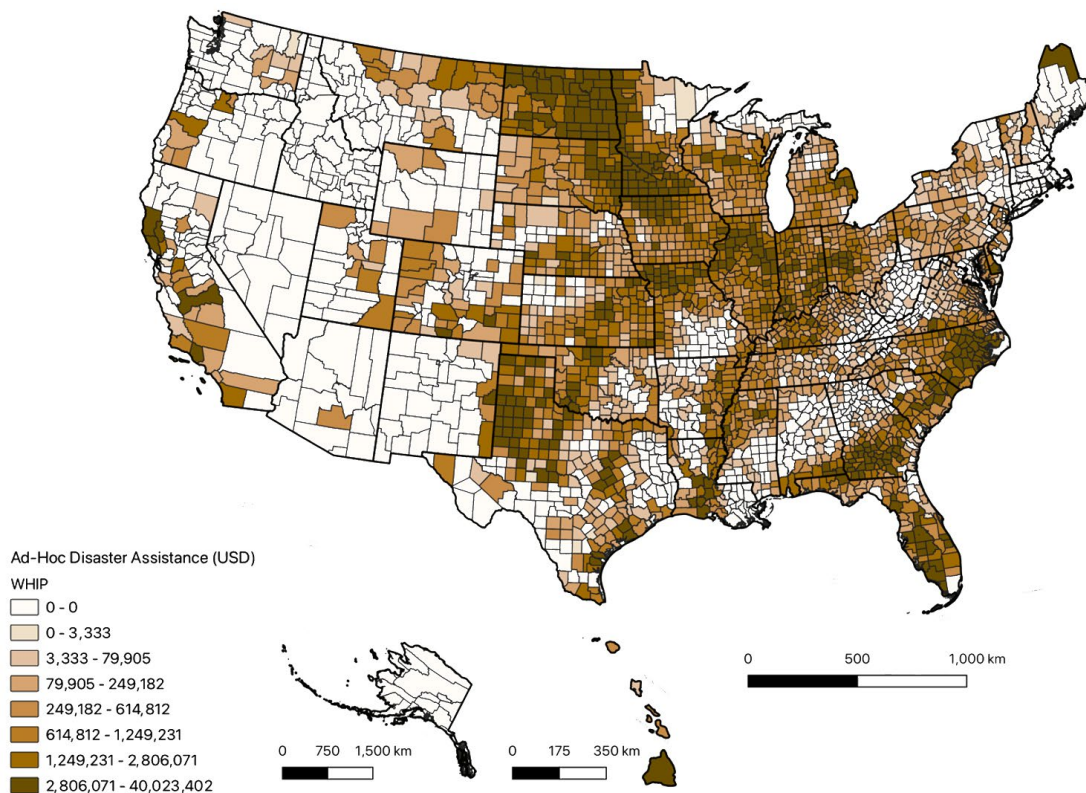
Source: Table created using data obtained from FSA.

## CONCENTRATED DISTRIBUTIONS OF RESOURCES (CONT'D)

MFP was authorized to offset the impact of retaliatory foreign tariffs in response to the Trump Administration’s trade war with the Republic of China.<sup>68</sup> CFAP, which had two phases, was an historic federal investment to keep farms which experienced massive supply chain disruptions afloat in the first years of the COVID-19 pandemic.<sup>69</sup> It is already well-documented that the combined \$54 billion investment primarily benefited large, commodity farm operations.<sup>70</sup> NSAC has now obtained aggregated data from the Farm Service Agency to perform a comparable analysis on the distribution of disaster aid through WHIP, ELRP, and ERP.

The Wildfire and Hurricane Indemnity Program was authorized by Congress to cover losses of producers impacted by hurricanes and wildfires in 2017.<sup>71</sup> Then, WHIP Plus was authorized to provide payments to offset losses from hurricanes, wildfires, and other qualifying disasters that occurred in 2018 and 2019.<sup>72</sup> 70 percent of payments were concentrated in just 10 states. Farmers in Minnesota, Texas, North Dakota, Illinois, and North Carolina alone received almost 46 percent of total assistance distributed through WHIP and WHIP Plus, as reflected in Figure 6.

**FIGURE 6** WHIP TOTAL FUND DISTRIBUTION BY COUNTY



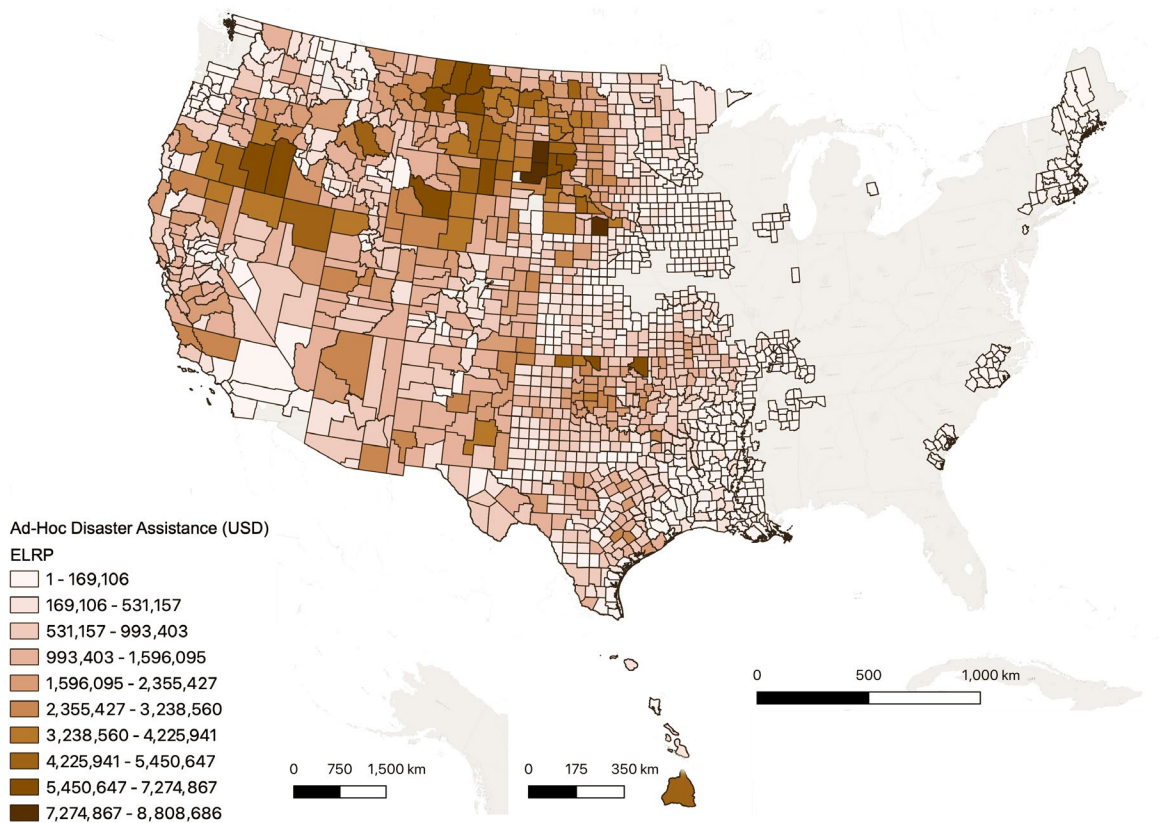
Source: Figure created using public data from RMA, Summary of Business.

## CONCENTRATED DISTRIBUTIONS OF RESOURCES (CONT'D)

In 2021, Congress authorized \$10 billion to provide emergency relief to offset the impacts of qualifying natural disasters which agricultural producers experienced that year and the year prior, as a successor to WHIP Plus.

USDA designed and implemented two programs to distribute these disaster payments: the Emergency Livestock Relief Program and Emergency Relief Program, the latter of which had two distinct phases.<sup>73</sup> At \$7.4 billion, ERP Phase 1 accounted for 76 percent of almost \$9.8 billion eventually distributed to farmers under this congressional mandate by the end of 2023.

**FIGURE 7 ELRP TOTAL FUND DISTRIBUTION BY COUNTY**



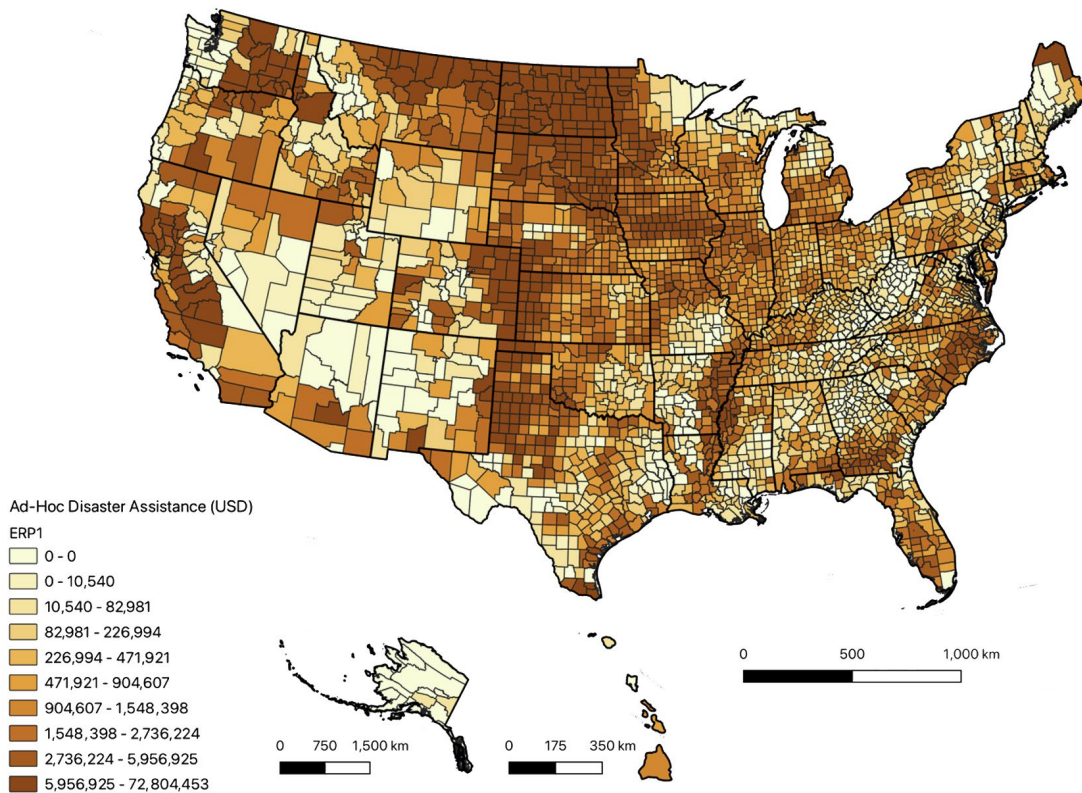
Source: Map created using data obtained from the Farm Service Agency.

The Emergency Livestock Relief Program was designed to provide emergency assistance for livestock producers impacted by severe drought or eligible wildfire, through which \$1.1 billion was distributed by the end of 2023. Because ELRP was the only ad-hoc disaster assistance program explicitly intended to benefit livestock producers, all 10 states where farmers

received the most relief – 76 percent of the total – are predictably in the Great Plains and West: Texas, Montana, South Dakota, Oklahoma, North Dakota, Wyoming, California, Colorado, Nebraska, and Oregon. ELRP accounted for almost nine percent of total spending between WHIP, ELRP, and ERP.

## CONCENTRATED DISTRIBUTIONS OF RESOURCES (CONT'D)

FIGURE 8 ERP1 TOTAL FUND DISTRIBUTION BY COUNTY



Source: Map created using data obtained from the Farm Service Agency.

Eligibility for ERP Phase 1 was predicated on a farmer’s prior or current enrollment in the federal crop insurance program or NAP. FSA sent pre-filled application forms to producers whose data was already on file. Thus, distribution of the \$7.4 billion primarily benefited farmers in many of the same states where farmers received the most crop insurance premium subsidies. ERP Phase 1 also indirectly reimbursed recipients for any premium costs paid to enroll in an insurance policy or fees to participate in NAP.

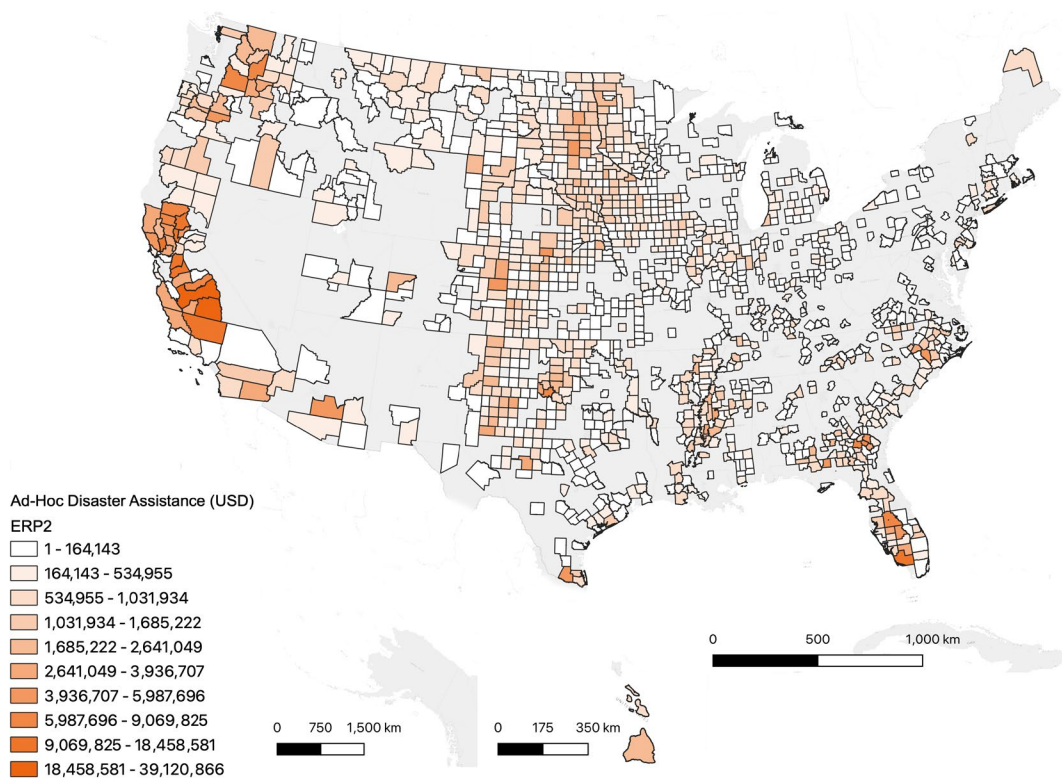
Sixty-seven percent of ERP Phase 1 payments were concentrated in 10 states: North Dakota, Texas, South Dakota, Minnesota, Iowa, California, Kansas, Montana, Nebraska, and Washington. Farmers with insurance policies to cover corn, wheat, soybeans, and cotton received more than \$5 billion, or almost 69 percent of program funds. Insured corn growers were the primary beneficiaries, who alone received \$2.1 billion from ERP Phase 1. The bottom 25 states, most in the Mid-Atlantic and Northeast where fewer crop insurance policies are sold, received just eight percent (\$0.6 billion) of relief distributed. Farmers with Whole-Farm Revenue Protection or NAP policies received less than four percent of total dollars distributed through ERP Phase 1.

## CONCENTRATED DISTRIBUTIONS OF RESOURCES (CONT'D)

FSA designed a novel disaster assistance program in ERP Phase 2, with an explicit intent to reach the small to mid-sized, specialty crop, and diversified farms without insurance or NAP coverage that had been left out of prior relief programs.

Accordingly, ERP Phase 2 allowed farmers to submit tax records to prove revenue loss associated with a qualifying disaster, not unlike the intended design of Whole-Farm Revenue Protection. Farmers who enrolled in ERP Phase 2 are required to enroll in crop insurance or NAP coverage for two years following receipt of payment.

**FIGURE 9 ERP2 TOTAL FUND DISTRIBUTION BY COUNTY**



Source: Map created using data obtained from the Farm Service Agency.

ERP Phase 2 delivered \$829 million to producers nationwide by the end of 2023. Farmers in California received almost \$232 million in disaster relief for uninsured crops, or 28 percent of the total distributed through ERP Phase 2. The 10 states where farmers benefited most also included Texas, South Dakota, Florida, Georgia, Nebraska, Minnesota, Oklahoma, Washington, and North Carolina, where more than 70 percent of disaster assistance from ERP Phase 2 was allocated. While several states which appear on this list and are also among the top recipients of ERP Phase 1, ERP Phase 2 was expressly designed to capture farmers who did not receive relief from Phase 1.

The resultant and relatively familiar concentration of relief reflects that resources are not distributed equitably between farmers even within states seemingly inundated with assistance. There is no publicly available data to compare individual recipients between programs to determine how many ERP Phase 1 recipients growing additional acreage to uninsured crops may also have enrolled in ERP Phase 2, nor did NSAC obtain crop-specific data for the program. Ultimately, the relief distributed through ERP Phase 2 only accounts for six percent of that distributed through WHIP, ELRP, and ERP, but it appears to represent a pivotal first attempt by USDA to design a program to catch farmers who are historically left out of farm safety net programs when disaster strikes.



## CONCENTRATED DISTRIBUTIONS OF RESOURCES (CONT'D)

FSA implemented the revenue-based approach of ERP Phase 2 to overcome numerous challenges posed by attempting to distribute assistance to farmers without prior enrollment in crop insurance or NAP. While experiences differ by county and state, these farmers are historically less connected to FSA, especially socially disadvantaged farmers impacted by the agency’s historic discriminatory behavior, which makes outreach and education about the availability of relief and technical assistance difficult.<sup>74</sup>

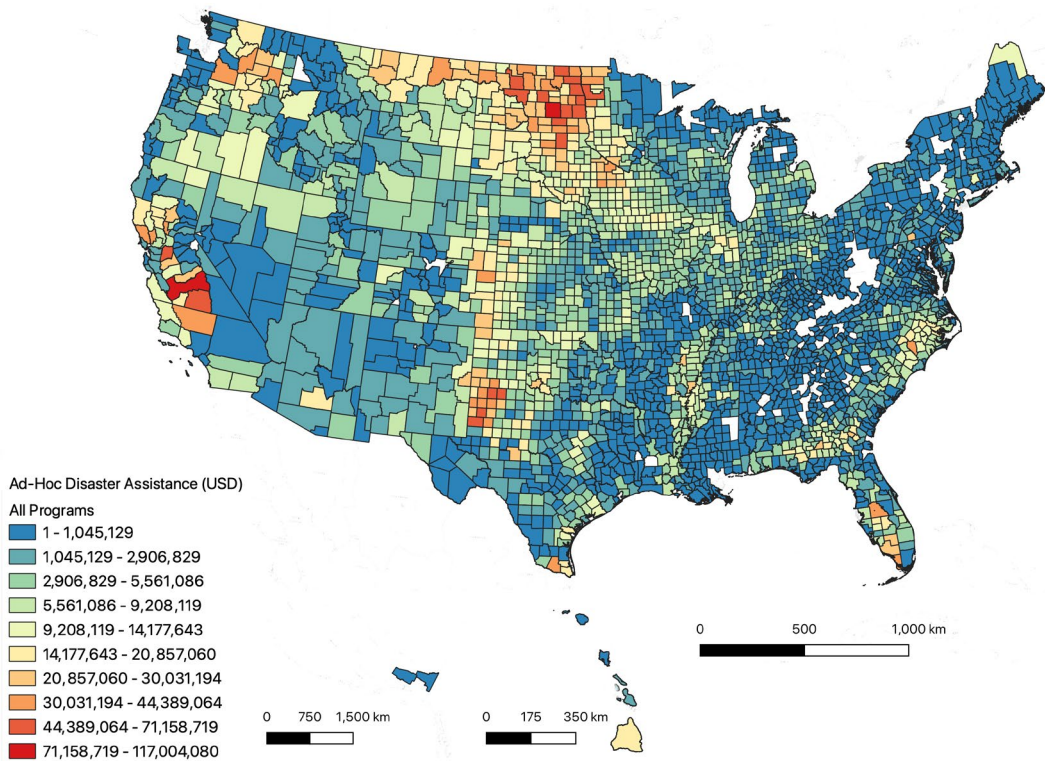
The requirement that farmers enroll in crop insurance or NAP for two years following receipt of payment also emerged as a challenge to meaningful participation in ERP Phase 2. For the reasons discussed at-length above, significant barriers continue to exist for small, beginning, specialty crop, and diversified farmers to enroll in the federal crop insurance program or NAP. NSAC heard from several farmers who were eligible to receive disaster assistance but were deterred from applying without certainty that they would be able to secure future coverage – or that the disaster assistance itself would justify the costs that would be necessary to enroll in coverage. The requirement may be practical from an administrative perspective to encourage

broader participation in the permanent safety net, as well as an opportunity for farmers to build relationships with employees at FSA county offices that may contribute to future value.

But reforms are needed to improve access to NAP and crop insurance, especially Whole-Farm Revenue Protection, before the requirement is attainable to underserved producers.

Several lawmakers expressed displeasure with the revenue-based methodology of ERP Phase 2 during oversight hearings in 2023, with one senator even saying the approach “[did] not accurately reflect crop losses that Congress meant to cover.”<sup>75</sup> That criticism is misplaced if a shared goal is to protect all of our country’s producers, including those without access to any other recourse. To that end, a revenue-based disaster assistance program may be seen as a commendable innovation toward distributing resources more fairly to producers who need it most. The performance of ERP Phase 2 presents an opportunity to continue improving distribution of assistance to include more of this country’s farmers and ranchers.

**FIGURE 10 WHIP, ERP1, ERP2, AND ELRP TOTAL FUND ALLOCATION BY COUNTY**



Source: Map created using data obtained from the Farm Service Agency.

## CONCENTRATED DISTRIBUTIONS OF RESOURCES (CONT'D)

In total, FSA distributed \$12.7 billion between 2017 and 2022 through WHIP, ELRP, and ERP Phase 1 and Phase 2. Farmers in North Dakota and Texas alone received almost a quarter of all assistance from these ad-hoc programs. Sixty-two percent of payments benefitted farmers in just 10 states, which also included Minnesota, South Dakota, California, Iowa, Kansas, Montana, North Carolina, and Georgia. The concentration of resources mostly in the Midwest and Great Plains largely mirrors that of ARC and PLC recipients as well as the distribution of crop insurance premium subsidies. Farmers in Alaska, Rhode Island, New Hampshire, West Virginia, Vermont, Delaware, Massachusetts, Maine, Maryland, and Connecticut – almost all in the Mid-Atlantic and Northeast, where specialty crop production and diversified production strategies are fairly common – received just 0.5 percent of relief payments. Farmers in the bottom half of states received just 8.5 percent, or roughly \$1 billion, of total assistance distributed. The relative absence of financial assistance distributed to these states does not reflect the absence of need for relief among these farmers to recover from disasters; it only confirms that these producers are historically overlooked and harder to reach.

Congress has authorized USDA to provide another \$3.7 billion in disaster assistance to farmers who experienced loss in 2022, far below the USDA estimate of \$12 billion in uncovered losses.<sup>76</sup> FSA announced an expansion to the Emergency Relief Program in October 2023 to implement this congressional directive.<sup>77</sup> ERP 2022 will include two distinct “tracks,” which largely mirror the intent of the original program’s “phases.” The biggest change is a progressive factor applied to payments under ERP 2022 Track 1, wherein all eligible producers may receive their full calculated indemnity up to \$2,000 and a progressively smaller portion of disaster assistance, up to a 10 percent ceiling on any remaining value for producers with a calculated payment above \$10,000.<sup>78</sup> To further conserve dollars in the face of high demand which far exceeds the congressionally-appropriated amount, driven in-part by expectations established by past ad-hoc disaster programs, only underserved producers,

including beginning, veteran, socially disadvantaged, and limited-resource farmers, may benefit from an indirect crop insurance premium or NAP fee reimbursement, in-line with longstanding NAP provisions.

Data from the USDA Economic Research Service shows that smaller operations have much smaller operating profit margins to recover from losses when compared to larger farms, which are more insulated against financial loss.<sup>79</sup> Furthermore, young and beginning small farmers also tend to have less capital on hand than larger, established operations, suggesting that ERP 2022’s intended approach to achieve a more equitable distribution of resources also supports a new generation of farmers amidst an ongoing generational shift in land ownership. That means relief distributed through ERP 2022 should build on the legacy of ERP Phase 2 to benefit farmers who demonstrate greater need and keep the most financially vulnerable farmers farming, in-line with the intention of a true safety net.

Even with these improvements USDA is making to how disaster aid is distributed, the reality that continued ad-hoc relief spending is needed each year above farm bill levels illustrates a failure of current law to address the underlying problems. Instead, lawmakers should invest in reforms that strengthen permanent safety net and risk management programs in ways that reduce the need for ad-hoc disaster assistance long-term.

### Unsustainable public spending

Ultimately, the farm safety net cost taxpayers more than \$88 billion from 2017 to 2022. That number is a low-end, conservative calculation, as it does not include assistance distributed to territories of the United States, subsidies paid to private insurance companies and agents, or 2022 ARC and PLC payment data, which is not yet available at time of writing. Furthermore, the total number balloons to more than \$142 billion when subsidies distributed to farmers through the Market Facilitation Program and Coronavirus Food Assistance Program are added.

## CONCENTRATED DISTRIBUTIONS OF RESOURCES (CONT'D)

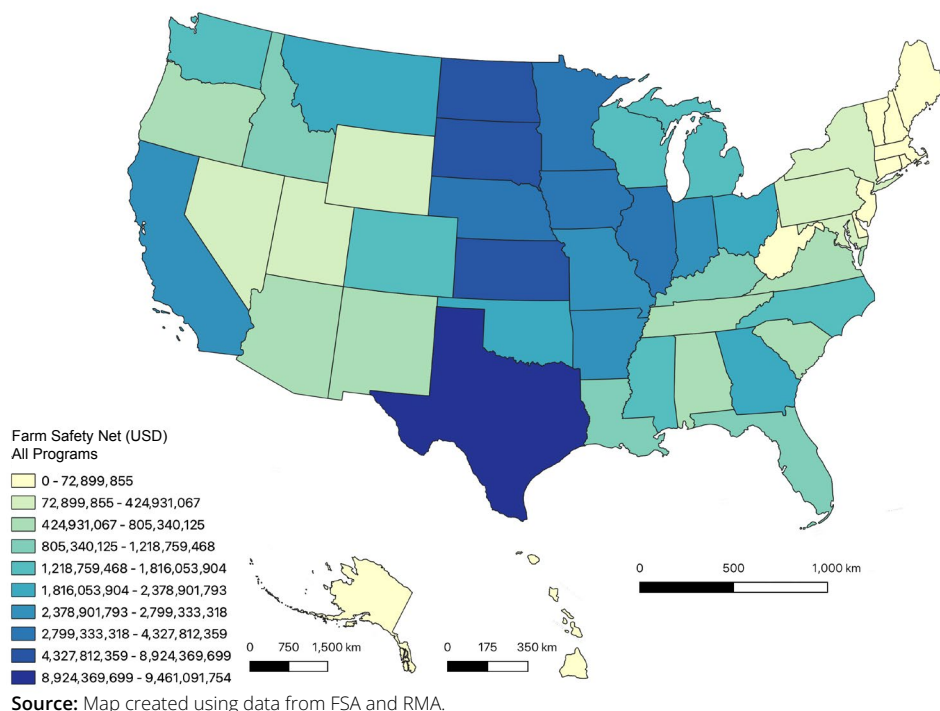
Farmers in Texas and North Dakota alone received 21 percent, or more than \$18 billion, of total farm safety net spending from 2017 to 2022 through crop insurance premium subsidies, commodity programs, and ad-hoc disaster assistance, excluding MFP and CFAP. Sixty-one percent of subsidies, more than \$53 billion, benefited farmers in only 10 states, which also included Kansas, South Dakota, Minnesota, Iowa, Illinois, Nebraska, Missouri, and California. Less than nine percent of subsidies were distributed between farmers in the 25 states which received the least assistance. In general, states in the Midwest, Great Plains, and South consistently received greater assistance from safety net programs compared to those in the Mid-Atlantic, Northeast, and West.

The demonstrated concentration does not appear to be strongly correlated to the number of farmers in a state. For example, North Dakota, which is home to just one percent of the country’s farmers, received more federal subsidies from farm safety net programs than any other state except Texas (10 percent).<sup>80</sup> To illustrate deeper concentration within that state, 69 percent of farms in North Dakota are small farms with farm income below \$250,000; statistically, most farmers in the state

are still unlikely to benefit from safety net subsidies.<sup>81</sup> The 25 states alluded to above which benefited less than nine percent of crop insurance, commodity, and disaster assistance subsidies represent almost a quarter of all farmers in the United States.<sup>82</sup> Furthermore, the concentration does not necessarily appear to correlate with raw production value. North Dakota accounted for just 2.1 percent of receipts for all commodities in 2022, whereas California – the top agricultural-producing state in the United States with 10.4 percent of receipts, but highest in specialty crop sales rather than grain and oilseed commodities – received just 3.2 percent of total safety net subsidies.<sup>83</sup>

Instead, the concentration of payments appears to correlate most closely to total acres planted to covered commodities. In that regard, North Dakota is ranked eighth and California is 32nd in the country. Texas, the top recipient of farm safety net subsidies, is fourth with almost eight percent of total acres planted to commodities. In fact, with the exception of California, each of the 10 states which received the most subsidies from farm safety net programs were also among the 10 states with the most commodity acres as reported to FSA in 2022.

**FIGURE 11 FARM SAFETY NET TOTAL FUND ALLOCATION BY STATE (2017-2022)**



## CONCENTRATED DISTRIBUTIONS OF RESOURCES (CONT'D)

The dramatic escalation of farm safety net spending, and especially the addition of annual ad-hoc disaster relief spending – which started well before the COVID-19 pandemic – illustrates significant shortcomings in the structure of permanent farm safety net programs. It calls into question the claim that crop insurance and commodity programs are effective when they have not, in fact, replaced the need for annual disaster appropriations as Congress intended. The ongoing strategy to throw more money at a worsening problem is not a solution, but a shortsighted bandage, and it will soon be impossible to sustain financially.

Moreover, farm subsidies enable the biggest operations to get bigger at the expense of smaller producers as benefits are siphoned to a limited number of commodity crops and relatively few farmers.<sup>84</sup> Permanent and ad-hoc farm safety net programs have become programs that many depend on – and expect – to guarantee an ever-increasing profit. The resultant resource concentration is a driving factor in the growing consolidation of farmland and the acceleration of rural depopulation by virtue of placing new, small to mid-sized, limited-resource, and marginalized farmers at a competitive disadvantage when it comes to buying land.<sup>85</sup> Research ties the rising value of cropland to rising farm subsidies, as some landowners adjust prices to capture government payments.<sup>86</sup>

Instead of equitably directing limited funding toward enhancing and expanding programs that help consumers purchase nutritious fruits and vegetables at reduced cost, alleviate rural poverty, or support farmers actively engaged in farming and selling direct-to-market, we continue to invest primarily in a farm safety net that concentrates subsidies into the hands of the largest and highest-income commodity farms which arguably need financial assistance the least.<sup>87</sup> In fact, net farm income recently reached consecutive all-time highs. USDA data reveals that net farm income in 2022 shattered previous records at almost \$183 billion.<sup>88vi</sup> Net farm income in November 2023 was forecast at \$151 billion, higher than was expected as recently as August that year and the second-highest total on record.<sup>89</sup> Net farm income is projected to remain strong in coming years, even after its recent peak, as the prices that farmers earn for their crops remain above the cost of production and stabilize to normal levels.<sup>90</sup>

<sup>vi</sup> Net farm income reflects profit after expenses. This contrasts with gross farm income, which reflects all earnings prior to the subtraction of expenditures.

Despite historic highs and record government payments for commodity farms in recent years, a proposal to further increase commodity program subsidies is emerging as a priority in ongoing negotiations to reauthorize the farm bill in Congress. Proponents argue that PLC reference prices must be increased to reflect rising costs of production. But this argument ignores that effective reference prices will already increase beyond the statutory value in 2023 without congressional action; Congress included an automatic adjustment mechanism in the 2018 Farm Bill, precisely to keep reference prices aligned with heightened market prices based on a five-year adjusted average.<sup>91</sup> If Congress further adjusts reference prices to reflect heightened market values, commodity farmers will be all but guaranteed payments under PLC and even ARC – for which the reference price is embedded in calculations – every year as commodity prices decline and eventually stabilize.<sup>92</sup> That is far beyond the purpose of a basic safety net.

Raising commodity subsidies as gross farm income continues to outpace expenditures and most farmers are still unable to access safety net programs at all would be fiscally irresponsible. Less than 6,000 farmers stand to gain most from statutorily increased PLC reference prices, mostly peanut, rice, and cotton producers in a few southern states for whom the price guarantee is often triggered.<sup>93</sup> In other words, the proposal may primarily benefit just 0.3 percent of farms – and cost projections range from \$20 to \$50 billion.<sup>94</sup> Proposals floated by some lawmakers to offset the steep cost have thus far included cuts to spending to nutrition programs and redistributing funds presently authorized for many smaller yet impactful programs that do serve the diversity of American agriculture, including popular conservation programs.<sup>95</sup>

The projected baseline for conservation programs in ongoing negotiations to reauthorize the farm bill is \$60 billion over 10 years, excluding supplementary dollars appropriated in the Inflation Reduction Act.<sup>96</sup> But even these much smaller programs include enforced payment limitations to promote responsible use of public dollars, including provisions that prevent farmers from “double-dipping,” or benefitting from several similar programs at once.

## CONCENTRATED DISTRIBUTIONS OF RESOURCES (CONT'D)

No such guardrails exist to prevent large, high-income operations from receiving compounded public dollars through commodity and disaster assistance payments as well as crop insurance subsidies, despite a shared purpose across these programs to help farmers recover from loss. To rectify this problem, some have suggested a cap across ARC, PLC, and crop insurance premium subsidies to prevent double-dipping between permanent programs, which could save taxpayers hundreds of millions of dollars.<sup>97</sup>

The Government Accountability Office and Congressional Budget Office have both recommended that Congress introduce

means tests to the federal crop insurance program or otherwise curb concentrated farm safety net spending to pursue public savings.<sup>98</sup> An agricultural economist commissioned by NSAC in 2022 found that applying a \$900,000 AGI means test to determine eligibility for federal crop insurance premium subsidies, the same standard to which farmers are subject for conservation and commodity programs, would save almost \$4.6 billion over 10 years and impact less than 1.3 percent of commodity farms. Likewise, a simple \$50,000 premium subsidy payment limit would impact just 3.5 percent of commodity farms and save the federal government almost \$16.6 billion over 10 years.<sup>99</sup>

**TABLE 2** Proposals to Limit Federal Crop Insurance Premium Subsidies

Proposal	Limit	Total 10-Year Cost Savings (Billions)	Percent of Total Subsidies	Percent of Farms Impacted
Payment Limit	\$ 50,000	\$16.58	25.87	3.53
	\$ 75,000	\$13.52	21.10	2.40
	\$100,000	\$ 9.90	15.45	1.52
	\$125,000	\$ 6.80	10.61	0.97
AGI Means Test	\$900,000	\$ 4.58	7.15	1.28
	\$750,000	\$ 5.81	9.07	1.72

**Source:** Table created using data methodology in Eric J. Belasco, “An Economic Analysis of Payment Caps on Crop Insurance Subsidies,” National Sustainable Agriculture Coalition

The most common argument against applying means tests or payment limits to premium subsidies suggests that the highest-income farmers would abandon the federal crop insurance program if their premium discount were reduced. In theory, this could threaten the program’s actuarial soundness and force RMA to increase premium costs for the remaining, smaller producers. In response to these concerns, the Government Accountability Office finds that:

“... highest income participants would be unlikely to leave the program in response to a reduction in subsidies. A reduction in subsidies would require participants to pay more of their

premiums, but... given their income levels, participants in the highest income category would likely be able to afford this small increase in costs. Also, academic literature and government information suggest that participants would not likely leave the program because of their heavy reliance on crop insurance and the increasing importance of crop insurance. Further, several incentives encourage participants to retain crop insurance, such as some lenders’ requirement that farmers have crop insurance in order to obtain loans. Rather than leaving the program in response to a reduction in subsidies, it is more likely that participants would select lower levels of policy coverage than they currently have, according to an RMA analysis.”<sup>100</sup>

## CONCENTRATED DISTRIBUTIONS OF RESOURCES (CONT'D)

It is important to consider federal crop insurance, commodity program, and disaster assistance costs collectively to understand that the country is rapidly approaching unsustainable levels of public spending at the expense of the farmers and rural communities most in-need of investment. These programs will only become more and more expensive if they are not returned to function as a true safety net; not to guarantee record profits each year for few farmers, but to catch all farmers who fall unexpectedly and would not otherwise be able to recover.

## REASSESSING RISK

Americans rely on farmers to put food on our tables, and we trust farmers to protect the lands they steward. Because of the important role farming plays in our lives and in our economy, it is in the public interest to help farmers manage major risks, such as weather variability. There are many approaches a farmer may choose to manage risk, including crop, enterprise, and market diversification or investing in soil health and conservation. However, rather than invest in strategies proven to mitigate risk on-farm and improve resilience over time, current agricultural risk management policy focuses primarily on taxpayer subsidized farm safety net programs, and as this report demonstrates, that assistance is concentrated in the hands of the largest commodity farms.

Industrial monocultures are particularly susceptible to risk from natural perils and supply chain disruptions. The pursuit of maximum efficiency comes at the explicit cost of necessary redundancies, or guardrails against failure. For example, the incentivized specialization and overproduction of a small number of resource-intensive commodity crops have contributed to a trend toward reduced crop biodiversity.<sup>101</sup> These operations are especially vulnerable to pathogens and natural disasters by virtue of their genetic uniformity.<sup>102</sup> Further, chemical pesticides, herbicides, and fertilizers will only be able to counter the effects of rapid erosion caused by poor soil quality for so long. This hurts the bottom-line of a farm business in the long run. One study estimates that farmers in the Corn Belt are already losing nearly \$3 billion per year in harvest yields per acre.<sup>103</sup>

Congress must first take steps to introduce common-sense reforms that modestly curb spending which primarily benefits a few farms with the highest income and leaves behind farmers in the Mid-Atlantic, Northeast, and West. Then, members of Congress serious about decreasing safety net costs and promoting systemic resilience should instead invest in policies and incentives to help farmers manage risk on-farm through diversification and the adoption of proven conservation and soil health practices.

In pursuit of that efficiency, the farm safety net has shifted the burden and cost of risk mitigation away from building on-farm resilient production systems. It instead prioritizes farm operations that rely on federal programs for risk management and places underserved farmers at a significant economic disadvantage, particularly those who manage risk through diverse, integrated, and regenerative production systems that can bring significant benefits for our land, water, and the health of our communities and families.

This externalization of risk for industrial operations away from a natural system and onto taxpayers can inhibit what motivation a farmer may otherwise experience in a theoretical free market to adopt on-farm risk mitigation strategies, such as diversifying products and markets. This creates a moral hazard, or “the lack of incentive to guard against risk where one is protected from its consequences.”<sup>104</sup> For example, one study documents how crop insurance acted as a strong disincentive for corn and soybean farmers to adapt to extreme heat.<sup>105</sup> Further, 22,000 farmers, representing 0.01 percent of all farms, each received an average of \$1 million per year for 37 consecutive years in direct government commodity payments.<sup>106</sup> Yet these farm businesses are not incentivized to adopt on-farm practices that can reduce the risk of future loss, nor are they considered high-risk investments – despite annual losses for decades.

## REASSESSING RISK (CONT'D)

Farm policy should not encourage farmers to outsource risk and perpetuate a dependence on federal subsidies at the expense of a responsibility to build resilient systems and adapt to the growing frequency of extreme weather events, soil erosion, and supply chain threats.

**Joie and Tony Lehouillier** run Foote Brook Farm, an organic vegetable operation in Johnson, Vermont. Behind their home, the rare wood turtle has been spotted in their farm's namesake river.

In the 28 years that Tony has been farming, he has been able to recover from extreme weather events without taking on excessive debt. Instead, the farmers manage risk within the structure of the business itself.

"Being diversified is a huge piece of trying to spread out that risk. So if the vegetables don't do so well, we have sod, we have the farm stand, we have property, we have rentals," said Joie.

However, when that same river flooded to a height of 23 feet in mid-July 2023, their risk management strategies were rendered completely ineffective.

"We lost most of the crops and that was a real bummer, but what really hurt us was losing the equipment because [the water] went into the equipment sheds. We never expected in a million years that would have happened. So, we didn't prepare for that," said Joie. To recover, they were supported by a GoFundMe, an emergency grant from NOFA-VT, and state assistance programs.

Likewise, small and diversified farms should be able to access farm safety net programs to protect against unforeseen disasters even as they continue to adopt practices that build resilience against loss. Risk management should be viewed through a holistic and multilayered lens where farmers choose to adopt a suite of tools tailored to their farm.



Joie Lehouillier (center in navy) and Tony Lehouillier (right, in navy) with the Foote Brook Farm team

"There was nothing federally," said Joie. "Had our community and the state not helped us, we wouldn't have been able to get through the first two weeks."

Tony added that federal disaster programs have not been accessible. "For the longest time, I was at the FSA office every single year," he said. "Multiple agencies are constantly asking us to do more and more for nothing. And we do it, and we're eligible for programs, but most of those programs aren't going to help us."

### Lessons from the pandemic

The food supply chain in the United States has evolved from a diversified, localized industry where small, mid-sized, and large producers competed in the marketplace to a system where many small farms directly serve local markets and far fewer very large farms serve national and export markets through a

complex web of distribution and manufacture. Too often in today's farm landscape you are either big or small, and the hollowing of the farm spectrum has created a bifurcated food system that is neither sustainable nor resilient, as the COVID-19 pandemic revealed.

## REASSESSING RISK (CONT'D)

When people stopped going to work, school, or restaurants and began to eat more meals at home, the largest farms could not easily pivot from supplying institutional customers to the consumer at home. Millions of Americans faced acute food insecurity and hunger.<sup>107</sup> The breakdown of distribution channels forced ranchers to euthanize animals that could not be brought to slaughter and tons of unharvested food rotted in fields, even as families lined up at food pantries not a town away.<sup>108</sup>

Meanwhile, farm operations with shorter supply chains and more on-farm crop and livestock diversity and which leveraged direct-to-consumer marketing were more resilient to shocks in the first year of the pandemic.<sup>109</sup> Small farmers selling to local and regional markets were better able to adapt to changing needs and consumer demand, including such innovations as drive-throughs, collaboration with local chefs, and increased reliance on online sales and marketing.<sup>110</sup>

The juxtaposition of the performance of the largest farms selling to national markets and direct-to-consumer producers in the pandemic exposed that our food supply chain rests on a few disconnected, parallel systems that risk collapse when faced with any disruption.

Despite the demonstrated resilience of operations that sell to local and regional markets, these farmers remain largely unsupported by farm safety net programs. The shortsighted approach of the federal crop insurance program, commodity programs, and disaster assistance inhibits meaningful movement toward a system that is more resilient to market threats, such as another pandemic. In the aftermath of COVID-19, assistance was distributed to help some farmers who experienced losses, and necessarily so, but further reforms to permanent programs that would help producers fortify themselves against future losses have not been embraced.



**Alex Ball** grew up in a family of entrepreneurs in Romulus, Michigan and started his farm at 18 years old. For the last six years, Old City Acres has been in Sumter, a historically Black farm town. However, Alex recently chose to relocate to a rented space.

“Because of climate change, we’ve invested so much money in water management systems. It’s at an end point now where this last flood was so bad that we

realized that we just can’t build our way out of this,” he said. “I’m selling the land and we’re moving to a better piece of property higher than the river.”

Alex relies on diversification, steady purchases of CSA shares, and a reliable local farm credit service to manage risk. As a result, his farm is thriving, even after heavy flooding and damage from a hailstorm during the past year.

“If we lose a crop, we don’t just stop. We pull it out and replant right away. Because of that, our gross sales didn’t go down this year. They went up,” he said. “It doesn’t look like we’ve lost money, even though we’ve lost \$30,000 in product. The reason is that, especially for myself and a lot of other small farms, we might pay ourselves a base wage, but when we lost those crops, what was lost was basically just labor.”

He noted that while he considered purchasing Micro Farm insurance, he decided against it.

“I’d have to stop working completely and then tank my gross sales so that it would then bring me into a range where I could qualify for the payback.”



## REASSESSING RISK (CONT'D)

### Evolving with changing weather

In recent years, farmers across the country have experienced worsening and more frequent weather events.<sup>111</sup> Natural disasters, including but not limited to floods, droughts, hurricanes, and frosts, change growing conditions for crops and livestock, erode soil and deplete its nutrients, and pose health challenges to farmers and farmworkers.<sup>112</sup> Last year alone, record floods wrought devastation upon farmers in central California and Vermont.<sup>113</sup> Prolonged drought continues to adversely impact much of the western United States and drought conditions plagued farmers in Florida and Minnesota.<sup>114</sup> Meanwhile, farmers in North Carolina and across the southeast are still recovering from recent storms.<sup>115</sup>

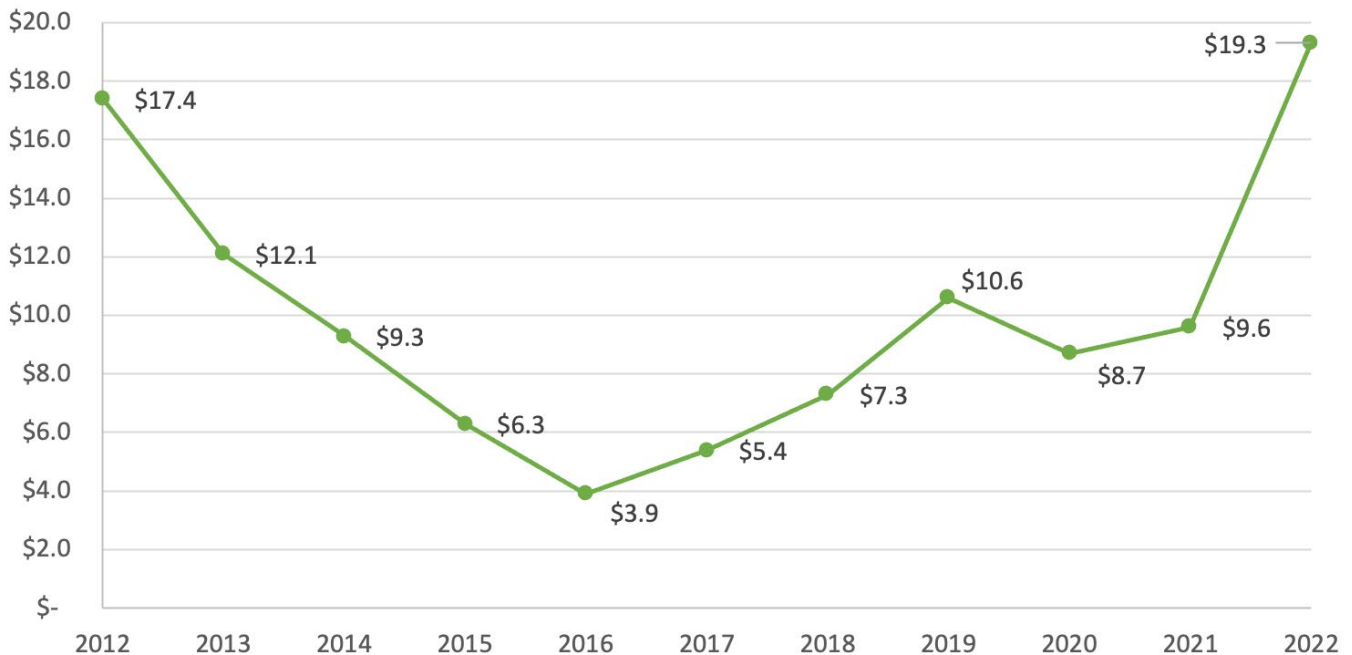
These natural disasters threaten the perceived stability and predictability of permanent farm safety net programs. In 2022, farmers enrolled in the federal crop insurance program received a record \$19.3 billion in indemnities, or payouts for reduction in crop yield or revenue, with many reportedly made for weather-related losses.<sup>116</sup> That is far above the preceding decade's average at \$9.1 billion, inclusive of the previous record-holder

at \$17.4 billion, 2012 – an infamous year in collective farm memory for critical drought conditions.

USDA reports that annual indemnity payments have increased on average by 15.8 percent since 2000, mostly due to drought and high temperatures as well as excess moisture.<sup>117</sup> Ultimately, federal crop insurance payouts exceeded premiums in 2022. With a loss ratio of 1.03, the program was just above the threshold to be considered actuarially sound.<sup>118</sup> The 10-year loss ratio average is within the target range.<sup>119</sup>

The disproportionate enrollment of large industrial farms in commodity, crop insurance, and disaster assistance programs while highly diversified farmers struggle to access the safety net at all reflects an unsustainable paradox, or default assumption, at the center of farm policy: that the farms most susceptible to loss in a changing climate are perceived as the safest investments. This contrasts with insurance and safety net programs outside of agriculture, where those less prone to risk are rewarded with favorable rates and assistance is targeted to those with fewer resources.

FIGURE 9 FEDERAL CROP INSURANCE INDEMNITIES (BILLIONS)



Source: Figure created using public data from RMA, Summary of Business.

## REASSESSING RISK (CONT'D)

Research demonstrates that, over time, the adoption of conservation practices such as cover crops and no-till helps farmers mitigate losses from disasters by improving soil health, improving yields, and reducing yield variability. In addition to boosting farmers' economic bottom-lines, certain combined conservation practices can reduce or sequester greenhouse gas emissions to combat the rising frequency of extreme weather events altogether.<sup>120</sup>

It is surprising, then, that as farmers are faced with increased risk from market volatility due to climate change, agricultural risk management policy does not incorporate soil data in designing programs, rates, or setting guarantees.<sup>121</sup> Several studies have found that adding soil data to the federal crop insurance risk rating methodology, as a supplement to yield history, produced more accurate predictions of crop loss, and that ignoring this data can result in significant errors in rating.<sup>122</sup> USDA maintains that more large-scale soil data collection and financial benchmarking is needed to definitively quantify the degree to which certain conservation practices reduce risk and improve resilience across the United States. To illustrate its value, such data could inform policies that reduce insurance premiums based on the adoption of certain soil health practices and diversification and provide financial incentives for farmers to improve on-farm resilience against losses.

USDA took steps to reward the adoption of one such practice, cover crops, among insured producers in 2021 and 2022 through the Pandemic Cover Crop Program (PCCP).<sup>123</sup> The PCCP offered a \$5 per acre premium discount to producers who planted qualifying cover crops and enrolled in eligible crop insurance policies, inspired by similar state programs in Illinois, Iowa, and Indiana. A strong body of research and case studies demonstrates the numerous benefits that planting cover crops can have on crop yields, soil health, and farmers' bottom lines.<sup>124</sup> In the future, RMA may be able to incorporate loss data derived from performance of cover crops on farms that benefitted from PCCP into actuarial tables, and some advocate for a permanent authorization of the program for that purpose.

Yet even here, policymakers and advocates must be careful to weigh the consequences that program design may have on equitable distribution of resources. Just 0.2 percent of crop insurance premium subsidies were directed to the PCCP, but without any payment limits or means test guardrails within the program, that is still \$108 million distributed to high-income farmers already enrolled in crop insurance and benefiting most from farm subsidies.<sup>126</sup> Farmers in Texas, Iowa, Missouri, Indiana, North Dakota, Nebraska, Minnesota, Georgia, Ohio, and Illinois collectively received 61 percent of the total premium discounts distributed through the PCCP, following a familiar pattern of resource concentration.

Fundamentally, a \$5 per acre discount may only act as a real incentive to adopt cover crops for farmers with hundreds or thousands of acres and does not reward the small to mid-sized, diversified farmers that are early adopters of the practice.

If the only goal is to scale adoption of cover crops on as many U.S. acres as possible, where does the line begin to blur with the historical drive to plant fencerow to fencerow, toward greater farm consolidation? Even then, cover crops should not be considered a one-size fits all or silver bullet solution to building soil health and reducing risk on farms. Farmers in the drought-stricken West, for instance, report planting cover crops less than producers in the Midwest and along the East Coast, and benefited least from the PCCP.<sup>126</sup> One study identified lack of water as a barrier that may impede some farmers from adopting cover crops in the West.<sup>127</sup> Policymakers should tread carefully to not incentivize the adoption of this practice alone on all farms without limits, irrespective of unique characteristics and to the exclusion of other practices foundational to build soil health.

The reduction of risk to disasters and market volatility benefits both farmers and taxpayers, who will see returns on investment over-time as farmers improve their bottom-lines, thereby reducing the cost of farm safety net programs overall and all but eliminating the need for future ad-hoc disaster assistance. But there is no one-size-fits all solution. Instead, a more holistic assessment of risk and a broader approach to risk management that helps farmers build resilience on-farm is the only sustainable solution that will reduce rising safety net costs.

## REASSESSING RISK (CONT'D)



**Landon and Anne Plagge** farm 4,000 acres in north-central Iowa. They have transformed the family farm alongside Landon's father and uncle into an integrated crop and livestock operation which includes 1,600 corn, 1,600 soybean, and 800 oat acres on rotation as well as 1,500 head of cattle, 8,000 hogs, and 500,000 chickens.

"We manage risk by being diversified," says Landon. "By having livestock, manure and crops we are insulated from issues with a single crop... With a diverse rotation

we have eliminated insecticides and fungicides from our operation and reduced herbicide applications by 40 percent. It has also allowed us to plant non-GMO corn because we have natural resistance to pests and diseases."

Landon and Anne's story reflects the economic opportunity that can arise for farmers that diversify crops and markets, rather than depend exclusively on chemical inputs and federal safety net programs. They leverage a multi-pronged approach to holistic risk management, and despite worsening weather, they have not made an insurance claim in 11 years.

"This has greatly reduced our reliance on crop insurance. We do not insure our oats and have cut our coverage on corn and beans in half since implementing cover crops, no-till, and diverse rotations... I feel we have diversified enough now that may start to wean off insurance coverage altogether."

## CONCLUSION

Maintaining a federally subsidized safety net to help farmers recover from unexpected loss is both a legitimate function of government and within the public interest. But this report demonstrates that the combined benefits from the federal crop insurance program, commodity price and revenue support programs, and ad-hoc disaster assistance programs are highly concentrated to primarily support relatively few farms in a handful of states with the most acres planted to row crops.

Smaller and mid-sized farms that embrace product and market diversification and adopt practices to improve soil health consistently demonstrate improved resilience but are not considered safe or worthwhile investments when compared to large, commodity farm businesses. Meanwhile, indemnity payments continue to break records in-part because industrial operations reliant on federal safety net programs are especially vulnerable to experience loss from supply chain disruptions and natural disasters. Until these root vulnerabilities are addressed, throwing more money at current safety net programs year after year is not financially or structurally sustainable long-term.

Ultimately, repurposing public subsidies away from harmful practices and toward enhanced research and innovation, environmental services payments, and long-term capital investments in the next generation of producers can build nutritious foodways for consumers, support farmers and their communities, and protect natural systems. In the immediate term, the dominant agricultural risk management paradigm must be broadened to incorporate both an accessible safety net and the adoption of on-farm risk mitigation strategies, rather than a shortsighted dependence on federal subsidies alone. Policymakers serious about strengthening the safety net while decreasing its cost must support policies and incentives that help farmers to build soil health and diversify, in addition to targeting relief and expanding access to producers that demonstrate the most need. That is the most viable approach toward a sustainable risk management policy in agriculture – a shift from reactive programs to proactive policies.

## APPENDIX

### A. Federal Crop Insurance Program Premium Subsidies by State, 2017-2022

State	Premium Subsidies	State	Premium Subsidies
Alabama	\$ 326,387,083	Montana	\$ 738,060,227
Alaska	\$ 437,074	Nebraska	\$ 2,296,186,384
Arizona	\$ 378,405,170	Nevada	\$ 226,787,785
Arkansas	\$ 717,728,902	New Hampshire	\$ 1,910,147
California	\$ 1,822,754,034	New Jersey	\$ 30,263,575
Colorado	\$ 792,134,886	New Mexico	\$ 288,436,3192
Connecticut	\$ 30,793,846	New York	\$ 273,403,518
Delaware	\$ 40,738,302	North Carolina	\$ 954,078,915
Florida	\$ 678,684,591	North Dakota	\$ 4,227,689,506
Georgia	\$ 801,099,973	Ohio	\$ 1,118,861,660
Hawai'i	\$ 5,477,259	Oklahoma	\$ 847,578,835
Idaho	\$ 331,827,899	Oregon	\$ 257,178,729
Illinois	\$ 2,841,206,725	Pennsylvania	\$ 272,939,490
Indiana	\$ 1,543,627,754	Rhode Island	\$ 450,307
Iowa	\$ 2,754,288,899	South Carolina	\$ 411,884,001
Kansas	\$ 2,912,074,159	South Dakota	\$ 3,210,856,168
Kentucky	\$ 696,152,287	Tennessee	\$ 441,832,785
Louisiana	\$ 427,640,034	Texas	\$ 5,300,953,569
Maine	\$ 42,112,935	Utah	\$ 84,190,237
Maryland	\$ 133,910,471	Vermont	\$ 15,965,098
Massachusetts	\$ 16,710,895	Virginia	\$ 292,385,889
Michigan	\$ 805,763,697	Washington	\$ 676,634,668
Minnesota	\$ 2,679,322,635	West Virginia	\$ 10,507,730
Mississippi	\$ 643,036,471	Wisconsin	\$ 1,145,178,081
Missouri	\$ 1,792,825,168	Wyoming	\$ 92,782,542
		<b>Total</b>	<b>\$ 46,432,137,314</b>

## APPENDIX

### B. Agricultural Risk Coverage and Price Loss Coverage Payments by State, 2017-2021

State	Commodity Subsidies	State	Commodity Subsidies
Alabama	\$ 361,761,357	Montana	\$ 1,064,944,038
Alaska	\$ 684,207	Nebraska	\$ 1,380,029,988
Arizona	\$ 134,736,786	Nevada	\$ 4,709,899
Arkansas	\$ 1,651,557,253	New Hampshire	\$ 130,423,649
California	\$ 272,276,663	New Jersey	\$ 2,637,525
Colorado	\$ 425,891,183	New Mexico	\$ 288,436,3192
Connecticut	\$ 780,808	New York	\$ 106,413,186
Delaware	\$ 10,352,203	North Carolina	\$ 432,499,549
Florida	\$ 141,801,466	North Dakota	\$ 3,059,722,384
Georgia	\$ 1,172,409,364	Ohio	\$ 835,344,923
Hawai'i	\$ -	Oklahoma	\$ 897,704,271
Idaho	\$ 586,642,737	Oregon	\$ 238,251,227
Illinois	\$ 909,085,041	Pennsylvania	\$ 48,782,607
Indiana	\$ 790,309,606	Rhode Island	\$ 25,783
Iowa	\$ 853,065,986	South Carolina	\$ 188,271,586
Kansas	\$ 2,992,736,028	South Dakota	\$ 2,215,571,722
Kentucky	\$ 191,168,950	Tennessee	\$ 294,360,951
Louisiana	\$ 673,438,760	Texas	\$ 2,684,996,642
Maine	\$ 18,457,086	Utah	\$ 32,695,530
Maryland	\$ 45,175,489	Vermont	\$ 16,679,054
Massachusetts	\$ 2,158,967	Virginia	\$ 228,712,283
Michigan	\$ 823,910,216	Washington	\$ 696,822,933
Minnesota	\$ 735,752,932	West Virginia	\$ 5,636,408
Mississippi	\$ 663,908,174	Wisconsin	\$ 297,068,763
Missouri	\$ 649,219,031	Wyoming	\$ 35,538,641
		<b>Total</b>	<b>\$ 29,007,800,841</b>

## APPENDIX

### C. Ad-Hoc Disaster Assistance Payments by State (WHIP, ELRP, ERP), 2017-2022

State	Total	State	Total
Alabama	\$ 86,316,095	Montana	\$ 434,742,297
Alaska	\$ 88,019	Nebraska	\$ 396,065,609
Arizona	\$ 38,327,227	Nevada	\$ 24,547,336
Arkansas	\$ 233,152,024	New Hampshire	\$ 2,043,589
California	\$ 686,857,235	New Jersey	\$ 15,828,651
Colorado	\$ 316,810,890	New Mexico	\$ 97,128,788
Connecticut	\$ 12,826,673	New York	\$ 45,114,363
Delaware	\$ 7,239,692	North Carolina	\$ 429,475,440
Florida	\$ 304,020,795	North Dakota	\$ 1,636,957,809
Georgia	\$ 405,392,456	Ohio	\$ 166,263,095
Hawai'i	\$ 20,572,622	Oklahoma	\$ 332,607,570
Idaho	\$ 115,698,886	Oregon	\$ 139,793,925
Illinois	\$ 404,593,071	Pennsylvania	\$ 70,694,315
Indiana	\$ 224,605,506	Rhode Island	\$ 1,029,436
Iowa	\$ 610,903,956	South Carolina	\$ 106,665,071
Kansas	\$ 475,271,350	South Dakota	\$ 850,510,618
Kentucky	\$ 126,121,046	Tennessee	\$ 69,146,389
Louisiana	\$ 117,680,674	Texas	\$ 1,475,141,543
Maine	\$ 12,329,834	Utah	\$ 49,565,008
Maryland	\$ 12,511,696	Vermont	\$ 5,363,440
Massachusetts	\$ 10,112,290	Virginia	\$ 84,424,475
Michigan	\$ 158,483,610	Washington	\$ 286,710,561
Minnesota	\$ 912,736,792	West Virginia	\$ 5,186,057
Mississippi	\$ 166,789,777	Wisconsin	\$ 126,627,055
Missouri	\$ 357,289,119	Wyoming	\$ 78,677,090
		<b>Total</b>	<b>\$ 12,747,040,866</b>

## NOTES

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**Farmer testimonies**

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