Robin Hood in Reverse: The Case Against Federal Crop Insurance

By “Coach Vance” Trefethen

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Robin Hood in Reverse: The Case Against Federal Crop Insurance

The story of Robin Hood has the hero robbing from the rich to give to the poor. While we certainly question the morality of his actions, we can at least sympathize that his heart was in the right place. But what would you call a program that robs from the poor to give to the rich? Unfortunately, it’s called today’s federal agriculture policy. Please join my partner and me as we affirm that The United States federal government should substantially reform its agriculture and/or food safety policy in the United States.

OBSERVATION 1. We offer the following DEFINITIONS.

**Policy**: “a high-level overall plan embracing the general goals and acceptable procedures especially of a governmental body” (*Merriam Webster Online Dictionary, copyright 2016* [*http://www.merriam-webster.com/dictionary/policy*](http://www.merriam-webster.com/dictionary/policy))  
  
**Substantial**: “large in amount, size or number” (*Merriam Webster Online Dictionary, copyright 2016* [*http://www.merriam-webster.com/dictionary/substantially*](http://www.merriam-webster.com/dictionary/substantially)*)*

**Agriculture:** “the science, art, or practice of cultivating the soil, producing crops, and raising livestock and in varying degrees the preparation and marketing of the resulting products” (*Merriam Webster Online Dictionary, copyright 2016* [*http://www.merriam-webster.com/dictionary/agriculture*](http://www.merriam-webster.com/dictionary/agriculture))

OBSERVATION 2. INHERENCY, the structure of the Status Quo.

One simple fact: $41 billion dollars over 5 years in federal crop insurance subsidies

**To summarize it quickly, in the 2014 Farm Bill, Congress replaced old-fashioned farm subsidies, that just gave free money to farmers, with a new system of subsidized crop insurance that was supposed to only help farms that needed it in times of loss.**

Ann Purvis 2015 (B.A. in government from the University of Virginia ; law degree from the University of Georgia ) Crop Insurance Increases Risk 13 Oct 2015 <http://news.heartland.org/newspaper-article/2015/10/13/crop-insurance-increases-risk?quicktabs_4=1> (brackets added)

When the most recent farm bill passed in 2014, lawmakers abolished the controversial system of direct payments to farmers, but they expanded the crop insurance program. The government today pays 60 percent of farmers’ insurance premiums and 100 percent of the administrative and operating costs for insurers. [Federal Reserve Bank of Richmond economist Helen] Fessenden reports the program will likely cost $41 billion over a five-year period, 20 percent more than was paid out under the previous farm bill over five years.

OBSERVATION 3. Congress and the President enact the following PLAN

1. Congress votes to permanently cancel the Agriculture Risk Coverage and Price Loss Coverage programs and any other subsidized crop insurance programs in the federal budget.

2. Enforcement through the US Dept of Agriculture and the Treasury Department. Any federal employees not in compliance will be disciplined through normal means.  
3. Funding is a net reduction in federal spending because programs are eliminated.  
4. Plan takes effect Oct 1, 2017.   
5. Affirmative speeches may clarify

OBSERVATION 4. JUSTIFICATIONS

JUSTIFICATION 1. Robin Hood in reverse

We tax the poor to pay the rich: Farmers receiving subsidies are richer than the taxpayers paying them, and the bulk of it goes to millionaires

Prof. Vincent H. Smith 2015 (professor in the departments of agricultural economics and economics at Montana State University and a visiting scholar at the American Enterprise Institute) 12 July 2015 WASHINGTON POST Should Washington End Agriculture Subsidies? <http://www.wsj.com/articles/should-washington-end-agriculture-subsidies-1436757020>

U.S. farmers don’t need support from U.S. taxpayers, either directly or through legislation that restricts the supply of a commodity to raise its price. First, many people seem to believe that farmers, like the Joad family in John Steinbeck’s “The Grapes of Wrath,” are poor, when in fact the average farm household enjoys an income that is about 15% higher than that of the average nonfarm family. What’s more, the 10% to 15% of farm families that receive more than 85% of all farm subsidies—amounting to millions of dollars a year in a few cases—have annual household incomes many times as large as those of the average U.S. taxpayer. Some estimates suggest that the farmers who receive the bulk of all subsidies—many of whom mainly raise corn, cotton, rice, peanuts, soybeans and wheat—are worth somewhere between $6 million and $10 million on average.

JUSTIFICATION 2. Reduced productivity & innovation

When profits are guaranteed by subsidies, there’s less incentive to improve productivity

Prof. Vincent H. Smith 2015 (professor in the departments of agricultural economics and economics at Montana State University and a visiting scholar at the American Enterprise Institute) 12 July 2015 WASHINGTON POST Should Washington End Agriculture Subsidies? <http://www.wsj.com/articles/should-washington-end-agriculture-subsidies-1436757020>

Subsidies also discourage farmers from being innovative and improving productivity. That’s because when any business is effectively guaranteed profits by the government, there is much less incentive to adopt new practices and technologies.

JUSTIFICATION 3. Riskier behavior.

Insurance subsidies motivate farmers to take unnecessary risks and drop traditional risk-reduction practices

Helen Fessenden 2015 (economist with Federal Reserve Bank of Richmond) ECON FOCUS “The Crop Insurance Boom” <https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwiLtKWW55nNAhWDTSYKHQzeBHYQFggcMAA&url=https%3A%2F%2Fwww.richmondfed.org%2F-%2Fmedia%2Frichmondfedorg%2Fpublications%2Fresearch%2Fecon_focus%2F2015%2Fq1%2Fpdf%2Ffeature1.pdf&usg=AFQjCNE0s9lqv8Cqrw9Spyva5_V5hngvyw&sig2=V1P4XvI2xQs1EazUJiLwLg&bvm=bv.124088155,d.eWE>

Economist Bruce Babcock, who led a study by the Environmental Working Group critical of the program, argues it can affect where a farmer choses to plant, especially fragile and marginal land. “If a farmer has to decide whether it’s risky to plant on particular ground, crop insurance makes planting slightly more likely,” says Babcock. To him, the more clear-cut argument is that the current crop insurance regime “crowds out” other forms of risk man­agement that would be cheaper to the taxpayer, including futures contracts as well as more traditional techniques. “If they were really looking to manage risk, farmers could use off-farm income, diversification of crops, storage, and other macro risk-management tools that are more efficient,” he said. “But we have to remember they don’t buy insurance for risk management benefits alone. They buy it because the subsidies make it worthwhile.”

JUSTIFICATION 4. Windfall profits

Federal crop insurance doesn’t just protect against losses, it guarantees higher than market profits

Ann Purvis 2015 (B.A. in government from the University of Virginia ; law degree from the University of Georgia ) Crop Insurance Increases Risk 13 Oct 2015 <http://news.heartland.org/newspaperarticle/2015/10/13/crop-insurance-increases-risk?quicktabs_4=1>

“In the farm bill there are two new programs: agricultural risk coverage and price loss coverage,” said Vincent Smith, a visiting scholar at the American Enterprise Institute and professor at Montana State University. “Those programs have been characterized as if they’re insurance programs. They are not. They are subsidy programs.” Agricultural risk coverage provides support when farmers’ estimated revenues fall below historical averages. Price loss coverage pays farmers when the price of their commodity falls below a reference price.

**END QUOTE. Purvis then goes on later in the same context to say QUOTE:**

The harvest price option subsidy indemnifies farmers for lost production at either the planting or the harvest price, whichever is higher. When corn yields fell in 2012 due to drought, the price of corn rose significantly, and farmers with the harvest price option were indemnified at the high harvest price. “So the upshot was that the actual revenue per acre that the average farmer received was above what they expected to get when they planted the crop,” Smith said.

JUSTIFICATION 5. Soil erosion

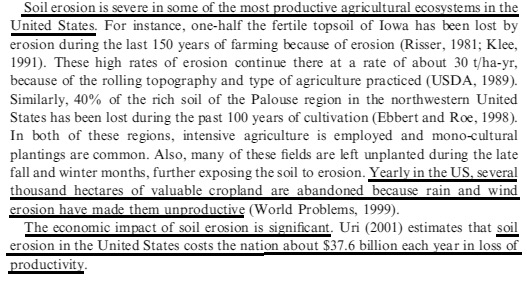
A. The Link: Subsidized federal crop insurance promotes soil erosion

Prof. Barry J. Barnett and Ryan Stockwell 2016 (Barnett - professor at Mississippi State Univ. Stockwell – agriculture manager at National Wildlife Federation) Potential Conservation Implications of Federal Crop Insurance Actual Production History (APH) Procedures March 2016 <http://www.foodandagpolicy.org/sites/default/files/AGree_4%20Papers%20Compilation_March2016_FINAL_0.pdf>

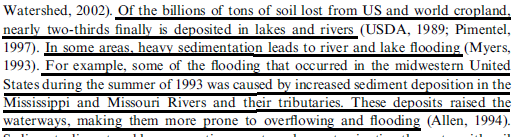
Given this, it is hard to escape the conclusion that the crop insurance premium subsidy structure subsidizes higher yield risk production areas more than lower risk areas. If areas with higher yield risk are also likely to be areas with more fragile soils and/or more extreme weather conditions, then the crop insurance premium subsidy structure is likely disproportionately incentivizing production in areas with the greatest susceptibility to environmental problems such as wind-borne or waterborne soil erosion.

B. The Impacts: Economic losses and flooding

Prof. David Pimentel 2006 (College of Agriculture & Life Sciences, Cornell Univ.) Journal of Environment, Development & Sustainability, “SOIL EROSION: A FOOD AND ENVIRONMENTAL THREAT” <http://saveoursoils.com/userfiles/downloads/1368007451-Soil%20Erosion-David%20Pimentel.pdf>



**END QUOTE. Professor Pimentel goes on to say later in the same context, QUOTE:**



JUSTIFICATION 6. Taxpayer ripoffs and federal deficits

A. Taxpayers on the hook. The new “Coverage” programs cost 70% more than originally projected

Anne Weir 2016 (B.A. economics; Masters degree in Agricultural, Food and Resource Economics; senior analyst, economics at Environmental Working Group) 7 June 2016 Costs of Farm Subsidy Programs Skyrocket <http://www.ewg.org/agmag/2016/06/costs-farm-subsidy-programs-skyrocket>

The new estimates reinforce the Congressional Budget Office’s January 2016 [prediction](http://www.ewg.org/agmag/2016/01/empty-promise-farm-subsidy-reform-savings) that the Agriculture Risk Coverage and Price Loss Coverage programs will cost 70 percent more than originally projected. Replacing the problematic direct payment program with new, expensive farm subsidy programs was not reform. Taxpayers need real reform in the next farm bill to get them out from under the costly burden of these programs.

B. Economy harmed. Every increase in the federal deficit hurts the US economy

Dr William Gale and Benjamin Harris 2011. (Gale - PhD in economics, Stanford Univ.; senior fellow at the Brookings Institution and co-director of the Urban-Brookings Tax Policy Center; former assistant professor in the Department of Economics at UCLA, and a senior economist for the Council of Economic Advisers under President George H.W. Bush; Harris - master’s degree in economics from Cornell University and a master’s degree in quantitative methods from Columbia University; senior research associate with the Economics Studies Program at the Brookings Institution) “A VAT for the United States: Part of the Solution” <http://www.taxanalysts.com/www/freefiles.nsf/Files/GALE-HARRIS-5.pdf/$file/GALE-HARRIS-5.pdf>

But even in the absence of a crisis, sustained deficits have deleterious effects, as they translate into lower national savings, higher interest rates, and increased indebtedness to foreign investors, all of which serve to reduce future national income. Gale and Orszag (2004a) estimate that a 1 percent of GDP increase in the deficit will raise interest rates by 25 to 35 basis points and reduce national saving by 0.5 to 0.8 percentage points of GDP. Engen and Hubbard (2004) obtain similar results regarding interest rates.

2A Evidence: Crop Insurance

OPENING QUOTES / AFFIRMATIVE PHILOSOPHY

The poor farmer narrative is just an excuse to rip off the taxpayers

Prof Vincent H. Smith 2015 (professor of economics in the Department of Agricultural Economics and Economics at Montana State University) 11 May 2015 WASHINGTON EXAMINER <http://www.washingtonexaminer.com/cash-crop/article/2564098/comments>

For over 50 years, the agricultural sector has been a far less financially risky place to operate than Main Street or Silicon Valley. It is only one percent of the economy, and the "farming is an exceptionally risky business" narrative, while not based on facts, is simply used to provide a justification for access to the taxpayer's pocketbook.

INHERENCY

Description of how the current programs work

Prof Vincent H. Smith 2015 (professor of economics in the Department of Agricultural Economics and Economics at Montana State University) 11 May 2015 WASHINGTON EXAMINER <http://www.washingtonexaminer.com/cash-crop/article/2564098/comments>

So what does the current farm subsidy landscape look like? In place of the Direct Payments programs, the farmers who received those subsidies — producers of corn, peanuts, rice, soybeans, wheat, grain sorghum, oilseed crops, chickpeas and lentils — were given access to two major new subsidy programs. One, a new price support program called Price Loss Coverage (PLC), is designed to be exceptionally beneficial to peanut and rice producers. It may also be very beneficial for corn growers and some other commodities. The other, called Agricultural Risk Coverage (ARC), is a new income support program initially developed and supported by corn and soybean interest groups. On a crop by crop basis, farmers can choose between the PLC and the ARC subsidy program.

The new farm programs are even worse than the old subsidies

**Daren Bakst** 2013 (*Research Fellow in Agricultural Policy in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation) 14 June 2013 “*Proposed New Farm Programs: Costly and Risky for Taxpayers” <http://www.heritage.org/research/reports/2013/06/proposed-new-farm-programs-costly-and-risky-for-taxpayers>

While the House and Senate bills do eliminate flawed farm subsidy programs, they replace the programs with numerous new programs that are even worse. There is already more than enough of a safety net for farmers. When the need for cutting government spending is so important, there should be concrete and predictable measures to achieve this objective. These new programs are like a blank check that could stick taxpayers with costs that far exceed current projections.

The new “reformed” insurance subsidy was just a scheme to replace the old direct subsidies with new ones that would look like a safety net

Prof Vincent H. Smith 2015 (professor of economics in the Department of Agricultural Economics and Economics at Montana State University) 11 May 2015 WASHINGTON EXAMINER <http://www.washingtonexaminer.com/cash-crop/article/2564098/comments>

Ideally, these groups argued, the new programs should be politically attractive by providing farmers with taxpayer-funded income supports only when they appeared to need help. Those programs would then be marketed to Congress as providing a critically-needed farm income safety net. Never mind that between 2007-13 farm household incomes were at near record levels and substantially higher than the average incomes of all other U.S. households. An important subtext for the farm lobbies was that the new programs should also be designed to enable farmers to recoup most, if not more of the $5 billion in annual subsidies farmers had received through the soon-to-be-defunct Direct Payments program. The aim was to create a "reformed" program that would lock them into the record incomes and crop prices farmers had enjoyed between 2006-13.

HARMS

Robin Hood In Reverse

Crop insurance subsidies give free money to multimillionaires

Ann Purvis 2015 (B.A. in government from the University of Virginia ; law degree from the University of Georgia ) Crop Insurance Increases Risk 13 Oct 2015 <http://news.heartland.org/newspaperarticle/2015/10/13/crop-insurance-increases-risk?quicktabs_4=1>

Crop insurance subsidies largely go to large, profitable farmers, those in the top 10 or 15 percent of farms, according to Smith. “These are multimillionaires operating financially very successful operations who don’t need any government help,” Smith said.

Farms are profitable and doing well – better than most American families

Anne Weir 2016 (B.A. economics; Masters degree in Agricultural, Food and Resource Economics; senior analyst, economics at Environmental Working Group) 17 May 2016 The “Farm Crisis” Myth: Subsidies Should Help Those Most in Need <http://www.ewg.org/agmag/2016/05/farm-crisis-myth-subsidies-should-help-those-most-need>

The fact is, farm households are doing considerably better than most American families. In 2014, median household income was $53,657, while median farm household income was almost $28,000 higher at $81,637. Farms’ loan delinquencies have also been well [below](https://www.kansascityfed.org/en/research/indicatorsdata/agfinancedatabook/articles/2016/04-21-2016/ag-finance-dbk-04-25-2016) those for other loans; in 2015, farm real estate and non-real estate loan delinquency rates were 1.5 percent and less than 1 percent respectively, while the delinquency rate for all loans was above 2 percent.      The farm sector’s debt-to-asset ratio, another widely used measure of financial health, is also low. The ratio compares the amount of debt a business is carrying to the value of its assets. A good debt-to-asset ratio is 40 percent or less, and the debt-to-asset ratio of the farm sector is [expected](http://www.ers.usda.gov/topics/farm-economy/farm-sector-income-finances/assets,-debt,-and-wealth.aspx) to be just 13.2 percent this year.

Crop insurance subsidies will send $19 billion in taxpayer money to farms over the next 2 years – much of it to the rich

Colin O’Neil 2016 (Agriculture Policy Director at Environmental Working Group) 12 May 2016 “Should Billionaires Get Unlimited Crop Insurance Subsidies?” <http://www.ewg.org/agmag/2016/05/should-billionaires-get-unlimited-crop-insurance-subsidies>

How would voters feel if they knew that although millionaires and billionaires are no longer able to collect traditional commodity subsidies, they [can and likely do collect unlimited premium subsidies](http://www.ewg.org/agmag/2016/04/are-billionaires-getting-crop-insurance-subsidies-we-still-don-t-know) through crop insurance? In 2011, [26 farming operations](https://farm.ewg.org/cropinsurance.php) collected more than $1 million each in premium subsidies while the bottom 80 percent of policyholders received an average of $5,000 apiece. Much of the story behind crop insurance is unknown to the majority of Americans. They don’t realize that the government reimburses crop insurance companies for the cost of selling insurance policies while also shouldering much of the cost of reimbursing farmers who experience losses. Growers who get crop insurance subsidies are also eligible for numerous other farm subsidies. Two new ones enacted in the last farm bill, known as Agriculture Risk Coverage and Price Loss Coverage, pay farmers for the exact same “loss” as crop insurance. These subsidies are [expected to cost](http://www.ewg.org/agmag/2016/01/empty-promise-farm-subsidy-reform-savings) taxpayers more than $19 billion from 2016 to 2018 – 70 percent more than originally projected. Other farm subsidies have payment limits, which means that farmers can only collect a certain amount of money and that people who make more than a million dollars a year can’t get those subsidies at all. Not crop insurance.

Subsidizes Risky Behavior

Insurance motivates farmers toward more risky behavior

Helen Fessenden 2015 (economist with Federal Reserve Bank of Richmond) ECON FOCUS “The Crop Insurance Boom” <https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwiLtKWW55nNAhWDTSYKHQzeBHYQFggcMAA&url=https%3A%2F%2Fwww.richmondfed.org%2F-%2Fmedia%2Frichmondfedorg%2Fpublications%2Fresearch%2Fecon_focus%2F2015%2Fq1%2Fpdf%2Ffeature1.pdf&usg=AFQjCNE0s9lqv8Cqrw9Spyva5_V5hngvyw&sig2=V1P4XvI2xQs1EazUJiLwLg&bvm=bv.124088155,d.eWE>

In a widely cited 1996 article, Montana State’s Smith and North Carolina State University economist Barry Goodwin published research suggesting that crop insurance was linked to decisions on risk-mitigating inputs such as fertilizer and pesticides. Using a sample of Kansas wheat farmers, they concluded that farmers made decisions on insurance and inputs jointly, and that the insurance cover­age was inversely related to input use. Everything else being equal, insured farmers spent $4.23 less per acre on fertilizer than their uninsured counterparts. Their broader conclusion still holds up today, says Smith. “Farmers will do less to manage their production losses if the crop is insured, and will adopt more risky management techniques, like using less pesticide and fertilizer,” Smith adds.

Subsidizing risky behavior is just like the housing crisis 10 years ago

Ann Purvis 2015 (B.A. in government from the University of Virginia ; law degree from the University of Georgia ) Crop Insurance Increases Risk 13 Oct 2015 (ellipses in original; brackets added) <http://news.heartland.org/newspaperarticle/2015/10/13/crop-insurance-increases-risk?quicktabs_4=1>

[Montana State Univ. professor Vincent] Smith compares the current system of farm aid to the mortgage market prior to the financial crisis. “It encourages increased risk-taking,” said Smith. “It’s sort of like the world of loan mortgages prior the financial collapse. It’s exactly that world where the government’s incentivizing risk-taking that’s not very responsible because it’s ... financially profitable for the farmers to do that.

Soil Erosion

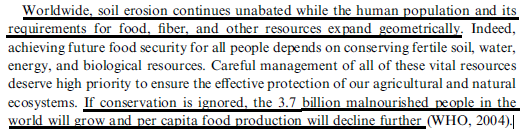
Crop insurance gives incentives for practices that promote soil erosion, and can punish farmers who try to avoid it

Craig Cox and Soren Rundquist 2013 (Both are with Environmental Working Grouip. Cox - Senior Vice President for Agriculture and Natural Resources. Rundquist - Landscape and Remote Sensing Analyst) 23 July 2013 GOING, GOING, GONE! Millions of Acres of Wetlands and Fragile Land Go Under the Plow <http://www.ewg.org/research/going-going-gone>

EWG’s 2013 “Going, Going, Gone!” [report](http://www.ewg.org/research/going-going-gone) found that “between 2008 and 2012, a total of 5.3 million acres of previously uncultivated, highly erodible land was planted with row crops.” Because many growers took advantage of the crop insurance program, among other reasons, millions of highly erodible acres were converted to cropland. Crop insurance also penalizes growers who adopt good conservation practices. As EWG’s 2015 “Boondoggle” [report](http://www.ewg.org/research/boondoggle) described, if a grower plants on environmentally sensitive land and cannot get a crop to grow, he can receive a “prevented planting” payout and remains eligible for the same level of crop insurance on that land the following year. But as the AGree report shows, if a grower adopts good conservation measures, is able to plant but then has a lower crop yield because of poor growing conditions, his insured “yield guarantee” is lowered the following year, putting him at greater risk of suffering a financial loss. In effect, prevented planting insurance penalizes growers who embrace conservation and rewards those who are poor stewards of the land. Many growers do the right thing. They adopt good conservation practices and don’t plant on high-risk land. But crop insurance provides windfall payments to those who do it wrong.

Failing to manage soil erosion will decrease food production and increase global malnutrition

Prof. David Pimentel 2006 (College of Agriculture & Life Sciences, Cornell Univ.) Journal of Environment, Development & Sustainability, “SOIL EROSION: A FOOD AND ENVIRONMENTAL THREAT” <http://saveoursoils.com/userfiles/downloads/1368007451-Soil%20Erosion-David%20Pimentel.pdf>



Taxpayer Cost & Federal Deficits

Crop insurance subsidies were supposed to be cheaper than direct payment subsidies. But they’re not

Anne Weir 2016 (B.A. economics; Masters degree in Agricultural, Food and Resource Economics; senior analyst, economics at Environmental Working Group) 7 June 2016 Costs of Farm Subsidy Programs Skyrocket <http://www.ewg.org/agmag/2016/06/costs-farm-subsidy-programs-skyrocket>

The costs of two farm subsidy programs are spiraling out of control, belying Congressional assurances in 2014 that they would save taxpayers’ money, according to two recent estimates. Congress created the Agriculture Risk Coverage-County and Price Loss Coverage programs in the 2014 farm bill as a supposedly “cheaper alternative” to replace the previous system of “direct payment” subsidies to growers. But the new analyses show that in 2014 the two programs cost the government more than direct payments did in any year [between](https://farm.ewg.org/progdetail.php?fips=00000&progcode=total_dp&regionname=theUnitedStates) 2005 and 2013. In 2014, these programs [cost](http://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/arc-plc/pdf/ARCPLCPaymentsasMay202016.pdf) more than $5.2 billion, while the largest year of direct payments between 2005 and 2013 was $5.196 billion in 2005.

Federal crop insurance subsidies are $8 billion/year

Prof Vincent H. Smith 2015 (professor of economics in the Department of Agricultural Economics and Economics at Montana State University) 11 May 2015 WASHINGTON EXAMINER <http://www.washingtonexaminer.com/cash-crop/article/2564098/comments>

The spending breakdown for the three program areas is as follows: On average, annual subsidies for price and income support programs will likely cost taxpayers between $5 billion and $7 billion, but could well exceed $12 billion or even $15 billion in some years. Conservation program subsidies will cost another $5.5 billion a year. Crop insurance program subsidies are likely to exceed $8 billion a year, of which about $2 billion will be paid to private crop insurance companies just for program delivery.

SOLVENCY / ADVOCACY

Crop insurance subsidies aren’t needed, should never have been implemented, and should be abolished

Prof Vincent H. Smith 2015 (professor of economics in the Department of Agricultural Economics and Economics at Montana State University) 11 May 2015 WASHINGTON EXAMINER <http://www.washingtonexaminer.com/cash-crop/article/2564098/comments>

Step one in farm policy reform should be very simple. None of these price and income support programs should ever have been introduced. The underlying premise for them — that farming is an exceptionally risky business, and farmers are relatively poor and in a highly vulnerable financial situation — seems transparently invalid. So, all these programs should go.  
**Federal crop insurance boondoggle**The largest farm subsidy boondoggle through which the farm sector milks the federal taxpayer is the federal crop insurance program.

Farmers don’t need subsidized insurance – they’ll get along fine without it, like all other businesses do

Prof Vincent H. Smith 2015 (professor of economics in the Department of Agricultural Economics and Economics at Montana State University) 11 May 2015 WASHINGTON EXAMINER <http://www.washingtonexaminer.com/cash-crop/article/2564098/comments>

Subsidized crop insurance indemnity payments for crop yield or revenue losses only kick in when those yields or revenues fall below 70 or 80 percent of their expected levels. The farm lobbies and the House and Senate agricultural committee leadership decided, however, that additional subsidies were "needed" because farmers would be financially vulnerable to "shallow losses" when their revenues from market sales declined by as little as 10 or 20 percent from their expected levels. It's a surprising point of view, since farmers also frequently receive revenues well above their expected levels. Competent, well-educated business people — and most farmers today are just that — know that farm incomes will vary from one year to the next. Like the managers and owners of most other businesses, they are perfectly capable of managing their farm finances to cope with that sort of income variability without any help from the federal government.

DISAVANTAGE RESPONSES

A/T “Commodity prices falling, creates a farm crisis” – There’s no crisis, the problem is exaggerated

Anne Weir 2016 (B.A. economics; Masters degree in Agricultural, Food and Resource Economics; senior analyst, economics at Environmental Working Group) 17 May 2016 The “Farm Crisis” Myth: Subsidies Should Help Those Most in Need <http://www.ewg.org/agmag/2016/05/farm-crisis-myth-subsidies-should-help-those-most-need>

The farm subsidy lobby has been proclaiming that growers are suffering through a “farm crisis” as a result of falling commodity prices. [A new EWG analysis](http://www.ewg.org/research/farm-crisis-myth) released today, however, shows that the large farm businesses that receive the most subsidies are not doing as poorly as the industry claims, especially compared to other American families. It’s true that commodity [prices](http://www.farmdoc.illinois.edu/manage/uspricehistory/us_price_history.html) for grains like corn, soybeans and wheat are dropping, but they are simply declining from the historic highs that prevailed from 2008 to 2014. Today’s prices are still mostly higher than they were in the mid-2000s.

A/T “Exceptional risk” – Farming isn’t risky and farmers are not highly in debt. Non-farm businesses face higher risks

Prof. Vincent H. Smith 2015 (professor in the departments of agricultural economics and economics at Montana State University and a visiting scholar at the American Enterprise Institute) 12 July 2015 WASHINGTON POST Should Washington End Agriculture Subsidies? <http://www.wsj.com/articles/should-washington-end-agriculture-subsidies-1436757020>

Second, farming is anything but the risky business it is often portrayed to be. The sector certainly isn’t highly leveraged; the average debt-to-asset ratio in U.S. agriculture today is between 10% and 11%. And in contrast to the claims of the farm lobby and the private insurance companies (who take about $2 billion of taxpayer funds annually to deliver heavily subsidized crop insurance), competent farmers are perfectly capable of managing the year-to-year price and production risks they face. Less than 1% of all farms (about one in every 200) go out of business in any given year, and the three main causes of those failures are catastrophic health-care costs, divorce and incredibly poor management. Fortune 100 companies and Main Street businesses face much riskier financial environments.

A/T “Farmers need stable prices” – Farmers can handle price and production risks without guaranteed prices

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Third, farmers don’t need “stable” prices to stay in business, especially when stable means they can enjoy high prices but are protected from below-average prices through price-support programs. Most farmers are financially well-positioned to handle both price and production risks. Consider, for instance, that many livestock producers and fruit and vegetable growers run profitable and successful farms and provide plentiful supplies of produce to U.S. consumers without any significant support from the government.

A/T “Can’t get loans without crop insurance” – Lots of farms have historically and today have gotten loans without it

Prof. Vincent H. Smith 2015 (professor in the departments of agricultural economics and economics at Montana State University and a visiting scholar at the American Enterprise Institute) 12 July 2015 WASHINGTON POST Should Washington End Agriculture Subsidies? <http://www.wsj.com/articles/should-washington-end-agriculture-subsidies-1436757020>

These days, crop-insurance subsidies are the major source of government largess for farmers. Some proponents say farmers wouldn’t be able to get crop loans without them. Anyone tempted to buy that argument should consider that before 1980, when crop insurance covered less than 20% of all operations because subsidies were small, banks made plenty of loans to farmers who didn’t have such coverage. They also make loans to livestock and fruit and vegetable producers who don’t have access to or don’t use crop insurance as a risk-management tool.

A/T “Incentives for good farming practices” – Insurance definition of “good practices” is wrong sometimes, and defeats good practice and innovation

Chad Marzen and J. Grant Ballard 2016. (Marzen - Assistant Professor of Legal Studies, Florida State University. Ballard - attorney with the Banks Law Firm in Little Rock, Arkansas ) CLIMATE CHANGE AND FEDERAL CROP INSURANCE <http://ealr.bclawreview.org/files/2016/05/05_marzen_ballard.pdf>

Non-traditional and conservation farming practices do not always fit into the mold created by the federal crop insurance regulations. A prime example is the case of an insured crop producer who had been awarded a Natural Resources Conservation Service Conservation Innovation Grant for his work with cover crops on his farm, but was later denied crop insurance coverage by the RMA [US Dept of Agriculture Risk Management Agency] based on a “good farming practices” determination, in addition to an allegation that his use of cover crops violated the RMA “interplanting” regulations. There can be no doubt that the media’s reporting of such actions by the RMA and its approved insurance providers against farmers who employ such production practices that vary from the community norm provides a significant disincentive for other farmers to experiment with production practices that may provide significant environmental benefit.

A/T “Global hunger” – US farm subsidies reduce crop production in poor countries

Kamal Nath 2008 (Speaker Pro Tem of the Indian Parliament; former Minister of Urban Development in India) “Farm Subsidies Are the Real Culprit” 14 May 2008 <http://www.bloomberg.com/news/articles/2016-06-10/dan-gilbert-at-t-each-said-to-bid-5-billion-for-yahoo-patents>

First, it is indisputable that the lavish farm subsidies provided by the U.S. and the European Union to their farmers distort global production and trade. These subsidies artificially depress prices, encourage inefficient producers (in the U.S. and EU) and discourage competitive producers (in the developing countries). Just look at the impact of subsidies on cotton. Some of the most competitive producers are countries in West Africa. They receive a pittance as the price for cotton because of the huge subsidies to a handful of farmers in the U.S. And exactly the same argument holds good for a host of other agricultural commodities—rice, wheat, soybeans, corn, pulses, sugar, dairy products, and so on. The bottom line: Subsidies shift production away from efficient developing countries to inefficient developed countries.

A/T “Global hunger” – Subsidies cause hunger crisis in Africa

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Third, if rice can be efficiently grown in many parts of West Africa, why is there a hunger crisis? Well, developed countries sell cheap rice to these countries (cheap only because of the extensive subsidies). West African countries, therefore, import their food rather than grow it. And, in a year when there is a sudden supply shock (as is the case today), food prices suddenly escalate, and these countries face a crisis because they can't afford the imported food.

A/T “Agriculture = National Security” – Cutting the federal deficit = National Security

Martin Matishak 2016 (journalist) FISCAL TIMES 11 May 2016 Growing Debt Threatens US National Security: Defense Leaders <http://www.thefiscaltimes.com/2016/05/11/Growing-Debt-Threatens-US-National-Security-Defense-Leaders>

U.S. national security and the country’s status as a global military leader will be imperiled unless the Defense Department and Congress enact as series of fiscal and internal reforms, according to a bipartisan group of former defense leaders. The federal debt is projected to climb to 131 percent of the nation's GDP over the next 25 years and that “impairs our ability to lead,” retired Navy Adm. Mike Mullen, former chairman of the Joint Chiefs of Staff, said Wednesday during the Peter G. Peterson Foundation’s 2016 Fiscal Summit in Washington. (The Fiscal Times owned and funded by Peter G. Peterson.) The group – whose members includes former Secretaries of State Madeleine Albright and Henry Kissinger and former Defense Secretaries Robert Gates and Leon Panetta – issued a statement on Tuesday calling for “fiscal security” and suggesting a series of policy fixes to rein in the debt.