

ISSUE BRIEF

No. 3674 | JULY 23, 2012

Farm Bill Should End Secrecy in Crop Insurance Subsidies

Romina Boccia

Crop insurance subsidies are one of the biggest taxpayer handouts to the agriculture sector. In 2011, taxpayers were on the hook for \$7.4 billion for crop insurance premium subsidies alone.¹ Unlike most other farm payments, taxpayers are prevented from learning who receives these subsidies and in what amounts. Congress should end the crop insurance secrecy to enable taxpayers to hold lawmakers accountable for this massive spending.

Lavish Subsidies for Big Business. The federal crop insurance program has two main goals: (1) to provide farmers and ranchers with a safety net in the event of bad weather or other crop damage, and (2) to reduce or eliminate the need for government ad hoc farm disaster payments. Instead, crop insurance has grown into an expensive taxpayer-financed handout to large

agricultural corporations and insurance companies.

Unlike other farm payments, crop insurance premium subsidies are not subject to means tests or payment limits. Coupled with the trend toward larger farms, this has resulted in the bulk of subsidies going to wealthy farm owners. According to 2011 data compiled by the Environmental Working Group, the top 20 percent of farm recipients collected almost 80 percent of all premium subsidies.²

Premium subsidies cover, on average, 62 cents of every dollar of crop insurance purchased by eligible farmers.³ Predictably, this lavish subsidy encourages farmers to buy more crop insurance than they would otherwise need—and also to take greater risks, leading to more insurance payouts. The Congressional Budget Office predicts that the cost of the existing program will total \$90 billion over the next 10 years.⁴

In addition to premium subsidies, the government also covered about \$1.3 billion for administrative expenses of crop insurance companies in 2011. Participating insurance providers include several foreign corporations, including companies headquartered in Switzerland, Australia, and Bermuda.⁵ According

to a Bloomberg Industries analysis, administrative costs for crop insurance are about triple the rate of non-farm property and casualty insurers.⁶ It is no surprise, then, that the insurers benefiting from taxpayer crop insurance subsidies earn a 30 percent average return, compared with 12 percent in the private sector.⁷

Secrecy in the Law. Taxpayers are left in the dark over which farmers receive the biggest crop insurance spending—premium subsidies. An act of Congress in 2000 prohibits the release of information about who those farm subsidy recipients are and how much they receive each year.⁸ This is contrary to the treatment of other farm subsidies that have recipients whose names are available through public records. The House and Senate farm bill would repeal those transparent subsidies while expanding crop insurance subsidies in which the recipients are kept secret.⁹

Disclosure is also especially important, as some lawmakers who are receiving other farm subsidies are likely benefiting from crop insurance subsidies as well. A report by the Environmental Working Group revealed that 23 Members of Congress or their family members benefited from \$6 million in

This paper, in its entirety, can be found at <http://report.heritage.org/ib3674>

Produced by the Thomas A. Roe Institute for Economic Policy Studies

The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002
(202) 546-4400 | heritage.org

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

taxpayer-funded farm subsidy payments between 1995 and 2011.¹⁰

This figure includes only transparent payouts. Many of these same families likely benefited from crop insurance subsidies as well, but without disclosure, taxpayers will not be able to know. Members of Congress benefiting from the very same subsidies they vote into law creates a clear conflict of interest. Taxpayers have the right to know who receives their hard-earned money.

Transparency Is Fundamental to Democracy. This lack of transparency and accountability undermines American democracy. Without transparency, there is no accountability and government officials have the opportunity to become corrupt.

Taxpayers have a right to find out which individuals and corporations are benefiting from government largesse and by how much. As Congress is working through the new farm bill, it should make transparency a firm component of all subsidy payouts. Senators Mark Begich (D-AK) and John McCain (R-AZ) filed an amendment to the Senate farm bill requiring the full disclosure of the individuals or entities who obtain federally subsidized crop insurance and the amounts they received. However, the amendment did not come to the floor for a vote.

Common-Sense Reform. Crop insurance has become a bloated, taxpayer-financed subsidy to big agricultural corporations and insurance

companies. Current House and Senate farm bills would expand crop insurance to farm subsidy recipients whose names remain secret while eliminating transparent farm payments.

Crop insurance needs reform, not an expansion. At a minimum, taxpayers should be able to learn who receives how much in crop insurance subsidies. Without transparency, taxpayers cannot hold elected officials accountable for their actions.

—*Romina Boccia is Research Coordinator in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.*

-
1. U.S. Government Accountability Office, *Crop Insurance: Savings Would Result from Program Changes and Greater Use of Data Mining*, GAO-12-256, March 2012, <http://www.gao.gov/assets/590/589305.pdf> (accessed May 30, 2012).
 2. Don Carr, "The Case for Crop Insurance Reform," Environmental Working Group, June 11, 2012, http://www.ewg.org/agmag/2012/06/the-case-for-crop-insurance-reform/?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+AgMag+%28Environmental+Working+Group+AgMag%29 (accessed July 10, 2012).
 3. Government Accountability Office, *Crop Insurance*.
 4. Jim Monke, "Budget Issues Shaping a 2012 Farm Bill," Congressional Research Service *Report for Congress*, June 1, 2012, <http://www.nationalaglawcenter.org/assets/crs/R42484.pdf> (accessed July 10, 2012).
 5. Environmental Working Group, "Foreign Companies Paid Billions to Run U.S. Crop Insurance Program," <http://www.ewg.org/release/foreign-companies-paid-billions-run-us-crop-insurance-program> (accessed July 16, 2012).
 6. Editorial, "Senate Definition of Reform? Give Rich Farmers More Aid," Bloomberg, May 2, 2012, <http://www.bloomberg.com/news/2012-05-02/senate-definition-of-reform-give-rich-farmers-more-aid-view.html> (accessed July 10, 2012).
 7. Ibid.
 8. Agriculture Risk Protection Act of 2000, Public Law 106-224.
 9. Emily Goff, "Shallow Loss: The 2012 Farm Bill's New Subsidy Program," Heritage Foundation *Issue Brief* No. 3662, July 10, 2012, <http://www.heritage.org/research/reports/2012/07/shallow-loss-the-2012-farm-bill-s-new-subsidy-program>.
 10. Environmental Working Group, "Taxpayers Paid \$6.1 Million in Farm Subsidies to Members of Congress, Families," June 28, 2012, <http://www.ewg.org/release/taxpayers-paid-62-million-farm-subsidies-members-congress-or-their-family-members> (accessed July 12, 2012).