

MYTH: Most ag production comes from large farms that can manage their own risk. Besides, farm household income is up and crop insurance payments are only a small portion of total farm household income so they must not matter.

FACT: Farmers of all sizes utilize crop insurance, and crop insurance provides meaningful collateral to lenders when farmers seek operating capital.

- 2016 is forecast to be the second consecutive year with a decrease in average farm household income, which is down by 11% from 2014. The main cause is that net farm income has declined for the last 3 years by a total of 42%. (See Figure Below) For 2017, ERS forecasts net farm income will fall to \$62.3 billion (\$54.8 billion in inflation-adjusted terms). If realized, this would be an 8.7 percent decline from the prior year and a decline of 49.6 percent from the record high in 2013.
- During this downturn, crop insurance is even more important to farmers who are looking to lenders for the operating capital required to continue to farm. Lenders look at crop insurance as a form of collateral for an operating loan, and it can enhance a prospective borrower's capacity to qualify for a loan.
- Although crop insurance payments are a small percent of some farmers' overall household income, in times of crop loss and economic downturn receiving a crop insurance indemnity payment makes the difference between being able to continue farming for another year or not.
- Crop insurance enables farmers, both big and small, to manage their risk in a way that helps them to invest in and improve their operations. Many farmers would not be able to afford to do this if they were forced to self-insure and could not qualify for loans.
- Including farms of all sizes in the crop insurance program diversifies the risk of the program across a greater number and variety of farms, which improves the actuarial soundness of the overall program. This soundness is a benefit to all, including taxpayers.

