MYTH: Farmers get crop insurance indemnity payments every year, and the program is so rich that farmers farm the program instead of the ground.

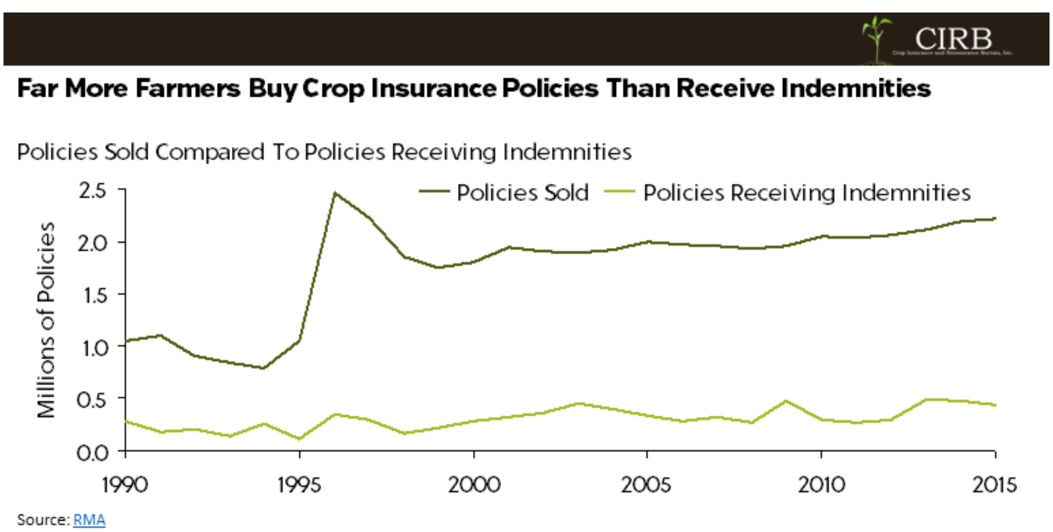
FACT: **Farmers can pay crop insurance premiums year in and year out without receiving a single indemnity payment. In fact, on average, only about 18 percent of policies pay an indemnity in any given year.** Any farmer who tries to make a living "farming" crop insurance isn't going to be in business very long.

- Since 1988 crop insurance policies have covered $15 trillion dollars in liabilities for row crop growers, specialty crop producers, and livestock producers to guard against losses. During that same time total premiums for crop insurance were $136 billion and farmers were paid $116 billion in indemnities. This equates to only an 85 percent loss ratio, meaning the program has paid out 15% less than it has collected in premiums. The loss ratio goal for the program is 1.0 to make the program actuarially sound.

- Indemnity payments are made to farmers only when production or price disruptions result in crop yields or revenues below those guaranteed by the insurance contract. When production or revenues are above those guaranteed by a crop insurance policy purchased by producer, an indemnity payment is not made, but the farmer must still pay the premium due to the insurance provider.

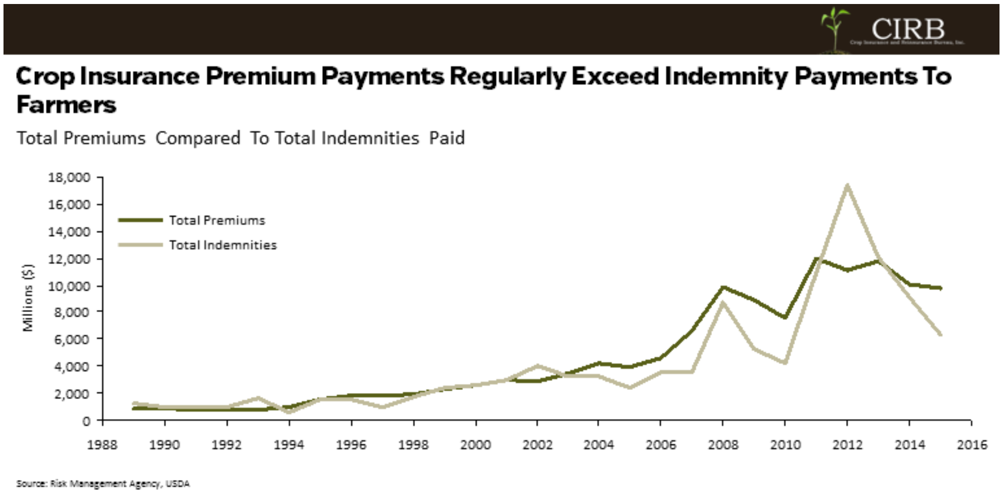
- Similar to weather risks, the cost of indemnities paid vary from year to year. In 17 of the last 28 years, total crop insurance premiums have exceeded indemnities paid to farmers.

Chart: Policies Sold Compared to Policies Receiving Indemnities



Source: Risk Management Agency, USDA

Chart: Total Premium Payments Compared to Total Indemnities Paid to Farmers



Source: Risk Management Agency, USDA