

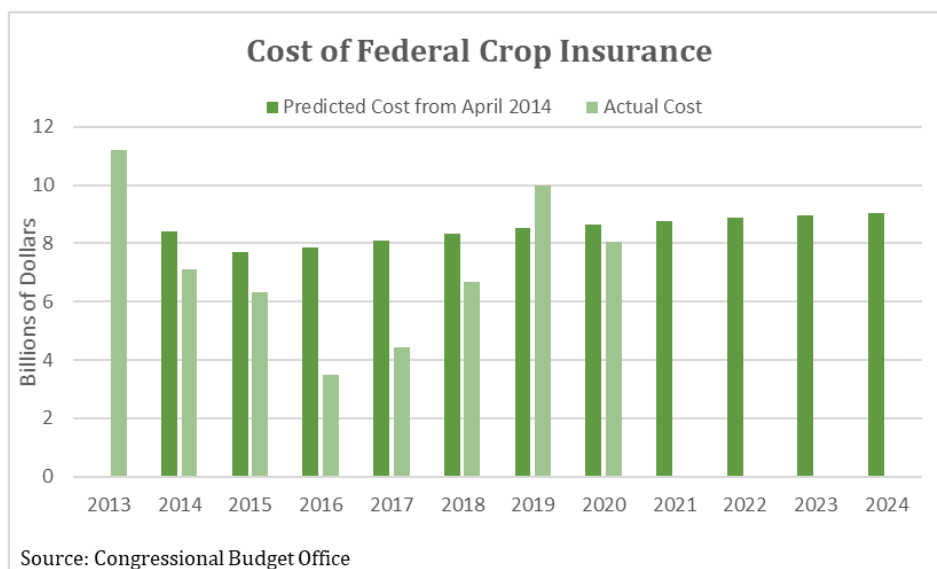
CROP INSURANCE MYTH VS. FACT: CROP INSURANCE AND THE BUDGET

MYTH: Crop insurance is over budget.

FACT: Crop insurance costs are currently well below budget.

Annual crop insurance costs peaked in 2013 at \$11 billion, mainly due to the devastating 2012 drought combined with the high value of crops at the time.

- According to the first CBO estimates provided after the passage of the 2014 Farm Bill, the actual cost of crop insurance has been around \$11 billion under budget between 2014 and 2020.



- Crop insurance has consistently been under budget, but a couple of clarifying points on the budget:
 - First, there are several farm programs that are not crop insurance. Crop insurance is, by statute, an actuarially sound program that farmers pay for out of their own pockets and is delivered efficiently and effectively by the private sector.
 - The cost of crop insurance is driven not only by disasters but by the cost of commodities. Like with any insurance, the more valuable the item is, the more expensive the insurance will be. As the value of commodities rise and fall, so too will the cost to insure them.
 - The overall cost of crop insurance can also be reduced by underwriting gains achieved by the government in years of good performance with lower losses.
 - The forward-looking budget estimates for the cost of crop insurance, by and large, remain consistent from year to year, as the Congressional Budget Office does not attempt to make predictions about what Mother Nature will do in any given year.