

## CROP INSURANCE MYTH VS. FACT: MEANS TESTING

**MYTH:** Means testing, such as adjusted gross income (AGI) limits and premium assistance caps, will keep large, wealthy farmers from receiving assistance they do not need.

**FACT:** Reducing participation from any group of farmers will change the premiums for ALL farmers because it will change the risk pool. Crop insurance is, by statute, an actuarially sound program, which means more participants and more acres in the program, the more the risk will be spread - keeping premiums and costs down for all participants.

- USDA has called a cap on premium support “ill-advised,” noting regions with high-value crops (such as fruit, vegetable, and organic crops), large-acreage farms, and areas with a higher risk of crop loss would be hit especially hard. USDA has noted that North Dakota, South Dakota, Texas, Minnesota, California, Arizona, Mississippi, Utah, and Hawaii would all bear a disproportionate share of the effects of a cap on premium support.
- Keith Coble and Brian Williams, economists with Mississippi State University, found that “large farms are a less risky sub-population in the insurance pool. Average per acre indemnities decline rapidly for both corn and soybean acres as the size of the insurance policy increases.” Removing the less risky farmers from the risk pool would drive up the costs for everyone who remains in the program.
- Even though crop insurance opponents note that only a small number of farmers would be affected by an AGI limit, it’s important to keep in mind that these farmers often farm a large number of acres. It is the acres impacted by an AGI limit, not the number of producers, that will drive changes to premiums for ALL farmers.

