Durbin-Coburn Crop Insurance Reform Amendment
Reduce Premium Support to Farmers with an AGI over $750,000

The amendment would reduce the level of federal premium support for crop insurance participants with an Adjusted Gross Income (AGI) over $750,000 by 15 percentage points for all buy-up policies beyond catastrophic coverage.

Further, the amendment delays implementation for one year as USDA undertakes a study to determine the impact. The limitation would go into effect unless the Secretary of Agriculture found that it would "significantly increase premiums for producers with an AGI less than $750,000," result in a decrease of crop insurance coverage options available, or increase the total cost of the crop insurance program.

If the limitation goes into effect, it would save more than $1.1 billion dollars over ten years.

Key Facts:

AGI Trigger: A $750,000 AGI trigger conforms with other payment limitations in the underlying bill.

Structural Precedent: The Agriculture Committee included provisions adjusting the level of premium support based on the ability to pay for and acquire crop insurance. The underlying bill increase the federal government's share of premium support by 10 percentage points for beginning farmers.

Impact: This amendment will only affect farmers with the highest incomes. The vast majority of farmers will see no change in the level of premium support provided by the federal government.

Participation: This amendment does not exclude anyone from participating in crop insurance, nor does it eliminate subsidies for anyone. The amendment simply reduces the amount of premium support for those with an adjusted gross income at or above $750,000 by 15 percentage points on all buy-up policies. If all else remains the same, the producers impacted by this amendment would still have on average nearly 50% of their crop insurance premiums paid for by the federal government.

Implementation: USDA has more than a decade of experience implementing AGI-related payment limitations. USDA's Risk Management Agency (RMA) already maintains a database that crop insurance agents consult to determine a farmer's eligibility to purchase crop insurance. AGI can be incorporated into a similar database allowing agents and farmers to determine the level of premium support provided by the federal government *before* the sale of crop insurance, and plan accordingly.

Background:

According to a March GAO report, the federal government pays on average 62% of crop insurance premiums for farmers. Further, 4% of the most profitable farmers or farming entities accounted for nearly 33% of all premium support provided by the federal government. In a select case, one corporation received $2.2 million in premium support just last year. At the same time, net farm income has been steadily growing and in 2011 reached a record high of $98.1 billion.

The GAO report went on to explain federal benefits like premium subsidies can contribute to an increase in land prices making it difficult for small and beginning farmers to expand or start farming.

At a time of stark fiscal realities, we cannot justify providing this level of premium support to the wealthiest farmers. Common sense reforms ask the farmers with the highest income to cover more of their own risk, without undermining crop insurance as a critical risk management tool.