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Theme Overview: Crop Insurance in the 2018/2019 Farm Bill

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The Farm Bill, passed every four or five years, is a large piece of legislation which includes agricultural, food, conservation, and rural development programs. The most recent bill, passed in 2014, made significant cuts to commodity programs and increased budgeted spending on crop insurance. This change shifts the focus of farm risk management toward crop insurance, making it an even more important part of a producer's toolkit. Looking ahead to the next farm bill in 2018/2019, this focus on crop insurance will likely continue.

The articles in this issue anticipate three discussions surrounding crop insurance's role in the next farm bill: the political economy of crop insurance by Barnaby and Russell, economic evaluation of crop insurance's role in the safety net by Zacharias and Paggi, and crop insurance's role in specialty crop agriculture by Paggi.

Articles in this theme:

- Theme Overview: Crop Insurance in the 2018/2019 Farm Bill
  G.A. "Art" Barnaby
- Crop Insurance Will Be at the Center of the 2019 Farm Bill Debate
  G.A. "Art" Barnaby and Levi A. Russell
- Current Perspectives on the Crop Insurance Farm Safety Net
  Thomas P. Zacharias and Mechel S. Paggi
- The Use of Crop Insurance in Specialty Crop Agriculture
  Mechel S. Paggi
- Crop Insurance Demand More Elastic than Previously Thought
  Joshua D. Woodard

Barnaby and Russell examine three crop insurance alternatives which are likely to be proposed in the debate over the next farm bill:

1. Replacing crop insurance with a free, area-based disaster program,
2. Making modifications to existing policy which would significantly reduce support to farmers and jeopardize the private delivery system, and
3. Complete elimination of the safety net.

The article summarizes the political factors and their interaction with the economic effects of these proposals.

Zacharias and Paggi identify the key considerations for improving crop insurance's role in the farm safety net. Among these are regional and commodity-specific considerations, government budget constraints, and interactions between crop insurance and other titles in the farm bill. They emphasize the importance of developing appropriate metrics for evaluating the simultaneous performance of crop insurance and commodity programs and conclude with a research agenda for examining these issues.

Paggi discusses the broader role of crop insurance as a risk management tool for specialty crop producers. Specialty crops are of interest due to the increase in specialty crops' share of the total crop insurance liability over the last 15 years. Paggi details the connection between crop insurance and specialty crops and provides a discussion of factors affecting the future of this connection.

Finally, Woodard addresses the elasticity of demand for crop insurance issues. This key value will determine the maximum achievable size of any cuts in USDA's share of the crop insurance premium and still maintain a politically acceptable level of farmer participation in crop insurance needed to prevent any future ad hoc disaster program. It is critical for policy makers to understand the impact of elasticity of demand to prevent unintended consequences by making Federal budget cuts to crop insurance. All budget cuts are not equal so how those cuts, if any, are made is extremely important.

Given the important role of crop insurance in the future of the farm safety net, political and economic factors affecting policy decisions are particularly of interest. This issue provides a first look at the conversations policy makers, industry representatives, and academic economists will have leading up to the next farm bill.

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