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Crop Insurance Premium and Interest Deferrals in a Time of Rising Farm Costs

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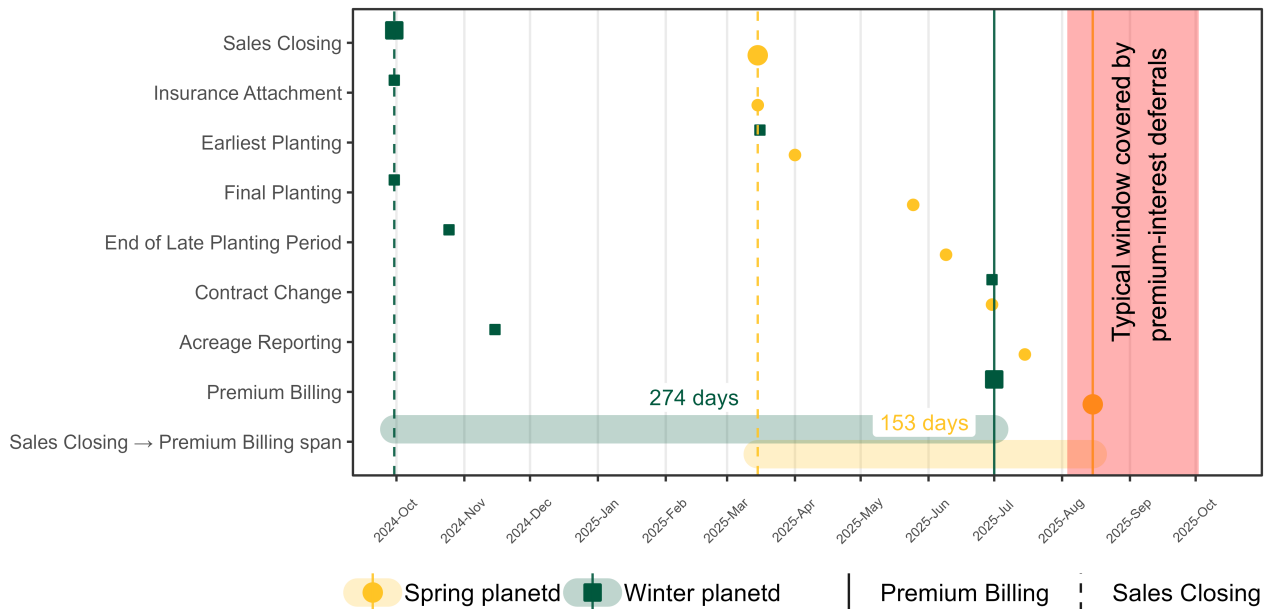
The Federal Crop Insurance Program (FCIP), administered by USDA Risk Management Agency, is arguably the most significant form of government support for American farmers. Nearly 90% of land used for major crops—including corn, soybeans, wheat, and cotton—is covered under FCIP, and since 2020, the liabilities insured have exceeded 30% of U.S. crop production. This makes FCIP not only a vital farm-level risk management tool but also a cornerstone of national food security.

Farmers today are navigating one of the most challenging cost environments in decades. Fertilizer, fuel, and energy markets remain volatile, while high interest rates have added new borrowing costs across the sector. Even when yields are strong, these pressures have narrowed margins and increased financial stress. A recent American Farm Bureau analysis identified inflation and debt servicing as leading contributors to farm stress. In this context, policies that provide liquidity relief have taken on new importance.

One such policy feature is the timing of crop insurance premiums. Unlike most forms of insurance, where premiums are collected upfront, FCIP bills producers after harvest. Farmers commit to coverage at sales closing, often before planting, yet do not face premium payments until August 15. For winter planted crops, this creates a lag of about 274 days between signup and billing, while for spring planted crops the

lag is around 153 days. In both cases, producers benefit from full-season coverage long before any bill is due. Figure 1 illustrates this sequence of deadlines, highlighting the unusual structure of FCIP compared to traditional insurance models.

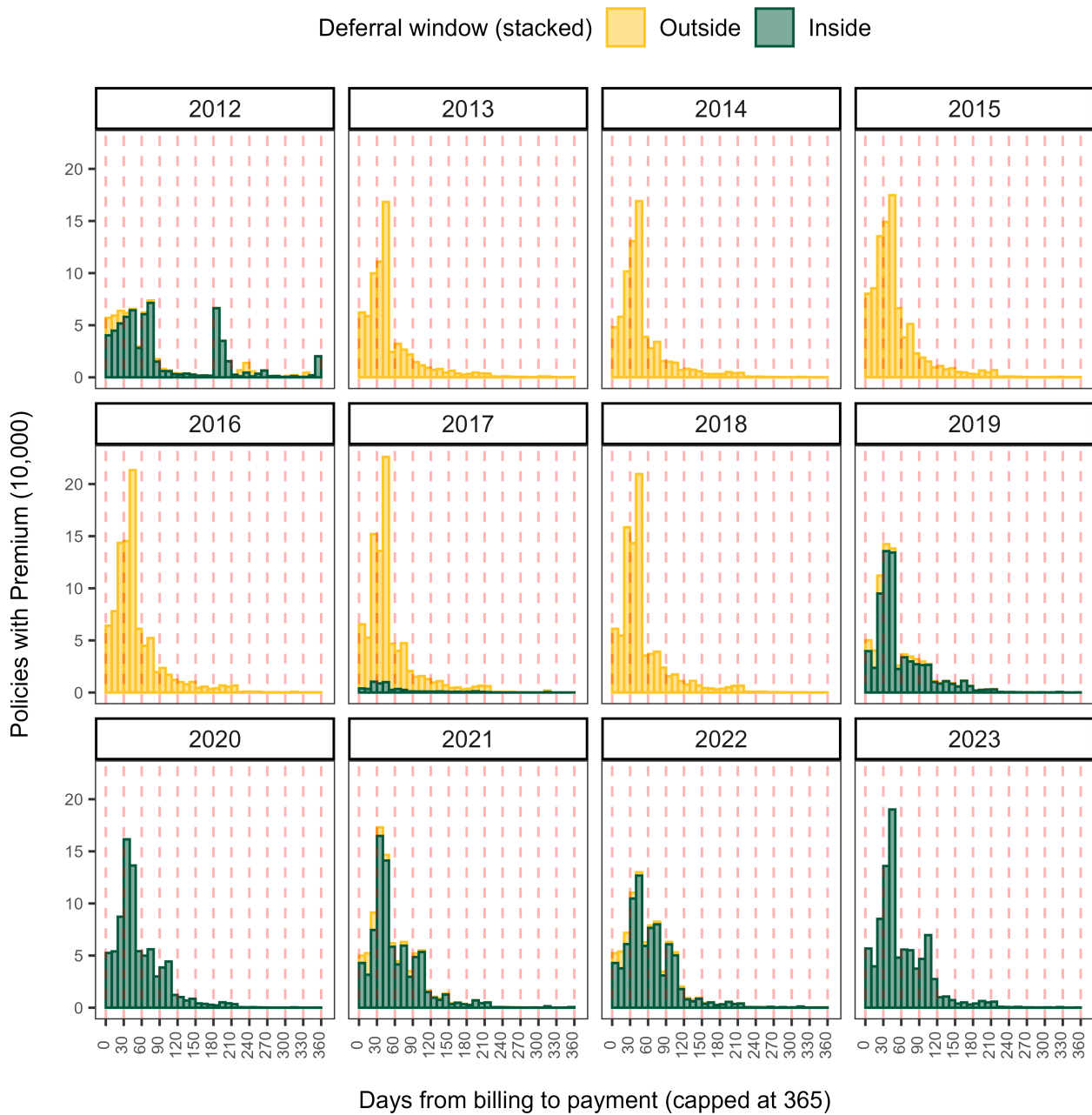
Figure 1: Timeline of Key Crop Insurance Dates for the 2025 Reinsurance Year.



This timing is not incidental. By aligning premium obligations with harvest revenues, USDA eases liquidity constraints and ensures that even smaller or heavily leveraged operations can participate. Empirical studies reinforce this logic: Liu et al. (2020) found that premium deferrals significantly increased adoption rates, while Saitone et al. (2018) showed that even small adjustments in payment timing influenced insurance uptake in developing economies. In the U.S., the direct impact of premium deferrals on the program and the broader farm economy is yet to be determined.

Beyond premium deferrals, the Federal Crop Insurance Corporation (FCIC) also exercises discretion to defer interest on unpaid premiums during years of widespread disaster. Since the 2012 policy change that advanced billing to August 15, FCIC has routinely offered 60-day interest waivers when weather shocks or emergencies hit. A recent Agricultural Risk Policy Center (ARPC) scoping review (Tsioboe and Steinbach, 2025) of these interest deferrals shows that between 2019 and 2023, over \$18 billion in premiums were deferred, implicitly subsidizing producers by about \$510 million. These waivers provided critical short-term liquidity but also shifted costs to the Treasury, delaying receipts and increasing federal borrowing.

Figure 2: Distribution of Crop Insurance Premium Payments Relative to Billing Date (2012-2023).



Payment data show how these policies may have altered producer behavior (see Figure 2). Before 2012, most premiums were paid outside the deferral window, exposing farmers to interest charges. Beginning in 2019, however, large shares of payments moved inside the waiver period, reflecting both financial stress and evolving expectations. After four consecutive years of deferrals, many producers may have come to view such relief as routine, raising concerns about moral hazard, actuarial soundness, and future fiscal

exposure.

Taken together, premium and interest deferrals function as de facto liquidity tools in an era of rising costs and financial strain. For many producers, these deferrals mean the difference between covering obligations post-harvest and relying on costly credit lines. Yet they also embed trade-offs. While they lower the immediate burden on farmers, they shift costs to the Treasury and may unintentionally encourage higher coverage levels, increasing program liabilities. Ongoing ARPC research will explore how these deferral policies influence participation decisions and budget exposure. This work will help clarify whether the current system strikes the right balance between supporting producers and safeguarding fiscal discipline.

As climate risks intensify and farm margins remain squeezed by inflation and high borrowing costs, the structure of FCIP premiums is no longer just a technical feature of the program—it is a central policy lever. Premium deferrals and interest waivers ensure that farmers can maintain coverage and liquidity under stress, but their growing fiscal footprint signals the need for careful evaluation. The challenge ahead is to sustain FCIP as a national safety net while adapting its financial design to an era of both rising climate volatility and persistent cost pressures.

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About the Agricultural Risk Policy Center

The Agricultural Risk Policy Center at North Dakota State University conducts independent, evidence-based economic research to inform agricultural policy and strengthen the U.S. farm safety net. The Center's work focuses on evaluating risk management tools such as crop insurance and disaster assistance, analyzing market disruptions, and providing timely insights that support producers, policymakers, and industry leaders.

ARPC Briefs communicate the outcomes of this research by presenting data, methods, and findings in a structured format. Designed to make rigorous analysis accessible, these briefs translate complex economic issues into clear insights that enhance understanding and support evidence-based decisions, contributing to the resilience and long-term prosperity of U.S. agriculture.

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