An Historic Drought Has Slammed Farmers

The continental United States is parched, with 62% of the lower 48 states experiencing moderate to exceptional drought, according to the August 14 U.S. Drought Monitor. In 46% of those states, the drought conditions are considered “severe, extreme or exceptional.” In addition, 52% of the country was in moderate drought or worse.

The majority of the country’s corn and soybean acres are affected, and while it’s too early to predict the full extent agricultural damage, based on weather data, the losses will likely be greater than 2011 and could rival the flood losses of 1993. Some think losses could be as great as the 1988 drought, but it is still too soon to make that determination.

Crop Insurance Is Helping Farmers Pick Up the Pieces

Today's crop insurance system was specifically designed for situations like this—to provide assistance to farmers when they need it the most through the speed and efficiencies of the private sector. Best of all, crop insurance has lessened taxpayers’ exposure to agricultural risk and reduced spending on the farm safety net by 36% since 2002. So far in 2012:

- Farmers have invested more than $3.9 billion to purchase more than 1.1 million crop insurance policies.
- The policies provide $110 billion in liability protection.
- 15,000 private crop insurance agents and 5,000 loss adjusters are already helping farmers with claims.
- The crop insurance industry has already paid out $948 million in indemnity checks.
Crop Insurance In Action

There are few places in the country that personify the radical whims of Mother Nature as well as the state of Iowa. Last year, Iowa and much of the upper Midwest suffered under record flooding as major rivers left their banks. This year, Iowa farmers are facing one of the worst droughts in decades. The entire state is experiencing drought conditions that are considered either “severe or extreme.”

Leo Ettleman, an Iowa farmer who lost nearly everything last year to the flood waters of the Missouri River, was back on his feet again this year planting his fields and hoping for better luck. “The house, the barn, all the buildings, all the fields, everything was swallowed by the great Missouri,” Ettleman said of last year.

Ettleman says that through it all, having crop insurance gave him a “great peace of mind” knowing that when the waters receded, he, his father and his son could return to farming. The Ettlemans are likely again drawing some comfort from the fact that they always purchase crop insurance to hedge the unpredictability of Mother Nature….

Read Leo’s story at www.CropInsuranceInAmerica.org.

2011 Showed How Well The System Works

Before crop insurance’s emergence as farmers’ primary risk management tool, Congress debated expensive bailout packages on a near annual basis to cope with agricultural disasters. Unbudgeted, supplemental agricultural spending cost taxpayers $45 billion from FY1989-FY2001.

Despite last year’s extreme losses from drought in the Southwest, flooding in the Midwest, freezes in the South, and tropical storms on the East Coast, there were no calls for ad hoc disaster bills thanks to crop insurance. Last year:

- The crop insurance industry paid out nearly $11 billion in indemnities to farmers and ranchers—a new record for insurance payouts.
- 266 million acres were insured by $114 billion in liability coverage.
- Farmers growing 128 crops in all 50 states participated in crop insurance.