U.S. Drought Worsens

Although the rains from Hurricane Isaac brought relief to some, the portion of the lower 48 states still experiencing moderate to exceptional drought increased to 64%, up one percent from last week, according to the September 11 U.S. Drought Monitor. In 42% of those states, the drought conditions are considered “severe, extreme or exceptional.” In addition, 54% 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 of 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 $4 billion to purchase more than 1.2 million crop insurance policies.
• The policies provide $115 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 $1.4 billion in indemnity checks.
Crop Insurance In Action

2011 was certainly a year full of weather anomalies. But before anyone experienced the droughts, floods, hurricanes, and wildfires that would soon unfold, Florida shivered through a series of below freezing nights that left its valuable citrus industry in shambles.

Mike Garavaglia who, along with his family, operates 4,000 acres of citrus groves in Florida, did everything humanly possible to mitigate the damage of a hard freeze to the fragile citrus crop, yet suffered huge losses. “When a freeze is on the way, growers spend a significant amount of money to prevent damage by flooding their groves and installing micro-jet irrigation to mist the trees,” he says. “But when it gets so cold for so long, as it did in 2011, you just know that there is going to be some major damage to the crop, or the trees, or both,” he said.

Unlike other natural disasters, it can take months to assess the damage caused by a hard freeze, as damaged citrus continues to drop off the trees for months after the freeze is over.

Thankfully, Garavaglia had purchased crop insurance. Garavaglia says that while crop insurance doesn’t replace a harvest, it’s a critical tool for growers to mitigate some of their biggest risks. “Crop insurance pays for about 65 percent of what it takes to get a crop to market;” he says. “Nobody is making a profit on crop insurance, but it’s a great way to provide some risk mitigation on things we can’t control.”

Read Mike Garavaglia’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.

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