

Feb. 12, 2015

An Open Letter to the U.S. Congress: Support the Harvest Price Subsidy Prohibition Act

Dear Member of Congress,

On behalf of the millions of Americans represented by the undersigned organizations, we write to urge your strong support of the Harvest Price Subsidy Prohibition Act, sponsored in the Senate by Sen. Jeff Flake, R-Ariz., and Sen. Jeanne Shaheen, D-N.H., and in the House by Rep. John Duncan, R-Tenn. This common-sense legislation would protect taxpayers from being asked to subsidize the most costly and extravagant federal crop insurance product, known as the harvest price option (HPO) policy. The non-partisan Congressional Budget Office estimates the Flake-Duncan bill would save \$18.9 billion over the next decade, with no effect on the premium subsidies farmers receive for standard crop insurance policies.

A standard crop insurance policy locks in a guaranteed level of revenue at planting time. When Congress designed crop insurance to be a safety net for farmers, this is the system they intended to create. The harvest price option, which fast is becoming known as the "Cadillac" coverage option of federal crop insurance, differs from standard insurance by paying farmers using either the standard locked-in price or the market price at harvest, whichever is higher. HPOs actually can result in a farmer's revenues exceeding the expectations when the crop was planted.

In 2012, a year that saw corn and soybean prices increase 32 and 23 percent from planting to harvest, HPOs increased payouts to farmers of both crops by a total of \$6 billion. In a year where crop insurance payouts topped \$16 billion, the \$6 billion in taxpayer losses due to HPO policies was an egregious and unnecessary misuse of tax dollars. This product goes above and beyond the definition of a safety net. It is the crop insurance equivalent of your auto insurer surprising you with a new Cadillac Escalade after you've totaled your Toyota Corolla.

While we'd like to see premium subsidies eliminated entirely, the time has come to address some of the "lowest-hanging fruit" in the federal budget. The Harvest Price Subsidy Prohibition Act is a terrific first step.

We commend Sen. Flake and Rep. Duncan for their leadership and urge you to sponsor and support swift action on this important legislation.

Sincerely,

R Street Institute
Campaign for Liberty
Center for Individual Freedom
Club for Growth
Coalition to Reduce Spending
Competitive Enterprise Institute
Council for Citizens Against Government Waste
FreedomWorks
Heritage Action
Less Government
National Taxpayers Union
Taxpayers for Common Sense
Taxpayers Protection Alliance



Free markets. Real solutions.

