March 8, 2018

Dear Members of Congress:

On behalf of the undersigned organizations, we write to express our strong support of the reform framework established in the Harvest Price Subsidy Prohibition Act and an amendment to the Agriculture Act of 2014, requiring producers to choose coverage from only one subsidy program. Choosing one form of coverage would help prevent "double dipping" on farm subsidies. Both pieces of legislation are sponsored in the Senate by Sen. Jeff Flake, R-Ariz., and in the House by Rep. John Duncan, R-Tenn.

The nonpartisan Congressional Budget Office estimates the Harvest Price Option bill would save $21.1 billion over the next decade, while the "double dipping bill" would save more than $60 billion over the same period. These commonsense reforms would protect taxpayers from being asked to subsidize the most costly and extravagant portions of the federal Farm Bill program.

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

In 2012, for instance, HPOs increased payouts to both corn and soybean farmers by a total of $6 billion despite corn and soybean prices increasing by 32 and 23 percent, respectively. 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 use of tax dollars. From 2011-2016, taxpayers paid more than $30 billion in subsidies for HPO policies. This system goes beyond the definition of a safety net and does a disservice to the hardworking Americans whose tax dollars pay for extravagant policies.

In a time of limited resources and budget tradeoffs, lawmakers should address some of the "lowest-hanging fruit" in the federal budget. The Harvest Price Subsidy Prohibition Act is a terrific step.

Similarly, eliminating "double dipping" on the collection of farm subsidies is another much-needed reform. The legislation requires choosing between Price Loss Coverage (PLC) or Agriculture Risk Coverage (ARC) under Title I or federally subsidized crop insurance policy programs under Title XI. In 2014 and 2015, the ARC and PLC programs paid out a combined $13.1 billion in subsidies, while the revenue-based crop insurance program paid out over $10 billion for the same crops. Subsidizing twice for the same losses is another obvious area of waste to address.

We commend Sen. Flake and Rep. Duncan for their leadership and urge you to cosponsor and support swift action on these important pieces of legislation.

Sincerely,

Coalition to Reduce Spending
R Street Institute
Campaign for Liberty
Center for Individual Freedom
Council for Citizens Against Government Waste
FreedomWorks
Independent Women's Voice
National Taxpayers Union
Taxpayers for Common Sense
Taxpayers Protection Alliance