



## The Reconciliation Farm Bill: Top Five Most Problematic Changes to Farm Policy, #4

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The number four spot in the top five most problematic changes to farm policy in the Reconciliation Farm Bill belongs to possibly the most obscure change in the agriculture title. Congress provided an additional subsidy to crop insurance companies to encourage continued sales of policies in high-risk states. This article explains the policy change and offers some perspective.

### Background

Section 10503 of the reconciliation bill (P.L. [119-21](#)) authorizes an additional administrative and operating (A&O) subsidy for approved crop insurance providers. The additional subsidy is equal to 6% of the premiums for insurance policies those companies write in states with high loss ratios, or those above 1.2 (120%). Figure 1 highlights the legislative text.

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Figure 1. Excerpt from Section 10503 of the Reconciliation Bill

**SEC. 10503. ADMINISTRATIVE AND OPERATING EXPENSE ADJUSTMENTS.**

Section 508(k) of the Federal Crop Insurance Act (7 U.S.C. 1508(k)) is amended by adding at the end the following:

“(10) ADDITIONAL EXPENSES.—

“(A) IN GENERAL.—Beginning with the 2026 reinsurance year, and for each reinsurance year thereafter, in addition to the terms and conditions of the Standard Reinsurance Agreement, to cover additional expenses for loss adjustment procedures, the Corporation shall pay an additional administrative and operating expense subsidy to approved insurance providers for eligible contracts.

“(B) PAYMENT AMOUNT.—In the case of an eligible contract, the payment to an approved insurance provider required under subparagraph (A) shall be the amount equal to 6 percent of the net book premium.

“(C) DEFINITIONS.—In this paragraph:

“(i) ELIGIBLE CONTRACT.—The term ‘eligible contract’—

“(I) means a crop insurance contract entered into by an approved insurance provider in an eligible State; and

“(II) does not include a contract for—

“(aa) catastrophic risk protection under subsection (b);

“(bb) an area-based plan of insurance or similar plan of insurance, as determined by the Corporation; or

“(cc) a policy under which an approved insurance provider does not incur loss adjustment expenses, as determined by the Corporation.

“(ii) ELIGIBLE STATE.—The term ‘eligible State’ means a State in which, with respect to an insurance year, the loss ratio for eligible contracts is greater than 120 percent of the total net book premium written by all approved insurance providers.

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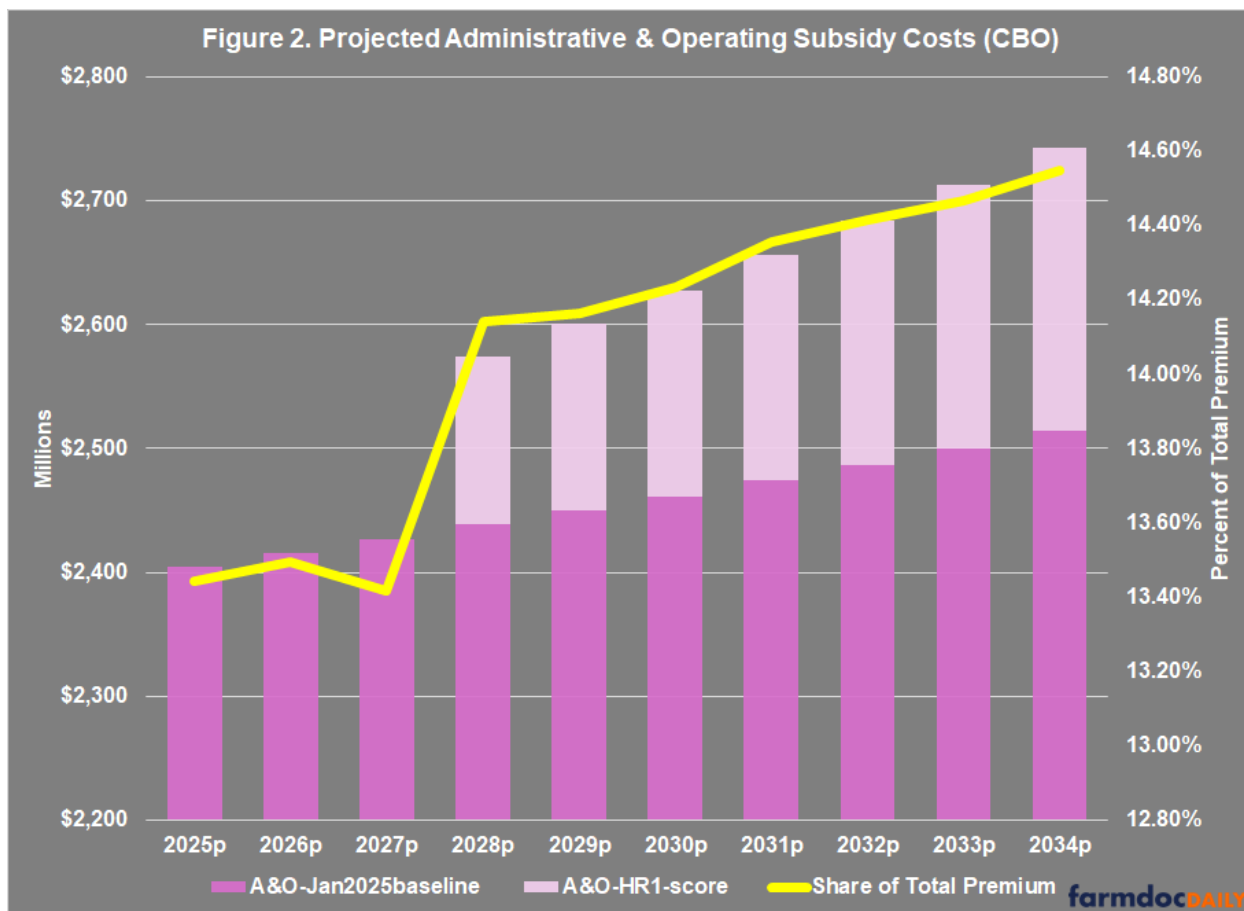
## Discussion

Section 10503 amends the provisions in the statute for reimbursements by the Federal Crop Insurance Corporation (FCIC) to approved crop insurance providers (AIP) for administrative and operating (A&O) costs (7 U.S.C. §1508(k)). In general, crop insurance operates through the Standard Reinsurance Agreement (SRA) between the USDA’s Risk Management Agency and the AIP’s (USDA-RMA, [Standard Reinsurance Agreement](#)). A&O subsidies are calculated as a percentage of total premium, with 21.9% of total premium paid to the AIP for individual buy-up plans, or 18.5% for revenue plans that include harvest prices. A&O for individual plans is also subject to minimum and maximum totals, with changes applied proportionately. Area-based (e.g., county) plans of insurance subsidy rates are 12% of premium for older area-based plans of insurance and 20.1% for more recent area-based plans. The latter policies presumably are the Supplemental Coverage Option (SCO) and Stacked Income Protection Plan (STAX) for cotton (Rosch, [August 10, 2022](#); Rosa, [August 20, 2018](#); Rosch, [February 18, 2021](#); see also, Glauber, 2016; *farmdoc daily*, [June 27, 2023](#)).

The SRA already provides an additional A&O subsidy of 1.15% of premium to be paid to companies for selling policies in States in “which the loss ratio is greater than 120 percent” (i.e., States with high losses and indemnities). Ironically, this additional A&O subsidy is referred to as the “snapback” subsidy and dates to the 2011 SRA (GAO-17-501; CRS, [June 10, 2010](#)). In the Reconciliation Farm Bill, Congress added yet another “snapback” A&O subsidy for the high loss states at a rate of 6% of premium (Biondo et al., [June 23, 2025](#)).

A&O subsidies have averaged \$1.7 billion over the last 10 years (2015 to 2024), with the highest levels in the last three years (\$2.1 billion, \$2.3 billion, and \$2.35 billion, respectively); they are projected to remain at the elevated level in the next ten years, averaging \$2.5 billion (CBO, [USDA Mandatory Farm Programs](#); CBO, [January 2025](#)). CBO scored the new additional A&O subsidy in the Reconciliation Farm

Bill at \$1.275 billion (FY2025-2034) (CBO, [July 21, 2025](#)). Figure 2 illustrates the projected A&O subsidy costs (baseline) and score for the additional A&O in the Reconciliation Farm Bill.

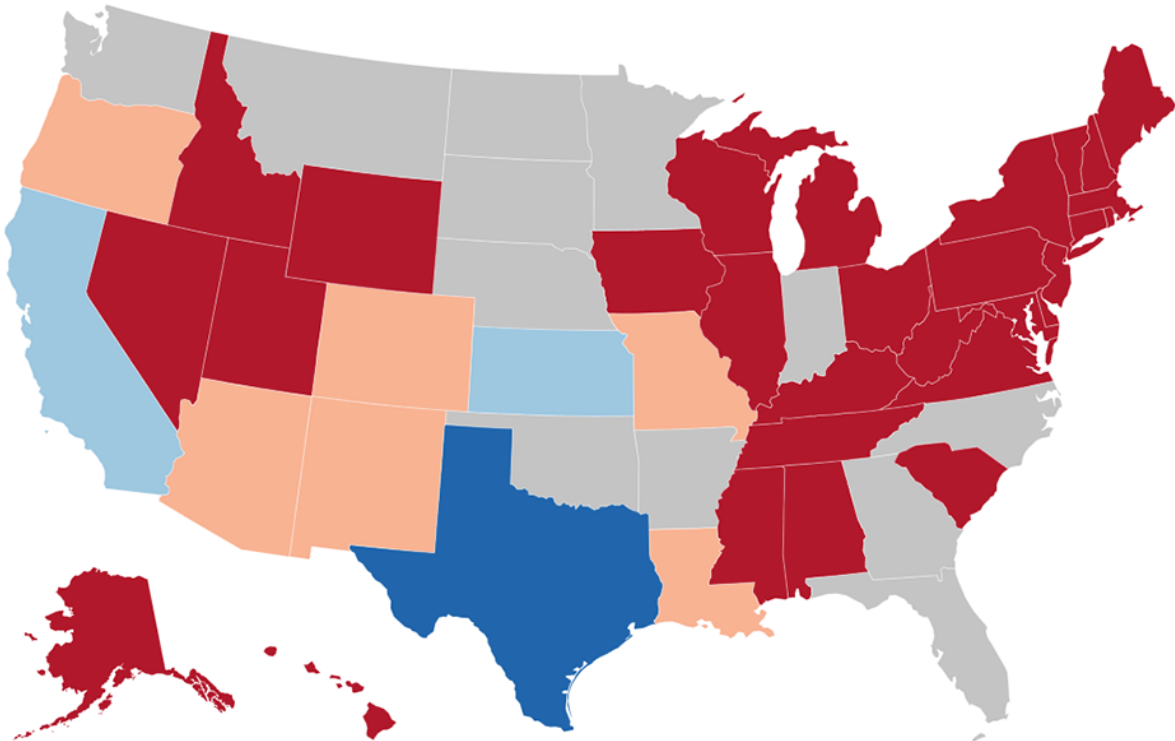
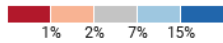


As with all increases in spending for farm policy, the increased A&O “snapback” bonus subsidy for crop insurance companies was paid for by reducing spending on food assistance through SNAP. Among the casualties was all funding for the national education and obesity program, commonly known as SNAP Ed. For those keeping score at home, the costs of this new A&O “snapback” subsidy to crop insurance companies (\$1.275 billion) coupled with the increase in premium subsidies for farmers (\$3.1 billion) discussed in the previous article (*farmdoc daily*, [July 31, 2025](#)), would effectively consume most of the savings (\$5.5 billion) from eliminating SNAP Ed. As one example of the consequences, 217 people in Illinois will lose their jobs; nationwide, nearly 2 million people will lose valuable assistance (Quinn, [August 5, 2025](#); see also, Keller et al., [2024](#)).

More troubling, the new additional 6% of A&O “snapback” subsidy for crop insurance companies (in addition to the existing 1.15% “snapback” subsidy) is only for selling policies in the high-risk States (1.2 and higher loss ratio). Figure 3 provides an interactive map reviewing the additional A&O “snapback” subsidy over the last 10 years (2015-2024) from the USDA RMA data (USDA-RMA, [Summary of Business](#)). Selling crop insurance policies in Texas appears to be the clear winner of this policy change.

### Figure 3. Reviewing the Additional Administrative & Operating ("snapback") Crop Insurance Subsidy

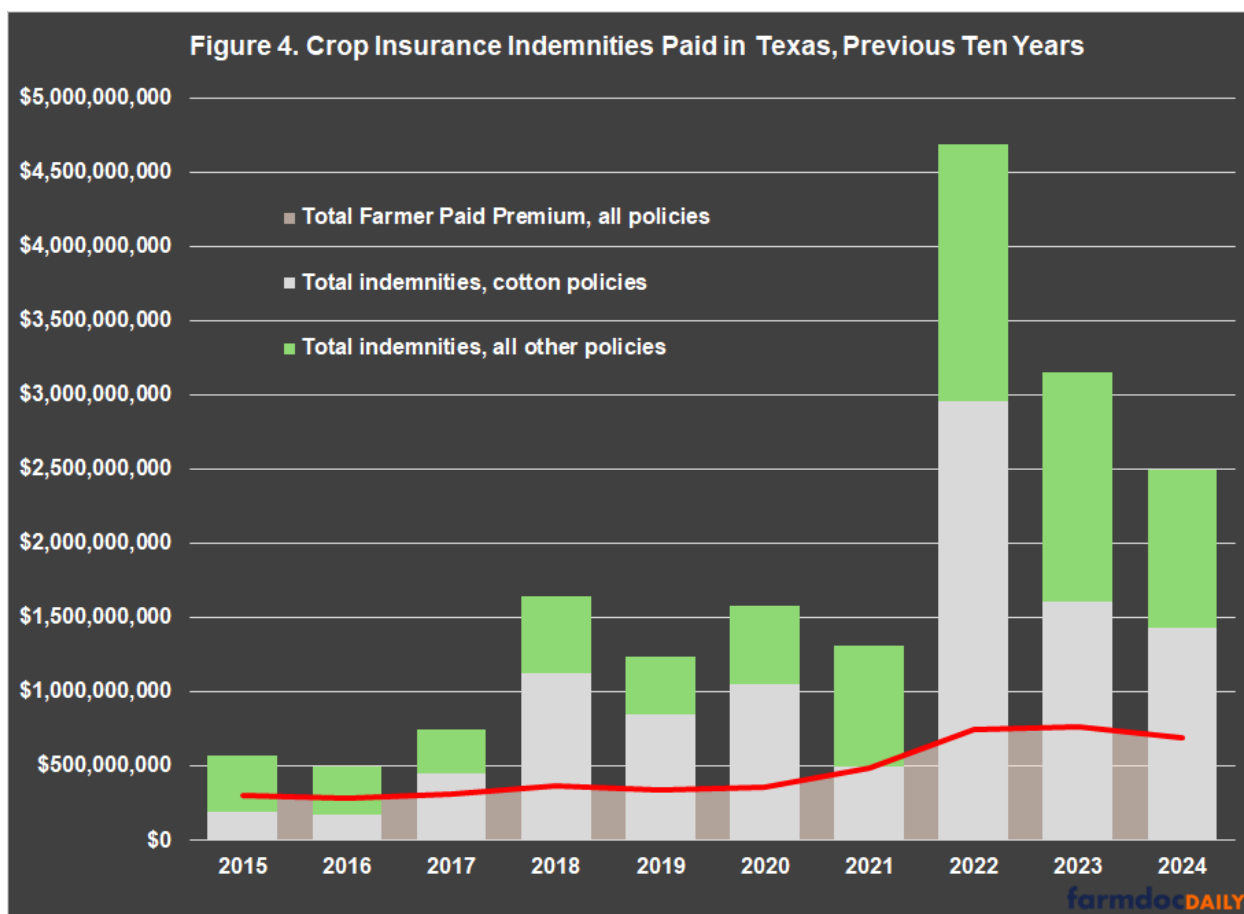
Estimated State Share based on previous 10 years (2015 to 2024) and number of years above 1.2 loss ratio



Map: Jonathan Coppess • Source: USDA RMA • Created with Datawrapper

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In half of the last ten years, Texas has had a loss ratio of 1.2 or higher. Based on 1.15% of total premium in Texas, crop insurance companies have collected estimated A&O “snapback” subsidies of nearly \$100 million, approximately 27% of the estimated total. Applying that to the CBO score for this provision, crop insurance companies could receive over \$347 million for selling policies in Texas in the next 10 years. For additional perspective, Figure 4 illustrates total indemnities paid in Texas for cotton policies and all other policies in the last 10 years. The figure also includes the total farmer paid premium for all policies, indemnities above farmer paid premium is the net benefit to the farmer (*farmdoc daily*, [September 7, 2023](#); Policy Design Lab, “[Crop Insurance](#)”).



In the last 10 years, crop insurance policies in Texas have a loss ratio of 1.29 and cotton policies have a loss ratio of 1.42; with 5% of total liability and 9.5% of farmer-paid premiums, Texas farmers have received nearly 17% of total indemnities and nearly 23% of total net farmer benefits. Looked at another way, for every \$1 that Texas farmers paid for crop insurance they received \$5.81 in total benefits (premium subsidy and indemnities) and roughly \$7.46 in benefits for cotton insurance on every \$1 paid in premium. As such, Section 10503 is largely intended to encourage companies to continue selling crop insurance in Texas and similar states despite high losses.

### Concluding Thoughts

The existing A&O “snapback” subsidy is questionable policy at best. Buried in the Standard Reinsurance Agreement, few know much about it and fewer still ask whether taxpayers should pay additional subsidy to crop insurance companies to entice them to sell policies in high-risk states—policies that are more likely to suffer losses and trigger indemnities. It is a policy with costs that go well beyond the additional subsidy (see e.g., GAO-23-106228; GAO-15-215; Glauber, 2016). To add yet another additional “snapback” subsidy is something more than questionable. What is Congress doing with this change to policy?

Texas, and especially the cotton growing regions, has suffered a combination of excessive heat and record drought (Baddour and Martinez, June 6, 2024; Huguley, October 2, 2024; Morgan, October 30, 2024). As evident in Figure 4, indemnities in Texas have skyrocketed in recent years. Conditions were so bad that irrigation was unable to save cotton crops because the plants dried out before the pivot could return to them (see e.g., Brasher, December 4, 2024; Morgan, February 17, 2025; Plains Cotton Growers, 2024; KCBN NewsChannel, August 4, 2011). With losses mounting, it appears that crop insurance companies were seeking to limit the losses. On March 15, 2024, USDA’s Risk Management Agency (RMA) issued a “Notice to Cease and Desist Agent/Agency Contract Terminations” to the Approved Insurance Providers (USDA-RMA, March 15, 2024).

The problems exposed in recent years, moreover, are likely to get worse. Cotton is “extremely sensitive” to heat and drought stress (Bista et al., 2025; Bista et al., 2024). With climate change, heat and drought are likely to become more intense and destructive to crops (Nielsen-Gammon et al., 2020). Worse still, the region is running out of water because irrigation has drained much of the Ogalla Aquifer (Carver, May 29, 2025; Wilder, August 2024; *Farm Policy News*, January 31, 2024; Carver, June 20, 2023; H2O Global News, September 10, 2023; Jones, October 5, 2022).

As difficult as it may be to admit, using groundwater from an overdrawn aquifer to irrigate crops that can’t survive the heat is a dangerous waste. Spending limited conservation dollars on irrigation—nearly \$400 million over 10 years in Texas—does not help either (*farmdoc daily*, March 27, 2025; Policy Design Lab, “Conservation”). Paying crop insurance companies to sell insurance policies makes it all worse, much worse.

A relatively low score obscures the substantial implications and consequences of this change in policy. In short, this provision spends over \$1 billion in taxpayer funds—covered by cuts to food assistance (including SNAP Ed)—to encourage crop insurance companies to sell policies with high losses and costs. It also costs those farmers who pay more for crop insurance than they receive in indemnities (which is how insurance should work), exacerbating a growing problem for the integrity of the crop insurance program. If crops cannot survive the heat and dry conditions, large crop insurance indemnities for losses become part of the problem, costing farmers and taxpayers. Those crop insurance policies also harm other water users by further encouraging the consumption of the increasingly limited groundwater in the Ogallala Aquifer for crops that can’t survive. As such, this obscure provision in the Reconciliation Farm Bill is among the top five most problematic changes to farm policy and problematic is probably an understatement.

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