



UNDERSTANDING PREMIUM SUBSIDIES

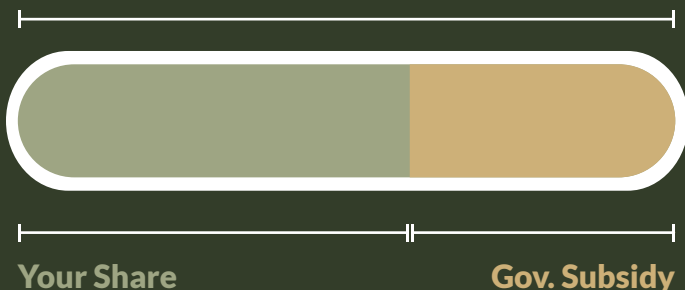
Crop insurance premiums can be expensive. To offset this, the federal government pays part of the cost for most producers. This government share is called a premium subsidy. Understanding how premium subsidies work can help you get the most value from your policy. Adequate capital access has long been an issue in Indian Country; the added layer of protection crop insurance provides is crucial.

What is a Subsidy?

A subsidy is the portion of your premium that the government pays on your behalf. You are only responsible for the remaining balance.

This keeps coverage affordable and encourages more producers to participate, which in turn helps stabilize the program.

Your Premium



Subsidy Amounts Vary

The subsidy percentage you receive depends on the type of policy and the coverage level you choose. In general, lower coverage levels come with a higher subsidy percentage, and higher coverage levels come with a lower one.

For many common policies, subsidy rates can range from around 38% at the highest coverage levels up to 80% at lower coverage levels. Some additional coverage options, like the Supplemental Coverage Option, currently carry an 80% subsidy rate.

Because these percentages vary by crop, policy, and unit structure, ask your agent to show you the exact subsidy for the coverage level you're considering, or use the USDA Risk Management Agency (RMA) online Cost Estimator tool.

Extra Help for Beginning Farmers

If you're a beginning farmer or rancher (an individual or entity who has operated or managed a farm or ranch for fewer than 10 years), you may qualify for an additional subsidy on top of the standard rate.

This extra help phases down over your first several years of farming, giving you more support when you need it most.



Why It Matters



Understanding your subsidy helps you compare policies and coverage levels more accurately.

It is worth noting that the RMA sets the price for premiums across the nation and Approved Insurance Providers (AIPs) cannot offer “a better deal” for the exact same coverage.

Key Takeaways

1



A premium subsidy is the share of your premium cost the government pays.

2



Lower coverage levels generally receive a higher subsidy percentage.

3



Beginning farmers can qualify for extra subsidy support in their early years.

4



Ask your agent for your exact subsidy amount before choosing a coverage level.



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www.NativeAgFinance.org
info@NativeAgFinance.org

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