



August 9, 2017

**United States
Department of
Agriculture**

Federal Crop
Insurance
Corporation

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Washington, DC
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TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Heather Manzano */signed/*
Acting Manager

SUBJECT: Manager's Report
Exhibit No. 4419

This is the Manager's Report to the Federal Crop Insurance Corporation (FCIC) Board of Directors meeting on August 9, 2017.

Research, Contracts, Studies, and Workgroups

Garlic: The Risk Management Agency (RMA) contracted with Watts and Associates, Inc., to conduct a study to gather data and assess the feasibility of the development of an insurance program for garlic in major production areas. The contractor submitted its deliverable under the contract. The report includes a summary of listening sessions conducted throughout production regions to gather stakeholder input, a description of markets for garlic, an assessment of data available for the development of premium rates and price elections, and an analysis of quantification of insurable risks. The report indicated several concerns which would hinder the development of a garlic program including questions of insurable interest due to contracts between the growers and processors, as well as a lack of availability of price data. RMA has determined it is not feasible to move forward with development.

Program Changes

Practical to Replant: RMA published a Final Rule in the Federal Register on June 27, 2017, which revised provisions regarding replanting and double cropping in the Common Crop Insurance Policy Basic Provisions. The changes are effective for the 2018 and succeeding crop years for all crops with a 2018 contract change date on or after June 30, 2017, and for the 2019 and succeeding crop years for all crops with a 2018 contract change date prior to June 30, 2017. In the Final Rule RMA revised the definition of "practical to replant" and "replanted crop," in the Common Crop Insurance Policy Basic Provisions. Technical corrections and changes for clarity were also made regarding double crop acreage.

Cotton Quality Adjustment: RMA has been working closely with the National Cotton Council (NCC) regarding improvements to the quality adjustment provisions in the current Cotton Crop Provisions. Cotton growers, particularly in the Southeast, have experienced devastating losses due to extreme wet weather and their crop insurance coverage did not compensate them in ways they were expecting; mainly due to the current quality

adjustment provisions. To alleviate their concerns, RMA is working with the NCC and their members to implement a Special Provisions statement and applicable loss adjustment procedures effective for the 2018 crop year that alters the quality adjustment provisions in the Cotton Crop Provisions.

Triticale: The FCIC Board approved a privately submitted program for Triticale at the February 2017 meeting. Triticale is insurable under the actual production history plan of insurance. Only triticale grown for grain is insurable. Insurance for triticale is available in select counties in California, Idaho, Kansas, Oklahoma, Oregon, Texas, and Washington. To be insurable, triticale is not required to be under contract. If the crop is contracted, the insured has an option of providing a copy of all contracts by the acreage reporting date and using the contract price stated in the contract as the price election (or the weighted average price election, as applicable). Triticale was released to the public in June of 2017.

Sugarcane: The Board approved the Sugarcane Crop Replacement Endorsement (CRE) for implementation for the 2018 crop year. The Sugarcane CRE provides a replacement payment for plant and first year stubble cane when damaged by insured causes of loss that must be replaced before the end of its useful life. The Sugarcane CRE will be available in Louisiana only. The Sugarcane CRE was released to the public in June of 2017 along with modifications and improvements to the Sugarcane Crop Provisions.

Malt Barley: The Board approved modifications to the Malt Barley Endorsement for the 2018 crop year. Modifications include adding provisions to address situations where an insured may have contracts for both organic and conventional malting barley; extending the time allowed to grade samples of harvested production eligible for quality adjustment from 90 days after the end of the insurance period until no later than the spring sales closing date of the calendar year immediately following the calendar year in which the insured malting barley is normally harvested; and adding “insurable” before “planted acres” in multiple locations to clarify that calculations that include planted acres do not include uninsurable acres. These modifications were released to the public in June of 2017.

Apiculture Expansion: The Board approved expansion of the Apiculture program to 19 additional states beginning with the 2018 crop year. The Apiculture program is now available in all of the 48 contiguous states and provides protection for producers’ honey, pollen collection, wax, and breeding stock. The Apiculture program was modified to remove the satellite-based Vegetation Index which was used in some states, replacing it with the precipitation-based Rainfall Index. These modifications were released to the public in July of 2017.

Outreach

Organic Monitoring Program: A cross functional RMA team participated in an assessment of organic crops in Colorado, Jackson, Matagorda, and Wharton counties in Texas. The assessment included data mining and field visits with producers that have a history of planting organic crops and have had losses within the last 3 years. This effort resulted from several Congressional complaints, Office of the Inspector General Hotline referrals, and Farm Service Agency (FSA) Texas State Office referrals and was intended to determine if actual vulnerabilities exist. On a related note, a recent article was

published in the Farm Journal titled, Organic Crop Insurance Abuse Hides in Plain Sight indicating that organic crop insurance abuse is an open secret in Texas. As a follow-up, RMA met with industry representatives to discuss the matter.

Risk Management Education Partnerships: On July 10, 2017, the \$8.85 million funding opportunity for the Crop Insurance in Targeted States Program and the Risk Management Education Partnerships Program closed. RMA received 140 applications totaling \$15.7 million. These applications will be reviewed by a diverse panel of subject matter experts and recommendations will be presented to the Acting Administrator for final determination. Last year, RMA received 129 applications totaling \$14.1 million. RMA currently plans to award \$4.85 million for the Crop Insurance in Targeted States Program, and approximately \$4 million for the Risk Management Education Partnerships Program. Successful and unsuccessful applicants will be notified the week of August 28, 2017.

Emergency Drought Meeting – North Dakota: The current U.S. Drought Monitor has virtually the entire southwest corner of North Dakota listed as D3 (Extreme Drought Area). On July 6, 2017, RMA Billings Regional Office (RO) leadership attended an Emergency Drought Meeting hosted by Senator Heidi Heitkamp in Bowman, North Dakota. RMA representatives, along with FSA, the North Dakota Department of Agriculture and North Dakota State University Extension, discussed available resources for farmers and ranchers in the affected area. The Billings RO staff presented on loss adjustment and appraisal procedures for immature crops affected by the drought and provided viable options - hay, graze, plant cover crops, etc., providing the acreage is appraised and released by the Approved Insurance Provider (AIP). The Regional Office also presented on the Pasture, Rangeland and Forage Rainfall Index plan of insurance.

Apple Industry Meetings: RMA hosted three apple meetings in the Raleigh, Springfield, and Spokane regions in June and July. RMA personnel participated in orchard and processing facility tours and met with apple grower groups and others to discuss potential enhancements and program changes.

Press

Triticale: On July 5, RMA's Spokane RO participated in a media interview with Trista Grossley, Editor of Washington Association of Wheat Growers' (WAWG) Wheat Life magazine. The interview focused on the recent RMA release of the Triticale pilot crop policy and production reporting for uninsured third party damage.

On July 17, 2017, RMA published a press release titled: New Insurance Plan for Triticale Now Available in Idaho, Oregon, and Washington. The press release announced the new Triticale policy and provides the specific counties where the policy is available in Idaho, Oregon, and Washington states for the 2018 crop year.

Compliance

RMA Compliance has issued final findings to reinsured companies for the period of May 9, 2017, through July 11, 2017:

- Premium overstatements of \$326,474;
- Indemnity overpayments of \$1,246,783;
- Premium understatements of \$228,269; and
- Indemnity underpayments of \$2,176,984.

Improper Payments Elimination and Recovery Improvement Act (IPERIA):

Compliance specialists traveled to all six Regional Compliance Offices and conducted IPERIA training. AIP and producer documents have been submitted and the case policy reviews have begun. The review process will continue through December 4, 2017, which is the deadline to have all Initial Findings issued to the AIPs.

AIP Performance Reviews (APR): Compliance completed its review of three AIPs and issued final reports. RMA selected the six AIPs that will be reviewed beginning in 2018, and will notify them of the review in the early Fall.

