



**United States
Department of
Agriculture**

**Risk
Management
Agency**

**Federal Crop Insurance:
A Program Update
RMA Administrator William J. Murphy**

**CIRB 2011 Annual Meeting
Indian Springs, CA
February 4, 2011**





2010 National Business Summary

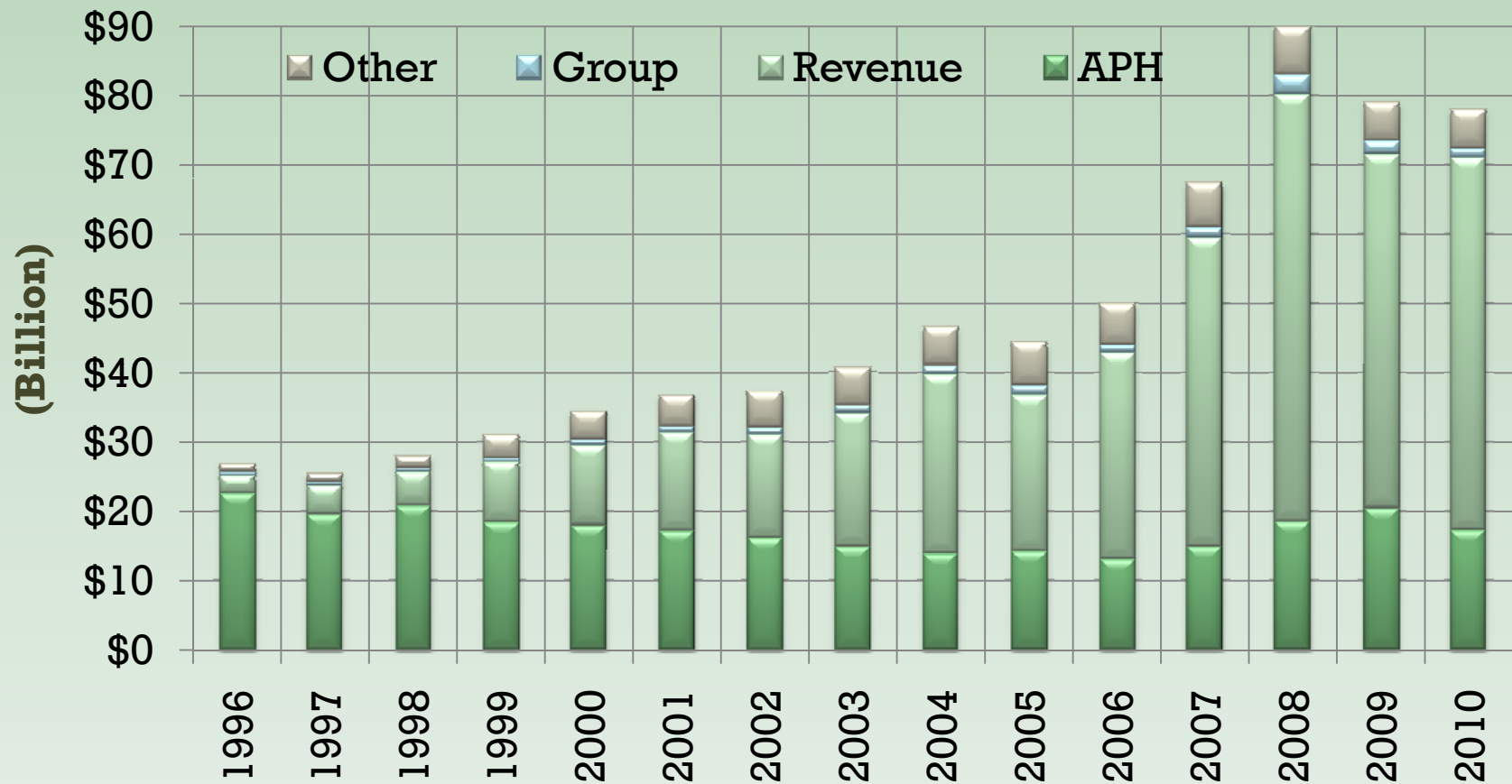
Federal Crop Insurance Program

Liability	\$78 Billion
Acres Insured	256 Million
Total Premium	\$7.6 Billion
Indemnity (Claims Paid So Far)	\$3.6 Billion
Loss Ratio CY 2009	.47



Program Growth: Liability by Insurance Plan

Liability by Plan Type



As of 1-28-11

*William J. Murphy, Administrator
Risk Management Agency*

Program Growth: Liability by Plan Type (billion dollars)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
APH	22.56	19.54	20.78	18.42	17.94	17.15	16.13	14.90	13.86	14.17	12.99	14.86	18.55	20.45	17.19
Revenue	2.58	4.19	4.86	8.66	11.53	14.22	14.87	19.18	25.85	22.65	29.82	44.53	61.59	51.01	53.80
Group	0.52	0.41	0.55	0.52	0.82	0.81	0.99	1.14	1.27	1.35	1.05	1.47	2.80	1.92	1.29
Other	1.21	1.31	1.74	3.34	4.16	4.55	5.30	5.40	5.64	6.11	6.03	6.48	6.96	5.59	5.65



Program Growth: Participation By Crop

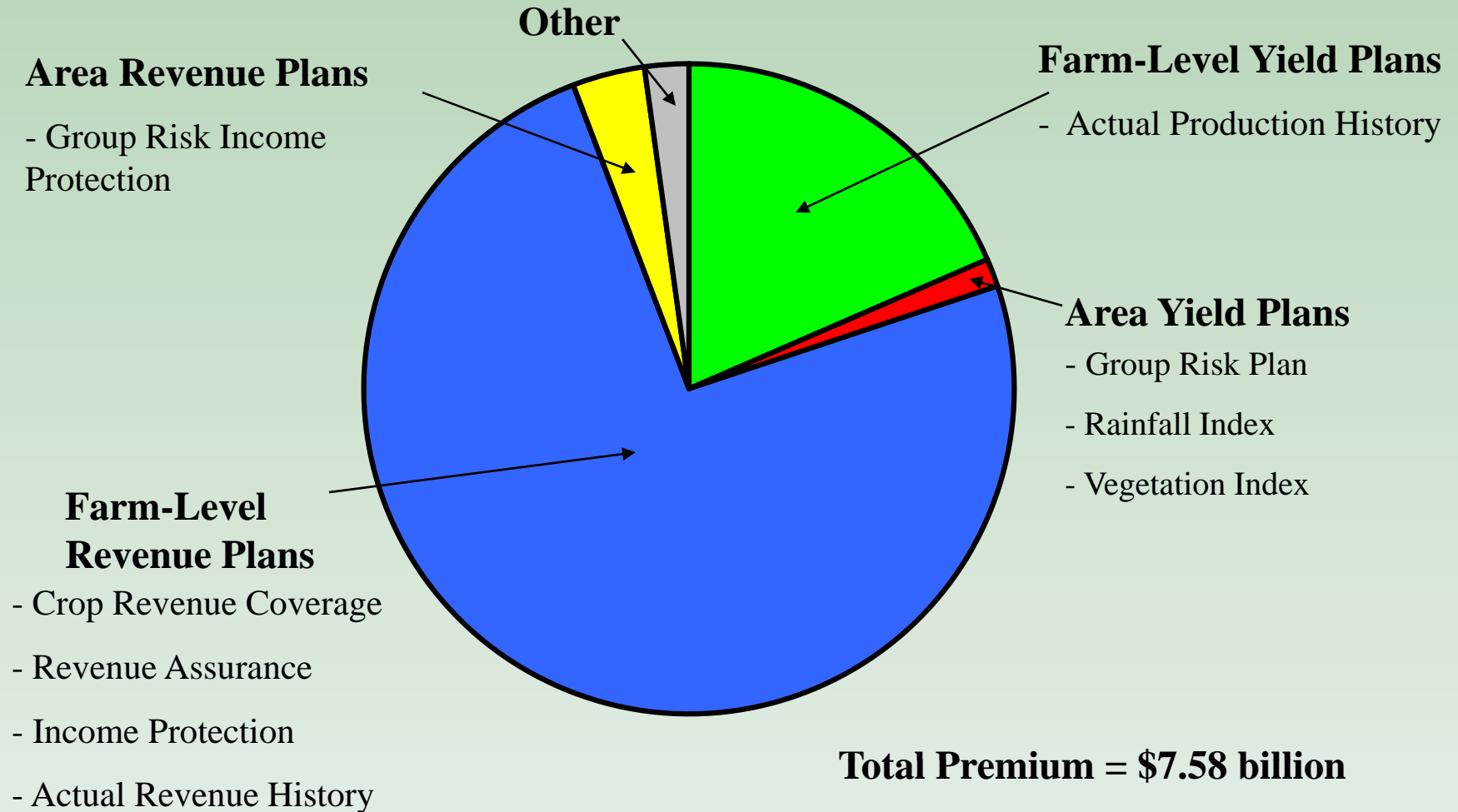
2010 Crop Ranking by Value

(as of Jan. 11, 2011)

Crop	Crop Liability (\$ Mil.)	Percent of Total
Corn	\$31,661	40.6%
Soybeans	\$17,957	23%
Wheat	\$6,416	8.2%
Cotton	\$2,852	3.7%
Nursery (FG&C)	\$2,795	3.6%
Citrus	\$2,124	2.7%
Rice	\$1,221	1.6%
Potatoes	\$959	1.2%
All Others	\$11,947	15.3%
Total	\$77,932	100.0%

2010 Premium by Insurance Plan

(as of January 2011)





Program Update

- Continuing to improve the Federal crop insurance program is a priority for Secretary Vilsack and the Obama Administration
- Under this leadership, 2010 proved to be a successful year for RMA



Program Update: Agency Accomplishments

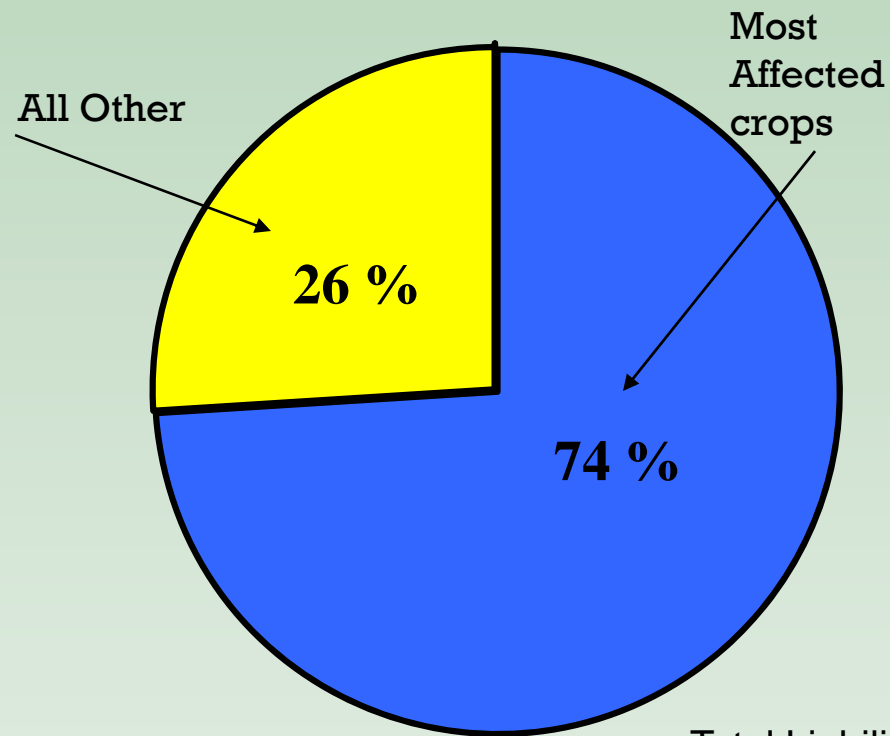
Some agency accomplishments in the past year:

- Proposed Rule: Good Performance Refund (GPR)
- SRA
- LGM-Dairy
- Expanded PRF
- Partnership & Cooperative Agreements
- Louisiana Sweet Potato Program approved
- Soybean coverage expands in NY
- Canola expansion in OK/WA
- Cottonseed endorsement
- COMBO Rule
- Organics



Program Update: COMBO Rule

Distribution of 2010 Liability Most Affected by Combo

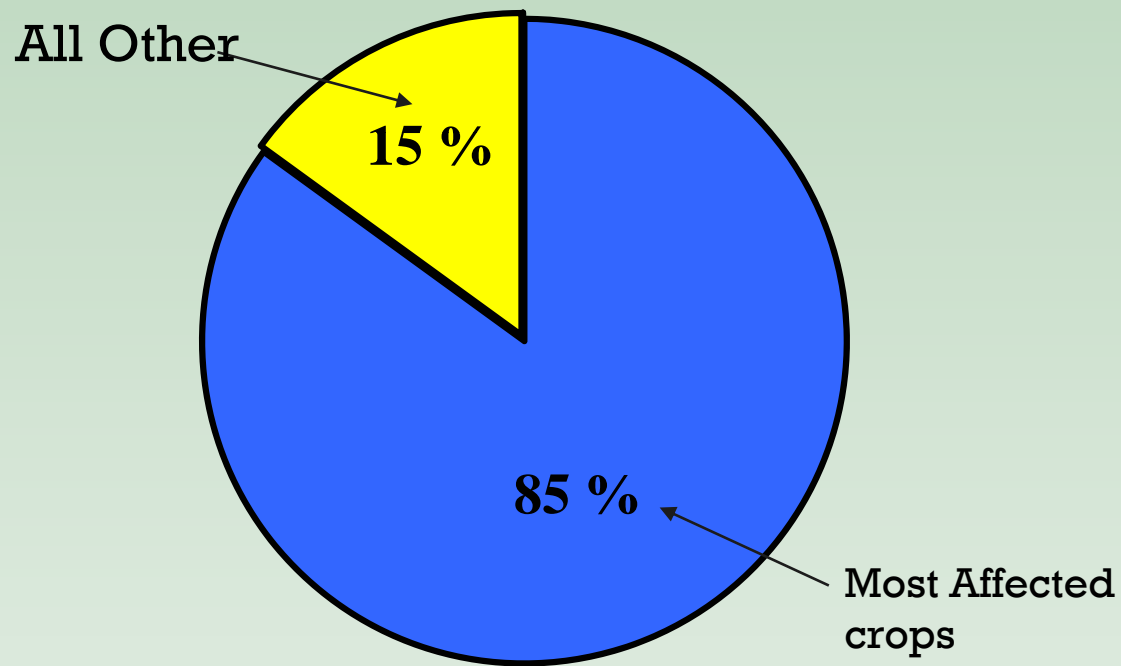


Total Liability = \$77.9 billion
Most Affected crops = \$57.6 billion



Program Update: COMBO Rule

Distribution of 2010 Policies Most Affected by Combo



Total Policies = 1.14 million
Most Affected crops = 971,862

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Program Update: COMBO Rule

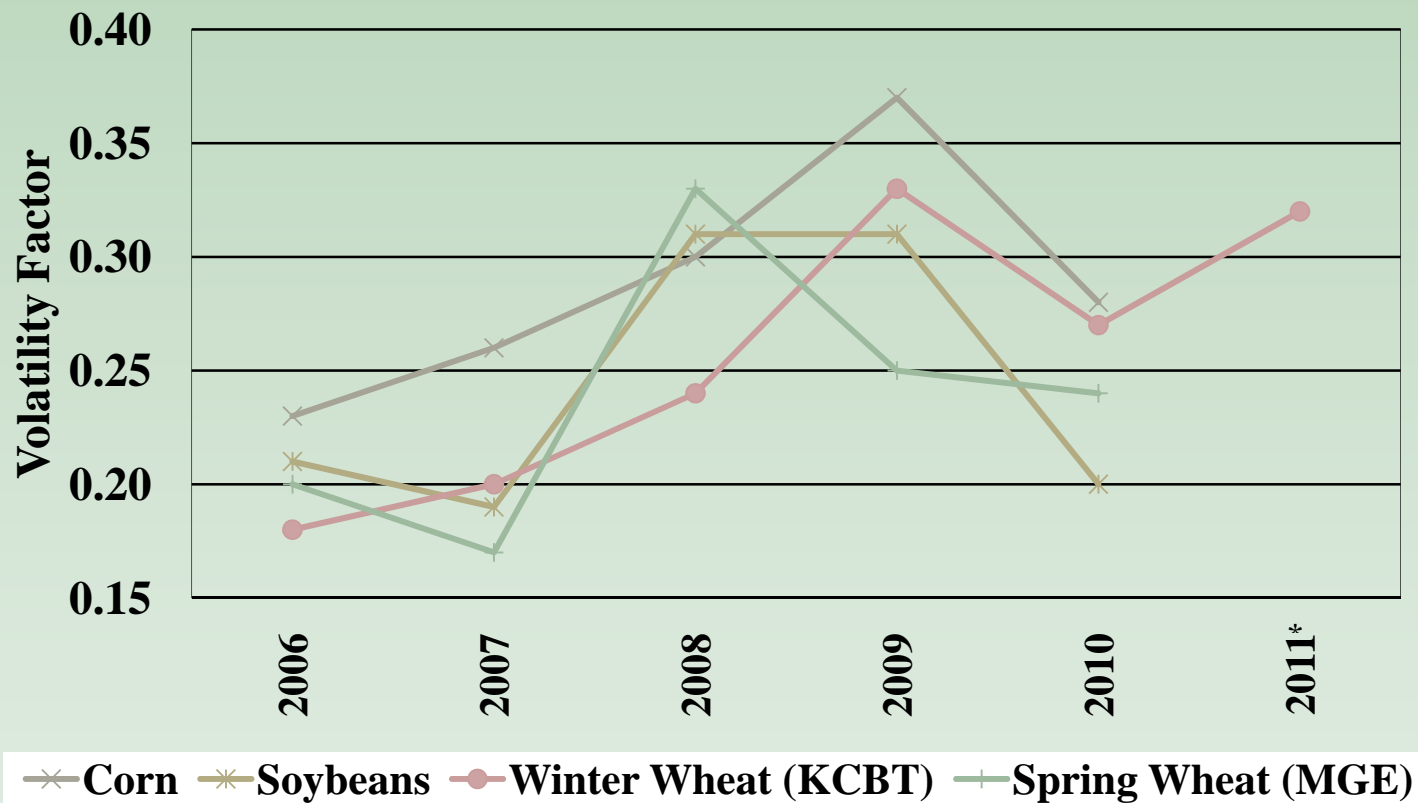
COMBO – Plans of Insurance

- **Yield Protection:** effectively APH for crops with commodity exchange
- **Revenue Protection:** Guarantee based on higher of projected or harvest price (similar to CRC or RA with Harvest Price Option)
- **Revenue Protection with Harvest Price Exclusion:** Guarantee based on projected price only (similar to RA without Harvest Price Option)



Program Update: COMBO Rule

Volatility Factors 2006 to 2011*

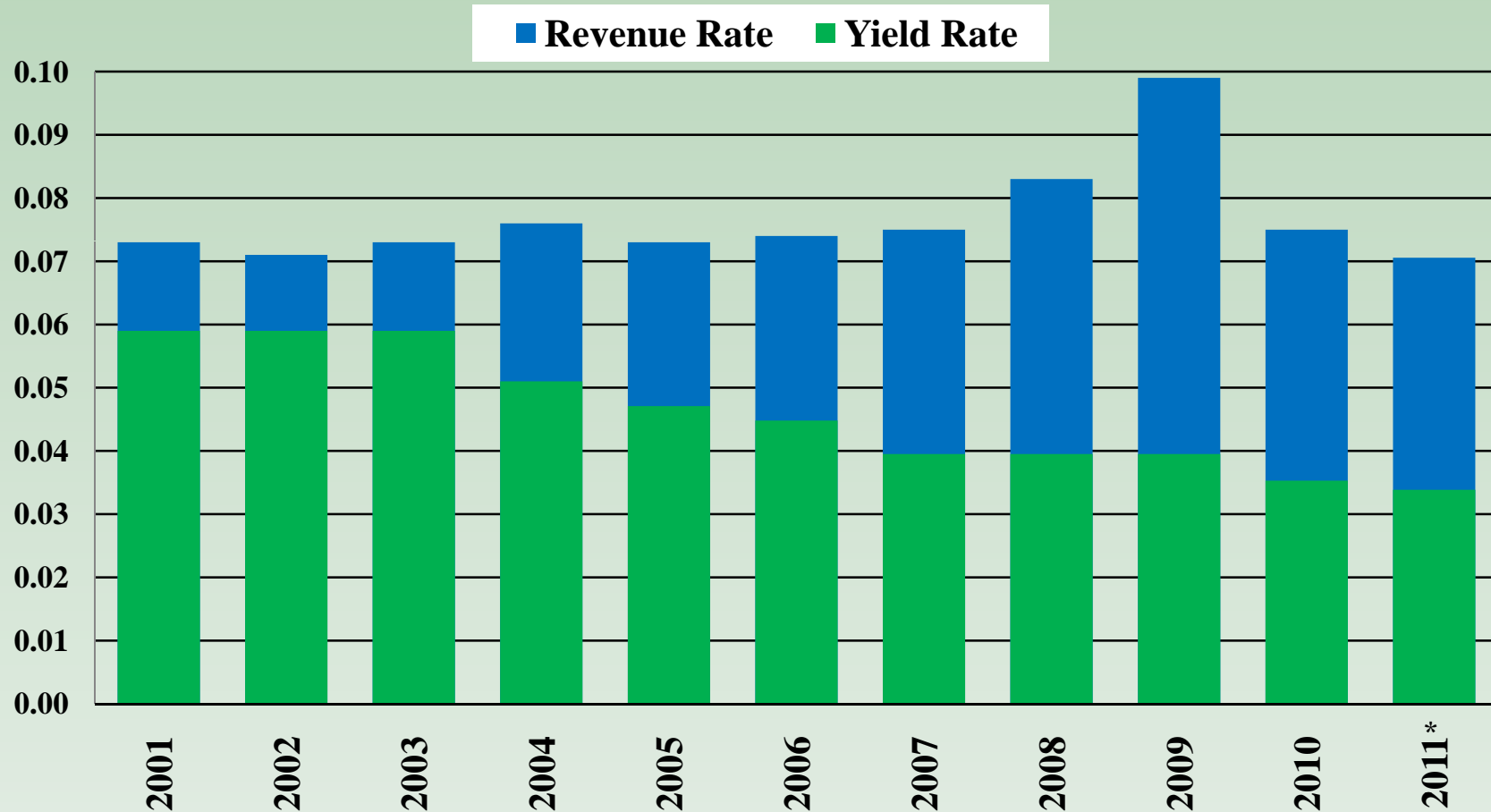


* 2011 spring-crop factors not available until March 2011

Program Update: Combo Rule, Volatility Factors

	Corn	Soybeans	Winter Wheat (KCBT)	Spring Wheat (MGE)
2006	0.23	0.21	0.18	0.20
2007	0.26	0.19	0.20	0.17
2008	0.30	0.31	0.24	0.33
2009	0.37	0.31	0.33	0.25
2010	0.28	0.20	0.27	0.24
2011			0.32	

Corn Premium Rates for RA Kossuth County, Iowa



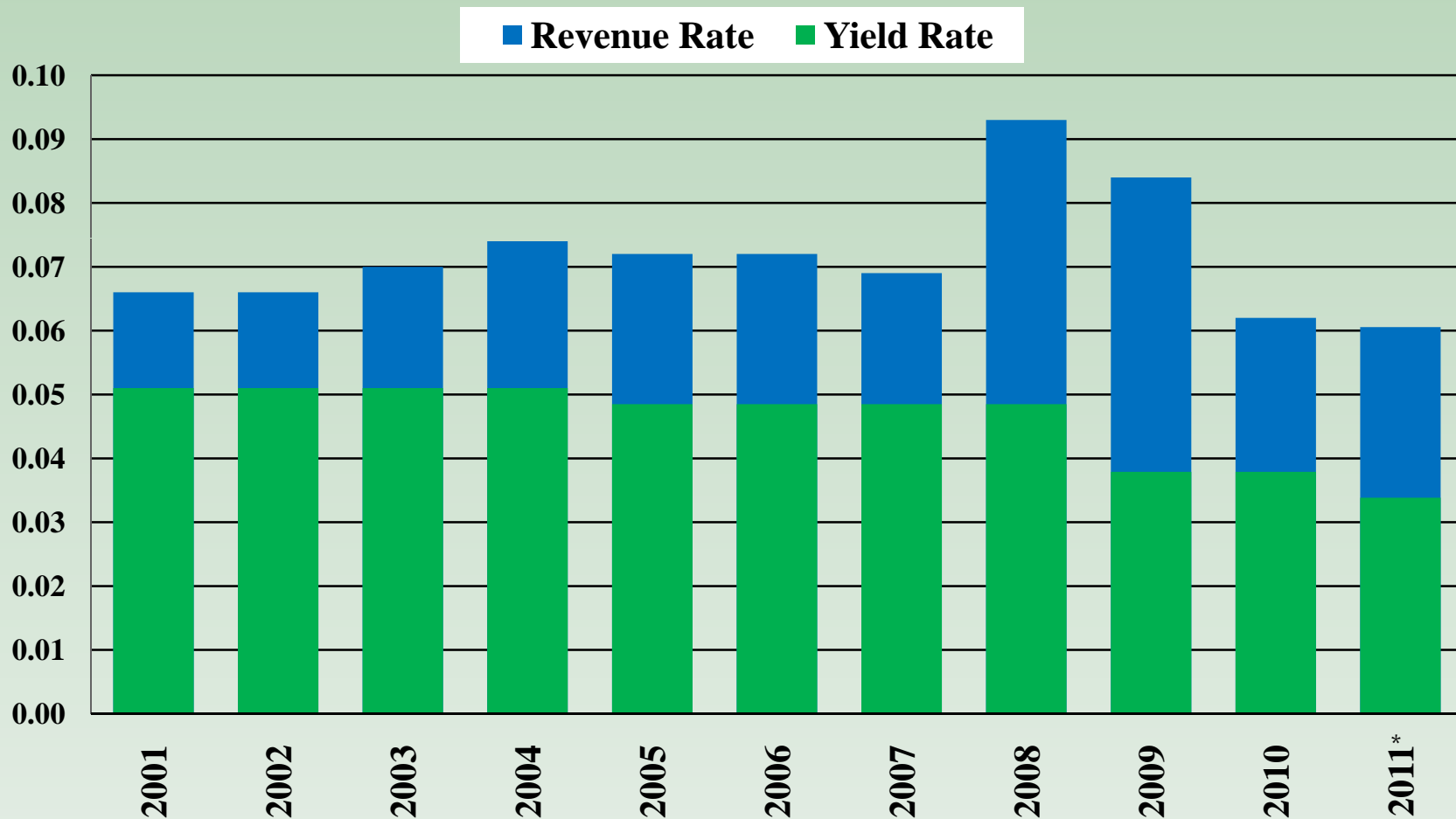
For 2001-2010, RA rates calculated with HPO, 75% coverage level, optional units, yield ratio = 1

* For 2011, Combo Revenue Protection rate calculated using 2010 projected price and volatility factor, 75% coverage level, optional units, yield ratio = 1

**Corn Premium Rates for RA
Kossuth County, Iowa**

Year	Revenue Rate	Yield Rate
2001	0.073	0.059
2002	0.071	0.059
2003	0.073	0.059
2004	0.076	0.051
2005	0.073	0.0471
2006	0.074	0.0448
2007	0.075	0.0395
2008	0.083	0.0395
2009	0.099	0.0395
2010	0.075	0.0353
2011	0.07055	0.03384

Soybean Premium Rates for RA Livingston County, Illinois



For 2001-2010, RA rates calculated with HPO, 75% coverage level, optional units, yield ratio = 1

* For 2011, Combo Revenue Protection rate calculated using 2010 projected price and volatility factor, 75% coverage level, optional units, yield ratio = 1

**Soybean Premium Rates for RA
Livingston County, Illinois**

Year	Revenue Rate	Yield Rate
2001	0.066	0.051
2002	0.066	0.051
2003	0.07	0.051
2004	0.074	0.051
2005	0.072	0.0485
2006	0.072	0.0485
2007	0.069	0.0485
2008	0.093	0.0485
2009	0.084	0.0379
2010	0.062	0.0379
2011	0.06055	0.03384

Organics – changes for 2011

- Organics – Review Rating and Pricing
 - Contracted studies posted on August 30, 2010
 - If certified organics, must use Organic Price
 - Organic prices implemented for
 - Corn/Cotton/Soybeans
 - Processing Tomatoes
 - Rating surcharge eliminated
 - Figs/Macadamia Tree/Pears/Prunes/TX Citrus
 - Tree/TX Citrus Fruit
 - Fl Citrus Fruit/FL Fruit Tree/Nursery/Peppers

Precision Farming: Changes for 2011

- Crop Insurance Handbook allows yield monitor data as acceptable production report
 - Allows for separation of production from non-irrigated corners of a center pivot
- Loss Adjustment Manual – taking steps to allow yield monitor data to be acceptable for claims purposes
- Continue to engage technology
 - Common interfaces
 - ‘USDA’ application (one report)
 - Appropriate standards, procedures, etc.



Program Update

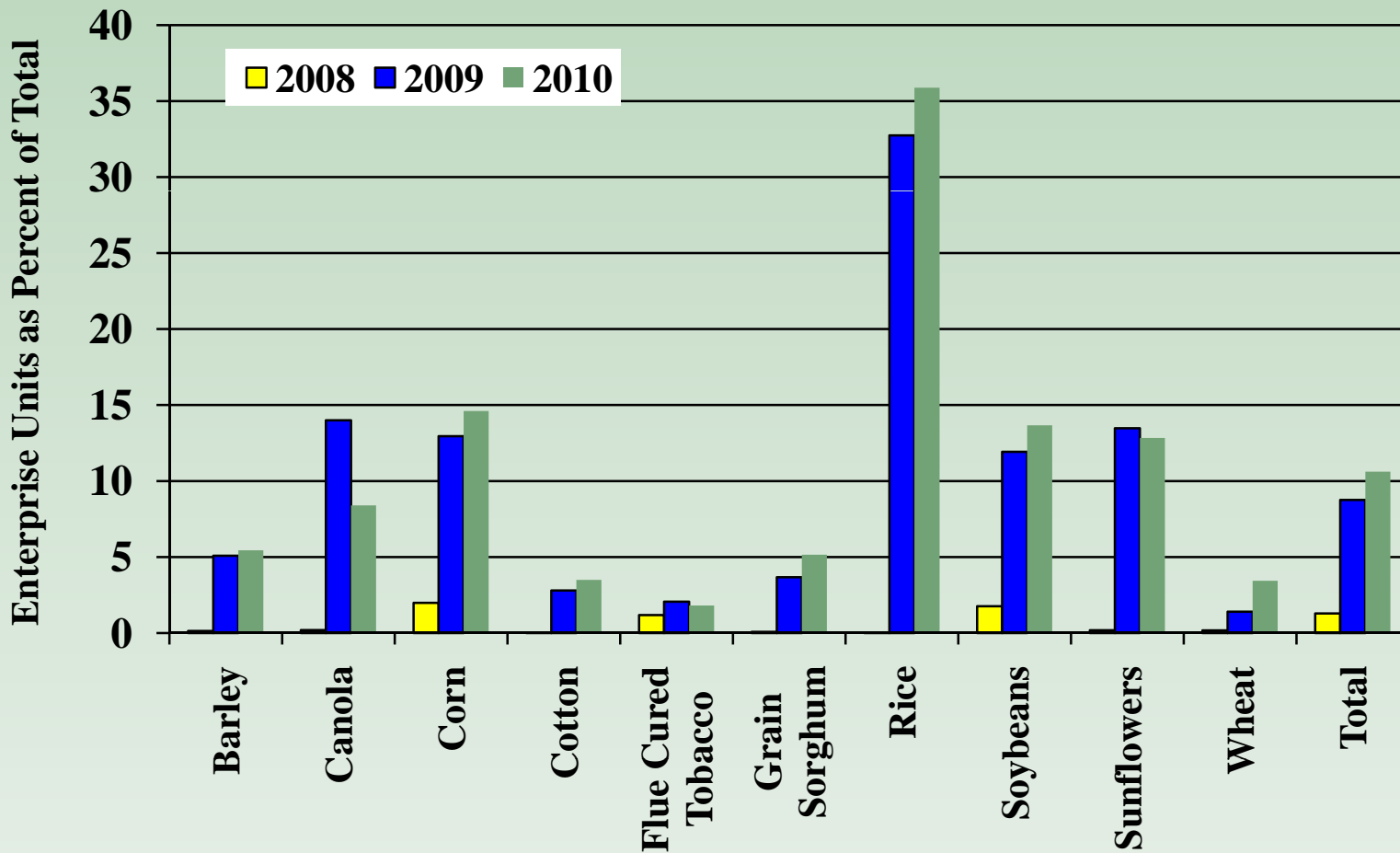
Whole Farm & Enterprise Unit Pilot Program

- Authorized by 08 Farm Bill
- Gives farmers same dollar subsidy as for basic and optional units, resulting in subsidy increases of more than a third for most coverage levels
- Resulted in significant increases in enterprise units from 2008 to 2009
- No increase in whole farm units



Program Update

Increase in Enterprise Units: 2008-2010



*William J. Murphy, Administrator
Risk Management Agency*

Increase in Enterprise Units, as Percentage of Total

	2008	2009	2010
Barley	0.14	5.09	5.44
Canola	0.19	14.0	8.40
Corn	1.99	12.95	14.60
Cotton	0.04	2.80	3.50
Flue-cured tobacco	1.18	2.06	1.82
Grain sorghum	0.07	3.67	5.16
Rice	0.04	32.74	35.88
Soybeans	1.76	11.92	13.66
Sunflowers	0.18	13.48	12.84
Wheat	0.17	1.40	3.44
Total	1.28	8.76	10.62



Program Update

Percent of Liability by Type of Unit for 2010*

Crop	Enterprise	Basic	Optional
BARLEY	18%	21%	61%
CANOLA	23%	13%	64%
CORN	70%	19%	11%
COTTON	27%	23%	50%
FLUE CURED TOBACCO	52%	15%	34%
GRAIN SORGHUM	28%	35%	38%
RICE	41%	19%	40%
SOYBEANS	49%	16%	35%
SUNFLOWERS	22%	31%	47%
WHEAT	10%	63%	26%
Total	45%	17%	38%

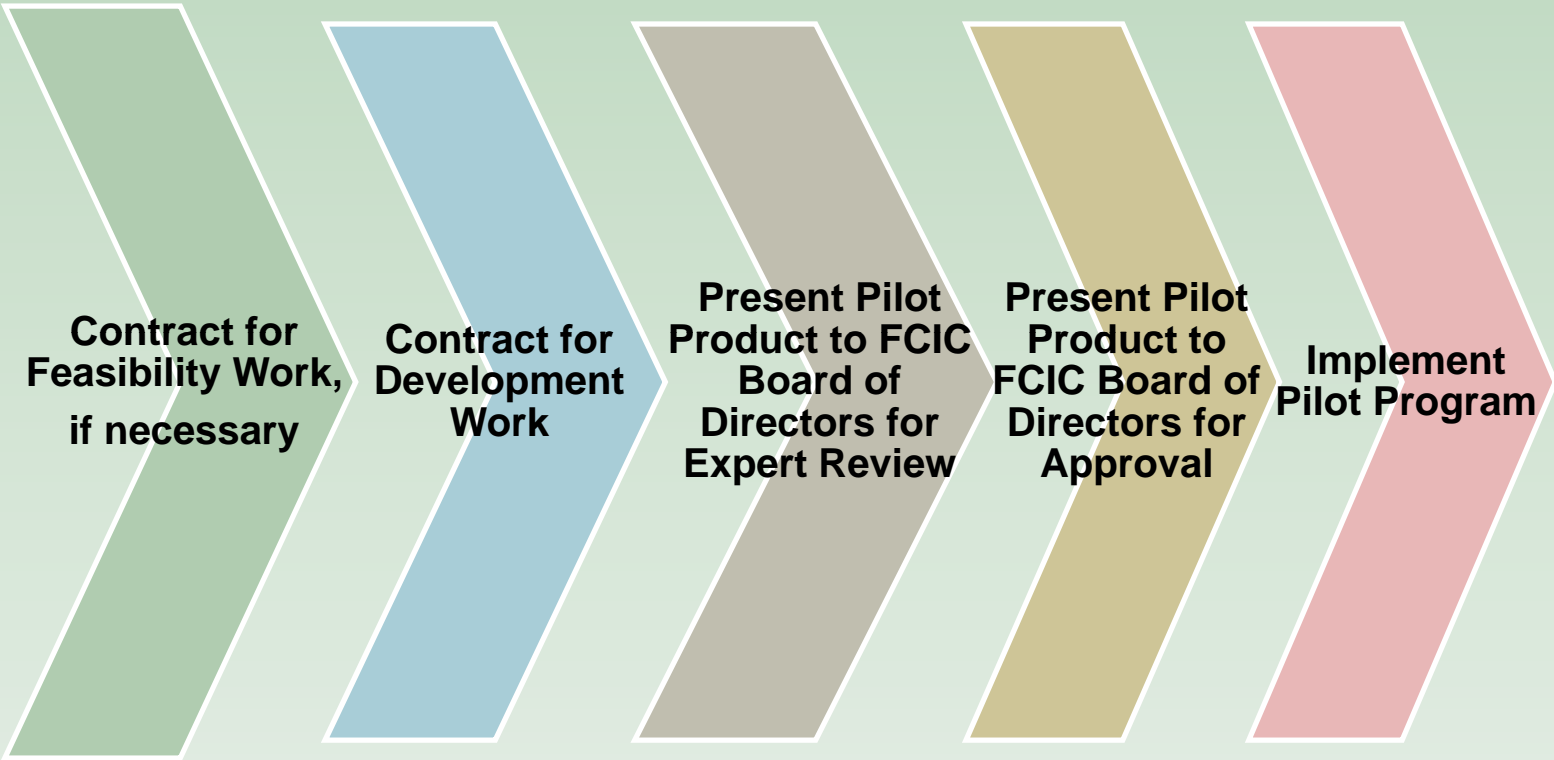
*as of January 2011



New Product Development

RMA Internal Development Process

Average Total Timeframe to Develop Pilot Program – 3 years



1 year

1 year

3 months

3 -6 months

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3 months



New Product Development

New Product Development: 08 Farm bill Introduces Concept Proposals

- Allows advanced payment for new crop insurance ideas
- Proposal eventually submitted as a 508(h)
- Proposals are confidential until final product is approved by the FCIC Board of Directors
- Numerous Concept Proposals already received



New Product Development

Concept Proposals

- 20 Concept Proposals submitted to FCIC Board
- 12 Approved for expert review
- 9 Funded
- 4 Resubmitted as 508(h)



New Product Development

RMA's Pilot Programs

- Twenty-One Pilot Programs Operating
- Two Approved for Conversion to Regulatory
 - Forage Seed
 - Processing Chili Peppers
- Three Pilots Approved for Crop Year 11/12
 - Sesame – Implemented 11/30
 - TX/OK
 - ARH Strawberry – Implementing by 4/30
 - CA
 - APH Grass Seed – Implemented 6/30



New Product Development

RMA's Pilot Programs

Program Evaluations initiated for:

- Florida Fruit Tree
 - Underway
- Cultivated Clam
 - Underway
- Nursery and Nursery Price Endorsement
 - Soliciting



New Product Development

Private 508(h) Programs

- Fifteen 508(h) Programs Operating
- Three 508(h) products implemented CY11
 - Cottonseed Price Endorsement
 - Fresh Market Beans
 - Louisiana Sweet Potato



New Product Development

Product Development Priorities FY 2010

- Sugar Beets
- Pistachio Nuts Pilot Program Development
 - Target is FCIC Board of Director's initial review in May, 2011



New Product Development

Farm Bill 2008 Research and Development Projects

- Apiculture Honeybees
- Poultry
- Skip Row Cropping Practices
- Aquaculture
- Dedicated Energy Crops Study

Other Projects on the Horizon

- AGR for Beginning Producers – Feasibility Report
- Study on Efficacy of Pack Factors
 - Development of software aid
 - New factors for Wheat, Corn, Sorghum, Soybean, Oats and Barley
 - Final pack factors and software scheduled for release late 2013

PTY ND Pilot

- Board approved North Dakota PTY (ND-PTY) Pilot Program for the 2007 through 2011 crop year
- ND-PTY allows use of the producer's APH to establish a proxy yield for units with less than 4 years of actual history rather than the published county T-Yield

PTY ND Pilot

- Elected on a crop/policy basis
- Additional coverage policies only
 - Excludes CAT policies
- Separate PTY required for each practice, type, variety or T-Yield map area (otherwise county T-Yield)

PTY ND Pilot

- PTY is used in place of RMA's T-Yield (County Actuarial Documents)
- PTY is a T-Yield calculated using the producer's own actual yields.
 - Must have at least one actual yield
- Consistent with all other standard APH procedures



Program Update

PTY ND Pilot

- Pilot Program Evaluation Underway
- Report under RMA Review
- FCIC Board of Directors will consider status of pilot



Ongoing Efforts

- Data Mining
- Prevented Planting in Pothole states
- SRA Implementation



Data Mining

- Efforts of past 6 years yield extraordinary results
- CBO: “Over 1.6 billion in cost avoidance since inception”
- Application of satellite imaging and remote Doppler radar cited in profession and legal studies and cases
- Company participation



Ongoing Efforts: Prevented Planting in Prairie Pothole Region

Prevented Planting in the Prairie Pothole Region

- RMA is working to address situations where producers receive prevented planting payments for several years in a row on the same acreage
- Almost all cases were in the Prairie Pothole Region (MT, ND, SD, MN, and IA)
- Billings and St. Paul Regional Offices have held 4 listening sessions this winter in the region
- RMA proposing a Special Provisions of Insurance (SPOI) Statement for the 2012 crop year
 - This would basically not allow acreage to be eligible for preventing planting coverage if there was PP received on that land 3 years in a row



Ongoing Efforts: Status of SRA Implementation

Status of SRA Implementation

- Few lingering questions on agent compensation
- Agents have requested discussion
- Delivery cost study
 - Obtained funding
 - Have begun developing Request for Proposal and Statement of Work



Crop Insurance Now, More Than Ever

- Unpredictable weather, heavy losses and market volatility due to high crop prices make risk management critical for producers.
- We will do our part to make sure that Federal crop insurance is a win-win-win-win program for producers, companies and their agents, consumers, and American taxpayers.

Thank You

William J. Murphy
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Risk Management Agency