



**United States
Department of
Agriculture**

**Risk
Management
Agency**

**Federal Crop Insurance:
A Program Update
Administrator Bill Murphy**

Minnesota Crop Insurance Conference

Mankato, MN

September 14, 2011



Business Summary



	CY 2010	CY 2011
Liability	\$78 Billion	\$108.3 Billion
Acres Insured	256 Million	254 Million
Total Premium	\$7.6 Billion	\$11.4 Billion
Indemnity Claims Paid So Far	\$4.2 Billion	\$2 Billion
Loss Ratio	.56	.17

National Crop Ranking



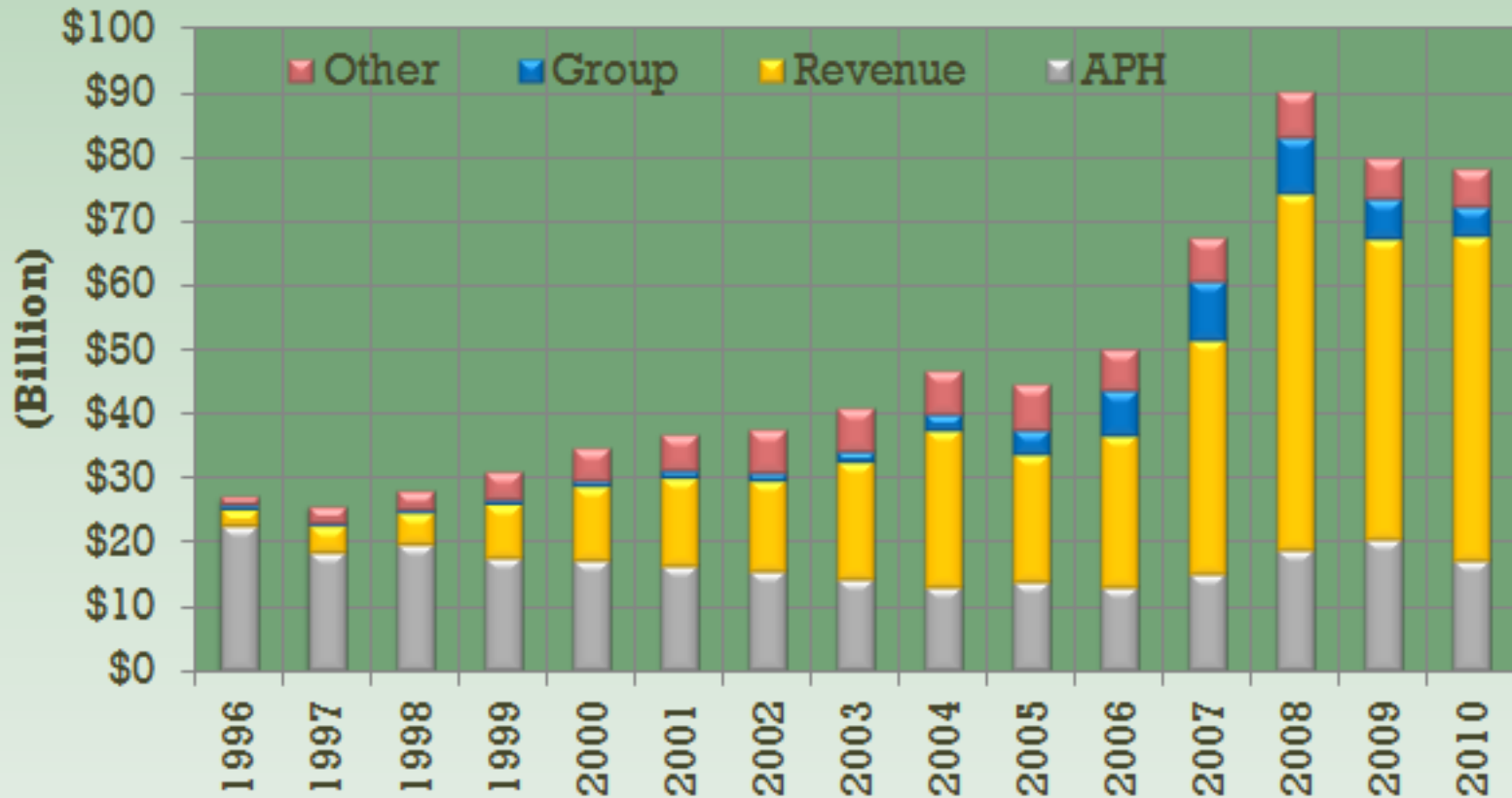
2010 Crop Ranking by Value

<u>Crop</u>	<u>Crop Liability (\$ Mil.)</u>	<u>Percent of Total</u>
Corn	\$31,673	40.6%
Soybeans	\$17,968	23%
Wheat	\$6,427	8.2%
Cotton	\$2,852	3.7%
Nursery (FG&C)	\$2,792	3.6%
Citrus	\$2,160	2.8%
Rice	\$1,226	1.6%
Potatoes	\$962	1.2%
All Others	\$12,017	15.3%
Total	\$78,077	100.0%

Program Growth

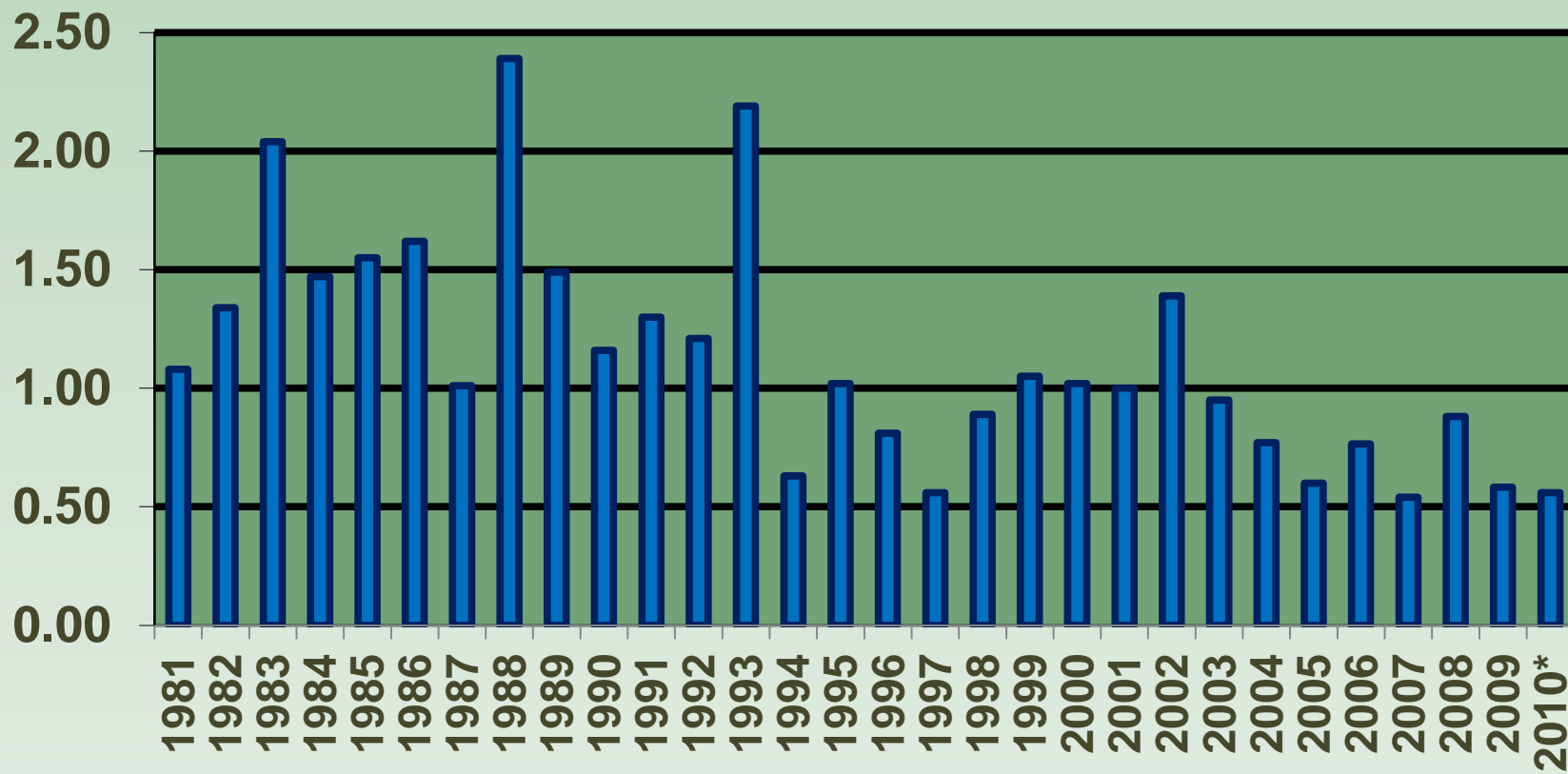


Liability by Plan Type





FCIC Loss Experience, 1981-2010





Thanks!


First things first...

Thank you for all YOU do – Your success helps USDA every day every way!



Today's Discussion

- What have we accomplished?
- Where are we today?
- What does the future hold?

- 
- 2002 Farm Bill requirement to develop a common information platform for use by USDA agencies

 - Benefits of CIMS: Establish data standards of information used for producer commodity reporting
 - ✓ Report it once
 - ✓ Increase consistency between USDA programs
 - ✓ Facilitate greater data sharing between Agencies
 - ✓ Establish data standards of info used for producer commodity reporting



- USDA has had listening sessions with producers and main feedback themes:
 - ✓ Like 1-stop reporting
 - ✓ They provide data multiple times
 - ✓ Acreage reporting is inefficient, sometimes inaccurate
- FFAS now on phase two: Acreage/Crop Reporting Streamlining Initiative (ACRSI)
- RMA wants more input for how crop insurance can be more streamlined – *Deadline Sept 19*



Rating Methodology Review

- Contracted study determined that “Loss Cost” is actuarially appropriate and consistent with practices in P&C insurance

- Recommended refinement of existing methods
 - ✓ Current T/P mix
 - ✓ Unit structure
 - ✓ Alternative weighting of years
 - ✓ Catastrophes may disproportionately affect rating
 - ❑ Less weight to infrequent events (i.e., ‘88 Midwest drought)
 - ❑ Catastrophic loads now determined at state level will be broken into smaller groupings



- RMA conducted an internal evaluation of APH program
- Fundamental basis of APH program is sound and does not require significant overhaul but
 - ✓ Does not reflect advances and capabilities in data, technology, etc.
 - ✓ Opportunity to reduce administrative burden, provide more appropriate insurance guarantees, and improve actuarial efficiency and program integrity



- APH - Producers report production annually
 - Including area-based plans
 - Production reporting tied to current year's policy, not next year's policy APH database
 - Data contained in permanent databases identified by land and by producer - used for establishing guarantees, etc.
 - Historical data would not be 'lost'
 - Yields tied to the common land unit

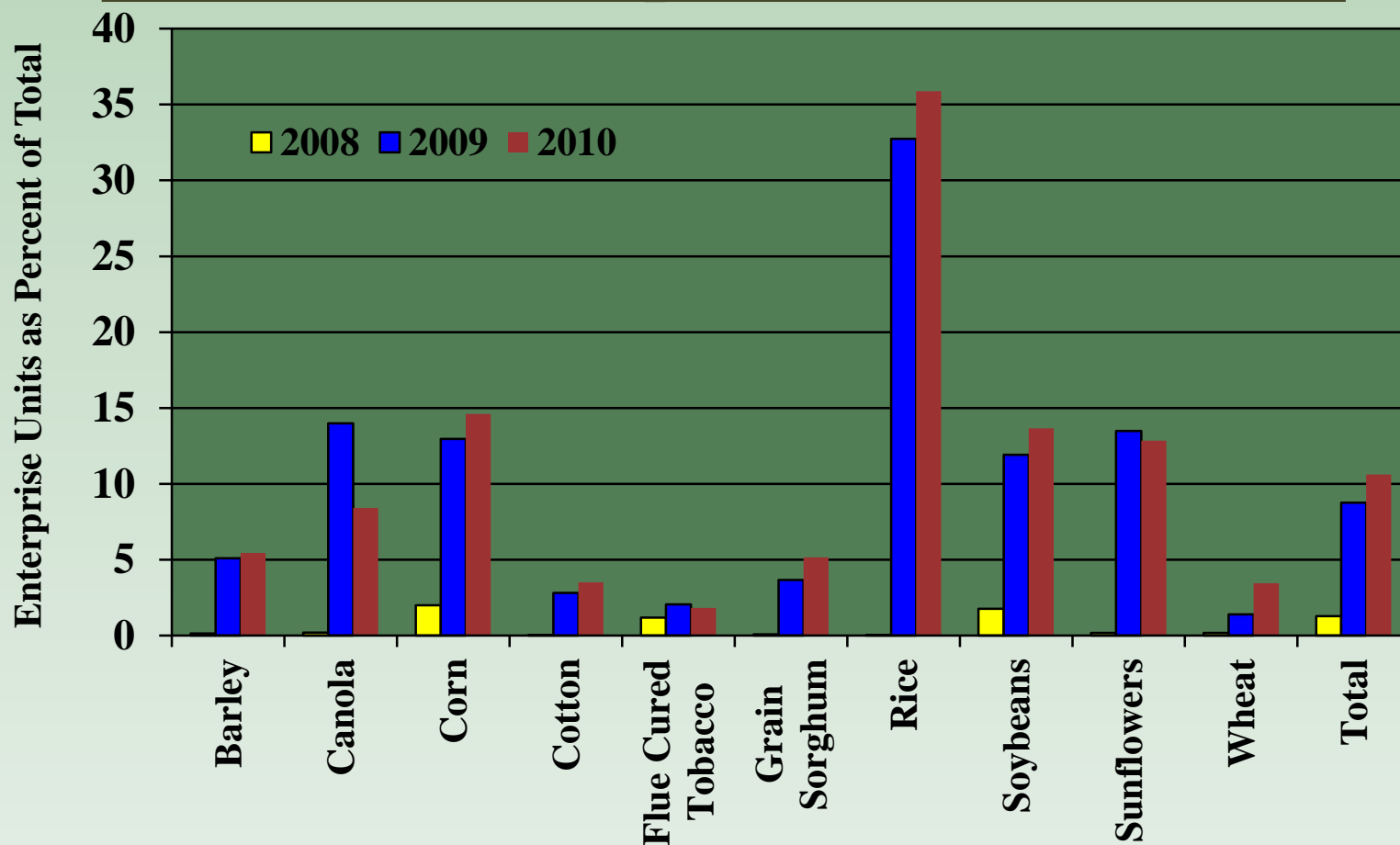


Whole Farm & Enterprise Unit Pilot

- 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 but no increase in whole farm units
- Classified as a pilot in the statute. RMA wants next Farm Bill to clarify this



Increase in Enterprise Units: 2008-2010



Additional Program Improvements



- COMBO Completed – IT systems improving
- New Area Risk Protection Insurance policy
 - Combines GRP/GRIP/GRIP-HRO - Comment Period until September 20th
 - Standardize data and data transfer for greater precision ag use



Prevented Planting in 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)
- RMA filed a Special Provisions of Insurance (SPOI) Statement for the 2012 crop year
 - ✓ The SPOI statement limits acreage eligible for preventing planting coverage to acreage that has been planted and harvested in at least one of the last 4 years



Additional Program Improvements

The Prairie Pothole Region statement also limits PP acres to:

- Acreage that has or recently had marsh vegetation (e.g., cattails, bulrushes, and pondweeds), coarse emergent plants, or submerged aquatics;
- Acreage that has any other condition, as determined by us, that would prevent the proper and timely planting of the crop when weather and other conditions are normal for the area in which the acreage is located
 - ✓ **For example**, acreage that is normally too wet to plant in the spring may be dry enough to till or plant and even insure a crop in the fall. Such acreage would not be available for planting a spring crop event though such acreage may have been tilled, planted and/or insured the previous fall



New Breaking Insurability

- In June 2011 RMA issued a Manager's Bulletin (MGR-11-006) addressing the insurability of newly broken cropland
- The Common Crop Insurance Policy Basic Provisions provide that acreage which has not been planted and harvested or insured in at least one of the three previous crop years is generally uninsurable unless:
 - ✓ The acreage was not planted to comply with another USDA program (e.g. CRP);
 - ✓ The acreage was not planted due to crop rotation (e.g. alfalfa/hay ground), and the rotation can be documented;
 - ✓ Such acreage constitutes five percent or less of the insured planted acreage in the unit; or
 - ✓ A written agreement specifically allows insurance for such acreage (these written agreements are identified as New Breaking, or NB written agreements)



New Breaking Insurability

- Over last several years RMA ROs processed thousands of New Breaking written agreement requests (primarily in the Great Plains Region)
- For CY12 RMA will allow insurance companies to approve insurability of this newly broken land directly (instead of going through the formal RMA written agreement approval process) through SPOI Statement, if certain requirements are met, such as:
 - Newly broken land has a substantiated history of crop production; soils on the land are suitable for crop production (75 percent or more NRCS Capability Class I through IV soils); land was broken timely; new breaking acreage for the operation is 160 acres or less for CY, etc.



Additional Program Improvements

New Breaking Insurability

- This New Breaking SPOI Statement should promote greater system-wide efficiency and will be included in counties located in the following states: CO, IA, KS, MN, MO, NE, ND, SD, WI, WY
- MGR-11-006 also requires the tracking of new breaking acreage down to the FSA Farm/Tract/Field (CLU) level
- For land where a cropping history cannot be substantiated (e.g. native sod), MGR-11-006 limits the New Breaking written agreement coverage to a maximum of 65 percent of the applicable T-Yield



Concept Proposals

- 23 Concept Proposals submitted to FCIC Board
- 18 Approved for expert review
- 12 Funded
- 7 Resubmitted as 508(h)

RMA's Pilot Programs

- Twenty-Two Pilot Programs Operating
- Two Approved for Conversion to Regulatory, including Forage Seed



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 Program Feature – Trend Adjusted Yield

- Privately developed and likely
- Additive upward adjustment to yields that reflect the long-term trend
- Example: Trend of 2 bushel per year
 - ✓ A yield from 2010 increased by 2 for 2011
 - ✓ A yield from 2009 increased by 4
- Trend will vary by crop and county



Extreme Weather Conditions

- Drought
 - ✓ Unseen since Dust Bowl
 - ✓ All of Texas declared a disaster

- Flooding
 - ✓ Mississippi River
 - ✓ Missouri River Basin



Corn Test Weight

- AIPs requested changes be made and complained of over-paid indemnities when producers sold low test weight corn for little discount after they had previously settled claims on unsold production using .500 DF
- Beginning with 2011, the test weight chart extended from 46 lbs down to 40 lbs/bu
 - ✓ Grain Sorghum test weight chart already at 40 lbs/bu.
- Test weight must fall below 40 lbs/bu. before a .500 DF will apply for unsold production



Data Mining

- Efforts of past 6 years yield significant 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



- RMA takes program compliance seriously
- RMA has suspended an agent and an adjuster related to ongoing tobacco investigation. Another agent is currently serving jail time. Several additional administrative sanctions are pending for next month against numerous others involved in investigation.
- Wheat farmer in CA convicted in May on 16 counts of false statements and sentenced in July to 30 months in jail and over \$100K in criminal & civil fines. RMA is pursuing administrative sanctions.



Ongoing & Upcoming Issues

Farm Bill & Budget

- Crop Insurance has already paid it's share.
- Crop insurance appears to becoming the primary component of safety net, this is echoed by lawmakers & stakeholders
- USDA will not be drafting a Farm Bill, but will provide technical support upon request



Thank You

*Bill Murphy
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Risk Management Agency*