State of the Crop Insurance Industry
Economics and Management of Risks in Agriculture and Natural Resources

SCC-76 Annual Meeting

Thomas P. Zacharias
Pensacola, Florida
March 17-19, 2016
Organization of Presentation

• NCIS Backgrounder
• We are Our Members
• 2015 Recap
  – State Regulated (Crop-Hail)
  – Federally Regulated (MPCI)
• Farm Bill Update (Abbreviated)
• Other Considerations
  – Improper Payments
  – Acreage and Crop Reporting Streamlining Initiative (ACRSI)
  – World Trade Organization
• Summary
NCIS Functions

• Crop Insurance Program Development and Analysis
  – Policy Analysis, Loss Adjustment Procedures, Legal Analysis, Agronomic Research

• Economic and Actuarial Analysis

• Education and Training
  – Loss Adjuster Schools – 13 (1,047 attendees)
  – National Conferences – 4 (1,178 attendees)
  – Annual Regional/State Meetings – 19 (491 attendees)

• Crop-Hail Advisory Organization and Statistical Agent
  – Licensed by Individual State Insurance Departments

• Public Relations and Industry Outreach
We Are Our Members

All USDA Approved Insurance Providers
Are
NCIS Members

• Premium Volume
• State Concentration
• Market Concentration
Number of Companies in State vs. 2015 MPCI Premium

Premium ($ Millions)

0 200 400 600 800 1,000

CA

TX

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2015 Insurance Provider Premium Concentration Ratio

Top 6 writers: 73%

Others: 27%
2015 Recap
## Crop-Hail Premium Totals

State Regulated

### 2014-15 Crop-Hail Industrywide Totals

<table>
<thead>
<tr>
<th>CROP YEAR</th>
<th>PREMIUM</th>
<th>LOSS</th>
<th>LOSS RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>976,905,578</td>
<td>741,717,434</td>
<td>0.76</td>
</tr>
<tr>
<td>2014</td>
<td>986,807,393</td>
<td>1,197,730,724</td>
<td>1.21</td>
</tr>
</tbody>
</table>

### Top 5 Premium Written States for 2015

<table>
<thead>
<tr>
<th>STATE</th>
<th>PREMIUM</th>
<th>LOSS</th>
<th>LOSS RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nebraska</td>
<td>185,278,931</td>
<td>114,361,288</td>
<td>0.62</td>
</tr>
<tr>
<td>Iowa</td>
<td>119,133,880</td>
<td>45,909,406</td>
<td>0.39</td>
</tr>
<tr>
<td>Minnesota</td>
<td>102,894,875</td>
<td>84,754,253</td>
<td>0.82</td>
</tr>
<tr>
<td>North Dakota</td>
<td>96,806,540</td>
<td>75,095,230</td>
<td>0.78</td>
</tr>
<tr>
<td>Illinois</td>
<td>83,271,084</td>
<td>43,245,241</td>
<td>0.52</td>
</tr>
</tbody>
</table>
2015 Crop-Hail Loss Ratios

Source: NCIS Internal Processing Reports, March 8, 2016
2015 Federally Regulated/Reinsured Business (MPCI)
Participating Acres Now Equal 90% of Planted

![Graph showing participating acres over time with annotations for the 1994 and 2000 Acts.](attachment:image.png)
Share of Insured Acres Covered at Coverage Level 70% or Higher (MPCI)
### Nationwide Summary

**Federally Reinsured Business**

#### 2014-15 MPCI Industrywide Totals

<table>
<thead>
<tr>
<th>CROPYEAR</th>
<th>ACRES</th>
<th>LIABILITY</th>
<th>PREMIUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>298,557,716</td>
<td>102,311,456,253</td>
<td>9,738,890,144</td>
</tr>
<tr>
<td>2014</td>
<td>294,759,282</td>
<td>109,872,985,600</td>
<td>10,070,257,748</td>
</tr>
</tbody>
</table>

#### Top 10 Premium States for 2015

<table>
<thead>
<tr>
<th>STATE</th>
<th>ACRES</th>
<th>PREMIUM</th>
<th>LOSS RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Texas</td>
<td>46,053,796</td>
<td>923,500,688</td>
<td>0.58</td>
</tr>
<tr>
<td>North Dakota</td>
<td>23,130,075</td>
<td>855,420,887</td>
<td>0.36</td>
</tr>
<tr>
<td>Iowa</td>
<td>22,152,585</td>
<td>721,970,376</td>
<td>0.20</td>
</tr>
<tr>
<td>South Dakota</td>
<td>16,193,628</td>
<td>694,517,292</td>
<td>0.27</td>
</tr>
<tr>
<td>Illinois</td>
<td>19,225,447</td>
<td>691,295,012</td>
<td>0.65</td>
</tr>
<tr>
<td>Kansas</td>
<td>19,336,212</td>
<td>648,837,373</td>
<td>0.54</td>
</tr>
<tr>
<td>Minnesota</td>
<td>17,738,685</td>
<td>630,174,756</td>
<td>0.14</td>
</tr>
<tr>
<td>Nebraska</td>
<td>17,669,543</td>
<td>557,354,889</td>
<td>0.33</td>
</tr>
<tr>
<td>California</td>
<td>6,758,013</td>
<td>414,076,220</td>
<td>1.35</td>
</tr>
<tr>
<td>Missouri</td>
<td>9,443,850</td>
<td>386,726,659</td>
<td>1.34</td>
</tr>
</tbody>
</table>
2014 vs. 2015 Illinois Corn Acres - MPCI

[Bar chart showing coverage levels for 2014 and 2015]
2014 vs. 2015 Nebraska Corn Acres - MPCI

![Bar chart showing coverage levels for 2014 and 2015 in Nebraska corn acres. The chart compares millions of acres across different coverage levels.](chart.png)
2014 vs. 2015 Kansas Wheat Acres - MPCI
2014 vs. 2015 Montana Wheat Acres - MPCI

Coverage Level

Millions

2014

2015

Prepared 03/08/2016
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2014 vs. 2015 Arkansas Rice Acres - MPCI
2014 vs. 2015 Georgia Cotton Acres - MPCI
2014 vs. 2015 Texas Cotton Acres - MPCI
MPCI Gross Loss Ratios
1980 - 2015

Loss Ratio = Indemnity/Premium
# 2016 Premium Decomposition

<table>
<thead>
<tr>
<th></th>
<th>Multiple Peril Crop</th>
<th>Crop-Hail</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 Premium</td>
<td>$9.698 Billion</td>
<td>$0.976 Billion</td>
</tr>
<tr>
<td>Rate Change</td>
<td>+5.4%</td>
<td></td>
</tr>
<tr>
<td>Price Change</td>
<td>-6.3%</td>
<td>-6.3%</td>
</tr>
<tr>
<td>Volatility Impact</td>
<td>-2.7%</td>
<td></td>
</tr>
<tr>
<td>Overall 2016 Change</td>
<td>-3.9%</td>
<td></td>
</tr>
<tr>
<td>2016 Premium (estimate)</td>
<td>$9.320 Billion</td>
<td>$0.915 Billion</td>
</tr>
</tbody>
</table>

Source: NCIS internal estimate, March 9, 2016
2014 Farm Bill Implementation Update (Abbreviated)

- Conservation Compliance
- Beginning Farmer/Rancher
- Organics
- Whole Farm Revenue Program (WFRP)
- APH – Yield Exclusion (APH-YE)
- Supplemental Coverage Option (SCO)
- Stacked Income Protection (STAX)
Conservation Compliance

• 98.2% of farmers have filed compliance paperwork (AD-1026)
• Extensive outreach
• Exceptions are:
  • New to farming
  • New to compliance
  • New entity
  • Extenuating circumstances
## Beginning Farmer/Rancher Analysis
### Reinsurance Year 2015 – All States

<table>
<thead>
<tr>
<th>Count of Total RMA Producers</th>
<th>555,988</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Count of Primary Producers with BFR</strong></td>
<td><strong>13,713</strong></td>
</tr>
<tr>
<td><strong>BFR Additional Premium Subsidy</strong></td>
<td><strong>$12,872,808</strong></td>
</tr>
<tr>
<td>Administrative Fees Waived</td>
<td><strong>$1,667,550</strong></td>
</tr>
<tr>
<td><strong>Count of BFR Producers Using Yields From a Previous Operator</strong></td>
<td><strong>1,219</strong></td>
</tr>
<tr>
<td><strong>Count of BFR Producers with Yield Adjustment</strong></td>
<td><strong>4,943</strong></td>
</tr>
<tr>
<td><strong>BFR Net Acres</strong></td>
<td><strong>3,804,947</strong></td>
</tr>
</tbody>
</table>

Source: RMA Presentation by Brandon Willis, Crop Insurance Annual Convention, February 15, 2016
Organic Price Elections Over the Years
From 4 to 56 Crops

2011  Corn; Cotton; Soybeans; Processing Tomatoes (CA)

2012  Corn; Cotton; Soybeans; Processing Tomatoes (CA)

2013  ADDED: Avocados (CA); Fresh Freestone Peaches (CA); Fresh Nectarines (CA); Fresh Plums (CA)

2014  ADDED: Almonds (CA); Blueberries (CA, OR, WA); Peppermint; Juice Grapes (WA); Oats; Fresh and Processing Apples (WA)
      Pears (WA, OR); Stonefruit - Fresh Apricots (CA, ID, OR, WA); Fresh Nectarines; Plums; Freestone Peaches (ID, OR, WA)

2015  ADDED: Millet; Figs; Walnuts; Flax; Popcorn; Corn Silage; Grain Sorghum; Raisins; Hybrid Sorghum Seed; Hybrid Corn Seed, Silage Sorghum.

2016  ADDED: Barley, Burley Tobacco, Cabbage, Cigar Binder Tobacco, Cranberries, Cultivated Wild Rice, Dry Air Tobacco, Dry Peas (select states), Flue Cured Tobacco, Forage Production (with the inclusion of Alfalfa in select states), Fresh Market Sweet Corn, Hybrid Sweet Corn Seed, Maryland Tobacco, Onions (fresh Onions in select states), Pinto Beans, Potatoes, Processing Clingstone Peaches, Rice, Rye, Safflower, Sugarcane, Sunflower, Table Grapes, and Wheat. The availability of organic price elections has been expanded for: Avocados in Florida, Blueberries in all remaining states, and Pears in California

2017  ADDED so far: Citrus (AZ, CA, FL): Grapefruit; Lemons; Mandarins; Oranges; Tangelos

Source: RMA Presentation by Brandon Willis, Crop Insurance Annual Convention, February 15, 2016
# 2015 Top Ten Organic Crops by Liability

<table>
<thead>
<tr>
<th>Organic Crop</th>
<th>Acres Insured</th>
<th>Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>178,608</td>
<td>$125,967,968</td>
</tr>
<tr>
<td>Apples</td>
<td>12,895</td>
<td>$88,078,837</td>
</tr>
<tr>
<td>Soybeans</td>
<td>91,235</td>
<td>$37,773,463</td>
</tr>
<tr>
<td>Wheat</td>
<td>255,731</td>
<td>$36,917,391</td>
</tr>
<tr>
<td>Grapes</td>
<td>11,564</td>
<td>$32,491,143</td>
</tr>
<tr>
<td>Almonds</td>
<td>6,181</td>
<td>$31,442,273</td>
</tr>
<tr>
<td>Rice</td>
<td>41,560</td>
<td>$26,703,206</td>
</tr>
<tr>
<td>Tobacco</td>
<td>6,374</td>
<td>$25,504,386</td>
</tr>
<tr>
<td>Tomatoes</td>
<td>8,455</td>
<td>$24,559,440</td>
</tr>
<tr>
<td>Blueberries</td>
<td>2,765</td>
<td>$22,225,320</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>615,368</strong></td>
<td><strong>$451,663,427</strong></td>
</tr>
</tbody>
</table>

Source: RMA Presentation by Brandon Willis, Crop Insurance Annual Convention, February 15, 2016
Whole Farm Revenue Protection
Changes for 2016 – Nationwide

• Contemporaneous marketing records-acceptable for direct market crops
• Animal & animal product Limit $1 million (remove 35% limit)
• Greenhouse/nursery limit $1 million (remove 35 % limit)
• Allow increase up to 35% of expected revenue for expanding operations
• Farms qualifying for indexing may choose to use it or not
• Beginning farmers/ranchers may qualify with three historic years and a lag year
• Farmer’s missing a year in history may use lag year to meet requirements

Source: RMA Presentation by Brandon Willis, Crop Insurance Annual Convention, February 15, 2016
## 2015 WFRP Compared to 2014 AGR/AGR-Lite

<table>
<thead>
<tr>
<th>Category</th>
<th>2015 WFRP</th>
<th>2014 AGR/AGR-Lite</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policies</td>
<td>1089</td>
<td>791</td>
<td>37.7%</td>
</tr>
<tr>
<td>Liability</td>
<td>$ 1,108,506,534</td>
<td>$ 521,256,768</td>
<td>112.7%</td>
</tr>
<tr>
<td>Premium</td>
<td>$ 52,197,398</td>
<td>$ 19,484,157</td>
<td>167.9%</td>
</tr>
<tr>
<td>Producer Premium</td>
<td>$ 14,905,341</td>
<td>$ 8,902,007</td>
<td>67.4%</td>
</tr>
<tr>
<td>Subsidy</td>
<td>$ 37,292,057</td>
<td>$ 10,582,150</td>
<td>252.4%</td>
</tr>
<tr>
<td>States</td>
<td>33</td>
<td>25</td>
<td>32.0%</td>
</tr>
<tr>
<td>Counties</td>
<td>208</td>
<td>134</td>
<td>55.2%</td>
</tr>
<tr>
<td>Crops</td>
<td>212</td>
<td>198</td>
<td>7.1%</td>
</tr>
</tbody>
</table>

Source: RMA Presentation by Brandon Willis, Crop Insurance Annual Convention, February 15, 2016
# APH Yield Exclusion (YE) – 2015 Participation

<table>
<thead>
<tr>
<th>Crop</th>
<th>All Insured Acres*</th>
<th>YE Eligible</th>
<th>YE Selected</th>
<th>Avg. YE Impact on Approved Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barley</td>
<td>2,607,795</td>
<td>79%</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>Canola</td>
<td>1,714,369</td>
<td>37%</td>
<td>1%</td>
<td>8%</td>
</tr>
<tr>
<td>Corn</td>
<td>76,353,243</td>
<td>66%</td>
<td>17%</td>
<td>7%</td>
</tr>
<tr>
<td>Cotton</td>
<td>8,484,086</td>
<td>90%</td>
<td>23%</td>
<td>22%</td>
</tr>
<tr>
<td>Grain Sorghum</td>
<td>6,768,885</td>
<td>100%</td>
<td>17%</td>
<td>12%</td>
</tr>
<tr>
<td>Peanuts</td>
<td>1,493,065</td>
<td>52%</td>
<td>2%</td>
<td>7%</td>
</tr>
<tr>
<td>Popcorn</td>
<td>189,298</td>
<td>49%</td>
<td>4%</td>
<td>7%</td>
</tr>
<tr>
<td>Rice</td>
<td>2,628,872</td>
<td>3%</td>
<td>0%</td>
<td>3%</td>
</tr>
<tr>
<td>Soybeans</td>
<td>73,002,384</td>
<td>52%</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Sunflowers</td>
<td>1,685,942</td>
<td>99%</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>Wheat</td>
<td>46,585,151</td>
<td>16%</td>
<td>2%</td>
<td>7%</td>
</tr>
</tbody>
</table>

*Acres Insured Under Insurance Plans Eligible for YE

Source: RMA Presentation by Brandon Willis, Crop Insurance Annual Convention, February 15, 2016
Actual Production History – Yield Exclusion (APH-YE)
Reinsurance Year 2016 Availability

- Alfalfa Seed
- Apples
- Barley*
- Blueberries
- Buckwheat
- Burley Tobacco
- Cabbage
- Canola*
- Cigar Binder Tobacco
- Corn*
- Cotton*
- Cotton ELS
- Cultivated Wild Rice
- Dark Air Tobacco
- Dry Beans
- Dry Peas
- Flax
- Flue Cured Tobacco
- Forage Production
- Grain Sorghum*
- Grapefruit
- Grapes
- Green Peas
- Lemons
- Mandarins/Tangerines
- Maryland Tobacco
- Millet
- Mustard
- Oats
- Onions
- Oranges
- Peaches
- Peanuts*
- Popcorn*
- Potatoes
- Processing Beans
- Prunes
- Pumpkins
- Rice*
- Rye
- Safflower
- Silage Sorghum
- Soybeans*
- Sugar Beets
- Sunflowers*
- Sweet Corn
- Tangelos
- Tomatoes
- Walnuts
- Wheat*

*APH-YE available in RY 2015

Source: RMA Presentation by Brandon Willis, Crop Insurance Annual Convention, February 15, 2016
# SCO and STAX
## 2015 State Premiums

<table>
<thead>
<tr>
<th>Plan &amp; Crop</th>
<th>From $1 to $100,000</th>
<th>From $100,001 to $1,000,000</th>
<th>From $1,000,001 to $5,000,000</th>
<th>More than $5,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCO Wheat</td>
<td>AR, CA, IN, MN, MO, MS, NC, NY, OH, OR, PA, SC, TN, VA, WA, WI, WY</td>
<td>CO, ID, IL, KY, MI, MT, ND, NE, NM, SD</td>
<td>KS</td>
<td>OK, TX</td>
</tr>
<tr>
<td>SCO Corn</td>
<td>AL, CO, DE, GA, LA, MN, MS, NC, ND, NY, OH, PA, SC, SD, TN, WI, WV, WY</td>
<td>AR, CA, IA, IL, IN, KS, KY, MD, MI, MO, NE, OK, VA</td>
<td>TX</td>
<td></td>
</tr>
<tr>
<td>SCO Soybeans</td>
<td>AL, DE, GA, IA, IN, MD, MI, MN, MS, NE, OH, PA, SC, SD, TN</td>
<td>AR, IL, KS, KY, LA, MO, NC, OK, TX, VA, WI</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SCO Grain Sorghum</td>
<td>AR, IL, LA, MO, NE, NM</td>
<td>CO, KS, OK, TX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SCO Rice</td>
<td>CA, MO, MS, TX</td>
<td>AR, LA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SCO Barley</td>
<td>ID, MN, WY</td>
<td>MT, ND</td>
<td></td>
<td></td>
</tr>
<tr>
<td>STAX</td>
<td>CA, KS</td>
<td>MO, NM</td>
<td>AZ, AR, FL, LA, OK, SC, TX, VA</td>
<td>AL, GA, MS, NC, TX</td>
</tr>
</tbody>
</table>

Source: RMA Summary of Business, March 8, 2016
Improper Payments Background

• Improper payments as defined by the Office of Management & Budget
• Improper payments occur when either:
  – federal funds go to the wrong recipient,
  – the recipient receives the incorrect amount of funds,
  – documentation is not available to support a payment

Source: RMA Presentation by Heather Manzano, Claims Manager Convention, January 20, 2016
<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RMA</strong></td>
<td>4.08%</td>
<td>5.23%</td>
<td>5.58%</td>
<td>2.20%</td>
</tr>
<tr>
<td><strong>USDA</strong></td>
<td>5.11%</td>
<td>5.36%</td>
<td>5.52%</td>
<td></td>
</tr>
<tr>
<td><strong>Government-wide</strong></td>
<td>4.35%</td>
<td>3.53%</td>
<td>4.02%</td>
<td></td>
</tr>
</tbody>
</table>

Source: RMA Presentation by Brandon Willis, Crop Insurance Annual Convention, February 15, 2016
## FY 2015 Improper Payment Errors

<table>
<thead>
<tr>
<th>Types of Errors</th>
<th>% of Occurrences</th>
<th>Reasons for Improper Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acreage Reporting</td>
<td>23%</td>
<td>Over and under reporting acreage, combining or separating units, and entering incorrect descriptions</td>
</tr>
<tr>
<td>Production Records</td>
<td>19%</td>
<td>Over and under reporting of production</td>
</tr>
<tr>
<td>Production Records - Acceptability</td>
<td>11%</td>
<td>Providing inadequate, unacceptable, and/or unverifiable production records (i.e., not reflecting unit or farm identifiers)</td>
</tr>
<tr>
<td>Unit Structure</td>
<td>11%</td>
<td>Insuring units separately that that should have been combined</td>
</tr>
<tr>
<td>Land Classification</td>
<td>8%</td>
<td>Incorrectly rating land (i.e., “AAA” vs. “High Risk”)</td>
</tr>
<tr>
<td>Yield Reporting Match</td>
<td>8%</td>
<td>Incorrectly entering data and using an incorrect amount for Approved Production History</td>
</tr>
<tr>
<td>Share</td>
<td>4%</td>
<td>Incorrectly reporting share for each unit</td>
</tr>
<tr>
<td>Practice/Type/Variety match</td>
<td>4%</td>
<td>Misreporting units as irrigated</td>
</tr>
<tr>
<td>Contract Selection</td>
<td>4%</td>
<td>Improperly processing the correct coverage level</td>
</tr>
<tr>
<td>Revised Acreage Report</td>
<td>4%</td>
<td>Revising an acreage report after the due date</td>
</tr>
<tr>
<td>Production to Count</td>
<td>4%</td>
<td>Excluding some of the harvest production from the loss adjustment</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: RMA Presentation by Brandon Willis, Crop Insurance Annual Convention, February 15, 2016
ACRSI Overview
ACRSI Intent

• Acreage Crop Reporting Streamlining Initiative (ACRSI) officially started in July 2010

• By streamlining and automating reporting, ACRSI will reduce the burden on the producer to participate in USDA programs while simultaneously improving program integrity and data sharing across USDA agencies and programs

• Ultimately, ACRSI will allow automated reporting from the producer’s precision farming equipment or farm management system
ACRSI Acreage Reporting Flow Scenario: Producer Reports via Agent/AIP

Producer Perspective

• To receive Federal crop insurance coverage, Alvin, a producer, reports his acreage to his AIP through his insurance agent no later than the acreage reporting date(s) for his crops. Alvin initiates the process each year by contacting his insurance agent to schedule an appointment, during which Alvin updates his required acreage report information and certifies the final report. During the appointment, Alvin’s agent enters the updated information from Alvin into the AIP’s acreage reporting system, which generates a file to be sent to the Risk Management Agency (RMA). Finally, Alvin is provided a copy of the signed acreage report.

• If Alvin wants to qualify for FSA farm programs as well, he should then visit his FSA county office to provide the remaining data that FSA will need.
ACRSI Acreage Reporting Flow Scenario: Producer Reports via Agent/AIP, cont’d

Insurance Agent Perspective

- **Theodore, the insurance agent**, works with Alvin during their appointment to review/complete the data required for a complete acreage report based on Alvin’s information. Theodore will then enter the acreage information from the finalized report into the AIP acreage reporting system, which will generate the acreage report in RMA’s system (PASS). Once Alvin has signed the acreage report form, Theodore will give Alvin a copy of the acreage report for his records.
ACRSI Acreage Reporting Flow Scenario: Producer Reports via Agent/AIP, cont’d

FSA County Office Perspective

• Because Alvin also wants to be eligible for FSA farm programs, he visits Simon, a County Office technician. By the time Simon meets with Alvin (the producer), the acreage report data from RMA has already been populated into the ACRSI Clearinghouse, to which Simon then submits Alvin’s FSA-specific information via the Crop Acreage Reporting System (CARS) for a complete, multi-agency acreage report.
ACRSI Acreage Reporting Flow Scenario: Producer Reports via Agent/AIP

Producer contacts Agent to set appointment time. → Works with Agent to review and/or complete acreage report. → Signs/Certifies printed copy of acreage report. → Agent submits data through AIP acreage reporting system → AIP submits data to Clearinghouse and PASS.
Acreage Reporting: All Phases

– A common set of core acreage report data
  • Land location by CLU and/or using precision ag planter monitor geospatial data
  • Other ‘standard’ acreage reporting elements
    [Commodity Validation Tables (CVT) crop, practice, type]

– Reported via 1 of 3 paths:
  • FSA County Office
  • Crop Insurance Agent
  • Third Party Software

– Data exchanged through RMA clearinghouse

– **Crop-insurance-specific details still via agent**
– **FSA-specific details still via county office**

– **Wait:**
  (1) Crop Insurance is policy between company and farmer
  (2) RMA and FSA programs are different
The WTO and Crop Insurance Issues and Challenges

A key question asked of every new farm proposal or program is:

• How it will affect U.S. commitments under the World Trade Organization’s (WTO’s) Agreement on Agriculture (AoA).

• Recently its agreement on Subsidies and Countervailing Measures (SCM).
Measuring Crop Insurance Support for the WTO Payments Were Never a Green Box Program*

1995 through 2007 Net Insurance Indemnities Were Reported

• Support = indemnities – total premiums paid by producers; notified on a non-product specific basis

Rationale – premium subsidy associated with any policy is equal across products; premium subsidy is not “specific” to any commodity; non-product

Non-Product Specific support never exceeded de minimis threshold

Measuring Crop Insurance Support for the WTO Payments Were Never a Green Box Program* Cont’d

2008 - 2011
• Support = Premium Subsidy

*Rationale* – mandated long-run objective of loss ratio of 1.0 premiums will equal indemnities over time; and it is consistent with other country’s polices*

2012 forward
• Support = Premium Subsidy on a Commodity Specific Basis

*Rationale* – more closely reflects characteristics of crop insurance policies

WTO Crop Insurance Issues Going Forward

Of more concern may be challenges to the program with regard to SCM rules

• SCM rules governing adverse market effects resulting from a farm program—comes into play when a domestic farm policy effect spills over into international markets.

• Of specific concern is the question: do domestic support policies incentivize overproduction and result in significant market distortion—whether as lower market prices or altered trade patterns.
WTO Crop Insurance Issues Going Forward

There Is Research That Supports the View of Minimal Effects

“The primary driver behind planting decisions is crop prices — which have increased dramatically since 2006 — not crop insurance policies that farmers purchase to manage risk. The 327 million acres planted in 2014 was about the same as the 328 million acres averaged over 1981 to 2014.” NCIS – Just the Facts http://www.ag-risk.org/AboutCropInsurance/default.htm

“Insurance generally improves welfare for risk-averse producers (Just, Hueth, and Schmitz 2005), because in the presence of contingency markets like crop insurance, these producers will grow more. However, empirical evidence for US producers suggests that these effects are likely small. “

“Recent studies by Walters et al. (2012) and Claasen, Langpap, and Wu (2015) found negligible effects of crop insurance on land use, though the latter found more significant impacts on crop choice and crop rotation. “

Quotes from Glauber, IFPRI, October 2015
Summary: WTO and Crop Insurance Issues Going Forward

• Given current projections for prices and yields the threat of domestic support levels exceeding WTO bound limits seems low.

• Potential changes to how the U.S. notifies crop insurance (back to net indemnities; inclusion of general services in Amber, etc.) need to be monitored and examined in relation to WTO commitments.

• Concerns surrounding challenges to programs from SCM issues should be taken seriously

• Examination of the methodology and results from analysis in support of such challenges and independent analysis of production and world price impacts will be important in identifying and filling knowledge gaps on these subjects.
Summary

2015 Results Improved
“...Rock me on the water,...Sister soothe my fevered brow...”

Farm Bill “Assimilated”
“...Objects in the rearview mirror...”

2016
“Waiting for Godot”

2016 Farm Economics
“...I pulled into Nazareth...”

Appropriations
“...sat down and wrote you a long letter...”

Alice Cooper
“I wanna be elected...”
“’cause it’s a long, long way to paradise...”
Websites

NCIS
www.ag-risk.org

Crop Insurance in America
www.cropinsuranceinamerica.org

Social Media

Twitter
@USCropInsurance

Facebook
CropInsuranceInAmerica

Pinterest
CropInsuranceInAmerica

Tumblr
CropInsuranceInAmerica

Instagram
CropInsuranceInAmerica

YouTube
NCISAmerica