New Crop and Livestock Insurance Programs

Ross J. Davidson, Jr.

Administrator

USDA/Risk Management Agency

www.rma.usda.gov / RMA_mail@wdc.usda.gov
The Risk Management Agency

• Vision
  – To serve America’s agricultural producers through effective, market-based risk management solutions.

• Mission
  – Promote, support, and regulate sound risk management solutions to preserve and strengthen the economic stability of America’s agricultural producers.
## U.S. Federal Crop Insurance Programs

<table>
<thead>
<tr>
<th>$40+ Billion Liability</th>
<th>300+ Commodities</th>
<th>218 Million Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing Crop Insurance Plans</strong></td>
<td></td>
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<tr>
<td>Actual Production History (APH)</td>
<td>Group Risk Protection Income Protection (GRIP)</td>
<td></td>
</tr>
<tr>
<td>Adjusted Gross Revenue (AGR)</td>
<td>Income Protection (IP)</td>
<td></td>
</tr>
<tr>
<td>Adjusted Gross Revenue Lite (AGR–Lite)</td>
<td>Indexed Income Protection (IIP)</td>
<td></td>
</tr>
<tr>
<td>Aquaculture Dollar</td>
<td>Livestock Gross Margin (LGM)</td>
<td></td>
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<tr>
<td>Avocado Revenue Coverage</td>
<td>Livestock Risk Protection (LRP)</td>
<td></td>
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<tr>
<td>Crop Revenue Coverage (CRC)</td>
<td>Pecan Revenue</td>
<td></td>
</tr>
<tr>
<td>Dollar Amount of Insurance</td>
<td>Revenue Assurance (RA)</td>
<td></td>
</tr>
<tr>
<td>Fixed Dollar</td>
<td>Tobacco – Guaranteed Production</td>
<td></td>
</tr>
<tr>
<td>Grower Yield Certification (GYC)</td>
<td>Tobacco – Quota</td>
<td></td>
</tr>
<tr>
<td>Grower Yield Certification Span (GYC Span)</td>
<td>Tree Based Dollar Amount of Insurance</td>
<td></td>
</tr>
<tr>
<td>Group Risk Plan (GRP)</td>
<td>Yield Based Dollar Amount of Insurance</td>
<td></td>
</tr>
</tbody>
</table>
Growth in Acreage

![Bar chart showing acres insured by year from 1997 to 2003.](chart.png)
Trends in Programs by Liabilities

Dollars (Billions)

1999 2000 2001 2002 2003

APH
Revenue
Others
Trends in Programs by Indemnities

**Indemnity amount is incomplete for 2003**
Buy-up Trends

**Acres**

- **1999**: 30 million
- **2000**: 80 million
- **2001**: 130 million
- **2002**: 180 million
- **2003**: 190 million

**Liabilities**

- **1999**: 0 billion
- **2000**: 10 billion
- **2001**: 20 billion
- **2002**: 30 billion
- **2003**: 40 billion

Legend:
- CAT
- Buy-Up
2003 Federal Crop Insurance Liability Distributions

Crop Year 2003

- CRC: 19%
- DOL: 10%
- APH: 35%
- Index: 4%
- IP: 1%
- RA: 25%
- OTH: 6%
2003 Index Products Liability Distributions

Crop Year 2003

66% GRP
28% GRIP
3% LGM
3% LRP
Pasture/Rangeland and Forage

- Insurance products for forage and hay that are used by livestock are new to the FCI program.

- Forage programs
  - APH Forage Program
  - APH Forage program for Alfalfa Hay
  - GRP Forage Program
  - GRP-Rangeland Pilot Crop Insurance Program
Trends in Rangeland and Forage

Acreage

Forage
Rangeland

Year
1999 2003

Millions
0 2 4 6 8 10

Liabilities

Forage
Rangeland

Year
1999 2003

Millions
0 50 100 150 200 250 300
Pasture/Rangeland and Forage New Initiatives

- Research & Development of Pasture Rangeland, Forage
- Statement of Objectives published January 21, 2004
- Objectives:
  - Improve the existing pasture, rangeland and forage crop insurance programs offered by RMA
    - APH Forage Production
    - GRP Forage Production
    - GRP Rangeland; or
  - Provide new and innovative approaches to insuring pasture/rangeland, forage and hay.
- Notice for submitting proposals: www.rma.usda.gov
- Bidders Meeting 3/2/04; Proposals due 3/23/04
<table>
<thead>
<tr>
<th>Animal Type</th>
<th>Head</th>
<th>Liability</th>
</tr>
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<tbody>
<tr>
<td>Swine (LRP)</td>
<td>71,375</td>
<td>$657,371</td>
</tr>
<tr>
<td>Swine (LGM)</td>
<td>771,054</td>
<td>$5,836,114</td>
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<tr>
<td>Fed Cattle (LRP)</td>
<td>12,492</td>
<td>$10,269,532</td>
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<tr>
<td>Feeder Cattle (LRP)</td>
<td>20,272</td>
<td>$12,328,288</td>
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</tbody>
</table>
Livestock Products in the Pipeline

• **Under Study**
  - **Livestock Disease** - Develop risk management tools for livestock/poultry.
  - **Risk Management Tools** - Study the feasibility of developing risk management tools for livestock producers (poultry, dairy, sheep, and lambs).
  - **Revenue Insurance for Cattle and Hogs** - Develop a risk management tool for beef cattle and hogs using financial markets.
  - **Pasture and Rangeland** - Develop an insurance program for pasture and rangeland.
  - **Apiculture (Bee-Keeping)** - Analyze and evaluate risk management options for the Apiculture industry.

• **AGR-Lite**: Covers 100 percent of livestock and livestock products (12 states)
THE NEED FOR BALANCE

Fiscally Responsible
- Actuarial Soundness
  - Risk Classification
  - Rating/Pricing
  - Underwriting
- Product Integrity
  - Fraud, Waste, Abuse
  - Fair Representation
  - Consistent Administration

Market Responsive
- Commodities
- Risks
- Regions
- Producers
- Adaptation
- Expectations
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