Current Issues in Crop Insurance

RISK MANAGEMENT AGENCY

Richard Anderson

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Galveston, TX
Current Issues In Crop Insurance

Galveston, TX
March 21, 2009

Richard Anderson
Senior Economist, Risk Management Agency
Topics to be Covered

- Guidance from the FCIC Board
- Program Performance
- Recent Activities
- Farm Bill
FCIC Board Framework for Decision Making

- Prioritize and monitor product development initiatives
- Balance program initiatives with agency IT capacity
- Simplify and streamline where practical and appropriate
- Combat and prevent fraud, waste and abuse with technology and strategic compliance initiatives
Program Performance
Program Performance

Acres by Plan Type

(Million)


Other Group Revenue APH

6
Program Performance

Liability by Plan Type

- Other
- Group
- Revenue
- APH

(Billion)

### Program Performance
#### 2008 Liability by Crop

<table>
<thead>
<tr>
<th>Crop</th>
<th>Liability ($ Mil.)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>$37,573</td>
<td>42%</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$22,227</td>
<td>25%</td>
</tr>
<tr>
<td>Wheat</td>
<td>$8,746</td>
<td>9%</td>
</tr>
<tr>
<td>Nursery (FG&amp;C)</td>
<td>$4,029</td>
<td>5%</td>
</tr>
<tr>
<td>Cotton</td>
<td>$2,427</td>
<td>3%</td>
</tr>
<tr>
<td>FL Fruit Trees</td>
<td>$1,275</td>
<td>1%</td>
</tr>
<tr>
<td>Potatoes</td>
<td>$902</td>
<td>1%</td>
</tr>
<tr>
<td>Grain Sorghum</td>
<td>$975</td>
<td>1%</td>
</tr>
<tr>
<td>All Others</td>
<td>$11,752</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$89,906</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>
Program Performance
Total Premium by Plan, 2008

Farm-Level Yield Plans
- Actual Production History

Area Yield Plans
- Group Risk Plan
- Pasture, Rangeland, Forage

Other

Group Risk
Income Protection

Farm-Level Revenue Plans
- Crop Revenue Coverage
  - Revenue Assurance
  - Income Protection

Total Premium = $9.85 billion

Total Premium = $9.85 billion
Program Performance
Loss Ratio 1981-2007
What’s New?
Recent Activities

• Expansion of PRF Products
• Continue Efforts to Streamline Program Offerings
• New IT System
  – ITM
    • Combo
  – CIMS
Recent Activities
New Products

• Apiculture (Vegetative and Rainfall)
• Biotech Endorsement
• Cherries Actual Revenue History
• LGM Dairy
• Processing Pumpkins
• GRP Sugarcane
• 508(h) Concept
• GRP Oysters
Recent Activities
Products on the Horizon

- Dedicated Energy Crops
- Quarantine
- Small Value Crops
- Other Technology Based Discounts
- Named Peril Coverage
- Aquaculture
Farm Bill
Update
Farm Bill: Completed

- Administrative Fee Regulation published June, 2008
- Mandatory 2009 SRA Amendment
  - A&O Reductions
  - Rebating
  - Controlled Business
  - CAT Loss Adjustment Expense reduction
Farm Bill: Completed

- Enterprise and Whole Farm Units
  - PM-08-057
- Area Plan Subsidy Rate  PM-08-041
- IT Funding
- Reduction in 522(e) Funding
  - New Product Funds
  - Outreach and RME
  - Compliance
Farm Bill
To Do List
Farm Bill 2008
Title XII, Crop Insurance

- Renegotiation of the SRA
- Timing Shifts
  - Premium Billing: 2012 Reinsurance Year
  - A&O: 2012 Reinsurance Year
  - Underwriting Gains: 2011 Reinsurance Year
Farm Bill 2008
Title XII, Crop Insurance

- Required Studies
  - **Organic** production coverage improvement. Unless we find big differences between organic and nonorganic crops, it requires us to eliminate or reduce premium surcharge for organic production.
  - Studies to include development of procedure to offer additional *price election* that reflects actual prices received for organic crops.
Farm Bill 2008
Title XII, Crop Insurance

• Required Studies continued
  – Efficacy of Pack Factors
  – Declining Yields

• pecans
  – PRP (managers Report)
  – AGR for Beginning Farmers
Farm Bill 2008
Title XII, Crop Insurance

- Required Studies continued
  - Energy crops
  - Aquaculture
  - Poultry
  - Apiary (bees)
  - Skip-row cropping practices for corn and sorghum in Central Great Plains
Farm Bill 2008
Title XII, Crop Insurance

- Requires us to establish pilot programs of insurance for:
  - Camelina
  - Sesame (in Texas)
  - Grass seed (in Minnesota and North Dakota)
QUESTIONS?

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