FEDERAL CROP INSURANCE

Background

The Risk Management Agency (RMA), on behalf of the Federal Crop Insurance Corporation, oversees and administers the crop insurance program under the Federal Crop Insurance Act.

Crop insurance is offered to qualified producers through 16 private sector crop insurance companies. Under the Standard Reinsurance Agreement, RMA provides reinsurance, pays a premium subsidy to reduce the premium charged to producers, reimburses the insurance companies for administrative and operating costs, and oversees the financial integrity and operational performance of the delivery system. While RMA bears much of the insurance risk in areas where losses have traditionally been higher, the insurance companies that deliver the program retain a large portion of the risk in the lower risk areas, which they can reinsure in the private market.

In 2005, the Federal crop insurance program provided producers with more than $44.29 billion in liability protection on approximately 246 million acres through about 1.25 million policies. There are 22 plans of insurance available and nearly 30 new insurance products under various stages of evaluation or development. Approximately 80 percent of acres of major program crops are insured—many at higher levels of coverage.

RMA works closely with the private sector to find new and innovative ways to provide more and better coverage, thereby reducing the need for ad-hoc disaster bills and improving risk protection for specialty crops, livestock and forage, rangeland, and pasture. RMA is also working with the private sector to address the reduction in available coverage caused by long-term production declines that result from extended drought in many areas.

General Opinions Expressed

- Crop insurance programs must be simplified so that farmers can make the best possible coverage decisions.
- Higher premium subsidies should be provided for those who insure their crops under a “whole farm” approach.
- There is a need to establish better quality loss adjustment procedures to improve the relationship between the crop insurance adjustment and the actual discount received in the market.
- Crop insurance subsidies should be capped to avoid encouraging larger and more expansive farms.
• RMA and FSA should have the same reporting dates for acres planted and certified.
• A whole-farm revenue program should replace the counter-cyclical program.
• Federal crop insurance is needed for producers of inherently high-risk specialty agricultural products.
• More training is needed for insurance agents and crop loss adjusters.
• Individual risk management savings accounts with matching USDA funds should be established for farmers.
• Crop insurance needs to be more affordable for farmers.
• Concern was expressed that when there are several years of crop disasters, the APH is decreased, and the coverage decreases.
• General support for more funding for the Federal crop insurance program was expressed.
• Support and appreciation were expressed for more farm revenue programs rather than insuring only yields. Full-farm revenue insurance should be considered.
• Some commenters expressed concern that crop insurance has unintended consequences of encouraging high-water-usage crops in semi-arid regions.
• Some comments suggest including disaster revenue assurance in farm bill legislation.
• Support for “cost-of-production insurance.”
• A few comments stated that USDA should end subsidies for loans, insurance, and crop subsidies.
• Support for direct delivery of Federal crop insurance without involvement of private insurance companies.
• Farmers should be able to compete without Federal programs, like crop insurance.
• Many positive comments were made about the benefit of crop insurance during disaster years.
• One participant noted that crop insurance had done more for High Plains farmers over the last 6 years of drought than direct payments.
• One commenter noted that an inequity exists in crop insurance where growers in Washington and Oregon have a whole different deal than growers in Utah.

Detailed Suggestions Expressed

• Young producers should receive higher premium subsidies in order to purchase crop insurance at the 80 and 85 percent coverage level.
• RMA and FSA should have same reporting dates for acres planted and certified.
• RMA should establish a certification process for independent contractors to adjust for losses and measure production yields for both loan and crop insurance purposes.
• Crop insurance for certain specialty crops, particularly potatoes, does not work.
• Federal crop insurance should not be provided for certain crops, particularly for green chili because it distorts plantings.
• FSA acreage certification software should be allowed to interface with RMA.
• Crop Revenue Coverage (CRC) should be modified to provide variable coverage levels based on yield potential in normal years rather than actual history in times of prolonged losses.
• Provide direct vouchers for the purchase of insurance for crops and/or crop revenue products.
• Some expressed concern with specific rules regarding crop insurance. Farmers must ask permission to commingle production in a bin.
• Specific pack factor rules with RMA and FSA need to be consistent. One uses 6.6 bushels for a ton of silage and the other agency uses 7.93.
• Original Adjusted Gross Revenue (AGR) pilot program and AGR-Lite are important tools; however, they are complicated and difficult for producers to make application for eligibility.
• Crop insurance rules should allow new farmers to utilize historic field yields, not county averages.
• Crop insurance programs ignore winter wheat in continuous crop vs. summerfallow winter wheat in eastern Washington State.
• The Federal crop insurance program needs revamping. Most insurance programs, such as health or home insurance, reimburse the insured for most of the costs associated with a tragedy. Crop insurance in no way provides this insurance.
• Federal crop insurance is an example of a program benefit that encourages high-water-use crops to move into the semi-arid sorghum belt.
• The Federal Government needs to act as insurance agents and return to insurer roles.
• Reform crop insurance from 60 percent to 90 percent reimbursement for natural disasters.
• Put in place crop insurance that pays Chicago Board of Trade prices based on running 5-year production averages.
• The Government should not provide one farmer a larger grant or crop insurance guarantee than another farmer or else the Government is selecting a winner and a loser.
• Need to make dairy production eligible for crop insurance.
• The Federal crop insurance program can be a lot simpler. Should be done by a per value, per acre system so all people can be insured, and not be limited to certain products.
• Federal crop insurance has problems with individual farm units. The program should go to single-unit crop insurance with better coverage and lower premiums.
• Concern about APHIS imposing a quarantine or stop-sale order on plants and that the Federal crop insurance program does not have authority to cover those losses.
• There is a need to revise rules for entry-level growers and growers who change crops to meet changing markets. The 5-year rule is unrealistic.
• In Hawaii, there is a tremendous need for information for farm producers and, besides, there is a problem with language.
• Stop crop insurance on vegetable crops.
• The Federal crop insurance program does not work because you can make a profit out of it. Prefer a cost-of-production insurance program.
• The Florida Avocado Administrative Committee has been petitioning the USDA since 1992 to make substantial changes to the avocado crop insurance program.
• Federal crop insurance should be expanded to cover tropical hardwood tree farms. Private insurance is not available.
• USDA should provide crop insurance for foliage crops that can be available for landscape and export nurseries.
• Eliminate current direct payments, as well as counter-cyclical and loan deficiency payments and use the same funding to buy down crop insurance premiums.
• There is a need for broader crop insurance coverage for corn as grain in North Dakota, in order to meet the growing needs of the ethanol industry.
• Farmers assuming more risk through enterprise unit or group policies should receive the same percentage of premium subsidy as those assuming the least amount of individual risk through optional units.
• Levels of funding need to be increased for RMA outreach programs.
• There is a Federal policy problem when a landowner with land along a river gets flooded 8 of 10 years and receives crop insurance, disaster payments, and money to clean up the mess.
• Federal crop insurance only covers about 30 percent of our production costs.
• Require farmers to secure crop insurance in order to participate in USDA programs.
• Crop insurance is ineffective – never a pay-out yet one must pay the same premium every year.
• Need to ensure that berry crop producers have necessary risk management tools.
• USDA should establish a standing disaster program for producers who suffer an insurable loss but only to the extent of the uninsured loss, and should mandate and fully fund an RMA and FSA initiative to implement data sharing to administer this standing disaster program.
• If you subsidize the insurance where farmers can afford the coverage they need for a disaster year, then you can do away with disaster payments.
• Crop and livestock production insurance must be available to all types of production systems and types of crops and livestock.
• Too many compliance issues exist with regard to prevented planting designations due to drought.