University of Minnesota
Crop Insurance Conference

Verizon Wireless Center
Mankato, MN
September 14-15, 2011

Federal Crop Insurance Program Outlook
by
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American Association of Crop Insurers
The Industry’s Only Advocate in Washington for All Crop Insurance Sectors
AACI MISSION

To provide lobbying for the crop insurance industry where members exercise First Amendment to the Constitution rights by communicating in a united voice with Congress and the Executive branch.

Why is lobbying important?
Source of Program Revenue

- Federal Treasury 75%
- Farmers 25%

Current Lobbying Challenge:
National Interest In Changing Federal Budget Status
Crop Insurance: 55%
Direct Payments: 33%
All Other: 12%

Why?
Because!
AACI GOALS

- Maintain private sector delivery of the federal crop insurance program
- Expand demand for the federal crop insurance program
- Avoid or minimize federal crop insurance program budget reductions
- Build relationship with Congress
- Build relationship with RMA / FCIC
- Build relationship with production agriculture

What We Will Discuss Today

1. Development of the Modern Crop Insurance Program
2. Crop Insurance Program Budget Changes
3. Crop Insurance In the 2012 Farm Bill
4. Crop Insurance Program Long Term
Development of the Modern Crop Insurance Program

Key Factors Impacting Crop Insurance

- Congress (authorizers)
- Administration (regulators)
- Farmers (users)
- Industry (marketers)

Congress: Impacting Crop Insurance Program

- Started program/formed Federal Crop Insurance Corporation in 1938
- Initiated modern program w/ public/private partnership in Federal Crop Insurance Act of 1980
- Added CAT in Crop Insurance Reform Act of 1994
- Formed RMA and added revenue coverage in Federal Agricultural Improvement and Reform Act of 1996 (1996 Farm Bill)
- Adjusted CAT, reduced A&O in 1998 Agricultural Research Bill
- Added over $8 billion to improve coverage, reduce farmer cost in Agricultural Risk Protection Act of 2000
- Cut about $6 billion, mostly in A&O, eliminated PRP and gave the administration authority to renegotiate the SRA in Food, Conservation and Energy Act of 2008 (2008 Farm Bill)
- Cut $6 billion in the 2011 SRA
- Proposed significant rate reduction for corn and soybeans for 2012.
Development of the Modern Crop Insurance Program

Administration: Impacting Crop Insurance Program

- Negotiated new SRAs
- Developed/Approved Policies
- Training Guidelines / Quality Control Measures and Reviews
- Regulations (Conflict of Interest, PRP Program, Claim Reviews)
- CLU Reporting
- Combo Policy
- Agent Compensation Caps / Covenant Not To Sue
- Good-Performance Refund Program (proposed, not implemented)
- Corn and Soybean Rate Reduction (proposed for 2012)

Farmers: Impacting Crop Insurance Program

Requested / Campaigned for:

- More policies
- Better policies
- Higher coverage
- Better coverage
- Lower premium (cost)
- Higher payments (revenue)
Development of the Modern Crop Insurance Program

Industry: Impacting Crop Insurance Program

- Expanded farmer participation
- Increased coverage
- Developed revenue policy
- Improved delivery and marketing efficiency and effectiveness
- Improved claims processing and payment efficiency and effectiveness
- Improved farmer decision making
- Supported termination of the PRP program
- Opposed delivery budget reductions
- Supported good performance refund, with industry input

Crop Insurance Program Budget Changes

1. Legislation (Farm Bills, Other Bills)
2. Standard Reinsurance Agreements (SRAs)
3. Commodity Prices
4. Yields
5. Rates
6. Regulations
7. New Programs

Appropriation Language: …such sums as necessary…

Pressure continues!
Crop Insurance In the 2012 Farm Bill

Some Likely AACI Objectives
1. Avoid or minimize further budget reductions
2. Amend SRA renegotiation authority
3. Maintain total private sector delivery
4. Expand demand through more and better policies
5. Amend policy development process and procedures
6. Expand private sector role
7. Strengthen public/private partnership

Farmers?
Congress?
Administration?

Crop Insurance Program Long Term

1. Outlook for the program
2. Outlook for private sector delivery of the program
Crop Insurance Program Long Term

Outlook for the program

“...farmers and agribusiness people offered a unified theme that crop insurance provides the strongest safety net and deserves more protection from federal budget cuts than other farm-bill programs.”

“We have heard crop insurance about 100 times. We get the message.” [Sen. Roberts (R-KS)]

“...farmers and rural leaders told the U.S. Senate committee drafting the new Farm Bill that the federal crop insurance program is critical to agriculture...From our perspective, the most effective is multi-peril crop insurance...”

Sen. Ag Committee Chairman Debbie Senator Stabenow (D-MI): “Should we be focusing more on crop insurance is one of the questions.”

“...Full funding for the crop insurance program is the highest priority for sunflower growers and I suspect that it is the case for all commodities.”

Crop Insurance Program Long Term

Outlook for private sector delivery of the program

In these times, a good industry guide: 

The main thing is keeping the main thing the main thing!
Crop Insurance Program Long Term

Outlook for private sector delivery of the program

The main thing(s):

- Expand demand — grow the program
- Maintain private sector delivery

The Main Threats

- **Actions to reduce demand (cost)**
  
  Example: Reduce farmer subsidy

- **Actions to change delivery**
  
  Example: Cycle of Contracting
Representative Paul Ryan (R-WI-1), Chairman, House Budget Committee

“Reform the open-ended nature of the government’s support for crop insurance so that agricultural producers assume the same kind of responsibility for managing risk that other businesses do.”

A Cycle of Contracting

- Out Source
- In House
- ?
- Out Source
“Cycle” of Program Delivery

- Dual
- In House (all government)
- Out Source (all industry)
- Dual

The Main Thing is ......