



United States  
Department of  
Agriculture

Federal Crop  
Insurance  
Corporation

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**DATE:** May 8, 2014

**TO:** Board of Directors  
Federal Crop Insurance Corporation

**FROM:** Brandon C. Willis /signed/  
Manager

**SUBJECT:** Manager's Report  
Exhibit No. 4192

This document is the Manager's Report to the Federal Crop Insurance Corporation Board of Directors (FCIC) meeting on May 8.

#### **New and Revised Products**

RMA has been actively working with the Department's Farm Bill Work Group to establish priorities and highlight decisions for implementing key programs, including the Supplemental Coverage Option (SCO) and the Stacked Income Protection Plan (STAX). RMA met with Approved Insurance Providers to share information, obtain feedback, and to discuss operational and automated systems issues. These efforts are ongoing with the release of SCO and STAX policies, along with related information, targeted for this summer. Other Farm Bill initiatives are in various stages of development and design with efforts targeted at implementing as much as possible for the 2015 crop year.

The Pear Crop Insurance Provisions were published in the Federal Register April 11, 2014 with a comment period that will end May 12, 2014. The proposed rule amends the pear crop provisions to improve coverage available to pear producers, clarify existing policy provisions to better meet the needs of insured producers, and to reduce vulnerability to program fraud, waste, and abuse. The new provisions are expected to be effective for the 2015.

On February 10, the Spokane RO forwarded a request to expand Forage production into 8 additional counties in Idaho and Washington. Counties include, Benewah, Boundary, Kootenai, Teton and Twin Fall (Idaho) and Pend Oreille, Spokane and Stevens (Washington). Expanded interest to insure forage hay types in various areas of the region has increased with written agreement requests and Farm Service Agency's Non-Insured Assistance (NAP) policy participation. The expansion approval will provide regional producers the opportunity for a continuous risk management tool and option for the 2015 crop year and beyond.

During the month of March, the Davis RO received several inquiries to expand the Adjusted Gross Revenue program in California. California currently has only eight (8)

counties with the program. With the transition from AGR to Whole Farm Insurance, the Davis RO has requested an expansion and provided underwriting data for 6 counties (Butte, Yolo, Yuba, Santa Barbara, Sonoma, and Mendocino) in California. The RO prioritized the counties by program interest and contact from congressional and industry sources. The intention of the RO is to request expansion of the program to the whole state.

### **Research, Contracts, Studies, and Workgroups**

A contract has been awarded to analyze insurance coverage for reduced irrigation resulting from limited irrigation water supply and capacity. Over the years, irrigation water availability has declined, leaving some areas with no irrigation and other areas without enough to fully irrigate a crop. As a result, some producers have been applying less irrigation water to their crops. Reduced irrigation causes issues with crop insurance for the irrigated practice, because a producer is required to timely apply the quantity of water needed to produce at least the yield used to establish their production guarantee.

Without the capacity to fully irrigate the crops, producers are required to insure the crop under a non-irrigated insurance offer which can significantly reduce the amount of coverage. The contract's objective is to conduct nationwide analysis of irrigated crops and provide a report recommending modifications to current crop insurance policy and procedures related to reduced irrigation. This contract is in progress with the report expected by the end of May.

A solicitation closed in April for the Forage Data Gathering contract. The purpose of this solicitation is to research and recommend development or revisions needed for improving the current Forage plan of insurance to better meet the various segments of forage production across the U.S. The first task order will involve data gathering of producer needs for a quality/revenue crop insurance program.

An evaluation of the Quarantine Endorsement Pilot Program has been completed and is being reviewed. The Quarantine Endorsement provides protection to citrus and avocado producers in California against losses resulting from a quarantine. The results of the evaluation will be presented to the Board of Directors at their next meeting for a determination of whether to convert the pilot to a permanent program, continue as a pilot, or terminate.

A contract has been awarded to analyze the data and assumptions underlying RMA's price volatility calculations. Price volatility factors are necessary for the development of premium rates for those programs offering revenue coverage based on commodity futures markets. This review is currently in progress and a final deliverable is due in August.

### **Meetings**

On February 6, the St. Paul RO Director met with an interagency team including the U.S. Army Corps of Engineers (ACE), Natural Resource Conservation Service (NRCS), U.S.

Geological Survey, U.S. Fish and Wildlife, University of Minnesota, Minnesota Pollution Control Agency, the Minnesota Department of Natural Resources (DNR), and others to coordinate, collaborate, and understand actions in the Minnesota River Basin. The Army Corps and others present, were interested in understanding the challenges and opportunities of agricultural producers as they work through the watershed planning process. The Watershed Study includes issues of water quality, water volume, sediment accumulation, and environmental concerns as they impact drinking water, navigation, recreation, agriculture, and the ecology. The 2014 RMA/NRCS cover crop collaboration and changes were discussed.

On February 18, the St. Paul RO Director and a Senior Risk Management Specialist attended a Cover Crop and Soil Health Forum in conjunction with the National Conference on Cover Crops and Soil Health at the NRCS/Cooperative Extension office in Brooklyn Center, MN. The forum provided NRCS and conservation partners and stakeholders with a unique opportunity to experience the conference and discuss ways we can more fully organize and energize our efforts to enable the soil health movement-at the grassroots level. The local forum several times touched on crop insurance barriers such as double cropping rules, lack of incentives, using cover crops as part of a risk management strategy, and conservation compliance. The RO director distributed the St. Paul RO Cover Crop Fact Sheet and discussed some of the issues raised by the local group.

On February 27 – March 1, the St. Paul RO Deputy Director, a Risk Management Specialist and National Organic Coordinator for RMA attended the Midwest Organic and Sustainable Education Service (MOSES) workshops, networked with producers and manned a booth to answer questions and disseminate crop insurance information. There were 3,300 participants in the conference and wide variety of topics discussed during the workshops. Mark Lipson, the Organic Agriculture Policy Advisor for the Secretary of Agriculture was on the agenda for a few workshops discussing the recent initiatives USDA has recently undertaken to improve service to the organic sector. There was a lot of interest in organic crop insurance. Most of the questions and comments on crop insurance can be summarized into a couple topics; 1) Why is there a maximum on the contract price addendum? 2) Why is the organic price not following the market price similar to conventional prices?

On April 22, the Valdosta RO Director met with the Florida SW Shellfish Association members. The Association requested the Clam Pilot Program be expanded to include all growers or be terminated so they all had the same risk management tools available. The Association requested the meeting after the RO responded that the Agency has no intentions to expand the Clam Pilot Program in Florida.

### **Educate/Collaborate**

On March 11, two representatives from the Billings RO attended the Annual Little Big Horn College Science and Career Fair in Crow Agency, Montana, on the Crow Indian

Reservation. There were approximately 50 students in attendance to learn about science and agriculture, and the jobs available in these fields. All USDA agencies had a display, as well as several private companies. The RMA booth educated attendees about crops from the area and what foods are made from each crop. The RMA employees also discussed the function of the Billings RO and role of the agency within USDA.

### **Compliance**

| Date   | PremOver    | IndemOver   | PremUnder | IndemUnder | Criminal Recovery | A & O Reduction | Indem Cost Avoidance* | Civil Fines | Settlement |
|--------|-------------|-------------|-----------|------------|-------------------|-----------------|-----------------------|-------------|------------|
| Feb 4  | \$11,690    | \$26,330    |           |            |                   |                 |                       |             |            |
| Feb 11 | \$32,939    | \$197,901   | \$4,342   | \$11,191   |                   |                 |                       |             |            |
| Feb 18 |             |             |           |            |                   |                 |                       |             |            |
| Feb 25 | \$650,806   | \$1,728,533 | \$1,077   | \$10,162   |                   |                 |                       |             |            |
| Mar 4  | \$14,916    | \$61,747    | \$213     | \$13,786   |                   |                 |                       |             |            |
| Mar 11 | \$4,094,977 | \$4,796,328 | \$2,567   |            |                   |                 |                       |             |            |
| Mar 18 | \$127,294   | \$56,503    | \$1,551   | \$5,808    |                   |                 |                       |             |            |
| Mar 25 | \$130,091   | \$64,061    | \$1,477   |            |                   |                 | \$128,416             |             |            |
| Apr 1  | \$29,241    | \$33,218    |           |            |                   | \$31,255        |                       |             |            |
| Apr 7  | \$46,257    | \$22,966    |           |            |                   |                 |                       |             |            |
| Apr 15 | \$14,590    | \$40,404    | \$3,599   | \$ 16,945  |                   |                 |                       |             |            |
| Apr 22 | \$35,235    | \$87,018    | \$1,201   | \$6,889    |                   |                 |                       |             |            |
| Apr 29 | \$330,537   | \$757,709   | \$1,864   |            | \$6,000           |                 | \$367,220             |             |            |
| TOTALS | \$5,518,573 | \$7,872,718 | \$17,891  | \$64,781   | \$6,000           | \$31,255        | \$494,636             | \$0         | \$0        |

\*Cost Avoidance reflects indemnities not paid on account of the review work performed in advance of the claim payment. Cost avoidance numbers should not be combined with other findings.

