After Record Losses, RMA Looks To Expand And Improve Crop Insurance

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With more than 95 percent of 2012 crop insurance claims already paid, it appears that $17.3 billion may be close to the new record for indemnities – an extremely large number, but a far cry from the $30-40 billion that some critics had projected.

However, the story is much more complex than just these numbers, emphasized Risk Management Agency Administrator Brandon Willis during an interview with *Agri-Pulse*.

"The story should not be that we had record losses but that the public-private process worked as it should have," he added. "Farmers were able to stay in business, lenders were repaid and rural communities saved thousands of jobs. All this happened during a historic drought across much of the country and there were no calls for ad hoc disaster aid."

Willis says agriculture needs to do a much better job of explaining this message to critics – especially those who don't understand that farmers had to lose at least 15 percent before they could even trigger coverage under the highest level of coverage and that growers paid over $4.1 billion in premiums last year.

Since taking the helm at RMA just a few months ago, Willis has focused on rooting out crop insurance scams like the North Carolina adjuster who was sentenced to jail in February for four years and ordered to pay over $21 million in restitution. That was one of several cases originally triggered by RMA's data mining.

"Some producers' behaviors change when they know you are doing your job," he adds.

The RMA is also trying to expand crop insurance options for more types of producers. For example, the agency recently launched a new livestock pilot program. The Rainfall Index - Annual Forage Insurance Plan covers annual crops used for livestock feed or fodder. It is available in all counties in Texas, Oklahoma, Kansas, Nebraska, South Dakota, and North Dakota. Catastrophic Risk Protection and buy-up levels are available under the plan.

Trend adjusted yields were offered for corn and soybean producers in many counties last year and in 2013, more counties and additional crops were added. Willis says the reaction has been very positive thus far.

"The biggest complaint we've heard is that more people want it," he added.

Willis also sees lots of room to improve crop insurance for organic producers, where only about 25 percent of growers purchase policies. Starting in 2014, RMA will drop the five percent surcharge that has applied to organic policies, allow price contracts to be used to help establish insurance price levels and organic transition (T-yields) will be established separately from conventional yields by using county or area production data.

Prevented planting regulations are one area where RMA is generating criticism, especially in North Dakota where Sen. John Hoeven, R-N.D., recently invited Willis to visit and discuss the problems first-hand with producers (See related story.) Willis said RMA is doing outreach with regional offices where there has been flooding and other natural disasters to make sure producers understand their options. Δ

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What You Need To Know About Prevented Planting

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Weeks of heavy rains across much of the nation's midsection could lead many producers to turn to prevented planting assistance.

The National Weather Service reports 90 forecast offices in Illinois, Iowa, Kansas, Missouri, Nebraska and South Dakota are reporting flooding conditions. Much of this rain has occurred just as farmers are still trying to get into their fields.

While the added precipitation will help these areas recover from the 2012 drought, the timing of the rains will deny many producers access to parts of their fields for planting. Being unable to plant all of an operation's farmable acres is nothing new, but producers are being advised to be knowledgeable about specific prevented planting rules, because a missed deadline could become a missed payback.

"The rules are very difficult on PP and the farmer needs to be on top of everything or they will get far less money in a PP claim," said Ruth Gerdes, of Auburn Agency Inc. in Nebraska. "All our clients are on 70-percent PP . . . When you fight the river like we do, it becomes important to know all the minutia of the rules."

Even though prevented planting is nothing new, some of the rules that govern it are being discovered for the first time. Gerdes said many of these rules were changed a few years ago, but since this is the first major prevented planting event since 2011, many producers are only now learning of the modifications.

Gerdes said the rule changes boil down to a few new concepts, including requirements now set for a second crop after being prevented from planting the first crop. Second-crop planting must now be postponed until after the late plant period has passed. For example, since the final plant date for corn in Nebraska is May 25th, producers are not allowed to plant a second crop until June 20, after the 25-day late-plant period has passed.

Gerdes said the biggest change involves the actual production history (APH).

"If you do take that first crop-second crop option that is available, then you are impacted on your APH. Sixty percent of the approved yield is put in the database. Before, there was no APH penalty for prevent plant," Gerdes said. A fact sheet sent to her customers outlines their options as the final plant dates expire or draw near.

Gerdes also said the option not to insure the second crop is gone and producers must provide coverage for an additional crop planted after the late plant date. She also mentioned that producers can still grow a cover crop and still collect their entire prevent plant indemnity, so long as they follow the rules governing cover crops.

One policy that may fall under Washington scrutiny involves the "abnormally dry" declaration in the USDA's Risk Management Agency (RMA) Prairie Pothole Region, which spreads through Iowa, Minnesota, Montana, North Dakota and South Dakota. Due to a declaration from the RMA that 2012 was "abnormally dry," acres that could be planted in 2012 may not qualify for the RMA "one-in-four" rule and therefore be ineligible for prevented planting declaration this year.

Sen. John Hoeven, R-N.D., said he's planning on working with RMA and USDA to add some clarity to the system of rules.

"The confusion and the subjectivity of some of their rules, where they're trying to predict weather, or classify whether it's a certain way when it varied throughout a state or region . . . it's those kind of confusing rules that create real problems for our farmers," Hoeven said.

Hoeven said while this is an issue that greatly affects his state, he is hoping for broad reform that goes beyond just prevented planting.

"This is a problem that extends well beyond North Dakota," Hoeven said. "This applies to anybody that has to deal with these rules when buying crop insurance. Whether it's crop insurance or any other program, you want simple, clear rules that people can understand and apply consistently."

For clarification on rules and regulations of individual insurance policies, producers are encouraged to see their crop insurance provider or contact their regional RMA office. Δ

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