

Risk Management Agency

Crop Insurance Industry

Annual Conference

February 19, 2004

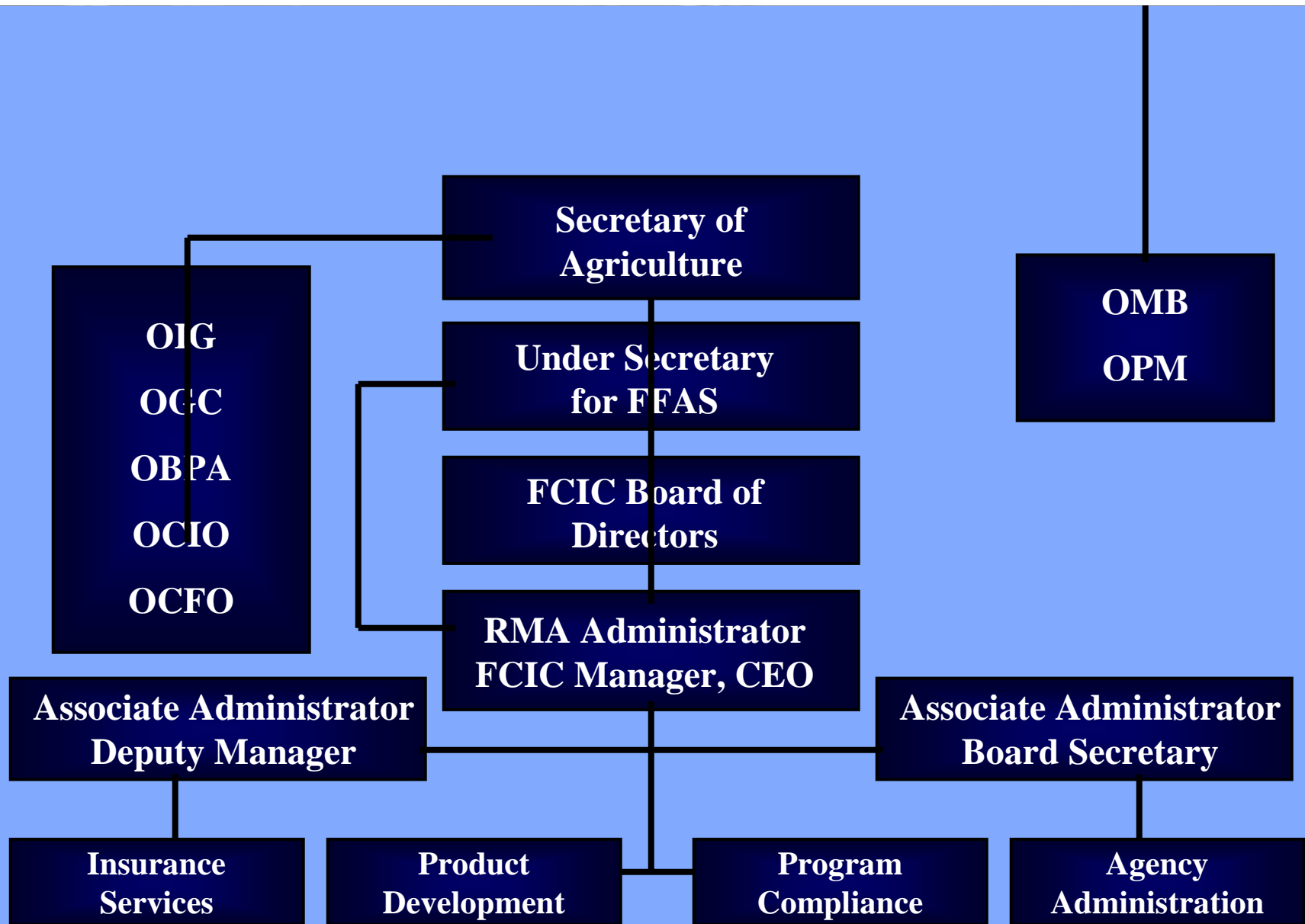
Ross J. Davidson, Jr.

RMA Administrator

The Federal Crop Insurance Act

Established the FCIC and its Board to:

**“Promote the national welfare...through
a sound system of crop insurance
and to provide the means for the research
and experience helpful in devising and
establishing such insurance”**



RMA Vision

We serve America's agricultural producers through effective, market-based risk management solutions.

RMA Mission

**Promote, support, and regulate
sound risk management solutions
to preserve and strengthen
the economic stability
of America's agricultural producers**

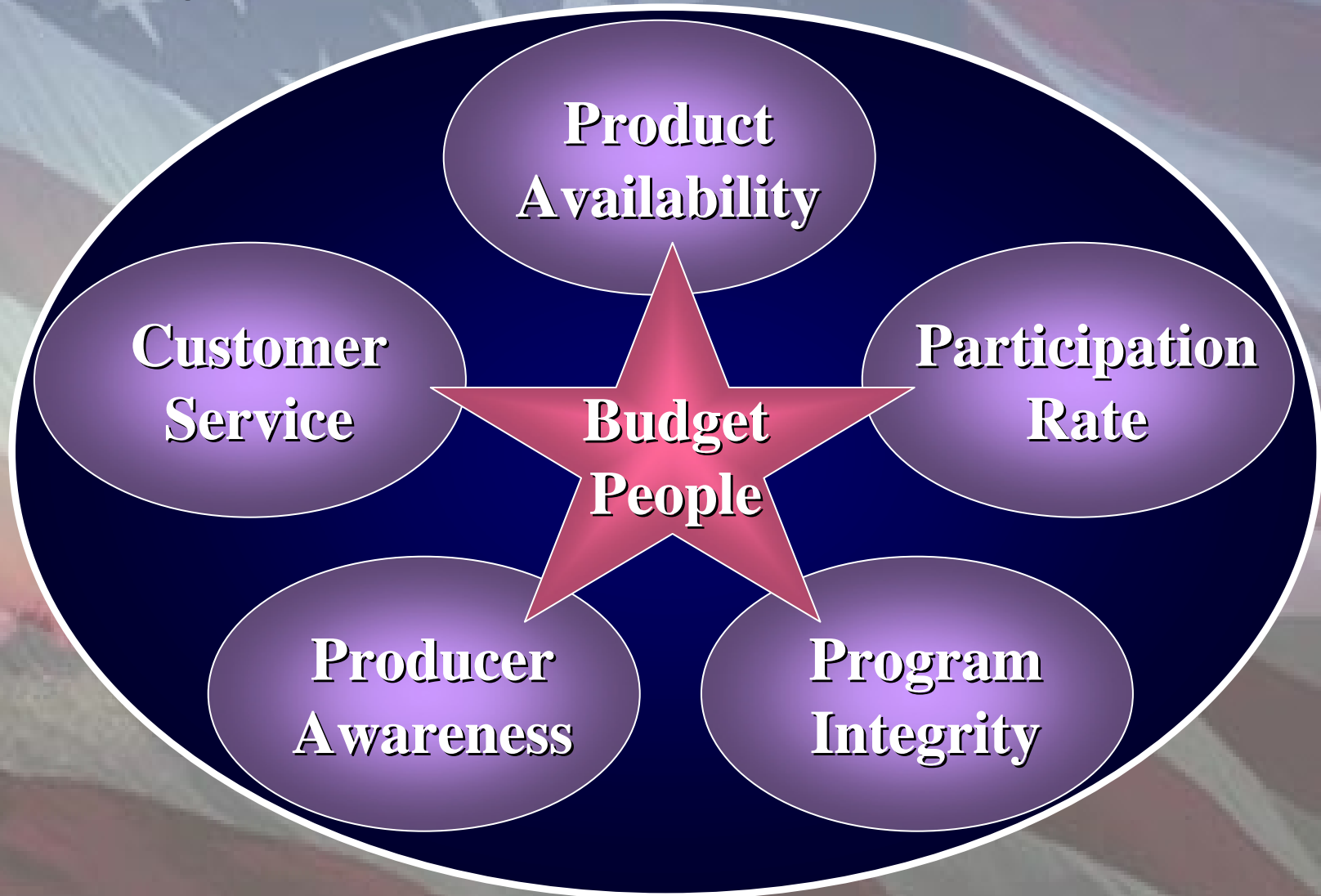
RMA Strategic Goals

- ✓ **Widely available and effective risk management solutions**
- ✓ **Informed customers and stakeholders**
- ✓ **A fair and effective delivery system**
- ✓ **Program integrity**
- ✓ **Excellent service**

FIVE BOLD STEPS

- ✓ **Focus and harmonize products and services to address demonstrated market needs.**
- ✓ **Formalize the use of strategic information and market analysis to improve decision making.**
- ✓ **Develop a comprehensive, coordinated regulatory system.**
- ✓ **Develop, acquire, and align activities, resources, and skills to achieve vision, mission and strategic goals.**
- ✓ **Improve internal and external communication and relationships.**

RMA Strategic Objectives and Key Effectiveness Measures



RMA Strategic Integration

Formalize the use of strategic information and market analysis to improve decision making.

- ✓ *Data Mining*
- ✓ *Dynamic Models*
- ✓ *Digital Mapping*
- ✓ *Remote Imagery*

Focus and harmonize products and services to address demonstrated market needs.

- ✓ *Product Strategy*
- ✓ *Handbook Review*
- ✓ *PP Forums*
- ✓ *Market Assessment*

Develop a comprehensive, coordinated regulatory system.

- ✓ *Industry Monitoring*
- ✓ *Regulatory Review*
- ✓ *Large Claim Review*
- ✓ *NAIC Coordination*

Develop, acquire, and align activities, resources, and skills to achieve vision, mission, strategic goals.

- ✓ *Budget Integration*
- ✓ *Project Management*
- ✓ *IT Integration*
- ✓ *Org. Realignment*

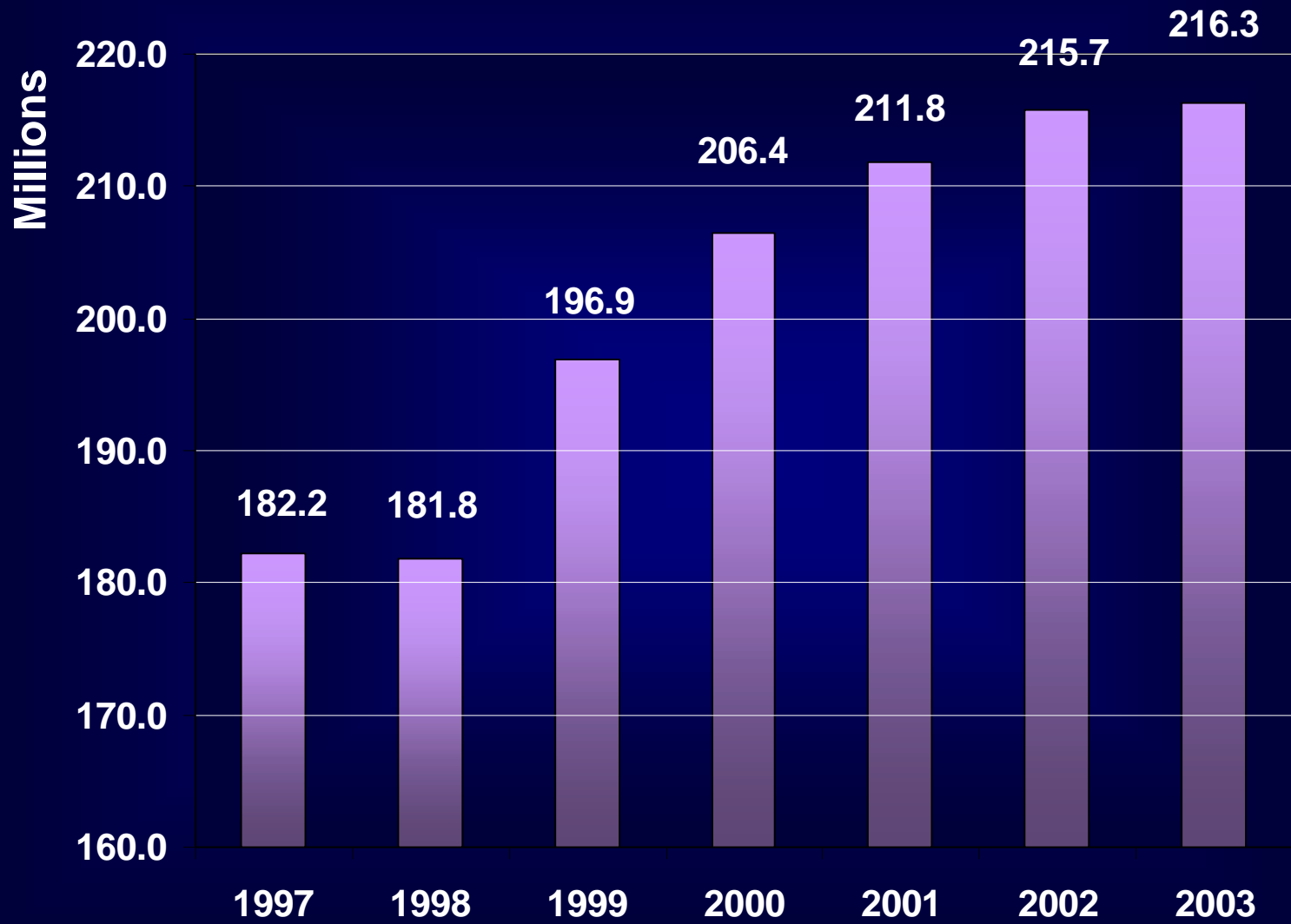
Improve internal and external communication and relationships.

- ✓ *Listening Sessions*
- ✓ *Co. Meetings*
- ✓ *Congress briefings*
- ✓ *Education/Outreach*

Measures – Budget

Strategic Objectives

Acres Insured - All Products



Program Size

Liability by Crop Nationwide

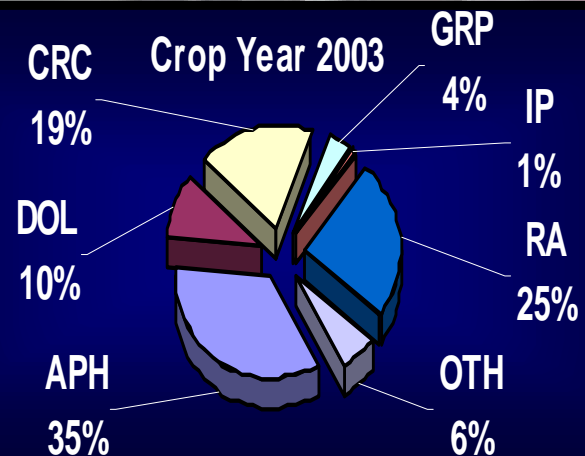
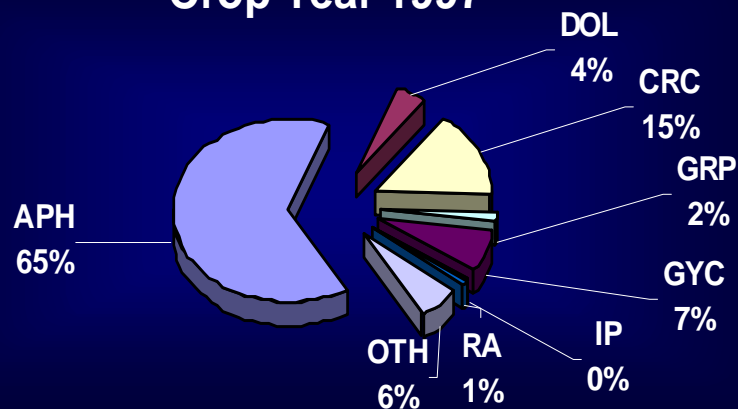
TOP TEN CROPS

(\$ in Billions)

CORN	12
SOYBEANS	7
WHEAT	4
NURSERY	3
COTTON	2
CITRUS TREES	1
POTATOES	.9
TOBACCO	.8
CITRUS	.7
SUGAR BEETS	.6

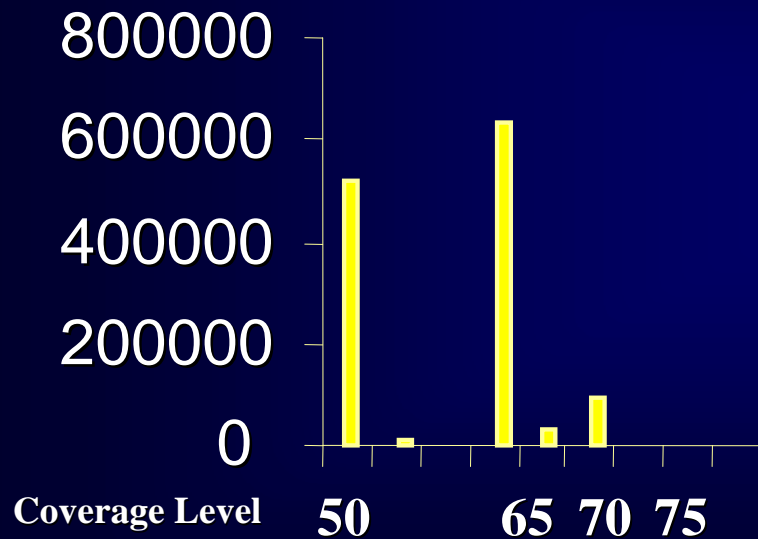
Liability by Insurance Plan

Crop Year 1997

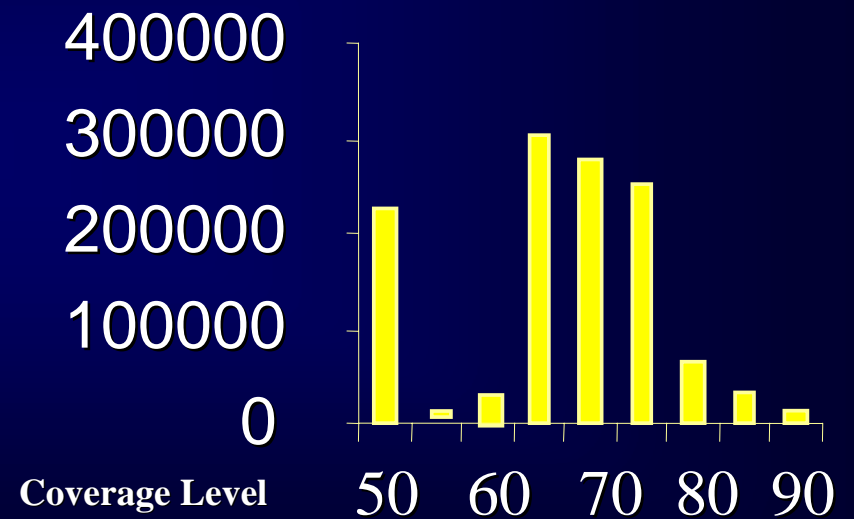


Policies by Coverage Level

1997

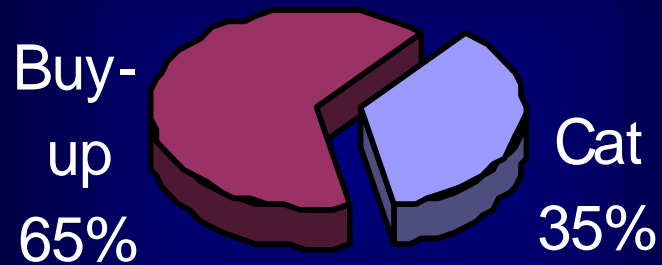


2003

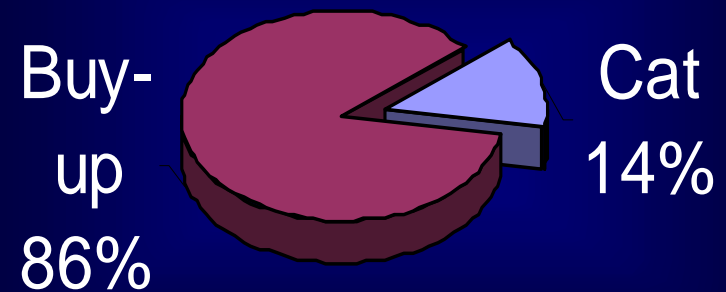


Policies by Category

Crop Year 1997



Crop Year 2003



Federal Crop Insurance Program Status

**\$40+ Billion
Liability**

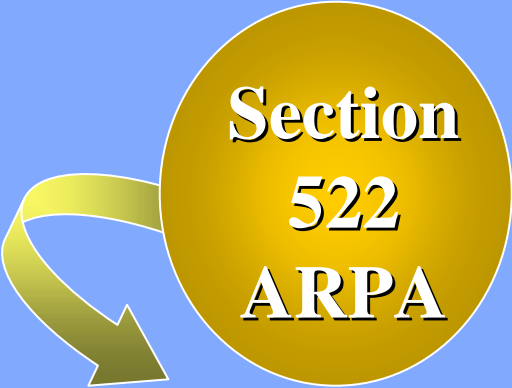
**218 Million
Acres**

**100+
Commodities**

22 EXISTING CROP INSURANCE PLANS

Actual Production History (APH)	Group Risk Protection Income Protection (GRIP)
Adjusted Gross Revenue (AGR)	Income Protection (IP)
Adjusted Gross Revenue Lite (AGR-Lite)	Indexed Income Protection (IIP)
Aquaculture Dollar	Livestock Gross Margin (LGM)
Avocado Revenue Coverage	Livestock Risk Protection (LRP)
Crop Revenue Coverage (CRC)	Pecan Revenue
Dollar Amount of Insurance	Revenue Assurance (RA)
Fixed Dollar	Tobacco - Guaranteed Production
Grower Yield Certification (GYC)	Tobacco - Quota
Grower Yield Certification Span (GYC Span)	Tree Based Dollar Amount of Insurance
Group Risk Plan (GRP)	Yield Based Dollar Amount of Insurance

New Product Development Cycle



**Section
522
ARPA**

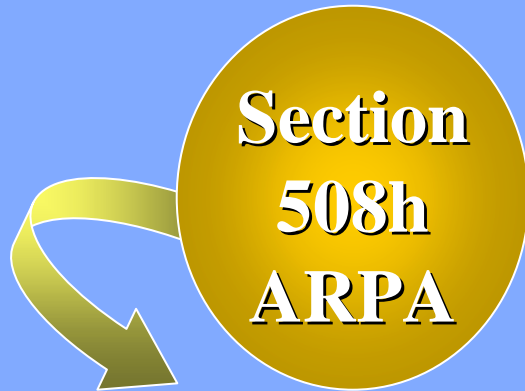
**RMA contracts with private
sector entity to develop product.**

1 Year	1-1.5 Years	3-5 Years	1 Year	1.5 Years
Feasibility	Development	Pilot	Evaluation	Regulation
8	7	30	17	2



Total Time from Concept to Market 8-11 Years

New Product Development Cycle



**Private sector entity proposes
and develops product.**

4 Months	2-6 Months	1-4 Years	1.5 Years
Board Consideration	Implement As Approved	Limited Availability	Permanent
6	2	8	

Total Time from Board Application to Permanent 3-6 Years

Recently Approved 508(h) Products

- **Livestock Gross margin – 2002**
- **Livestock Risk Protection – 2002**
- **Adjusted Gross Revenue – Lite**
- **Expansion of Livestock Revenue Protection**
 - **Fed Cattle – 2003**
 - **Feeder Cattle - 2003**

Products in the Pipeline

Categories of Projects Under Development

- **Livestock**
- **Specialty Crops**
- **Umbrella Coverage**
- **Program Improvements/Modifications**
- **Other Risk Management Tools**

Projects Under Development

Livestock

- **Livestock Disease**
 - Risk management tools for livestock and poultry producers
- **Livestock Risk Management Tools**
 - Feasibility of developing risk management tools for livestock producers
 - Poultry
 - Dairy
 - Sheep
 - lambs
- **Revenue Insurance for Cattle and Hogs**
 - Risk management tool for beef cattle and hogs using financial markets.
- **Pasture and Rangeland**
 - Insurance program for pasture and rangeland.
- **Apiculture (Bee-Keeping)**
 - Risk management options for the Apiculture industry.

Projects Under Development

Livestock (continued)

- **Research and Development of Pasture Rangeland, Forage**
- **Statement of Objectives published January 21, 2004**
- **Objectives:**
 - **Improve the existing pasture, rangeland and forage crop insurance programs offered by RMA**
 - **APH Forage Production**
 - **GRP Forage Production**
 - **GRP Rangeland); or**
 - **Provide new and innovative approaches to insuring pasture/rangeland, forage and hay.**

Projects Under Development

Specialty Crops

- Aquaculture
 - **Research and development of risk management tools for aquaculture species (catfish, salmon, trout, and baitfish).**
- Hawaii Tropical Fruits and Trees
 - **Develop an insurance program for Hawaii tropical fruit and tree crops.**
- Lawn Seed
 - **Develop an insurance program for lawn seed producers.**
- Christmas Trees
 - **Develop an insurance program for Christmas tree producers.**

Projects Under Development

Umbrella Coverage

- **Fresh Vegetables**
 - **Risk management tool for fresh vegetables**
 - **Asparagus**
 - **Broccoli**
 - **Cauliflower**
 - **Celery**
 - **Head, Leaf, Romaine Lettuce**
 - **Spinach.**

Projects Under Development

Program Improvements/Modifications

- **Pilot Program Maintenance & Evaluations**
- **Existing Programs**
 - **Sugar Beet Stage Removal**
 - **Nursery**
 - **Apples**
 - **Potatoes**
 - **Small Grains**
 - **Processing Tomatoes**
 - **Revenue Product Consolidation**
 - **Basic Provisions, etc.**

Contracted Studies to Improve Existing Products

- **Silage Sorghum Pilot Program**
- **Quality Adjustment Study (ARPA)**
- **Quality Review of the Dry Bean and Sugar Beet Crop Insurance Programs**
- **Quality Review of Almond, Apple, Figs and Pear Specialty Crop Insurance Programs**
- **Group Risk Plan of Insurance Evaluation**
- **Raisin Crop Insurance Review**

Contracted Products

(Continued)

- **Evaluation of Cotton Skip Row Factors**
- **Evaluation of Pack Factors for Stored Grain**
- **Evaluation of Appraisal Methods – Buckwheat, Corn, Dry Beans, Forage, Soybean**
- **Modified Quality Adjustment for Tobacco**

Converting Pilot Programs to Permanent Programs-Regulatory

- **Blueberry**
- **Pecan Revenue**
- **Others as determined by the Board**

Other Risk Management Tools

ARPA provides RMA with the authority "to enter into Partnerships with public and private entities for the purpose of increasing the availability of loss mitigation, financial, and other risk management tools for producers, with a priority given to specialty crops and underserved commodities."

Other Risk Management Tools

Innovative Risk Management Programs

- **Revenue Coverage Plans**
- **Preferred Producer Discount (Multi-Year)**
- **Risk Management Stabilization Accounts**

Other Risk Management Tools

Representative Non-Insurance Risk Management Tools

- **Satellite Remote Sensing for Crop Loss Adjustment**
- **Climate and Soil Risk Information System**
- **Weather Model Projects**
- **Insurance Vision**
- **Risk Reduction for Specialty Crops in S.E. U.S.**

Producer Listening Sessions

- **Opportunity to listen to producers regarding products and the program and communicate program features**
- **22 Conducted to date in all Regions (more scheduled)**
- **Informal (typically 15-30 people) and constructive**
- **Results documented (notes) and included in agency considerations for product/program development**
 - **Extensive list of comments**
 - **Some adjustments achievable in short and near term**
 - **Many need longer term evaluation and development**

Producer Listening Sessions

- **Representative areas of comment:**
 - **Coverage (buy up, long-term drought, availability)**
 - **Price Elections (quality, local market, use)**
 - **Crop Dates (sales, planting, local conditions)**
 - **T-Yields/Actual Yields**
 - **Irrigation/Practice/Type/Variety (reflect in design)**
 - **Program Complexity**
 - **Lack of livestock/forage rangeland programs**
 - **AGR/AGR-Lite availability**

Producer Listening Sessions

- **Representative areas of comment (continued):**
 - **Education and Outreach (positive, need more)**
 - **Good farmer or good risk premium discounts**
 - **Written Agreements (cumbersome, but needed)**
 - **Fraud/Compliance (need to emphasize, coordinate more)**
 - **Pilots (expansions, length, specific changes)**
 - **Agents and Adjusters (need training, oversight)**
 - **Prevented Planting (complex, not predictable)**
 - **Reinsured Companies (Financial Condition, A&O)**

A large American flag is the central focus, with its stars and stripes clearly visible. In the background, a factory building with a chimney is visible, suggesting an industrial or manufacturing setting. The overall scene is dimly lit, possibly at dusk or dawn.

Going Forward

Market Focus

Market Responsive

- **Commodities**
- **Risks**
- **Regions**
- **Producers**
- **Adaptability**
- **Expectations**

Program Integrity

Fiscally Responsible

Actuarial Soundness

- Risk Classification
- Rating/Pricing
- Underwriting

Integrity

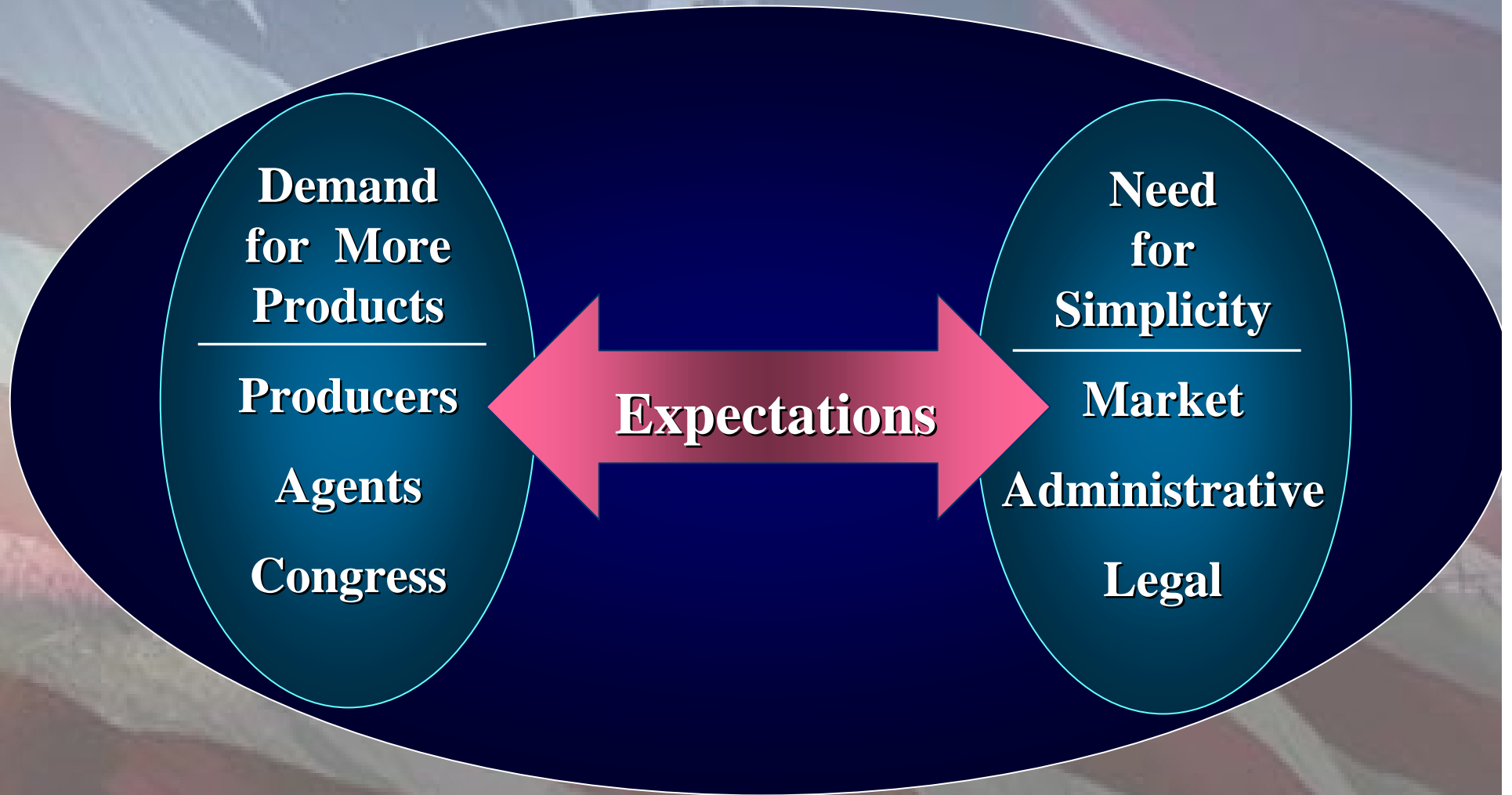
- Fair Representation
- Fraud/abuse Prevention
- Consistent Administration

Market Responsive

- Commodities
- Risks
- Regions
- Producers
- Adaptation
- Expectations



Program Balance



RMA Five Year Growth Projections

- **Increase crop insurance coverage from \$36 to \$43 billion in potential Liabilities**
- **Increase crop insurance coverage in underserved states from \$806 million to \$1.2 billion in potential Liabilities**
- **Increase the percent of planted acres with crop insurance from 78% to 80%**
- **Increase the number of insured commodities from 355 to 437**
- **Increase crop insurance coverage on specialty crops from \$7.7 to \$11.7 billion in potential Liabilities**
- **Increase the number of insured specialty crops from 60 to 82**
- **Increase the number of non-insurance tools available to producers to 5 in 2005**

Strategic Influences Affecting Crop Insurance

