



## Washington Report October 9, 2009

### SRA News...

**House Agriculture Panel Holds Roundtable on Crop Insurance.** On Wednesday, October 7, House Agriculture Commodities Subcommittee Chairman Leonard Boswell (D-IA) and Ranking Member Jerry Moran (R-KS) held a roundtable discussion on crop insurance with industry representatives. CIRB Past Chairman Steve Rutledge, of Farmers Mutual Hail Insurance Company, and Executive Vice President Mike Torrey attended the meeting on CIRB's behalf. Chairman Boswell expressed interest in finding out if farmers are getting a good deal from the program, and he noted his desire to hold a hearing at some point. Attendees noted that, to date, the process surrounding the SRA has been productive, and the tone of discussions has been positive. Other topics discussed during the meeting included: the last two GAO reports; the NCIS/industry response to the Milliman study; recent restructuring within the industry; the rating review currently being conducted by USDA; the industry's concern about potential funding cuts, especially in light of reductions over the last four years; why some areas are underserved and possible solutions; and the ultimate impact of timing shifts on companies and producers. If you have any questions, please contact Mike Torrey at (202) 544-0067 or [mtorrey@cropinsurance.org](mailto:mtorrey@cropinsurance.org).

**NCIS: Crop Insurance Less Profitable than P&C.** This week, NCIS released a study showing that over a 17-year period (1992-2008), the Federal Crop Insurance Corporation has been notably less profitable and more risky than the Property and Casualty (P&C) insurance industry, and also has lower expense-to-premium ratios. NCIS President Robert Parkerson noted that crop insurance has averaged 14.2 percent per year in pre-tax net income over this period, while P&C averaged 17.5 percent in annual profitability. For more information, click [here](#).

**SRA Discussions Continue.** Crop insurance companies are planning to submit comments to the Risk Management Agency (RMA) by mid-October as part of renegotiations on the Standard Reinsurance Agreement (SRA). Upon receiving comments from the industry, RMA will prepare a draft agreement that they are likely to release by mid-November, thereby allowing significant negotiations to begin. At that point, likely topics of discussion include determining how to maintain and promote participation in chronically under-served states and "smoothing" A&O so as to lessen the effects of commodity prices. RMA is seeking to find savings from the program, while companies hope to ensure that participation remains financially viable.

### USDA News...

**Vilsack Announces 2010 DCP and ACRE Sign-Up.** Agriculture Secretary Vilsack recently announced that enrollment has begun for the 2010 Direct and Counter-cyclical Program and the Average Crop Revenue Election program and will run through June 1, 2010. You may recall that the 2009 sign-up deadline for the ACRE program was August 14; as of August 2009, over 4,700 farms had enrolled in the program. For more information, click [here](#).

**RMA Approves New Technology.** RMA recently announced that the Federal Crop Insurance Corporation's Board of Directors approved additional technology known as SmartStax™ for use as a qualifying hybrid under the Pilot Biotechnology Endorsement program, starting with the 2010 crop year. For more information, click [here](#).

## Congressional News...

**Congress Passes Agriculture Appropriations.** On Wednesday, October 7, the House passed the final Fiscal Year 2010 Agriculture Appropriations Conference Report by a vote of 263-162. The Senate followed suit on Thursday, October 8, thereby sending the bill to the President's desk for signature. The measure provides \$80,325,000 for the Risk Management Agency; it does not include any language pertaining to the federal crop insurance program.

**House Outlook.** Next week, the full House is poised to take up several final Fiscal Year 2010 **Appropriations measures**, including the Interior/Environment and Homeland Security bills. Behind closed doors, House Leadership continues to discuss **healthcare overhaul legislation**, in anticipation of a probable floor vote later this fall.

**Senate Outlook.** The Senate is also likely to focus on **Appropriations bills** next week, with continued voting expected on the Commerce-Justice-Science measure. Additionally, the Finance Committee is planning to hold a final vote on Chairman Max Baucus' **healthcare reform proposal** before the end of the week.

**Cotton Belt Lawmakers Request CFTC Findings.** This week's Agri-Pulse newsletter reported that 11 Senators, led by Agriculture Chairman Blanche Lincoln and Ranking Member Saxby Chambliss, asked the Commodity Futures Trading Commission (CFTC) to announce the findings of its investigation into the price run-up in ICE cotton futures in early 2008. On June 3, 2008, the CFTC stated that it was investigating the "unprecedented market conditions" of March 2008, but the agency has remained quiet since this initial announcement. In their letter, Senators noted that without an understanding of the volatility, their cotton farmers are unable to clearly assess important risk management tools.

**Christie Vilsack a Potential Senate Candidate.** This week's Agri-Pulse newsletter reported that former Iowa First Lady Christie Vilsack, the wife of Agriculture Secretary Tom Vilsack, is rumored to be a potential candidate for the Democratic nomination to challenge Senator Charles Grassley next year. Although she moved to Washington this year with her husband, Vilsack has continued to serve as Executive Director of the Iowa Initiative to Reduce Unintended Pregnancies.

## Industry News...

**NCIS Encouraging Farmers to Contact Insurers.** In a recent news release, National Crop Insurance Services urges producers facing grain quality concerns to contact their crop insurance companies or agents in order to determine their coverage options in the event of damage to crops from diseases, weather, or other causes. For more information, click [here](#).

**Agriculture Groups Submit Comments on CRP.** The Alliance for Agricultural Growth and Competitiveness, a broad coalition of agricultural producers, handlers, and processors, has submitted comments to USDA regarding how the Conservation Reserve Program (CRP) could be better managed for producers and for the environment. Specifically, the coalition is encouraging USDA to keep highly erodible acreage under contract while improving flexibility regarding production restrictions on lands that have not been labeled ‘environmentally sensitive.’ The coalition notes its concern with the continued retirement of non-environmentally sensitive cropland, pointing out that CRP was not intended to function as a permanent land-retirement program. As of August 31, 2009, CRP enrollment totaled 33.80 million acres, a decrease in 900,000 from last year. The full letter is attached to this report.