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**House Agriculture Committee Subcommittee on General Farm Commodities and
Risk Management Hearing**
**“A 2022 Review of the Farm Bill: Stakeholder Perspectives on Title XI Crop
Insurance”**
July 20, 2022
Provided by:



OVERVIEW

The House Agriculture Committee Subcommittee on General Farm Commodities and Risk Management held a hearing entitled “A 2022 Review of the Farm Bill: Stakeholder Perspectives on Title XI Crop Insurance.” The witnesses in the hearing were:

- Bob Haney on behalf of the Crop Insurance and Reinsurance Bureau and the American Association of Crop Insurers
- Kathy Fowler on behalf of the Crop Insurance Professionals Association
- Alex Offerdahl, Crop Insurance Division Head, Watts and Associates
- Tom Haag, First Vice President, National Corn Growers Association
- Lee Cromley, Board Member, American Cotton Producers

Below is a summary of the hearing prepared by Delta Strategy Group. It includes several high-level takeaways from both panels, followed by summaries of opening statements and witness testimonies and a summary of the Q&A portion of the hearing.

Key Takeaways

The following is a summary of some of the topics explored in today’s hearing. Each is discussed in further detail in the Discussion section below.

- Subcommittee Chair Cheri Bustos (D-IL) said that, through all of her conversations with agricultural producers over the years, the clearest message has been to make sure crop insurance programs remain strong.

- Subcommittee Ranking Member Austin Scott (R-GA) expressed that in the 2023 Farm Bill, crop insurance policies must be strengthened and expanded, including an introduction of multiple policies, such as supplemental coverage options, enhanced coverage options, stacked income protection, and more.
- Ranking Member G.T. Thompson (R-PA) also expressed support for expanding crop insurance programs and cautioned against allowing the government to use crop insurance policies to require producers to adopt certain practices, in the name of conservation, that make not work for that farm. He emphasized that, ultimately, crop insurance should serve the producers first, not policy goals.
- Bob Haney, Kathy Fowler, and Alex Offerdahl all expressed support for expanding 508(h) policies that allow producers to propose crop insurance policies for issues that crop insurance does not yet cover for.

SUMMARY

Opening Statements and Testimony

Subcommittee Chair Cheri Bustos (D-IL)

We regularly receive input from farmers that say that the most important thing in developing a new Farm Bill is to ensure that we do no harm to crop insurance programs.

Subcommittee Ranking Member Austin Scott (R-GA)

Crop insurance stands as the cornerstone of the safety net for many of our producers. While crop insurances have been helpful, they are not perfect. Many farmers often note that higher levels of coverage are often far too expensive. In the next Farm Bill, we must further enhance the crop insurance system with affordable options to increase coverage.

We should consider multiple policies, such as supplemental coverage options, enhanced coverage options, stacked income protection, and more. We need to thoroughly examine these policies to determine if they are doing an adequate job to protect producers. In a time of global instability and economic turmoil, this Committee must do everything it can to protect producers.

Ranking Member G.T. Thompson (R-PA)

In my meetings with farmers, the most commonly discussed topic is crop insurance. Without crop insurance, producers would not be able to make investments in their farms and take advantage of new technologies. The key aspect of crop insurance is the public-private partnership which allows for the USDA to set fair prices and for companies to compete on service. This partnership creates a fair program for taxpayers and creates jobs in rural areas. The massive increase in crop insurance participation depicts the true success of crop insurance programs.

The push by some to use crop insurance policies to require producers to adopt certain practices in the name of conservation must stop. We all support conservation, but crop insurance is not the place to push practices that might not work for certain farmers. We have other ways in which to incentivize farmers to adopt climate-smart practices.

Bob Haney on behalf of the Crop Insurance and Reinsurance Bureau and the American Association of Crop Insurers

Crop insurance is the best tool for farmers to protect against the natural perils producers face. Private companies are typically able to deliver indemnity payments to farmers in fewer than thirty days after a loss occurs. The private sector delivery of crop insurance means that farmers get to choose the company or local agent that can provide them with the best service. The public-private partnership for crop insurance helps to keep crop insurance affordable for most farmers while also ensuring the program is fiscally responsible. A key feature of crop insurance is its flexibility. If a farmer does not believe the right crop insurance exists for their farm, that farmer can utilize the 508(h) processes.

Farmers who purchase crop insurance are more likely to undertake climate-smart agricultural practices. The intersection between crop insurance and climate-smart practices ought to be incentive-based and not place additional mandates on farmers. The last several years have seen an increase in ad hoc disaster assistance. We ask that Congress fill the gaps that have historically been filled with ad hoc assistance instead with long term crop assistance.

Kathy Fowler on behalf of the Crop Insurance Professionals Association

The stakes have never been higher for farmers and their margins have never been tighter. Climate challenges, the COVID-19 pandemic, and supply chain issues are crippling farmers. Crop insurance does more than just cover losses. It enables producers to secure credit, to better market their crops, and to make the needed investments to better their farms and soil. Right now, crop insurance is a great product, but, there are a few flaws. For the 2023 Farm Bill, pay limits and Adjusted Gross Income (AGI) could harm small farmers by raising their premiums. Congress should not cut premium cost share, permit ad hoc disaster relief to undermine crop insurance, or try to mix policy objectives, such as climate issues, into crop insurance. When farmers are profitable, good practices follow. For the 2023 Farm Bill, we ask that you continue to support the 508(h) process and enable farmers to purchase higher levels of insurance. We ask that you fix the problems surrounding crop insurance for specialty farmers.

Alex Offerdahl, Crop Insurance Division Head, Watts and Associates

Crop insurance has succeeded because of its unique design between government and private industry. The 508(h) process is a perfect example of this partnership because it allows farmers to add new ideas that can be incorporated into the insurance program.

Today, 86 percent of the crop insurance policies sold originated as 508(h) proposals. While there are several steps for 508(h) proposals to become policy, one key is that the talented staff at the USDA risk management agency strongly vet each proposal in order to address any critical flaws. Ultimately, the Federal Crop Insurance Corporation's board (FCIC) must approve any proposals.

Tom Haag, First Vice President, National Corn Growers Association (NGCA)

The public-private partnership of federal crop insurance plays a significant role in protecting farmers from natural disasters. The bulk of corn growers purchase revenue protects. Built into these policies is important coverage against prices risking at coverage time. Corn growers are pleased with the increased coordination with USDA agencies aligning deadlines for commodity programs.

The 2018 Farm Bill added direction for USDA's Risk Management Agency (RMA) to research and develop new policies, such as the quality loss option. In 2020, RMA released the hurricane insurance wind index policy, which provides coverage on over seventy crops. Since the 2018 Farm Bill, producers across the country have faced various, widespread disasters. When disaster strikes, crop insurance companies are general able to provide timely loss adjustments and process the bulk of indemnity payments. Corn growers across the country stress the most important feature of the Farm Bill is crop insurance.

Lee Cromley, Board Member, American Cotton Producers

Improving the risk management options for producers is a top priority for cotton producers. In the current economic times, crop insurance has been a necessity. We are grateful for many of the policy updates RMA has made over the years as changing weather conditions have created new, difficult challenges for cotton producers. However, there are still improvements to be made. Growers who suffer losses from tropical storms are ineligible for hurricane relief, even though tropical storms can cause much damage to farms as a hurricane. Growers should have the option to purchase a product that will ensure the actual crop value of their farm.

Discussion

Bustos (D-IL): How can does the FCIC review proposals, and what are the considerations they have to make in evaluating and approving those proposals? What are the confidentiality requirements in place as products are reviewed? *Offerdahl:* Generally, the best ideas for new crop insurance products come from producers. From there, the first task is to determine if crop insurance is the best way to address the problem raised by the producer. If we deem crop insurance may be the best route, there is a lot of data available that is pulled together and used to develop a full submission that meets the standard of actuarial soundness. Next, there is a process of writing insurance contracts, and these are scrutinized by the risk management agency staff. From there, the FCIC board considers the merits of the program. If the FCIC board likes these policies, they

send the policies out to be scrutinized by their expert reviewers. Only once the expert reviewers' questions and concerns are fully addressed, can we go back to FCIC to seek approval. In terms of confidentiality, the developer themselves choose whether or not confidentiality is to be maintained. The reviewers respect the submitters' right to keep the requests confidential.

Scott (R-GA): The cap on administrative and operating expenses has adverse impacts on agents. If left unaddressed, what will be the impact on growers? How did the National Cotton Council work with the USDA risk management agency to increase crop insurance participation? *Fowler:* Crop coverage has been enhanced recently in the specialty crop area. However, we need more trained, specialized staff in the area of specialty crops to continue to enhance this area; *Cromley:* All growers have to have crop insurances in some form to survive in today's environment.

Carbajal (D-CA): Is there a role for Congress to help streamline program access to whole Farm Revenue Protection, and how can insurance providers do more to educate agents and the market about this specific product? *Fowler:* The whole Farm Revenue Protection program is valuable for specialty crop farmers, but it is complicated and confusing. We can all work together with RMA to make that program better.

Carbajal (D-CA): Given the impacts of climate change, are there any specific agricultural sectors we need to focus on to encourage more participation in crop insurance programs? *Haag:* Our goal is to have every farmer have some form of safety net in the long run. We must convince politicians who do not support or understand crop insurance to fully support crop insurance.

Allen (R-GA): What can Congress do to ensure we are not undermining the current crop insurance program, and is there any way Congress can encourage participation in these programs? What ideas have been discussed for a cost-efficient coverage program for the benefit for all of our farmers? Are input prices still high? *Fowler:* There are additional products that Congress can consider, and producers need to be able to participate at a higher level of coverage without higher costs; *Cromley:* The issue right now is thin margins across the board. We have too much uncertainty and volatility right now. Crop insurance can provide predictability which is more important now than ever.

Lawson (D-FL): In addition to increasing the ANO, what else can Congress do to incentivize crop insurance companies to work with specialty crop producers? *Fowler:* Making ANO adjustments in the specialty crop areas is a good start. Congress needs to provide more funding for staffing crop insurance companies with specialized workers who understand specialty crops.

Lawson (D-FL): Should protection against tropical storms be included in existing crop insurance policies? *Cromley:* The hurricane product is a good product. However, I do

agree that the program could be extended to analyze not just whether there was a hurricane but what the actual impact was to the farm.

Thompson (R-PA): What are the dangers of using crop insurance rates as a tool to change farmers' behaviors in the name of climate change or incentivize certain practices that have unproven yield benefits? How has crop insurance grown over time? *Haag:* We want to make sure that farmers are not required to change their practices in order to gain crop protection; *Fowler:* Crop insurance was created to protect the profitability of the farmer, and we need to stick to these practices. Crop insurance has evolved incredibly well over time. Crop insurance providers are incredibly engaged with the community and the people we serve.

Thompson (R-PA): What are the potential impacts of removing the public-private partnership within crop insurance and making the program entirely government run?

Fowler: Right now, both the private corporations and public agencies need each other. The success record of crop insurance is because of the public-private partnership.

Mann (R-KS): Why is it crucial the FCIC has autonomy over crop insurance? *Fowler:* The FCIC writes the actual policies. We need additional participation at higher levels. The products coming from the 508(h) program are great products, but it would be more helpful to have more support at the higher levels.

Mann (R-KS): What impact has the stagnate ANO cap had on crop insurance agencies?

Fowler: Crop insurance agencies do everything they can do help farmers, but we our staff has to be incredibly conscious of our budget. We try to do more with less, but it is challenging.

Thompson (R-PA): What is the impact that limitations or means testing would have on crop insurance programs overall and specialty crop producers? *Fowler:* If you start taking people out of the risk pool, then we will not stay below the 1% loss ratio requirement. We must make sure everyone is engaged or else this program will not work. *Haney:* If you start removing bulk premiums, it will have a dramatic effect on smaller premiums and smaller producers.

Thompson (R-PA): How would a margin insurance protection policy work? *Offerdahl:* The margin protection program is designed to protect people from decreases in commodity prices, decreases in yield, or increase in input cost. A program like this has been available as an experiment since 2016, following a 508(h) proposal. However, it can greatly be expanded geographically and by crop type.