



September 21, 2017

United States  
Department of  
Agriculture

Federal Crop  
Insurance  
Corporation

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

**FROM:** Heather Manzano */signed/*  
Acting Manager

**SUBJECT:** Manager's Report  
Exhibit No. 4427

This is the Manager's Report to the Federal Crop Insurance Corporation (FCIC) Board of Directors meeting on September 21, 2017.

### **Program Changes**

**Pasture/Rangeland/Forage Organic Practices:** The Risk Management Agency (RMA) has revised the Rainfall Index and Vegetation Index Basic Provisions and Rainfall Index Pasture, Rangeland, Forage Crop Provisions to allow for organic certified and transitional practices to be offered. Beginning with the 2018 crop year, the non-irrigated haying practice will have a distinct organic price.

**Whole-Farm Revenue Protection (WFRP) Policy:** RMA met with stakeholders this past spring and, in response to stakeholder comments and with Federal Crop Insurance Corporation Board approval, the WFRP policy was modified to: 1) Include a fall sales closing date for fiscal filers with late fiscal years that begin in the months September through December, 2) Include as revenue to count only the amount of private insurance (non-federally reinsured) that is in excess of the WFRP deductible, and 3) To incorporate other minor modifications to address questions that were received during the year. The new policy was released in late August 2017 for the 2018 policy year.

**Cultivated Clam Insurance Permanent Status:** The Cultivated Clam Crop Insurance Program has been piloted to determine its acceptance by producers as an effective and affordable risk management tool and to assure the program is actuarially sound. The Cultivated Clam policy was determined by the Federal Crop Insurance Board of Directors to be permanent after the pilot testing was complete. This program is now being converted to permanent program status beginning with the 2018 crop year.

### **Fiscal Year (FY) 2017 Risk Management Education (RME) Cooperative Agreements**

RMA Insurance Services recently notified 75 successful and 65 unsuccessful applicants. Successful applicants requested nearly \$10 million in funding for the Crop Insurance in Targeted States Program and RME Partnerships Program and include nine first-time recipients, ten national-level projects, and six projects that partner with state Future

Farmers of America. The Crop Insurance in Targeted States Program backs development of crop insurance education programs where there is a low level of Federal crop insurance participation and availability. The targeted states are Alaska, Connecticut, Delaware, Hawaii, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia, and Wyoming.

Additionally, the RME Partnerships Program provides funding for the development of general nationwide crop insurance education as well as other risk management training programs for producers. For FY 2018, crop insurance program topics include: Whole-Farm Revenue Protection, Pasture, Rangeland, and Forage, Crop Insurance, Organics, and Livestock. All awards will be made and agreements finalized by September 2017 with a project start date of September 29, 2017.

### **Hurricane Harvey**

Hurricane Harvey made landfall late on the night of August 25, 2017, near the town of Rockport, Texas, just north of Corpus Christi. When it made landfall, it was the first Category 4 hurricane to make its landfall in the U.S. since 2004. Harvey has remained in relatively the same location since making its landfall and its torrential rainfall has caused significant flooding in Southwest Louisiana and Southeast Texas. Reported by The Weather Channel, some areas could receive up to 50 inches of rain by the end of this week.

The Governor of Louisiana has declared a state of the emergency for the entire state, while Calcasieu and Cameron parishes have already declared. The state of emergency will be in effect until September 22. State offices are closed in Calcasieu and Cameron parishes, August 28.

The parishes in Louisiana with cropland that could be impacted are: Acadia, Allen, Beauregard, Calcasieu, Cameron, Jefferson Davis, Vermillion, and Vernon. Below is a table of the cropland totals that were insured in 2016 in these parishes.

<b>Parishes</b>	<b># Policies Earning Premium</b>	<b>Acres</b>	<b>Liabilities</b>
Acadia	362	105,910	\$36,601,592
Allen	97	22,009	\$11,226,735
Beauregard	27	5,093	\$1,258,311
Calcasieu	64	16,879	\$5,155,499
Cameron	37	10,978	\$5,142,034
Jefferson Davis	284	92,745	\$39,597,257
Vermillion	230	85,196	\$34,545,320
Vernon	1	72	\$5,884
<b>Grand Total</b>	<b>1102</b>	<b>338,882</b>	<b>\$133,532,632</b>

The following table, lists the actual crops insured in those parishes for 2016.

<b>Crop</b>	<b># Policies Earning Premium</b>	<b>Acres</b>	<b>Liabilities</b>
Corn	10	1,133	\$308,817
Grain Sorghum	6	841	\$128,965
Pasture, Rangeland, Forage	6	1,601	\$188,540
Rice	738	215,572	\$104,163,848
Soybeans	277	80,298	\$11,684,753
Sugarcane	51	35,130	\$15,798,046
Sweet Potatoes	1	1,888	\$1,020,669
Wheat	13	2,419	\$238,994
<b>Grand Total</b>	<b>1102</b>	<b>338,882</b>	<b>\$133,532,632</b>

The following table is from the National Agricultural Statistics Service Louisiana Crop Progress and Condition Report for the week ending August 20, 2017. It is a current overview of the crop for the state:

Crop	This week	Last week	Last year	5-year average
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Corn, mature	98	96	93	95
Corn, harvested	58	38	34	52
Cotton, setting bolls	99	98	99	99
Cotton, open bolls	30	19	43	32
Hay, second cutting	73	70	77	89
Rice, mature	94	84	84	83
Rice, harvested	69	59	59	56
Sorghum, coloring	100	97	100	99
Sorghum, mature	90	85	92	89
Sorghum, harvested	43	37	69	60
Soybeans, setting pods	100	99	98	97
Soybeans, turning color	69	56	45	44
Soybeans, dropping leaves	39	27	23	26
Soybeans, mature	31	20	11	NA
Soybeans, harvested	14	8	0	5
Sugarcane, planted	28	17	19	25

From the table above, 69 percent of rice in the state has already been harvested, which if you apply that factor to the 2<sup>nd</sup> table's 215,572 acres of rice insured, one could assume that there's approximately 67,000 acres of rice still remaining un-harvested. Applying that same methodology to the 2<sup>nd</sup> highest crop planted in the region, only 14 percent of

soybeans have been harvested. This could be interpreted to mean that approximately 69,000 acres remain in the fields.

Texas State Governor Gregg Abbott has declared 54 counties in the state disaster declaration. Total Liability for the 54 counties is \$841,587,045. The top liability crops include:

Crop	Liability	Percent of Liability
Cotton	\$ 352,330,995	42%
Corn	\$ 125,302,484	15%
Grain Sorghum	\$ 112,430,883	13%
Rice	\$ 88,437,414	11%
Nursery	\$ 81,093,251	10%
Hybrid Seed Rice	\$ 16,589,354	2%
		93%

While official crop reports do not give specific progress reports for the impacted area, observations indicate that much of the cotton crop is still in the field un-harvested or in modules. Corn, grain sorghum and rice harvest had progressed and was nearing completion in the hardest hit areas. RMA's Oklahoma City Regional Office participated in the Texas State Emergency Board Meeting the afternoon of Monday, August 28.

Cotton is the hardest hit crop due to the liability as well as the timing in regard to harvest. In preparation for the storm RMA sent out Bulletin No.: MGR-17-011, End of Insurance Period Exception for Cotton Modules at Risk of Flood Due to Impending Tropical Storm Harvey.

Impacted cotton crop in Texas:





## **COMPLIANCE**

RMA Compliance has issued final findings to reinsured companies for the period of July 11, 2017, through August 29, 2017:

- Premium overstatements of \$214,014;
- Indemnity overpayments of \$3,195,101;
- Premium understatements of \$0; and
- Indemnity underpayments of \$1,514

### **Improper Payments Elimination and Recovery Improvement Act (IPERIA):**

RMA's Regional Compliance Offices (RCOs) are currently conducting IPERIA reviews. Approximately 64 of the 473 policies sampled have been closed with no IPERIA errors identified. The review process will continue through December 4, 2017, which is the deadline to have all Initial Findings issued to the Approved Insurance Providers (AIP).

### **AIP Performance Reviews (APR)**

Compliance is in the planning stages for the FY 2018 APRs scheduled to begin during the end of 1<sup>st</sup> quarter FY2018. RMA will conduct six APRs to evaluate and assess each AIPs compliance with the terms and conditions of the Standard Reinsurance Agreement as well as their operational and control activities.

### **Appeals and Litigation**

RMA has established a toll free number for FOIA. The number is 833-255-9783.