



United States
Department of
Agriculture

Federal Crop
Insurance
Corporation

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May 7, 2015

TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Brandon C. Willis /signed/
Manager

SUBJECT: Manager's Report
Exhibit No. 4277

This document is the Manager's Report to the Federal Crop Insurance Corporation Board of Directors (FCIC) meeting on May 7, 2015.

Research, Contracts, Studies, and Workgroups

Study of Food Safety Insurance: A contract was awarded to Watts and Associates to conduct a study to determine whether offering policies that provide coverage for specialty crops from food safety and contamination issues would benefit agricultural producers. A final report was received March 9, 2015, and is currently undergoing Agency and Departmental review before being transmitted to Congress.

Organic Market Research: A contracted task to compile point-of-first-sale market information was initiated for organic sweet corn in the states of Colorado, Florida, Georgia, and New York, organic tomatoes and peppers in Florida, and organic dry peas and lentils in Montana, North Dakota, and Washington. It will also construct cost of production budgets for the following organic crops: peppers, sweet corn, and tomatoes. This task was solicited under an existing contract with Agralytica Consulting.

Prevented Planting Study: RMA received the final report on a study to review the prevented planting policy and determine appropriate pre-planting costs to be covered, evaluate the reasonableness of current prevented planting payments by crop and region, examine alternative methods and approaches to the program, and provide alternative payment amounts, and a plan for routinely updating those amounts. The contractor suggested revisions to current prevented planting coverage levels for some crops or for crops in certain regions. RMA released the study on its website asking for public comments, which ended on April 15, 2015. RMA will determine next steps and actions to be taken by early this summer.

Final Rules

Macadamia Tree and Macadamia Nut Crop: The final rule was published in the Federal Register the week of April 13, 2015. RMA revised the rule to require a clear and discernible break between optional units, and removed the provision that allowed an

optional unit if there were at least 80 acres. The changes apply for the 2016 and succeeding crop years for macadamia trees and the 2017 and succeeding crop years for macadamia nuts.

Data and Systems

Agent Locator: RMA has released a new Agent Locator tool to aid producers in finding an agent. The tool provides a new functionality to find agents by location, using the producers address and the agent's address to locate the nearest ones. Users can look up other useful information like phone number and whether the agent services crop or livestock insurance, or both. The application is mobile friendly for most smartphones.

Acreage and Crop Reporting Streamlining Initiative (ACRSI): The ACRSI Program Office continues work to achieve:

- (1) The Farm Bill requirement to develop and implement streamlined acreage reporting processes that support the options of electronic or conventional one-stop reporting of acreage information for producers participating in USDA programs by September 30, 2015; and
- (2) The broader ACRSI objectives of improved policy integration and data sharing capabilities between USDA agencies.

The ACRSI project team is conducting a limited Pilot program for spring 2015 crops in Illinois and Iowa. The Pilot will allow a producer to complete their acreage report with their Insurance Agent, their FSA County Office, or a specified third party, and have that information shared as appropriate to satisfy USDA program reporting requirements.

Whole-Farm Revenue Pilot Program (WFRP) / Organic Farming Practices

WFRP Program Stakeholder Meeting: During the week of April 14 – 17, 2015, RMA staff from Product Development Division and the Raleigh RO met with stakeholders from West Virginia, Pennsylvania, New York, New Hampshire, Maine and Massachusetts to listen to their concerns and answer their questions concerning the new WFRP plan of insurance. Excellent dialogue among all parties will lead to improvements in the WFRP plan for the 2016 insurance year.

OUTREACH/EDUCATION/COLLABORATION/MEDIA

RMA has been working with the Farm Service Agency and the Natural Resource Conservation Service to ensure that all producers are aware of the requirement to fill out an AD-1026 before June 1, 2015, in order to receive premium subsidy for Federal crop insurance. RMA sent out two separate letters to producers that potentially do not have an AD-1026 on file – one in December of 2014 and one in April 2015. The Farm Service Agency also plans to send out a post-card to producers in the next few weeks to remind them of the requirement.

Legal

On April 17, 2015, Robert Hattaway was convicted on 25 of the 30 counts charged by the DOJ Eastern District of Tennessee. The other 5 charges (2 of bankruptcy charges were in a hung jury and 3 were found not guilty). This case was investigated by the Tennessee

Bureau of Investigations, Secret Service, USDA OIG, and RMA Special Investigations Branch. The sentencing is set for July 27, 2015.

United States v Aaron and Derek Johnson – Sentencing Hearing on March 9, 2015 – Aaron Johnson was sentenced to serve 4 (four) years and Derek Johnson 1 ½ years in prison and 5 five years supervised release. The judge ordered them to pay restitution/asset forfeiture of \$932,776 for conspiracy to commit fraud in connection with Federal Crop Insurance and Federal Disaster Programs; making false statements to the USDA, acting through the Risk Management Agency (RMA); and making false statement to Federal law enforcement authorities. The brothers' fraud scheme involved intentionally damaging their potato crops by neglecting their crop and applying Rid-X or Flush (septic system products) to their seed at planting time; adding frozen potatoes to their stored production and increased the warehouse temperature to speed up the rotting process. They also intentionally destroyed their growing potatoes by damaging the plants with a field cultivator and failing to properly harvest their potatoes crop, thereby leaving harvested production on the ground in the field.

Staff Changes

Davina Lee is the new Director of the Valdosta, Regional Office. Davina has been with RMA since 1996, most recently as Deputy Director. She has a Bachelor of Science degree in Computer Information Systems from the Valdosta State University.

Robert (Bob) Connors is the new Director of the Raleigh RO. Bob was previously with the Agricultural Marketing Service in Washington, DC. He has a Bachelor of Science degree in Business Administration from the University of Maryland, University College in College Park, Maryland.