



United States Department of Agriculture

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Federal Crop  
Insurance Corporation

March 27, 2019

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Washington, DC  
20250-0801

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

**FROM:** Martin R. Barbre */signed/*  
Manager

**SUBJECT:** Manager's Report  
Exhibit No. 4521

This is the Manager's Report to the Federal Crop Insurance Corporation (FCIC) Board of Directors meeting on March 27, 2019.

**Agriculture Improvement Act of 2018 (2018 Farm Bill)**

President Donald Trump signed the Agricultural Improvement Act of 2018, known as the 2018 Farm Bill, on December 20, 2018. The 2018 Farm Bill made numerous updates to FCIC products and rules. Highlights include legalization of industrial hemp, new rules for private product submitters, greater program flexibility, advancements for specialty crops, more benefits for underserved producers including veterans, and 11 targeted research and development efforts.

To date, the Risk Management Agency (RMA) has released the following Manager's Bulletins regarding the 2018 Farm Bill:

MGR-19-002: Insurability of Hemp Under the Whole Farm Revenue Protection (WFRP) Plan During the 2019 Crop Year. The Bulletin states that for the 2019 Crop Year hemp is not insurable. However, the production of hemp will not cause a farm operation to be ineligible or void a WFRP policy.

MGR-19-003: Eligibility for the crop year 2019 Supplemental Coverage Option (SCO) Regarding Elections for Agriculture Risk Coverage and Price Loss Coverage. The Bulletin gives the industry instruction on how to proceed with SCO given the election process with FSA for ARC/PLC will not begin until later this year.

MGR-19-004: Beginning Farmer or Rancher (BFR) Definition under Whole Farm Revenue Protection (WFRP) for the 2109 and Succeeding Policy Years. The Bulletin notifies the industry that the new definition for BFR, which extends the eligibility from 5 years to 10 years, applies to policies with a sales closing date after December 20, 2019.

MGR-10-006: Increased Catastrophic (CAT) Risk Protection Endorsement Administrative Fee. The Bulletin notifies that beginning with the April 30, 2019, contract change date, RMA will revise the CAT Endorsement administrative fee from \$300 to \$655 for each crop in the county through a Special Provisions statement for all insurance offers with catastrophic risk protection coverage until the change can be incorporated into the CAT Endorsement.

### **Program Changes**

Manager's Bulletin MGR-18-017: Multi County Enterprise Unit (MCEU) – 2019 and Succeeding Crop Years announced the release of MCEUs, which allow an insured to combine acreage of an insured crop, by irrigation practice, if applicable, in two contiguous counties in the same state into one enterprise unit (EU). To qualify for a MCEU, one county must individually qualify for the EU election the producer has chosen, and the other county must not meet those EU qualifications. MCEU will be available for crops with a November 30, 2018, and later contract change date. MCEU will be available for counties in which the actuarial documents include the MCEU option for the following crops: Small Grains (Barley, Wheat); Coarse Grains (Corn, Grain Sorghum, Soybeans); Cotton; Peanuts; Rice; Canola; and Sunflowers.

Manager's Bulletin MGR-19-005: APH Review Procedures provides assigned yield procedural clarifications to the industry. These procedures cover how a review of an insured's production certification should be verified and corrected, including when assigned yields apply. RMA partnered with the insurance industry delivery partners to issue the procedure in response to industry request for additional clarification.

### **Regulatory Changes**

RMA has revised the Sugar Beet Crop Provisions to incorporate changes made in the Final Rule. The changes are effective for the 2019 and succeeding crop years in states with a November 30 contract change date and for the 2020 and succeeding crop years in all other states. The intended effect of the changes is to update the policy to better reflect current agricultural practices.

### **Research, Contracts, Studies, and Workgroups**

**Price and Production History (PPH) Plan of Insurance:** RMA contracted an evaluation of the fresh market dollar plans in Florida (tomatoes, peppers, and sweet corn). Based on the evaluation results, RMA is internally developing a new PPH plan of insurance that combines the best aspects of the Actual Production History and Actual Revenue History plans that will allow a choice between yield or revenue coverage. Under PPH, both yield and revenue coverage will be based on the producer's personal revenue and price history. This will allow RMA to establish specific guarantees tailored to producers' exact combinations of crop type, variety, practice, etc. RMA plans to initially make PPH available to tomatoes, peppers, sweet corn, and strawberries in Florida.

**Onion Program/Pilot Onion Stage Removal Option Evaluation:** RMA recently awarded a contract to Agralytica to review the Onion Crop Insurance Program. The objective of the contract is to conduct a thorough evaluation of the Onion Crop Insurance Program and Pilot Onion Stage.

Removal Option to determine how well the program is performing, identify any potential issues that need to be resolved, evaluate potential expansion of the stage removal option to any other states where onion insurance is available, and provide appropriate recommended solutions. The evaluation will provide RMA with the necessary information to make any necessary program modifications, including whether the stage removal option should be made permanent, modified, expanded, or terminated.

**Nursery Value Select:** RMA awarded a contract to Watts & Associates to assist RMA in the development and implementation of a new nursery program, Nursery Value Select, that is anticipated to be less burdensome on approved insurance providers and producers than the current nursery crop insurance program. RMA has received several deliverables, most recently the draft versions of the Crop Provisions and Procedural Handbook, as well as the Rating Methodology. Implementation is targeted for the 2021 crop year.

**Pistachio Pilot Program Evaluation:** RMA contracted with Agralytica, Inc. to evaluate the Pistachio Pilot crop insurance program. The evaluation will provide information for the FCIC Board of Directors to decide if the pilot should be converted to a permanent regulatory program, continued as a pilot with or without modification, or terminated. The contractor has conducted listening sessions for producers, agents, approved insurance providers and other interested parties on March 11, 12, and 13, 2019. The draft evaluation report is expected May 14, 2019.

### **Hurricane Florence – North Carolina and South Carolina – Update on Losses**

Hurricane Florence made landfall on the morning of Friday, September 14, 2018, between 7 and 8 am just north of Wilmington, NC. At landfall, Florence was a Category 1 Hurricane with sustained winds of 90 mph. The storm inundated southeastern North Carolina and northeastern South Carolina with torrential rains.

Parts of eastern North Carolina received greater than 30 inches of rain. In the ensuing 5 days, North Carolina rivers including the Cape Fear, Neuse, Lumber, and Tar rose above flood level, and the associated watersheds and tributaries ran out of their banks as well. Producers of multiple crops were at risk due to both high winds and excessive rain/flooding in the Florence affected region. Updated loss impacts suffered from the event are below.

### North Carolina - Policies with a Hurricane Related Loss as of 02/25/2019

Crop / Policy	Number of Policies	Net Acres	Liability	Indemnity
Burley Tobacco	1	35	\$ 31,257	\$ 1,550
Corn	257	41,415	\$ 13,703,644	\$ 6,209,960
Cotton	240	65,563	\$ 35,120,752	\$ 13,445,573
Cucumbers	3	122	\$ 98,357	\$ 11,611
Flue Cured Tobacco	600	40,403	\$ 129,320,615	\$ 78,049,709
Fresh Market Beans	6	931	\$ 399,274	\$ 213,258
Grain Sorghum	5	153	\$ 15,253	\$ 11,447
Grapes	6	52	\$ 110,424	\$ 84,303
Peanuts	54	5,663	\$ 3,023,752	\$ 1,379,840
Soybeans	1080	228,430	\$ 54,358,458	\$ 26,299,943
Whole Farm Revenue Protection	1	-	\$ 994,820	\$ 27,896
<b>Grand Total</b>	<b>2253</b>	<b>382,795</b>	<b>\$ 237,349,521</b>	<b>\$ 125,824,420</b>

### South Carolina - Policies with a Hurricane Related Loss as of 02/25/2019

Crop / Policy	Number of Policies	Net Acres	Liability	Indemnity
Corn	49	7,493	\$ 2,118,840	\$ 980,020
Cotton	114	39,914	\$ 19,427,202	\$ 9,910,101
Flue Cured Tobacco	26	869	\$ 2,482,517	\$ 1,538,937
Grain Sorghum*	0	340	\$ 48,457	\$ 25,302
Peanuts	72	8,460	\$ 4,024,333	\$ 1,874,884
Soybeans	287	74,789	\$ 15,111,514	\$ 9,299,289
<b>Grand Total</b>	<b>548</b>	<b>131,865</b>	<b>\$ 43,212,861</b>	<b>\$ 23,628,533</b>

\*Acres are impacted as part of a separate policy.

### Hurricane Michael – Update on Losses

Hurricane Michael made landfall in the afternoon of October 10 near Mexico Beach, Florida. The storm was a very strong category 4 hurricane with maximum sustained winds of 155 mph, however, Michael was a relatively fast-moving tropical system which helped lessen the amount of precipitation received in the region. Some isolated areas in the Florida Panhandle received over 10 inches of rain and the central portion of the Florida Panhandle, extreme Southeast Alabama, and Southwest Georgia still received moderate precipitation.

Crops that faced significant damage from the storm include Cotton, Peanuts, Pecans, and Soybeans which had just entered their main period of harvest when Michael hit.

**Policies with Hurricane Michael Related Losses as of 02/25/2019**

<b>State</b>	<b>Crop</b>	<b>Policies</b>	<b>Net Acres</b>	<b>Liability</b>	<b>Indemnity</b>
Alabama	Corn	36	2,285	\$ 614,683	\$ 431,760
	Cotton	408	60,276	\$ 26,987,416	\$ 16,631,318
	Grain Sorghum	5	233	\$ 15,556	\$ 15,222
	Peanuts	231	20,657	\$ 8,575,326	\$ 4,812,170
	Pecans	6	192	\$ 92,026	\$ 31,508
	Soybeans	41	3,889	\$ 781,612	\$ 503,938
	<b>AL Total</b>	<b>727</b>	<b>87,531</b>	<b>\$ 37,066,619</b>	<b>\$ 22,425,916</b>
Florida	Corn	20	806	\$ 145,140	\$ 80,844
	Cotton	202	52,516	\$ 21,190,930	\$ 16,512,285
	Fresh Market Tomatoes	9	394	\$ 2,182,111	\$ 2,116,025
	Grain Sorghum	1	118	\$ 5,860	\$ 5,860
	Nursery (FG&C)	1	-	\$ 711,018	\$ 237,666
	Peanuts	140	11,926	\$ 5,156,476	\$ 3,653,273
	Pecans	1	113	\$ 37,195	\$ 37,195
	Soybeans	40	5,106	\$ 1,013,077	\$ 917,550
	<b>FL Total</b>	<b>414</b>	<b>70,980</b>	<b>\$ 30,441,806</b>	<b>\$ 23,560,698</b>
	Georgia	Corn	34	1,647	\$ 542,859
Cotton		1763	356,028	\$ 193,550,075	\$ 119,741,105
Fresh Market Tomatoes		3	266	\$ 1,518,101	\$ 1,242,187
Grain Sorghum		16	642	\$ 45,999	\$ 42,820
Nursery (FG&C)		1	-	\$ 683,982	\$ 289,796
Peanuts		476	40,808	\$ 21,461,902	\$ 8,995,274
Pecans		248	29,102	\$ 44,158,515	\$ 35,270,114
Soybeans		117	12,342	\$ 2,810,684	\$ 2,117,722
<b>GA Total</b>	<b>2658</b>	<b>440,834</b>	<b>\$ 264,772,118</b>	<b>\$ 167,998,972</b>	
North Carolina	Apples	2	37	\$ 164,561	\$ 164,561
	Burley Tobacco	1	104	\$ 93,772	\$ 4,649
	Corn	93	5,228	\$ 1,720,738	\$ 825,739
	Cotton	38	6,378	\$ 3,949,576	\$ 619,900
	Flue Cured Tobacco	108	2,259	\$ 7,072,991	\$ 3,916,162
	Grain Sorghum	1	38	\$ 3,536	\$ 3,137

	Peanuts	4	286	\$	136,868	\$	76,143
	Soybeans	198	17,418	\$	3,747,158	\$	2,071,123
	<b>NC Total</b>	<b>445</b>	<b>31,748</b>	<b>\$</b>	<b>16,889,200</b>	<b>\$</b>	<b>7,681,414</b>
South Carolina	Corn	15	680	\$	131,655	\$	49,266
	Cotton	95	9,669	\$	4,673,860	\$	2,302,135
	Grain Sorghum	3	74	\$	5,619	\$	4,836
	Peanuts	41	4,278	\$	1,984,456	\$	843,302
	Soybeans	199	27,607	\$	5,678,014	\$	3,454,458
	<b>SC Total</b>	<b>353</b>	<b>42,308</b>	<b>\$</b>	<b>12,473,604</b>	<b>\$</b>	<b>6,653,997</b>
Virginia	Burley Tobacco	2	5	\$	13,287	\$	9,289
	Corn	47	4,036	\$	1,516,570	\$	654,992
	Cotton	10	618	\$	358,340	\$	75,573
	Fire Cured Tobacco	3	5	\$	12,054	\$	5,935
	Flue Cured Tobacco	68	818	\$	2,826,364	\$	1,467,604
	Fresh Market Beans	1	124	\$	84,319	\$	30,072
	Grain Sorghum	4	388	\$	58,466	\$	32,722
	Peanuts	3	11	\$	6,639	\$	367
	Soybeans	110	7,667	\$	1,786,292	\$	795,608
	<b>VA Total</b>	<b>248</b>	<b>13,672</b>	<b>\$</b>	<b>6,662,330</b>	<b>\$</b>	<b>3,072,162</b>
	<b>Grand Total</b>	<b>4845</b>	<b>687,072</b>	<b>\$</b>	<b>368,305,676</b>	<b>\$</b>	<b>231,393,161</b>

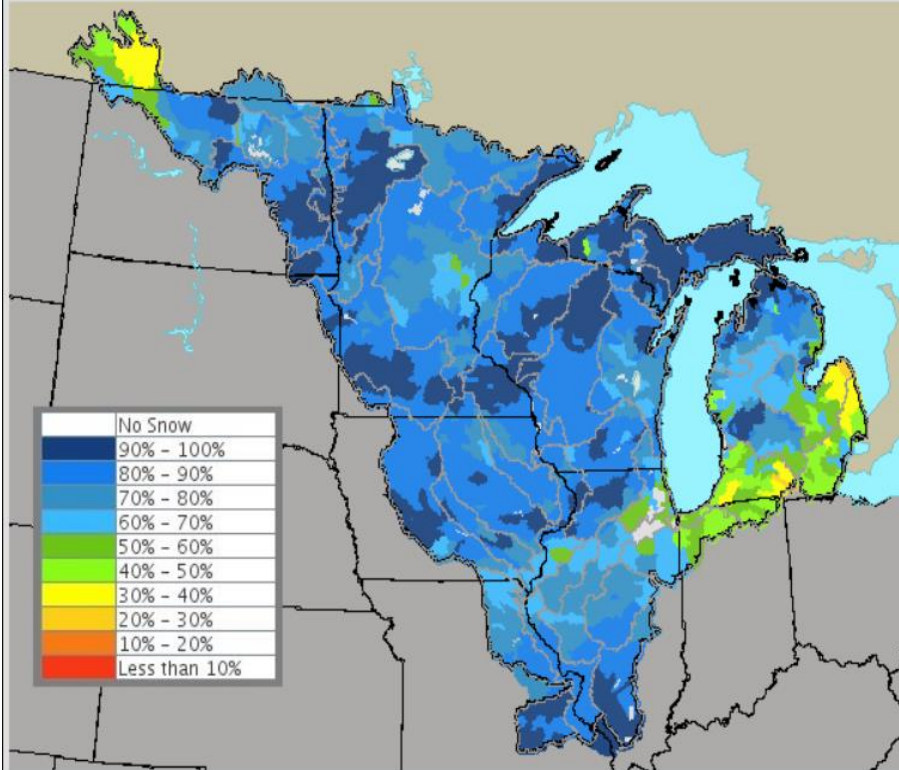
### **2019 Flood Risk**

RMA is monitoring water levels, snowpack, and other resources to identify areas of concern for the upcoming crop year. Snowfall across southern Iowa, the northern half of Missouri, and western and northern Illinois has been much above normal so far this winter. For Minnesota into Wisconsin, February, has seen the highest amount of snowfall on record. As of February 20, snowfall has been 2 to 3 times the typical amount for the winter season. With high amounts of fall precipitation saturating the soils, deep frost depths, and current elevated water equivalents with the snowpack, there appears to be elevated chance of widespread spring flooding. Below are some maps depicting the current snow water equivalent and expected flood risk thru March 21.



# North Central River Forecast Center Ranked Simulated Snow Water Equivalent

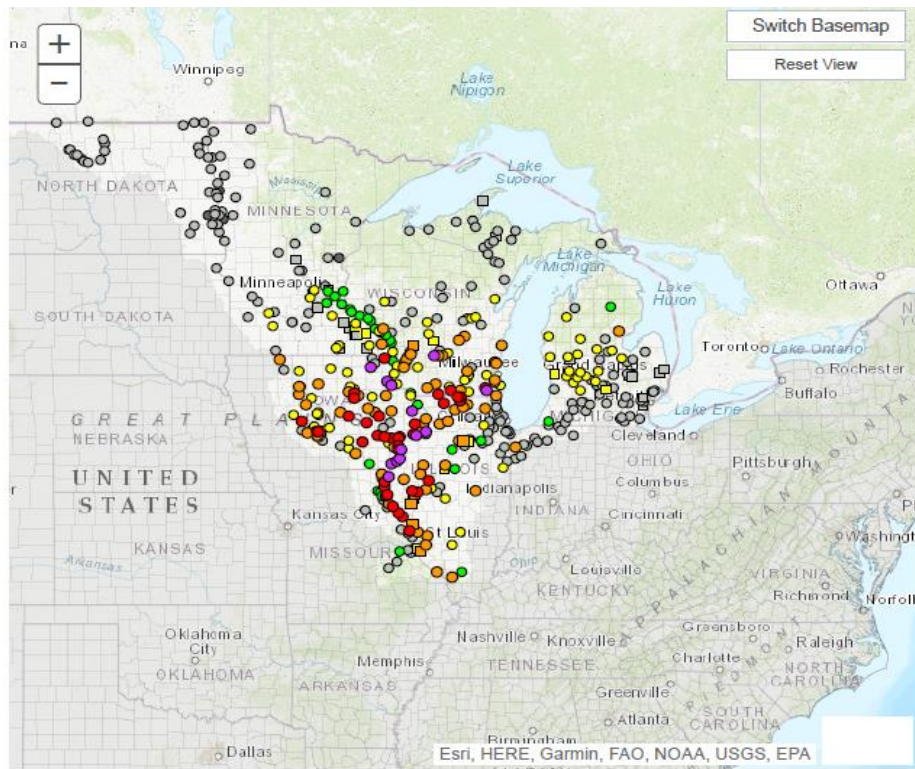
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No Snow	
Dark Blue	90% - 100%
Blue	80% - 90%
Light Blue	70% - 80%
Medium Blue	60% - 70%
Light Green	50% - 60%
Green	40% - 50%
Yellow-Green	30% - 40%
Yellow	20% - 30%
Orange	10% - 20%
Red	Less than 10%

Note: This map compares current NCRFC Modeled SWE with the historical record of modeled SWE for each basin. An area ranked as 'Less than 10' is at the lower end of the record and one ranked near 100 is at the higher end. A 50 ranking indicates current SWE is in the middle of our historical record.

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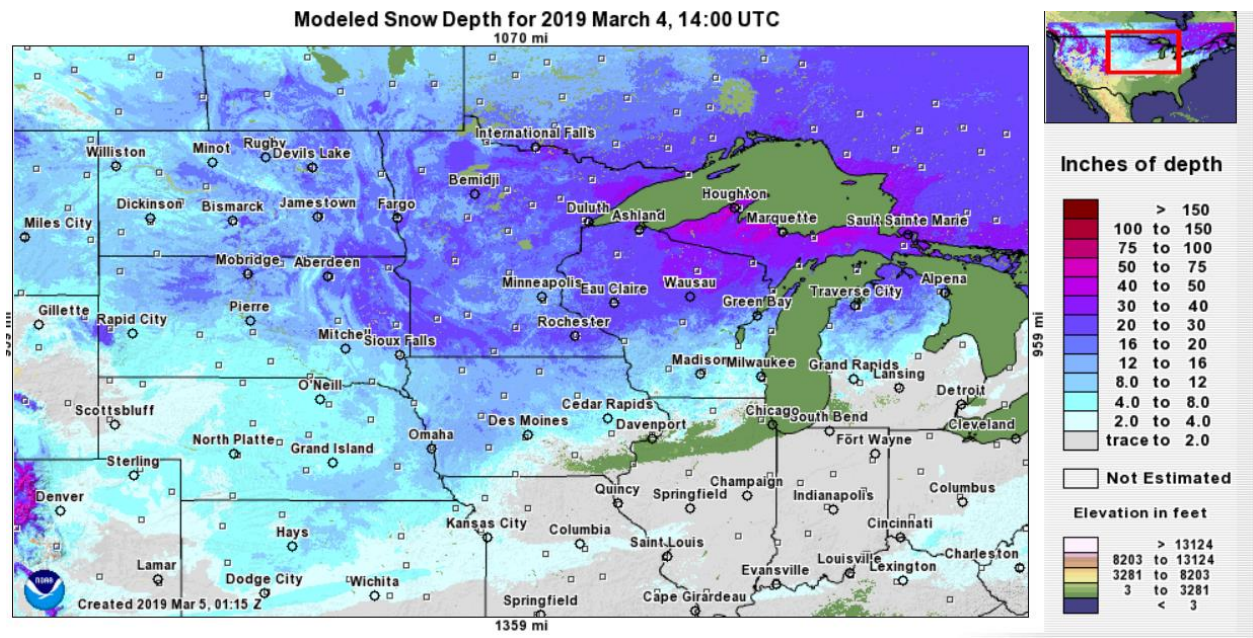
○ Probability and forecasts available  
 □ Forecasts available

461 total gauges

[Show all locations in flood \(121\)](#)

- 13 Gauges: Major Flooding
- 37 Gauges: Moderate Flooding
- 71 Gauges: Minor Flooding
- 85 Gauges: Near Flood Stage
- 31 Gauges: No Flooding
- 0 Flood Category Not Defined
- 0 At or Below Low Water Threshold
- 220 Gauges: Forecasts Are Not Current





In addition to the Upper Mississippi River Basin, the Lower Mississippi River Basin has experienced heavy rains, mixed with the precipitation from the Midwest which have caused disastrous levels of flooding along several rivers in the Jackson RO. Some areas have received almost 8 inches of rain above the normal average amounts for the entire state. Kentucky and Tennessee are the two hardest hit states in the region, but the water must flow through and out of the Mississippi River. This buildup of water is causing significant flooding throughout the lower half of the region (Arkansas, Louisiana, and Mississippi). NOAA reports 121 river gauges currently in flood status along the Mississippi River and its tributaries.

In coordination with RMA's Regional Offices and Product Management, the Risk Management Services Division is currently updating outreach products which will help producers understand their obligations and options regarding crop insurance in the case of prevented planting and/or flood. The materials will also proactively address inevitable claim questions after a flood. Some of the topics to be updated are as follows: Planting dates, Prevented Planting, Cover Crops, Double Cropping, Insured Losses for Existing and New Policies.

### Compliance

RMA Compliance has issued final findings to reinsured companies for the period of November 2018 through March 6, 2019:

- Premium overstatements of \$1,798,059;
- Indemnity overpayments of \$3,492,404;
- Premium understatements of \$1,223,834; and
- Indemnity underpayments of \$22,019

**Improper Payment Elimination and Recovery Improvement Act (IPERIA) Reviews:**

RMA's Regional Compliance Offices (RCOs) are currently issuing Final Findings for any IPERIA policy in which an Initial Finding was submitted to the approved insurance providers (AIPs). Of the 412 policies sampled, approximately 377 reviews have been completed and the case policies closed. The Final Findings process will continue through March 2019.

**Audits**

OIG Audit 50024-0014-11 U.S. Department of Agriculture's fiscal year 2018 Compliance with Improper Payments Requirement entrance conference was on February 14, 2019.

OIG Audit 05601-0007-31 Controls Over Crop Insurance 508 (h) Products entrance conference was on March 5, 2019.

**AIP Performance Reviews (APRs)**

RMA is conducting five APRs to evaluate and assess each AIP's compliance with the terms and conditions of the Standard Reinsurance Agreement as well as their operational and control activities. Compliance is currently performing site visits at the five APRs.

**Personnel Announcements**

Zachary White promoted to Director of Actuarial and Product Design Division, effective November 25, 2018.