



United States  
Department of  
Agriculture

Federal Crop  
Insurance  
Corporation

1400 Independence  
Avenue, SW  
Stop 0801  
Washington, DC  
20250-0801

**DATE:** February 3, 2014  
**TO:** Board of Directors  
Federal Crop Insurance Corporation  
**FROM:** Brandon C. Willis /s/  
Manager  
**SUBJECT:** Manager's Report  
Exhibit No. 4183

This document is the Manager's Report to the Federal Crop Insurance Corporation Board of Directors (FCIC) meeting on February 5.

### **New and Revised Products**

The Federal Crop Insurance Corporation approved the pilot Area Risk Protection (ARPI) insurance plan for rice on November 21, 2013. The program is designed to offer rice producers a choice of Area Revenue Protection, Area Revenue Protection with the Harvest Price Exclusion, or Area Yield Protection and will be available in selected counties in Arkansas, California, Louisiana, Mississippi, and Texas. Similar to other crops currently covered by ARPI, this pilot program protects rice growers against widespread revenue loss or widespread yield loss in a county. ARPI-Rice will most likely be available for sale to producers beginning with the 2015 crop year.

Beginning with the 2014 crop year, a new contract price option is available for organic producers who grow crops under guaranteed contracts, allowing them to use prices established in those contracts as their "price elections" in place of the RMA-issued prices. Where available, producers have the choice to use either their contract price or the published RMA price as the crop insurance projected price or price election, as applicable. While initially targeted for use on organic crops, RMA is evaluating making the Contract Price Addendum available for conventional and transitional crops that are grown under contract in future crop years, as appropriate.

RMA will provide 11 additional organic price elections in 2014: almonds; blueberries in California, Oregon, and Washington; peppermint; juice grapes in Washington; oats, apples in Washington; pears in Washington and Oregon; fresh apricots in California, Idaho, Oregon, and Washington; and fresh nectarines, fresh plums, and freestone peaches in Idaho, Oregon, and Washington.

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

A contract is underway to conduct an evaluation of the Quarantine Endorsement Pilot Program. The Quarantine Endorsement provides protection to citrus and avocado producers in California against losses resulting from a quarantine. The draft evaluation

report has been received and is being reviewed. The final evaluation report is due next month.

An interagency agreement is being developed to reimburse the National Agricultural Statistics Service (NASS) to provide data for sweet and tart cherry prices that would normally have been issued in the Noncitrus Fruits and Nuts Preliminary Report in January. The report was discontinued due to budgetary issues. These prices are needed to finalize 2013 crop year claims.

A contract has been awarded to analyze the data and assumptions underlying RMA's price volatility calculations. Price volatility factors are necessary for the development of premium rates for those programs offering revenue coverage based on commodity futures markets. This review is currently in progress with a final deliverable expected in early June. RMA plans to post the results of the contracted work on its website for public review and comment.

RMA will be working with NASS to collect price information from certified organic growers under a cooperative agreement. Under this agreement, NASS will conduct the 2014 USDA Certified Organic Production Survey to gather detailed organic production, market, and price information by surveying all certified organic farming operations within USDA's organic registry.

A contract was awarded to determine if prevented planting payments are appropriate but not so excessive that producers benefit by not planting. The prevented planting guarantee for most crops is 60 percent of the production guarantee for timely planted acreage. The contractor will evaluate the existing policy provisions by crop and growing region to determine the reasonableness of the prevented planting payment and the degree that payments provided by the provisions are reasonably adequate or excessive. If the contractor determines current provisions provide inadequate or excessive payments, they will identify the reasons and provide alternatives for RMA consideration. The completed report is due early this spring.

#### **Rates, Yields, Types, Practices, and Varieties**

The Raleigh Regional Office issued Perennial Underwriting Guidelines for the 2014 crop year which allows AIPs to eliminate catastrophic crop years (2007, 2011, and 2012) from their analysis of alternate bearing and downward yield trending. As a result of the guidelines:

- AIPs will only apply the adjustments for alternate bearing and downward yield trending to a few growers;
- Producers will not be penalized for having a loss in a year with a catastrophic weather event; and
- The regional office will not receive as many determination yield requests for exceptions to the yield adjustments in the Crop Insurance Handbook.

The Crop Insurance Handbook provides procedure and formulas for Approved Insurance Providers to identify alternate bearing and downward yield trending for perennial crops in

the Raleigh region. These formulas may decrease the producer's actual production history yield, even though the losses were actually due to catastrophic weather events.

### Meetings

On January 16, the Davis Regional Office participated in a drought resource discussion with representatives of the California Department of Food and Agriculture (CDFA). The California Governor has declared California in a statewide drought emergency and CDFA has been tasked to gather information on USDA programs that can assist farmers through this drought. The Davis Regional Office provided clarifications about the crop insurance programs, deadline information, and links to useful resources.

### Educate/Collaborate

On November 18, 2013, RMA attended a Livestock Insurance and Risk Management meeting sponsored by South Dakota Senator John Thune and South Dakota Secretary of Agriculture, Lucas Lentsch in Pierre, SD. The purpose of the meeting was to have RMA review existing livestock insurance programs and have the Farm Service Agency (FSA) review the Non-insured Disaster Assistance Program and talk about what is working and what type of improvements could be made. There was also discussion regarding a livestock production and revenue program suggested by the younger producers attending the meeting. Representatives from Congresswoman Noem, South Dakota Senator Johnson, the South Dakota Cattlemen's Association, South Dakota Farm Bureau, crop insurance agents, South Dakota Farmers Union, South Dakota Stock Growers, South Dakota Sheep Growers, and South Dakota also attended the meeting.

### Compliance

	PremOver	IndemOver	PremUnder	IndemUnder	Criminal Recovery	A&O Reduction	Indem Cost Avoidance†	Civil Fines	Settlements
10/23/2013	19,125	49,208	16	1					
10/29/2013	37,330	48,634	470	23,030					
11/5/2013	84,030	535,268	509						
11/12/2013	9,399	55,805							
11/19/2013	146,922	249,241	85,479						
12/10/2013	37,488	269,316	15,284						
12/31/2013	52,239	137,979	1,654	1,379					
1/7/2014	3,757	11,787							
1/14/2014	7,406	98,078	12,855				200,908		
1/28/2014	93,846	91,000	19,318	11,572					
<b>Totals</b>	<b>\$491,542</b>	<b>\$1,546,316</b>	<b>\$135,585</b>	<b>\$35,982</b>	<b>\$0</b>	<b>\$0</b>	<b>\$200,908</b>	<b>\$0</b>	<b>\$0</b>

† Cost Avoidance reflects indemnities not paid on account of the review work performed in advance of the claim payment. Cost Avoidance numbers should not be combined with other findings. There was no report the week of December 25, 2013.