

The Risk Management Agency June 6th follow-up response to the Congressional letter:

Dear (Member of Congress)

Thank you for your letter of March 15, 2005 (and 18th), requesting the expansion of crop insurance coverage on sunflower and canola crops in the Southern Plains.

As I mentioned in my letter of March 21, 2005, we at the Risk Management Agency (RMA) are aware of the situation involving sunflower and canola growers and have worked hard to be as responsive as possible to their needs. I am pleased to notify you that we have approved the expansion of insurance for sunflowers into counties in three states.

Sunflowers

The enclosed maps will give you a breakdown of the risk management assistance now available in various counties of Colorado, Kansas, Missouri, Nebraska, Montana, Wyoming, New Mexico, Oklahoma, and Texas. For sunflowers, based upon the available data, we are in a sound position, to expand into several counties in Montana, Texas, and Kansas. I regret however, that we cannot find adequate data to expand to each of the counties requested. The approved counties are as follows:

Montana – (For Irrigated Practice Only) Blaine, Daniels, Dawson, Fergus, Judith Basin, McCone, Petroleum, Phillips, Richland, Roosevelt, Sheridan, and Valley
Texas – Crosby, Dallam, Hartley, Hidalgo, Lipscomb, and Nueces
Kansas – Morris

We looked at all available information and historical data for the remaining counties on the request list, but were unable to approve expansion into counties without an adequate history of the crop being grown there.

It is important that you understand that our decision not to approve expansion in some counties is not at all capricious. RMA exists in order to provide risk management tools to as many of America's farmers as we possibly can and our goal is to do just that. The growth of the program over the last few years testifies to that. However, we are also bound by the Federal Crop Insurance Act's (the Act) requirement that our programs must be actuarially sound and the Federal Crop Insurance Corporation Board's (Board) adopted criteria to reach that end.

Actuarial soundness is mentioned throughout the Act as a measure of whether or not certain actions may be taken. Section 508 (a)(1) of the Act states that "If sufficient actuarial data are available (as determined by the Corporation), the Corporation may insure, or provide reinsurance for insurers of, producers of agricultural commodities grown in the United States..." Further in Section 508 (a)(4)(B) the Act states that "...where crop insurance is not available for a particular agricultural commodity, the Corporation may offer to enter into a written agreement with an individual producer operating in the area for insurance coverage under this title if the producer has actuarially sound data relating to the production by the producer of the commodity and the data is acceptable to the Corporation."

The Board has given RMA criteria for the approval of the expansion of coverage. The most important of those criteria is the history of the crop having been grown in that county. In addition, we must see significant grower interest in a crop insurance program, there must be evidence of a market, and the crop must be of economic significance compared with other crops grown in the county. We use these criteria to investigate and analyze the feasibility of county expansion for any requested crop.

Canola

Unfortunately, RMA cannot recommend expansion of canola crop insurance at this time.

Canola crops have not been recorded in Oklahoma and a very limited number of acres of canola have been planted in Kansas. There are neither established markets nor canola oil processors in the states of Kansas or Oklahoma, with the closest canola oil processor in the state of Colorado. Since little or no canola has been grown in the new counties, we, unfortunately, do not have history from which to determine rates.

We have however, received valuable information from the US Canola Association, which provides projections for the growth of the canola market. RMA Regional Offices in these areas have included this information in their analyses. The information is well thought out, and will be useful to us as we continue to work closely with the Association in monitoring the expansion of the market. Meanwhile, producers in your area can take advantage of all the risk management tools available to them:

- ♣ The Farm Service Agency provides some protection for crops for which insurance is not available, under the Noninsured Crop Disaster Assistance Program (NAP)
- ♣ Written agreements may be available for producers with a 3-year history of having grown the subject crop in the county for which insurance is requested.
- ♣ Expansion of regular insurance into new counties is an option when there is enough history and data to establish an actuarially sound premium rate and insurance coverage for the crop and acreage.

Written Agreements will interest many growers in counties without an insurance program. The Common Crop Policy, Basic Provision, Section 18, Written Agreements, requires the producer to provide "(ii) Acceptable production records for at least the most recent three consecutive crop years" for the crop and county for which the written agreement is requested." In order to offer insurance on a particular crop in a particular county, RMA must have enough information to determine an adequate rate for insuring the crop against the risks of production.

In summary, new market expansion is an important goal for RMA and we will continue to monitor grower interest, markets, and research in your area so that we can offer Written Agreements, and subsequently authorize expansion, in as many counties as possible as soon as the established criteria are met, thereby permitting us to maintain an actuarially sound program as required by the Act. Until the farmer has three consecutive crop years of experience growing canola, the producer's best risk management tool is NAP. Once the farmer has at least three consecutive crop years of experience, a written agreement becomes the most attractive risk management tool until regular insurance is available in the county.

Please continue to provide us with information concerning canola and sunflower production to aid our on-going efforts to provide the widest possible coverage for all crops.

Thank you for your continued strong support of the Federal crop insurance program.

Sincerely,

Ross Davidson,
Administrator
Risk Management Agency