

January 25, 2010

The Honorable Tom Vilsack  
Secretary  
U.S. Department of Agriculture  
1400 Independence Avenue, SW  
Washington, D.C. 20250

Dear Secretary Vilsack:

We write to express our concerns regarding the December 4, 2009, draft Standard Reinsurance Agreement (SRA). We urge you to promulgate an SRA that does not undermine the important gains made in crop insurance since the passage of ARPA in 2000, but instead further strengthens available risk management protections and broadens meaningful access.

We understand that the draft SRA contemplates \$4 billion in additional cuts over five years to the crop insurance program. This concerns us because last year crop insurance sustained a cut of \$6.4 billion over 10 years on top of \$1.7 billion in cuts to other components of the farm safety net. While the full impact of the cuts to crop insurance is still unknown, there is already concern that these cuts could be problematic for both producers and companies when they are fully implemented. Congress should have the ability to carefully consider changes resulting in savings of this magnitude.

Congress debated and rejected additional cuts to the program during consideration of the last budget resolution and during the Farm Bill. Further cuts to the budget baseline for the farm safety net, of which crop insurance serves as a critical component, are ill-timed. If savings from the delivery system can be achieved without injuring crop insurance, we believe these savings should be reinvested in crop insurance to better meet the risk management needs of all U.S. producers. The recent flooding and freeze conditions in the South remind us that participation in the program differs widely by region, leaving many producers without adequate insurance coverage. This is just one example of a shortcoming in the existing program that should be addressed through any savings in other parts of the program.

Additionally, the SRA negotiation is occurring while the agency is examining changes to the rating methodology of policies. When implemented, this will likely reduce the administrative and operating expense reimbursement to the crop insurance companies. We are concerned that the proposed cuts in administrative and operating expenses proposed by RMA could make implementation of a new rating methodology impossible to undertake.

Finally, while we support the draft SRA provisions to “smooth out” administrative and operating expense payments from year to year, and acknowledge it could alleviate the anomaly we experienced in the 2008 crop year, we are deeply troubled by the fact that

the draft SRA caps the reference price for major staple crops at an artificially low level that bears no relevance to today's prices while at the same time providing no cup. This will negatively affect delivery of the crop insurance program and potentially affect access to adequate coverage.

We appreciate your consideration of our concerns.

Sincerely,

American Farm Bureau Federation  
American Soybean Association  
National Association of Wheat Growers  
National Corn Growers Association  
National Cotton Council  
National Farmers Union  
National Sorghum Producers  
Southern Peanut Farmers Federation  
U.S. Rice Producers Association  
USA Rice Federation