



September 11, 2006

Director, Product Administration and Standards Division
Risk Management Agency
United States Department of Agriculture
6501 Beacon Drive
Stop 0812
Room 421
Kansas City, Missouri 64133-4676

Re: Combination Basic and Crop Provisions

Dear Director:

Thank you for the opportunity to comment on the proposed rule *Common Cop Insurance Regulations, Basic Provisions; and Various Crop Insurance Provisions* (7 CFR 457).

America's wheat growers have a strong history of participation in the Federal Crop Insurance program, and have built their production and marketing plans on the foundation of this affordable and predictable insurance. We believe the proposed consolidation of crop insurance products under one Basic Provisions document is a sincere effort to simplify the program at all levels. However, we have serious concerns over some of the proposed language, particularly relating to price discovery.

Price Discovery and Unique Classes of Wheat

Current rules allow the Base price for Oregon, Washington and Idaho to be taken from the USDA survey of representative cash prices for white wheat. Proposed rules appear to preclude this mechanism, shifting the price discovery to the KCBOT, which is often unrelated to the Portland market for this class of wheat. With the majority of this crop being traded in Portland, and in the presence of an established price discovery system with USDA involvement, we strongly suggest the continuation of this more accurate means of establishing price levels.

Price Discovery Periods

Shortening the price discovery periods is detrimental to the program. Extracting eight useable prices from just 9 or 10 potential trading days would put unnecessary constraints on a process which was designed to discern a true and viable value for the covered crop. The current one-month period should be retained, giving ample room for an accurate cross-section of the market. Excluding “thin” trading days- those with less than 25 open interest contracts is a good proposal and should be adopted in the final rule.

Producers are subject to the markets every trading day, and need an open and predictable insurance price mechanism. If RMA can, at its discretion, omit a daily price on grounds of unusual circumstances, or opt to use “additional daily settlement prices,” or even choose to terminate the revenue policy, then our producers do not have an open and predictable mechanism. The proposed rules should be amended to retain a one-month discovery, with the only exclusion being for thinly traded days. The availability of revenue insurance should never be in doubt.

The Cap on Harvest Price

The proposed rule would prevent the Harvest Price from exceeding the Projected Price by more than 160% is too stringent. Insurability against price increases allows many producers to hedge their crop on futures markets or to contract with grain buyers well in advance of harvest. A more realistic parameter, while still retaining boundaries for determining actuarial risk, would be 200%.

Whole-Farm Units and Winter Wheat

We believe that eliminating winter wheat from the “whole farm unit” is unjustified. A long wait for indemnity settlement should not impact the RMA adversely, and the producer can make the decision whether the premium discount is worth the wait. We would also like to have included in the final rule, provision for a 90% coverage level for those who elect the whole-farm unit.

APH Erosion

Periods of extended drought or other recurring loss events can erode producers’ individual yield history to unusable levels. We encourage RMA to develop a solution to this problem. Farmers affected by successive years of disastrous weather are also those who can least afford to be underinsured. We are aware the RMA has been researching the problem for several years, but this important deficiency is not addressed in the proposed rule, and we believe it should be addressed here.

72 Hour Loss Notice

The proposed rule requires producers to give notice of production losses not later than 72 hours after discovery of damage, or within 72 hours after the end of the insurance period. This is a tighter time frame than current policy. We believe that this time period is too short, and current policy should remain in place.

Separate Wheat Classes

Separate classes of wheat should be allowed separate unit designations and coverage levels. Hard Red Winter and Hard Red Spring, for instance, typically have separate signup deadlines but should also be afforded separate coverage levels and policy elections.

Surviving Spouse Rights

We support the provisions that allow a policy to automatically convert to a spouse's name if the married insured dies, is declared incompetent or disappears. We urge the FCIC to retain this in the final rule.

Correction of Misreported Information

We support permitting producers to correct misreported data by the production reporting dates without penalty, and we urge FCIC to retain this proposed provision in the final rule.

Penalties for Over and Under Reporting Acreage

We support the proposed revision to omit punitive penalties for errors in over and under reporting acreage. We urge the FCIC to retain this proposal in the final rule.

CAT Policies

The Proposed Rule allows CAT coverage under the Yield Protection policy. We ask that CAT coverage be eliminated, or, at minimum, be subject to the same actuarial parameters for calculation of premiums to which other coverage levels are held.

Thank you for your attention to these issues.

Sincerely,



Dale Schuler

President

National Association of Wheat Growers