USDA U.S. DEPARTMENT OF AGRICULTURE

Best Practices in Crop Insurance: U.S. Perspective

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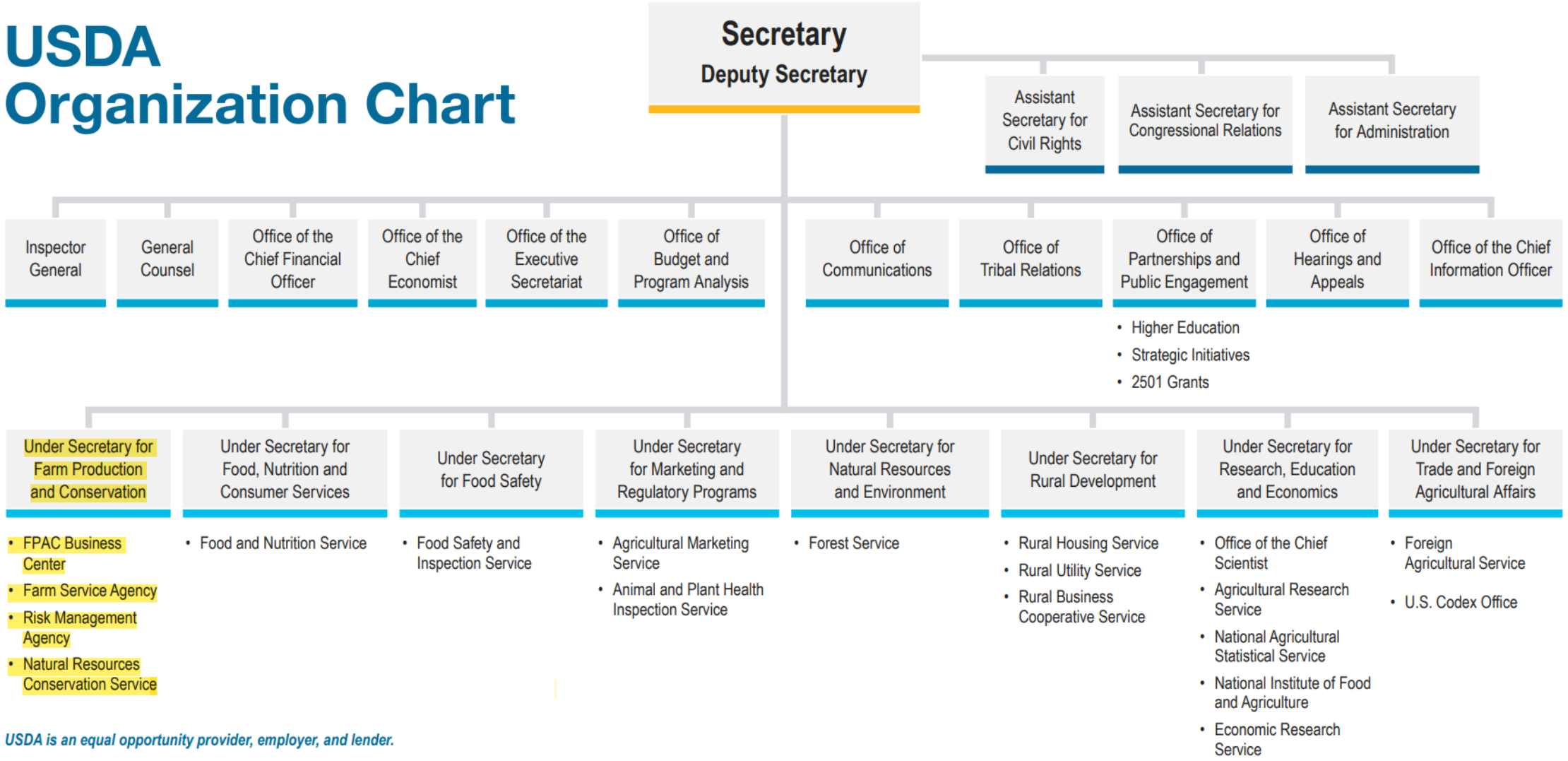
United States Department of Agriculture

Introduction

Part I: The Risk Management Agency

USDA Organization Chart



The Risk Management Agency

- **RMA's mission**
- To serve America's agricultural producers through effective, market-based risk management tools to strengthen the economic stability of agricultural producers and rural communities.

Core Values

- Customer Focus
- Results Orientation
- Transparency
- Participation
- Collaboration
- Accountability
- Professionalism
- Stewardship

Our Vision

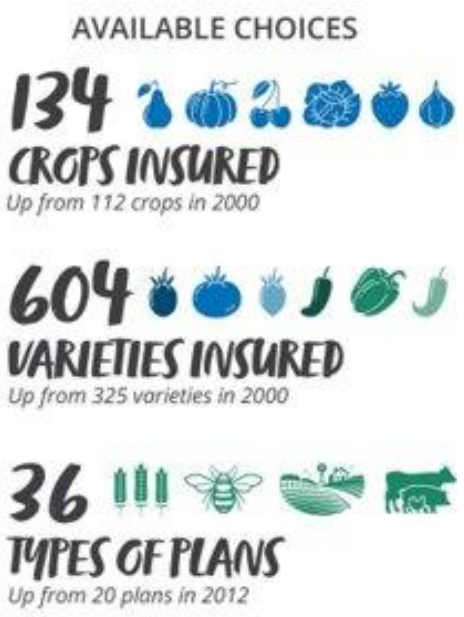
- **Our Key Priorities**
- Reaching Historically Underserved Producers
- Micro Farm and Whole Farm Policy Training
- Climate Smart Agriculture
- Education for Livestock Producers, Organic Operations, Specialty Crops

The Structure of RMA

- **Office of the Administrator**
  - Carries out the vision of the Secretary and the President
- **Insurance Services**
  - Regional offices conduct outreach
  - Hosts Risk Management Education programs
  - Liaisons to industry
- **Product Management**
  - Develops new products
  - Adjust policies to meet producer needs
- **Compliance**
  - Reviews program integrity

By the Numbers

- Almost $200B worth of crops insured in 2022
- 90% of our nation's main crops – corn, soybeans, and cotton – are insured
- Record amounts of specialty crop coverage - $21B in 2022
- Invested over $12M in outreach and education projects in the last 3 years

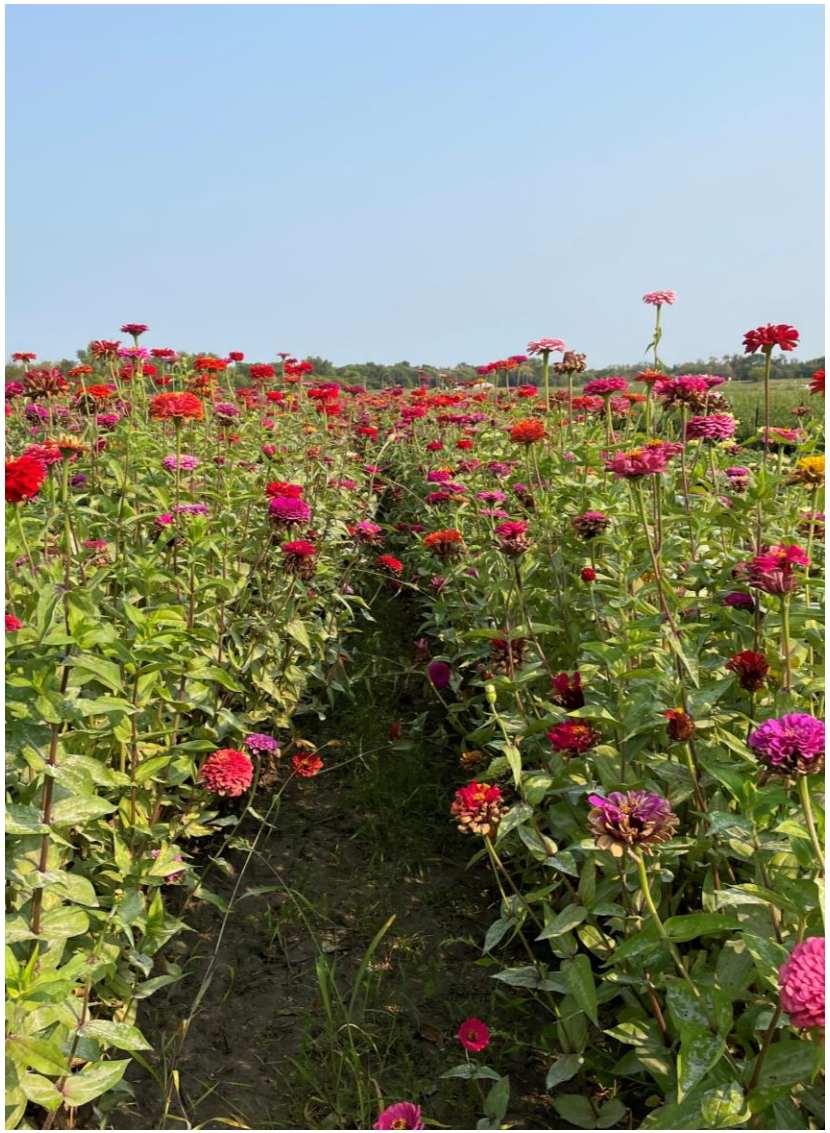


Visit www.rma.usda.gov for policy details, news, and more.

Keys to Our Success

The RMA Program is:

- Reliable
- Marketable
- Actuarially Sound
- Adaptive to Change
- Affordable
- Accountable
- Stable
- Innovative



1. Reliable

- Insurance is a promise
  - Pays when losses occur
- Financial Reliability
  - Government budget
  - Insurance companies
- Loss Adjustment
  - Fair and transparent
  - Consistent
  - Timely

2. Marketable

Product development

- Congressional recommendations
- Government research and development
- Privately developed products
- Improvements

Coverage that farmers want

- Types of perils
- Revenue coverage vs. yield

3. Actuarially Sound

Effective underwriting:

- Covering only natural causes of loss
- Risk classification
- Appropriate coverage deadlines and verifications
- Adverse selection

Mechanism to address moral hazard:

- Deductible, coverage, premium rates
- Rigorous loss adjustment
- Index coverage

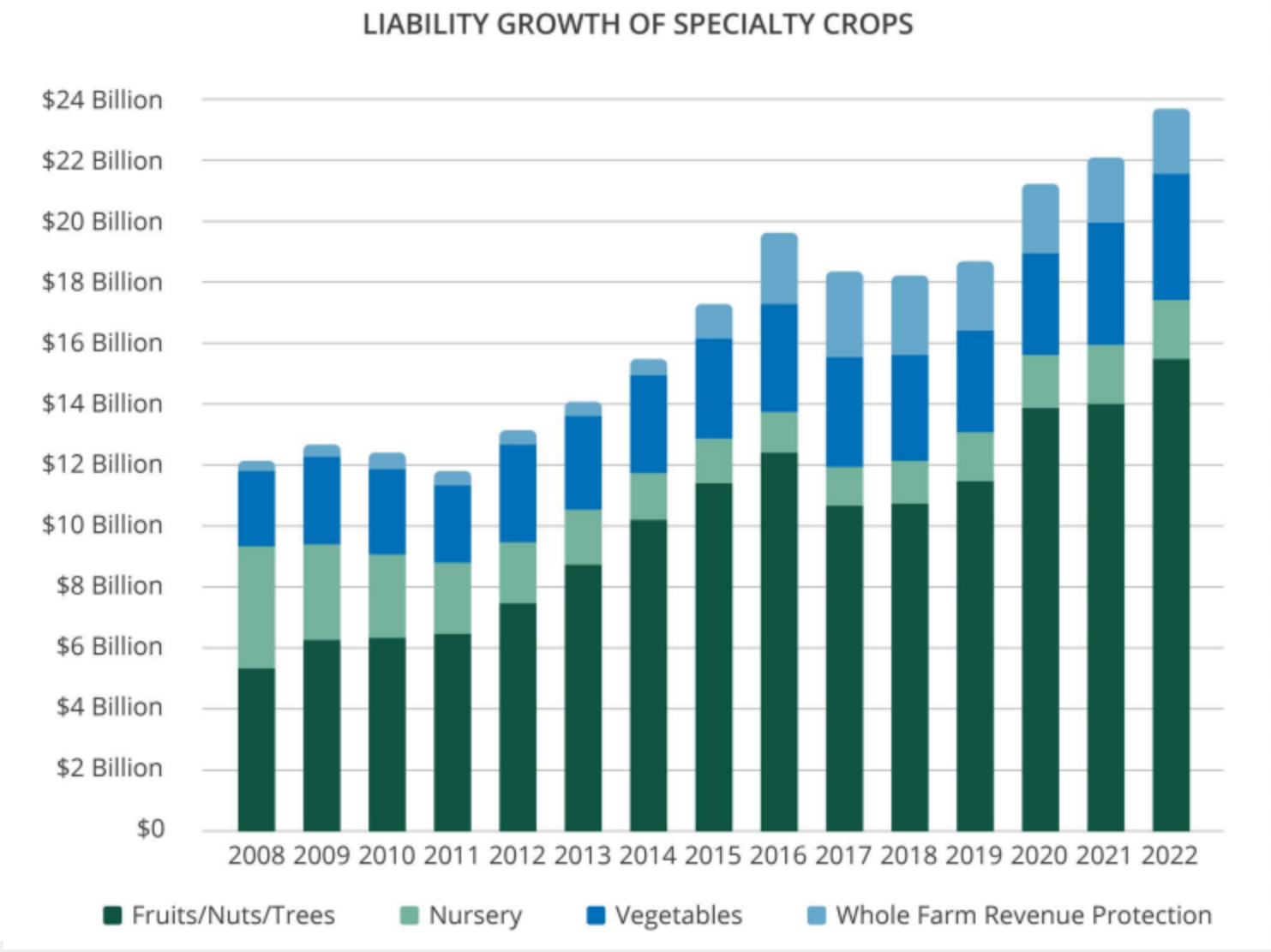
Accuracy/Fairness of premium rates:

- Premium rates proportionate risk
- Reasonable and explainable basis
- Loss cost

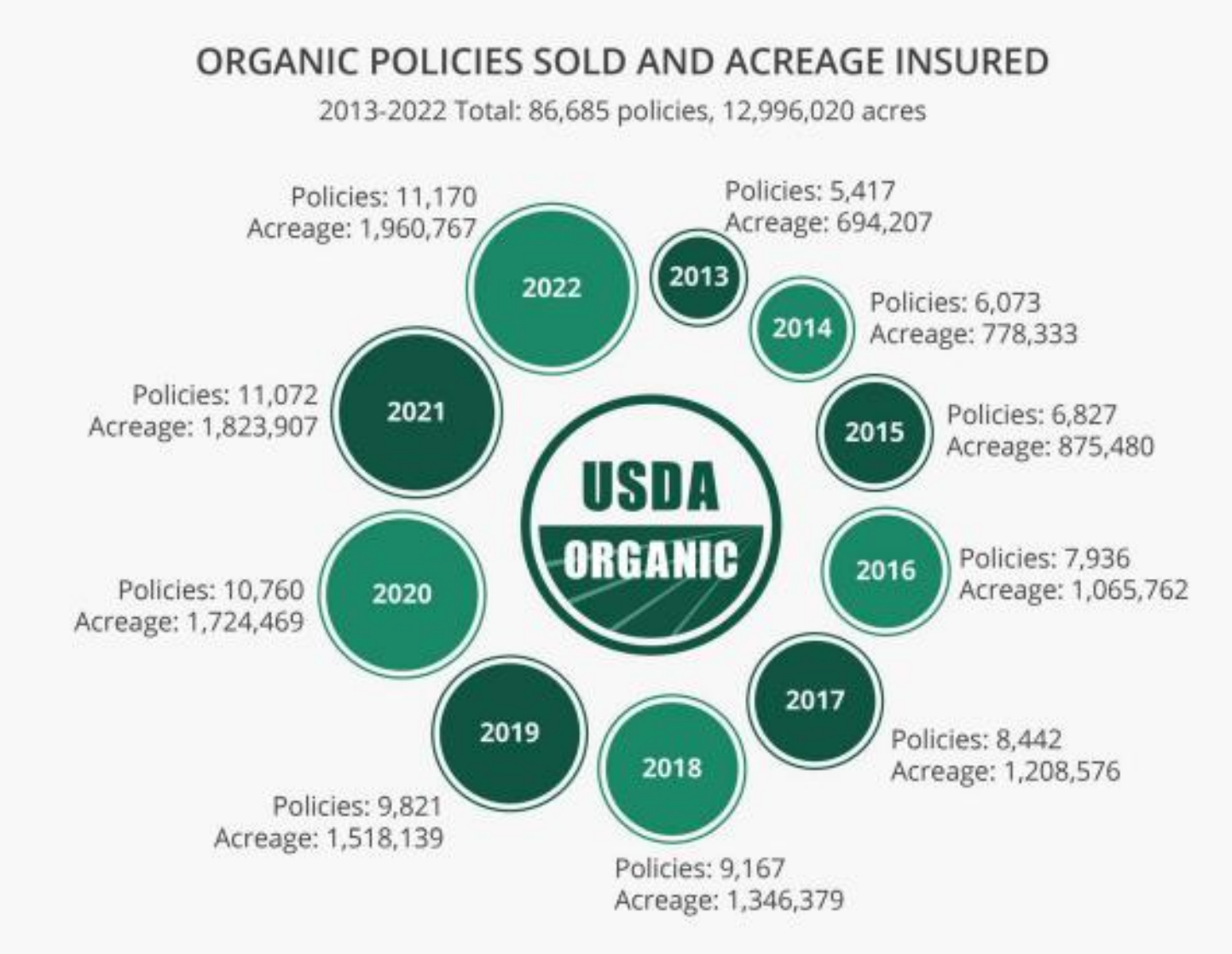
4. Adaptive to Change

- Following the market versus making the market
- Value crops at expected market prices
  - Insure against unexpected *within-season* changes in yield and/or price
- Ability to react in real-time to crises
  - Double cropping efforts

4. Adaptive to Change



4. Adaptive to Change



5. Affordable

U.S. crop insurance market

- Average farm size: 444 acres (180 ha)
- Approximately 500,000 insured farmers
- Average number of insured acres per farm: 485 (196 ha)
- Average total premium per farm: $19,000 USD
- Average farmer premium per farm: $7,000 USD
- Average compensation to insurance companies per farm for administrative and operating expenses is around $2,800 USD

Individual coverage feasible for most crops

- Rainfall index for pasture/rangeland/forage, apiculture
- Price index coverage for dairy, livestock

5. Affordable

Economically feasible premium:

- Farmers must consider the premium to be affordable

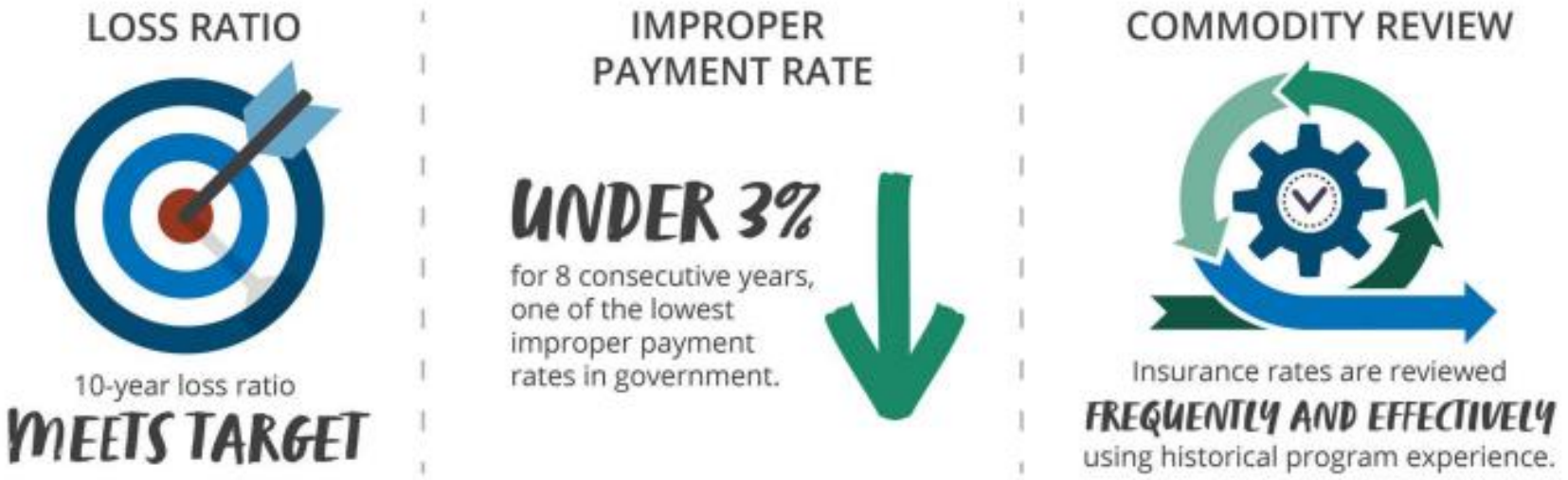
Premium cost determined by:

- Level of coverage
- Perils covered
- Farmer share
- Government share

6. Accountable

Compliance Division

- Investigating improper payments
- Reviewing large claims
- Data mining and random audits

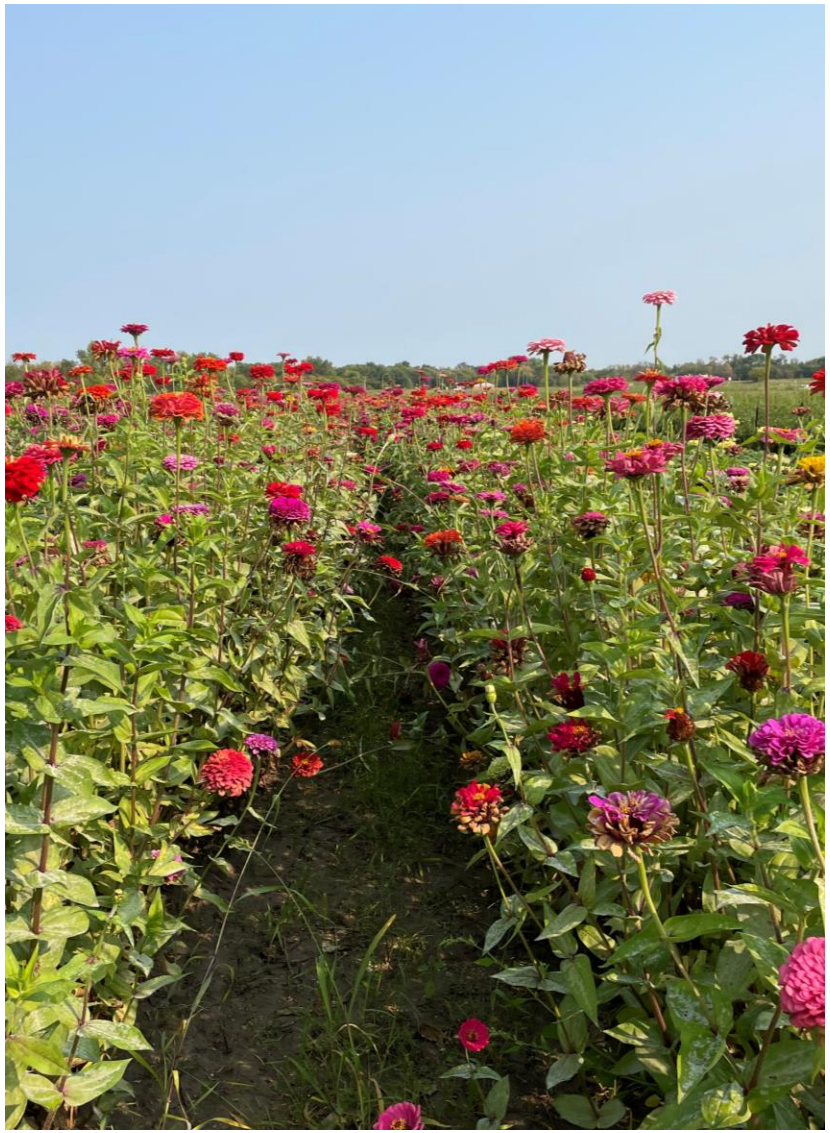


7. Stable

- Coverage is available on a consistent basis
- Knowledgeable marketing and delivery service
- Agent who can explain how the program works
- Loss adjusters who understand their crops
- Timely adjustments
- Market acceptance
- Required for loans

8. Innovative

- Ability to develop new products
  - Whole Farm Revenue Protection
- Farmer listening sessions and feedback
  - Tropical Storm
- Adapting to a changing climate
- Bringing new voices to the conversation



8. Innovative

- Cooperative Agreements
- Building Resiliency Project
- Navigator Program

Part II: Climate Resilience at USDA

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International Climate Commitment

- Whole-of-government approach
- Net-zero greenhouse gas emissions economy-wide by 2050
- Reduce emissions by 50-52% by 2030

United States Approach

What we do matters, and **how** we do it matters just as much.

- Voluntary, incentive-based
- Market-driven
- Focus on partnerships

Key Action: Investments in Climate Smart Agriculture

- Partnerships for Climate-Smart Commodities
- Inflation Reduction Act
- Pandemic Cover Crop Program/Post-Application Coverage Endorsement
- Conservation Reserve Program

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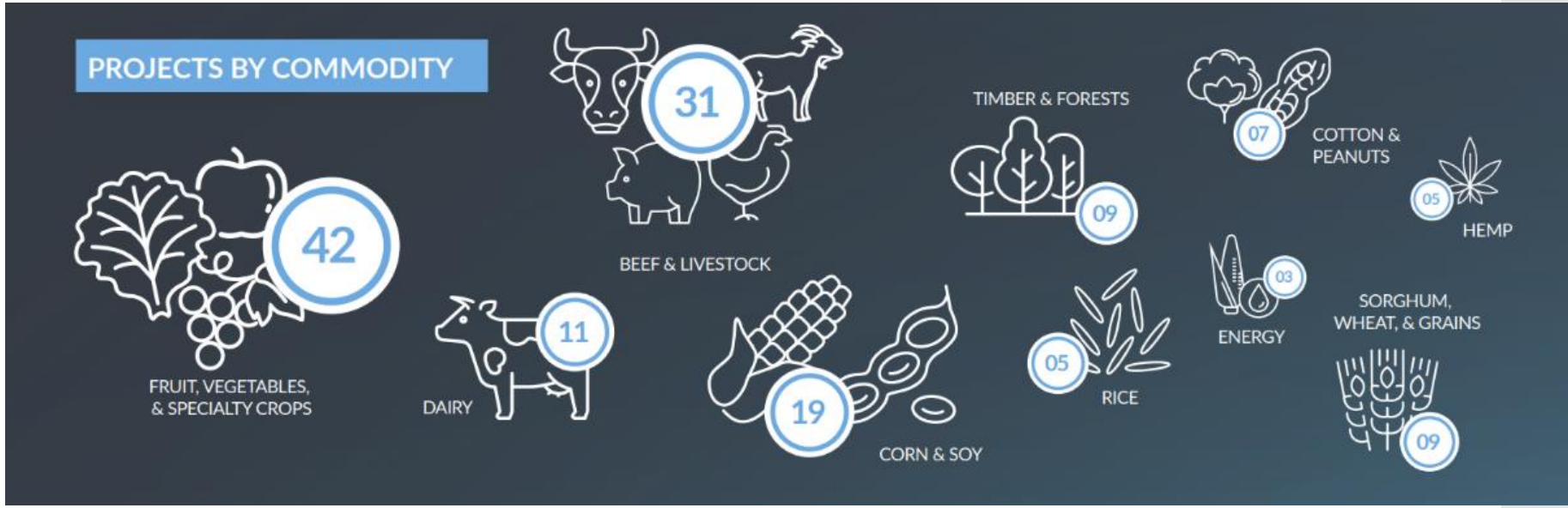
Partnerships for Climate Smart Commodities



PROPOSAL INVESTMENTS

Proposals for the

141

tentatively selected projects include plans to match

→ An average of

50%

of the federal investment with non-federal funds.

PROJECTS BY AWARD SIZE*

71

Under $5M

22	$5-20M
25	$25M-45M
09	$50M-65M
14	$70M-95M

Partnerships for Climate Smart Commodities

60,000 farms reached, encompassing **25M** **acres of working land** engaged in climate-smart production practices.

Hundreds of expanded markets and revenue streams for producers and commodities across agriculture ranging from **traditional corn** to **specialty crops**.

~100 universities, including more than 30 **minority-serving institutions**, engaged & helping advance projects.

20+ **tribes and tribal groups** engaged and leading on many projects across a wide geography.

More than **60 million metric tons** of carbon dioxide equivalent sequestered over the lives of the projects. This is equivalent to removing more than **12 million gasoline-powered** passenger vehicles from the road for one year.

Inflation Reduction Act

- Single largest investment in climate and clean energy solutions in American history
- Expands access in rural communities to clean energy and protects communities from intensifying climate impacts likes wildfires and extreme heat

Inflation Reduction Act

- Provides nearly $20 billion to oversubscribed USDA conservation programs well-known by producers that yield climate-related benefits
- USDA will help hundreds of thousands of farmers and ranchers apply conservation to millions of acres of land

Other Actions

- Pandemic Cover Crop Program
  - Reduces overall premium bills and helps maintain cover crop systems
  - Automatically applied when report of acreage form is submitted to FSA
- Conservation Reserve Program improvements
  - Higher rental payments
  - More incentivized environmental practices

Key Action: Adaptation Planning and Investment

Climate Vulnerabilities

Decreased agricultural productivity

Threat to water quantity and quality

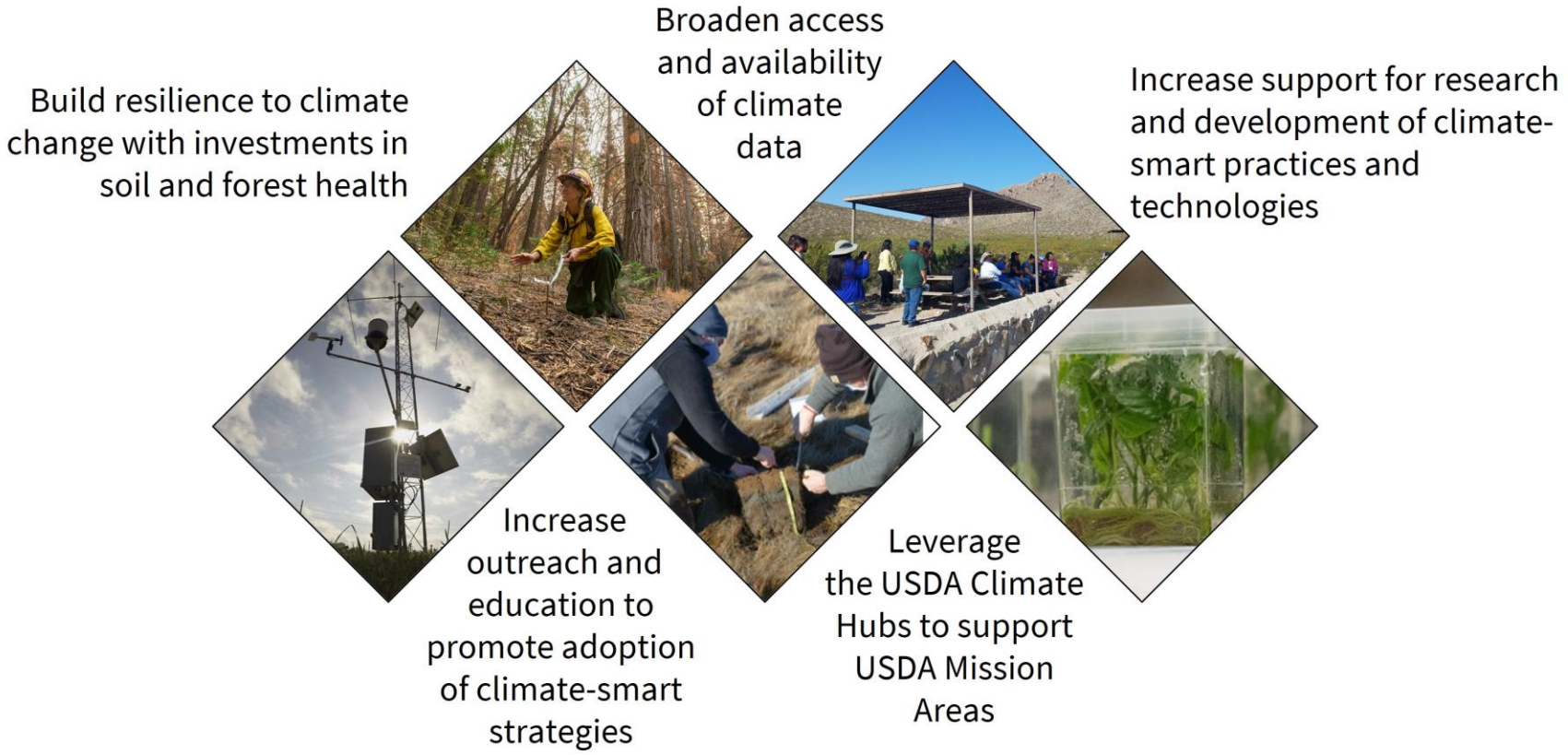
Disproportionate impacts on vulnerable communities

Shocks due to extreme climate events

Stress on infrastructure and public lands

Key Action: Adaptation Planning and Investment

USDA's Adaptation Actions



Key Action: Measurement, Monitoring and Verification

$300 million through the *Investing in America* agenda to improve data and measurement of greenhouse gas emissions and carbon sequestration in climate-smart agriculture and forestry.

Thank you!

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