HOW FARM POLICY HELPS FARMERS IN ADVERSE CONDITIONS

HEARING

BEFORE THE

SUBCOMMITTEE ON
GENERAL FARM COMMODITIES
AND RISK MANAGEMENT

OF THE

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MIKE STRANZ, *Subcommittee Staff Director*

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HOW FARM POLICY HELPS FARMERS IN ADVERSE CONDITIONS

THURSDAY, JUNE 20, 2019

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GENERAL FARM COMMODITIES AND RISK MANAGEMENT,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Subcommittee met, pursuant to call, at 9:59 a.m., in Room 1300, Longworth House Office Building, Hon. Filemon Vela [Chairman of the Subcommittee] presiding.

Members present: Representatives Vela, Craig, David Scott of Georgia, Lawson, Van Drew, Carbajal, Peterson (*ex officio*), Axne, Thompson, Austin Scott of Georgia, Crawford, Allen, Abraham, Conaway (*ex officio*), and Johnson.

Staff present: Carlton Bridgeforth, Emily German, Isabel Rosa, Mike Stranz, Patricia Straughn, Trevor White, Dana Sandman, and Jennifer Yezak.

OPENING STATEMENT OF HON. FILEMON VELA, A REPRESENTATIVE IN CONGRESS FROM TEXAS

The CHAIRMAN. This hearing of the Subcommittee on General Farm Commodities and Risk Management, entitled *How Farm Policy Helps Farmers in Adverse Conditions,* will come to order.

Good morning, and thank you all for joining us here today to discuss how farm policy helps farmers take on the challenges they face this year. Today's set of Federal farm programs is generally designed to assist farmers when they are most in need. At no time is that need more apparent than in the farm economy right now.

Farmers are looking at losses due to severe weather events, particularly as a result of flooding in a wet spring planting season. Excessive moisture on cropland has delayed planting for many farmers in the Midwest. The Agriculture Department's progress report which was released on Monday shows that the corn crop has still not been fully planted and many farmers are making decisions to switch to soybeans or a cover crop. Last week, the *World Agricultural Supply and Demand Estimates* report described this year's planting delays as unprecedented.

Commodity prices have been generally low for several years. Reduced foreign demand as a result of the trade war has made this situation worse. The risk management system is structured to assist farmers in both of these types of cases, and many operations across the country are, in fact, confronted with both challenges.

Through multiple hearings on several subcommittees, we have well documented the pain currently in the farm economy. Farm bankruptcies are up, farm profits are down, prices are in the tank, credit is tight, and the weather has been not only terrible, it is compounding the already present hardship for farmers.

This Subcommittee heard from several farmers at a hearing last month about how a struggling farm economy has affected their operations. At our hearing today we will examine how farm policies help farmers in tough times.

Crop insurance is a publicly-supported program delivered by private companies and agents that provides timely assistance to farmers. Farmers can customize their coverage and can choose how to best manage the risk, and they can expect timely service and assistance when they suffer a loss.

Standing disaster programs run by USDA are designed to respond when certain disasters strike. Emergency disaster programs, which are authorized in response to particularly extreme or large-scale disaster events have also been enacted in recent years and are providing assistance.

Additionally, existing commodity programs as authorized in title I of the farm bill provide a baseline level of support when prices fall.

Today's witnesses know the importance of these programs and policies and speak from a wide range of experiences in working with the farm safety net. I look forward to each of your testimony because I know the conversation on crop insurance is not an easy one. At a time when every Federal dollar is scrutinized, I appreciate the challenge faced in the industry to explain how crop insurance works and why it is such an indispensable part of the farm safety net.

If there is a silver lining to this economic storm it is that there has never been a clearer need for programs like these that help to keep our farm families in operation.

[The prepared statement of Mr. Vela follows:]

PREPARED STATEMENT OF HON. FILEMON VELA, A REPRESENTATIVE IN CONGRESS FROM TEXAS

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With that I'd like to recognize my Ranking Member, Mr. Thompson of Pennsylvania, for any opening remarks he'd like to make.

The CHAIRMAN. With that, I would like to recognize my Ranking Member, Mr. Thompson of Pennsylvania, for any opening remarks he would like to make.

OPENING STATEMENT OF HON. GLENN THOMPSON, A REPRESENTATIVE IN CONGRESS FROM PENNSYLVANIA

Mr. THOMPSON. Mr. Chairman, thank you so much for convening this hearing to talk about what, unfortunately, is a very timely topic. We all know that farming and ranching come with a unique set of challenges and an inordinate amount of risk. It takes a very special person to be willing to borrow six or seven figures from the bank every year, more than many of us will borrow in a lifetime, just to plant a seed in hopes that they will be able to harvest a crop. Now, these folks are the salt of the earth and they fuel our rural economies. But perhaps most importantly, because our farmers are so productive, they are able to supply Americans with the safest and most affordable supply of food in the world.

And while farming has always been a risky business, it seems like in recent years, particularly this one, farmers and ranchers really just can't catch a break. Between years of hurricanes, tornadoes, fires, blizzards, and of course, record-breaking floods and rainfall all across this country, no region has been spared. And that is to say nothing of the economic damage being caused by the illegal retaliatory tariffs imposed by China and others.

As everyone in this room knows, the farm bill is the primary vehicle which we use to provide risk management tools to our nation's farmers and ranchers. And I am proud of the work that we did in the previous Congress to reauthorize the 2018 Farm Bill without the need for an extension, which would have magnified uncertainty that our farmers face today. And we spent months and months working to make several targeted improvements to farm policy. And I am proud of the fact that the House prevailed against the Senate's proposed cuts to the farm safety net. And while the farm safety net is designed to be flexible and tailored to specific circumstances on a farm, catastrophic events over the last couple of years have shown that there is still work to be done.

In the interim, Congress recently stepped in with a round of supplemental disaster assistance for those directly impacted by the recent catastrophic events.

And while our farmers and ranchers can compete with anyone in the world, the recent illegal retaliatory tariffs have shown that our producers cannot compete directly against foreign governments. For example, the United States recently won a case at the WTO against China for shelling out $100 billion in a single year to subsidize just three crops. A clear violation of the commitments that they have made and more than we will spend in more than 7 years on all of our authorized farm policies for all crops.

And while the farm bill is designed to help level the playing field, it is not designed to handle targeted retaliation by a centrally planned foreign government. As a result, I appreciate that the Administration stepped in to help our producers. And I look forward to the second round of Market Facilitation Payments Program assistance being provided as soon as possible.

In today's hearing we have a panel of witnesses that all bring a unique perspective on how recent disasters are impacting producers and how various policies are responding. I hope that today we can tease out how these various tools are addressing the different risk producers are facing, while examining where there may be room for continued improvement.

Mr. Chairman, I want to thank you for convening this hearing. And with that, I yield back.

The CHAIRMAN. In consultation with the Ranking Member and pursuant to Rule XI(e), I want to make Members of the Subcommittee aware that other Members of the full Committee may join us today.

And I now recognize Chairman Peterson for an opening statement.

OPENING STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM MINNESOTA

Mr. PETERSON. Thank you, Mr. Chairman. And thank you and the Ranking Member for your leadership and calling this hearing.

Obviously, it is a good thing we got the farm bill done, and we have that in place, as was noted. And, crop insurance is doing a good job, the industry and the agents and all the people involved, and that is certainly helpful. But I am concerned, and these Market Facilitation Program payments—I don't think they are going to solve the problem, but they are certainly helpful, and that is all good. But I am worried about where we are heading.

In my part of the world, we have some people that haven't planted their whole farm. And it has been a tough, tough spring, not only in my area, but across Illinois, Indiana, all those kind of places. And that has brought back corn prices, I guess, to some extent, which is a helpful thing. But, we have survived the last number of years because of big crops. We have survived low prices because we had big crops.

Last year's crop wasn't so good. This year, it is going to be even worse. The prices for corn have improved, but soybeans are still a big problem, and I don't see that changing.

The hog situation in China where they have more hogs than anybody else in the world, over half of the hogs apparently have died in China, and so that market has gone away. And when the Committee went to South America, I was expecting to find in Brazil and Argentina that the giant Chinese were in there trying to buy from them big time because of these tariff situations, but that was not the case. And I think the reason is because the demand is not there because of the African swine fever situation.

I hope my misgivings are wrong, and I hope we are not going to be facing significant problems next winter, but I am kind of afraid of where we are heading with this whole thing. We will just have to monitor the situation and respond if it gets as bad as I think.

Bankers are starting to talk to me about how they are worried about what is going to happen next winter, whether they are going to be able to finance everybody. I hope we get these trade wars over with. That is going to be helpful, especially my hog producers who are probably being affected more than anybody else by this because they have a big demand in China right now because of what has happened with swine fever. And, we can't sell in to China because it is, what, a 62 percent tariff, or whatever it is, and so it just doesn't work. Hopefully, we can get those things behind us.

Hopefully, the rest of the year will be better weather-wise than what we have seen so far and we will make some kind of recovery; but, I think we are headed into some tough times, and we appreciate the crop insurance industry for being there, and that is certainly a big help. What they are doing with dairy crop insurance is going to be a big help.

But the problem with crop insurance is that you can only insure what the market price is. And so if the market price is below the cost of production, you are insuring a loss, and that is just the way—and there is no other way to do it, but that is the reality. The only way you can change that is to change the PLC and so forth in the farm bill, which is probably not realistic. We will just have to work through it and make sure that the Committee stays on top of what is going on and responds when we have to.

I thank the Chairman and the Ranking Member for their diligence, and I yield back.

The CHAIRMAN. Ranking Member Conaway is now recognized for his opening statement.

OPENING STATEMENT OF HON. K. MICHAEL CONAWAY, A REPRESENTATIVE IN CONGRESS FROM TEXAS

Mr. CONAWAY. Thank you, Mr. Chairman. I do appreciate you calling this hearing.

I want to agree wholeheartedly with my colleague from Minnesota, his concerns and issues he brought forward. I won't repeat those, other than to say, one of those pieces of the trade deal that we could get done today or soon would be the USMCA agreement between Mexico, Canada, the United States. Mexico has ratified the agreement. We need to get that process moving forward. It would help, again, take some of the uncertainty out of what our farmers and ranchers face. I look forward to hearing from our witnesses today to get a better feel for how these things work or don't work.

And with that, I yield back.

The CHAIRMAN. The chair would request that other Members submit their opening statements for the record, so the witnesses may begin their testimony and to ensure that there is ample time for questions.

I would like to welcome all of our witnesses. Thank you for being here today.

At this time, I will introduce our first witness. Dr. Bradley D. Lubben is an Extension Associate Professor and Director of the North Central Extension Risk Management Education Center at the University of Nebraska-Lincoln. He has more than 24 years of experience in teaching research and outreach focused on agricultural policy and economics, specifically Federal farm programs and risk management. Dr. Lubben grew up on a livestock and grain farm in Nebraska and holds bachelor's and master's degrees from the University of Nebraska-Lincoln, and a Ph.D. from Kansas State University.

Our second witness, Mr. Leo Ettleman is a sixth generation farmer from Sidney, Iowa. He is a member of the governor's Flood Recovery Advisory Board, where he serves as the Chairman of the River Management and Infrastructure Working Group. He is also the Chairman of Responsible River Management in Fremont County, Iowa.

Our third witness is Ms. Ruth Gerdes, President of Auburn Agency Crop, LLC, in Auburn, Nebraska. And she is testifying on behalf of the Crop Insurance Professionals Association. Ms. Gerdes grew up on a farm and ranch in western Nebraska, and attended the University of Nebraska where she earned degrees in agricultural science and animal science. Through her work at Auburn Agency Crop, she helps to provide crop insurance services to nearly 1,800 farmers.

Now I would like to recognize Mr. Carbajal for an introduction of our fourth witness.

Mr. CARBAJAL. Thank you, Mr. Chairman.

It is a real pleasure for me to introduce one of my constituents, Mr. Michael Davenport. Mr. Davenport serves as the current Chairman of the American Association of Crop Insurers, and resides in Santa Barbara, California, located in my district. After graduating from the University of Iowa College of Law, Mr. Davenport began his career at Wilson & Pechacek, PLC, where he supervised nationwide crop insurance coverage on behalf of multiple clients. He then went on to serve as Vice President and General Counsel at Rain & Hail Insurance Services, where he was a key member of an industry-wide crop insurance negotiation with the Federal Government. Currently, Mr. Davenport is the Chief Operation Officer of Chubb Agriculture, a company that writes over $2.6 million of insurance premiums. Between his experience in the crop insurance industry and his close proximity to Central Coast agriculture productions in my district, Mr. Davenport is no doubt aware of how important reliable risk management programs are for farmers.

Welcome, Mr. Davenport.

The CHAIRMAN. Mr. Lawson, you are now recognized for the introduction of our fifth witness.

Mr. LAWSON. Thank you, Mr. Chairman.

It is my pleasure to introduce Mr. Marcus Boone, Senior Vice President and Chief Lending Officer of Farm Credit Florida, as a witness for us here today. Mr. Boone has over 35 years with Farm Credit, 21 which have been with Farm Credit Florida. Financial institutions such as Farm Credit Florida are vital to supporting agricultural communities around the country by providing them with loans and service to help assist their farmers and ranchers through good and bad times.

For years, Florida has suffered from adverse weather and environmental conditions which have threatened the foundation of our agricultural industry. Deep freezes, wildfires, hurricanes and more have made the Sunshine State no stranger to inclement weather. The agricultural economy in my home district is no exception. From the 72 million tons of timber destroyed by Hurricane Michael to the acres of damaged cotton and peanut lands, affected farm policy and proactive engagement by both Federal, state and private entities is critical to ensuring that these crops and their producers remain resilient.

I look forward to the testimony Mr. Boone will deliver to this Committee on the unique challenge Florida farmers' economy faces due to adverse weather conditions.

Thank you, Mr. Chairman. And welcome to the Committee, Mr. Boone.

The CHAIRMAN. Today's final witness is Mr. Brandon Willis, Assistant Professor at Utah State University. He served as the Administrator of the Risk Management Agency at USDA from 2013 to 2016, and spent that time working at USDA and on Capitol Hill prior to that. He has an undergraduate degree from Utah State University, a law degree from the University of Wyoming, and an LL.M. in agricultural law from the University of Arkansas. Mr. Willis now sells crop insurance as an agent and works with Combest, Sell & Associates.

We will now proceed to hearing their testimony. Each witness will have 5 minutes. Given the number of witnesses and Members' schedules today, I am going to keep a pretty tight lid on that. When 1 minute is left, the light will turn yellow signaling you to start wrapping up your testimony.

Dr. Lubben, please begin when you are ready.

STATEMENT OF BRADLEY D. LUBBEN, PH.D., EXTENSION ASSOCIATE PROFESSOR, POLICY SPECIALIST, UNIVERSITY OF NEBRASKA-LINCOLN; DIRECTOR, NORTH CENTRAL EXTENSION RISK MANAGEMENT EDUCATION CENTER, UNL, LINCOLN, NE

Dr. LUBBEN. Good morning. Thank you, Chairman Vela, Ranking Member Thompson, distinguished Members of the Committee. Thank you for the invitation to appear before you today and to share my perspective. I am Brad Lubben. I am an Extension Associate Professor, Policy Specialist, and Director of our Extension

Risk Management Education Center at the University of Nebraska at Lincoln.

I have a presented testimony that I share with you, but I would simply summarize it for the record here today to note that it is worth highlighting sort of the extent of current conditions and challenges for producers in Nebraska and elsewhere. It is worth noting the existing farm income safety net, a very broad safety net, and all the different tools that help producers manage that risk and those challenges, but also the complexities and sometimes even the competition between different parts of those tools. And I will close with a comment on risk management education and the need to help educate producers and ensure that they are positioned to make good management decisions and to use these tools effectively.

Certainly, you have undoubtedly heard of, and read of, the losses in Nebraska related to the bomb cyclone event that occurred in March, about 3 months ago now. Those losses were dramatic: loss of life, loss of livestock, loss of property, substantial damage, *et cetera.* The losses are estimated in some—by some estimates in the hundreds of millions of dollars for crops and for livestock. And certainly, the role of disaster programs and the role of crop insurance are paramount in helping producers manage and recover from those losses at present. But still they are dramatic losses, and they will be highlighted here further on the panel to come.

I talk about the role of crop insurance and the role of disaster assistance. And importantly, we first look at the standing disaster assistance programs, the programs that have been previously authorized in Congress and are administered through USDA and other departments, but particularly the large portfolio programs administered through the Farm Service Agency. Whether it is emergency loans or emergency conservation programs or the livestock indemnity and other programs, they have helped producers manage and cope with these losses. But it is—as I said, it is still a substantial impact.

We could also look at the broader income perspective and note that current farm incomes were projected substantially down even before the events of this spring. By many measures, we are talking about conditions we haven't seen since the 1980s. If you look at real farm income, statistically, we are talking about the lowest real farm income since the late 1990s, not coincidentally a period when farm income suffered because we lost export markets, and we had disaster assistance in response as well back then.

I mention this broader context of safety net programs. Think of the Federal farm income safety net as we analyze it economically. Clearly, the commodity programs are an important part of that safety net, as is crop insurance, often considered the foundation of the safety net today. Don't forget the standing disaster assistance programs, as I mentioned, that have been previously authorized. We also have the *ad hoc* responses, the emergency assistance that was passed here in Congress just in the last couple of weeks, and the assistance announced by the Administration relative to trade assistance.

All of those programs provide support to producers. All of those programs help producers manage the risks they face, but they also, in some cases, do compete with each other. Crop insurance has provisions to cover crop losses. When those losses are relating to market prices, we might also see the role of PLC and other commodity programs cover the same loss. We have crop insurance provisions that are mimicked, in some cases, by disaster programs and the emergency responses as well.

It is important as we talk about programs to think about how the programs work together and think about how they might help producers efficiently manage that risk.

I close by noting this focus on risk management. As I said, I have the privilege of serving as the Director of our Extension Risk Management Education Center at the University of Nebraska at Lincoln. The Center is funded through competitive funds from USDA's National Institute of Food and Agriculture to in turn run a regional grants program that funds producer-focused, results-based, risk management education programs.

Those programs help producers manage a wide range of risk, marketing to production, to financial, to legal, to human risks. And it is important that we have producers capable and able to learn the things they need to help manage those risks and be effectively positioned to deal with the challenges we have.

I thank you for the time, and I appreciate and look forward to any questions.

[The prepared statement of Dr. Lubben follows:]

PREPARED STATEMENT OF BRADLEY D. LUBBEN, PH.D., EXTENSION ASSOCIATE PROFESSOR, POLICY SPECIALIST, UNIVERSITY OF NEBRASKA-LINCOLN; DIRECTOR, NORTH CENTRAL EXTENSION RISK MANAGEMENT EDUCATION CENTER, UNL, LINCOLN, NE

Chairman Vela, Ranking Member Thompson, and distinguished Members of the Committee, I am honored and thankful for the opportunity to appear before you today. The topic for today's hearing on "How Farm Policy Helps Farmers in Adverse Conditions" is certainly timely and relevant. In my role as an Extension Policy Specialist and as Director of the North Central Extension Risk Management Education Center at the University of Nebraska-Lincoln, I come before you to share information on current agricultural conditions, the portfolio of agricultural policy tools, and the role of risk management education to help producers manage though the current situation.

You have undoubtedly heard and read of the dramatic flooding and storm losses in Nebraska that occurred in March as part of the Bomb Cyclone event. Blizzard conditions hit the western part of the state while substantial rainfall in the eastern half of the state fell on top of a large snowpack sitting on top of saturated, frozen soils, resulting in dramatic runoff and flooding. The storm and resulting flooding sadly resulted in loss of life, loss of livestock, loss of property, and catastrophic damage to farmland and grazing land in the affected areas. While the state and its producers have worked hard to recover in the 3 months since the storm, we are still tabulating losses that are expected to be in the hundreds of millions of dollars each for crops and livestock in the state. Existing farm commodity programs, crop insurance programs, and standing disaster assistance programs will help fill the void as will the *ad hoc* disaster assistance recently signed into law. But, they will not completely eliminate the loss nor the financial challenges that producers were facing even before the storm event in March.

Based on the work and estimates of USDA's Economic Research Service released in March, net farm income was projected at $69.4 billion nationally for 2019, up from 2018, but still 44% below the record of $123.4 billion set just 6 years ago in 2013. The current economic downturn has been compared to the 1980s for reference, and in real terms, national farm income projections have been at multi-year lows not regularly seen since the 1980s, although the recent average is comparable to the late 1990s–early 2000s. In Nebraska, the downturn has been even more dramatic with projected farm income for the state at just $2.4 billion in 2019 based on our own extrapolation of U.S. data to the state level (USDA–ERS estimates at the state level are only available through 2017 at present). That number is up from 2018 as well, but is still off by ⅔ from the $7.4+ billion record farm income in 2011 and again in 2013. Like the United States as a whole, real net farm income in Nebraska is at its lowest level since the late 1990s–early 2000s, a period not so coincidentally, when farm income suffered due to lost export market demand and Congress responded with *ad hoc* emergency assistance.

It should be noted that these farm income projections were made as of early March amid continued trade conflict and uncertainty, but before the storm events and dramatic flooding losses this spring and before the continued wet conditions hampered planting progress to date. The damage in Nebraska was dramatic, although we have witnessed the strong resiliency of Nebraskans with recovery underway. That is thanks in part to relief from standing disaster assistance programs, including a wide portfolio of Federal programs authorized in previous legislation and implemented through USDA, particularly the Farm Service Agency. The standing disaster assistance programs have provided a range of needed help, from emergency loans to assistance for repairs of storm and flood damage to partial reimbursement for lost feed and livestock.

Crop insurance programs and particularly prevented-planting coverage have also provided substantial protection for producers facing the challenge of late planting or no ability to plant at all. Unfortunately, there are many areas where prevented planting is widespread, including areas of Nebraska that are still flooded along the Missouri River, but even more so in Iowa and Missouri along with flooding and wet conditions in other parts of the country. Crop insurance plays an important role in providing assurance to these producers in a time of stress and uncertainty. However, there are also many lingering questions about the interaction of crop insurance, planting decisions, and both the agricultural disaster assistance recently passed by Congress and the Administration's announcement of additional trade assistance for producers.

In a larger context, the Federal farm income safety net provides a broad mix of support and protection for producers, including commodity programs, crop (and livestock) insurance, and standing disaster assistance programs as well as any *ad hoc* assistance programs such as the recent developed agricultural disaster assistance and trade assistance programs.

Commodity programs authorized in successive farm bills provide income support and risk protection for producers of program commodities. Crop producers face a new enrollment decision later this year between Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC) for the 2019 and 2020 crops, but importantly, those programs will not provide any potential financial assistance to producers before October 2020, after the 2019 crop marketing year is complete. Commodity program support to be paid this calendar year comes from the 2018 crop program under the previous farm bill and is expected to be smaller by comparison. On the livestock side, dairy producers are signing up now for a Dairy Margin Coverage (DMC) program that should provide substantial protection from the risk of low milk price-to-feed cost margins. These commodity programs have transitioned greatly since the first farm bill in 1933, from initial price support and supply control programs to income support programs with an increasing emphasis today on managing risk as opposed to directly supporting income.

The increased focus on risk management includes not only the design of commodity programs, but also the increased investments in crop insurance. Dramatic growth in crop insurance availability, tools, coverage, support, and adoption has propelled crop insurance to the point that it is commonly thought of as the foundation of the farm income safety net. This success was a large part the reason that crop disaster assistance was not included when standing disaster assistance programs were permanently authorized and funded in the 2014 Farm Bill. Previous *ad hoc* efforts to deliver ag disaster programs on an annual or semi-regular basis culminated in the development of multi-year authorization of disaster assistance in the 2008 Farm Bill, including the SUpplemental REvenue (SURE) Assistance Program for crop disaster losses. That authority expired in 2011 and when the 2014 Farm Bill eventually provided both permanent authority and funding for ag disaster assistance, SURE and crop disaster assistance were not included given the broad gains in crop insurance.

While crop disaster assistance was not authorized prospectively in the 2014 Farm Bill, there have been continued calls for crop disaster support since, including the effort to pass what became the 2017 Wildfires and Hurricanes Indemnity Program (WHIP) in the Bipartisan Budget Act of 2018. The current *ad hoc* agricultural disaster assistance recently passed by Congress adds to the list, providing support for crop losses in 2018 and 2019, including crops in storage and prevented planting losses as well. The *ad hoc* trade assistance provided in 2018 and announced again by the Administration for 2019 also provides substantial support for producers for lost market opportunities amid the on-going trade conflicts and uncertainty.

With the multiple parts and occasionally competing elements of the farm income safety net, it can be challenging for producers to make sound and informed management and marketing decisions. While commodity programs and insurance programs may be the primary parts of the safety net, the disaster programs and any *ad hoc* assistance programs can add to the protection, but also the uncertainty. Prevented planting coverage under crop insurance is generally straightforward, even if it is complex. The additional support coming from the agricultural disaster assistance package is beneficial, but also adds some uncertainty to the analysis of trying to plant late into unfavorable conditions *versus* claiming prevented planting coverage. Add to that the trade assistance package and discussion of potential, limited benefits for prevented planting and the complexity for producer decision-making is compounded.

To support the effective implementation and use of the entire portfolio of farm income safety net policies and programs, it is also important to support risk management education that helps producers make improved decisions. Risk management education has been part of the policy discussion since at least the 1990s and was formally authorized in the Agricultural Risk Protection Act of 2000. I have the privilege of serving as the director of one of the regional centers that has been competitively awarded funding from USDA's National Institute of Food and Agriculture to deliver a competitive grants program in our respective region for producer-focused, results-based agricultural risk management education projects. Across the country, these projects help producers manage the full range of marketing, production, financial, legal, and human risks on their operations. Through more than 1,300 funded projects since 2001, the program has reached hundreds of thousands of producers and helped them achieve risk management results that inform their decisions and change their practices to better position their operation for success.

In conclusion, thank you for the opportunity to discuss current agricultural conditions and the role of policy tools and risk management education to help producers manage though the current situation. I look forward to any questions and comments.

The CHAIRMAN. Thank you.

Mr. Ettleman, you may proceed.

STATEMENT OF LEO ETTLEMAN, AG PRODUCER, SIDNEY, IA

Mr. ETTLEMAN. Good morning, Chairman Vela, Ranking Member Thompson, and Members of the Subcommittee. A sincere thank you to Congresswoman Axne for inviting me to speak. I am honored to give a voice to a topic that affects countless Americans across the heartland.

My name is Leo Ettleman, sixth generation farmer from southwest Iowa. I was raised ½ mile from the Missouri River. For more than 100 years, my family has farmed the Missouri River bottom. When managed correctly, the river provides a good life and sustains countless people. The recent catastrophic flooding has been well publicized. What is largely ignored is the mismanagement in our inland waterways and the lack of flood control prioritization.

Close to home, I have seen changes made to the management and flows of the Missouri River. In the mid-2000s, the changes were accelerated with an update to the river's master manual and amendment to deprioritize flood control. Since then, flooding has become more frequent, severe, and costly.

In 2011, we had a breach of the Missouri River levee just ½ mile from my family farm. The land was devastated. It took 4 years to clean it up: 2018 was an extremely challenging year. Rain and high reservoir releases prevented corn and soybeans from being harvested: 2019 brought significant snow and ice. This spring's unusually warm weather and record rainfall was disastrous. This natural disaster was avoidable. And to continue managing the river the same and expecting a different outcome is fiscally irresponsible.

Until you witness, and experience, the catastrophic force of flooding firsthand, you cannot appreciate and understand the disruption to life and the emotion and the economic toll it extracts. The flooding is still ongoing and the negative impact will be felt for years to come.

As I sit before you today, hundreds of thousands of acres of farmland remain under water. Vital infrastructure like roads, bridges are impassable. Traffic has been rerouted to county roads. These two-lane roads were not designed to safely handle heavy traffic flows resulting in increased traffic accidents, injuries, and fatalities.

We personally still have 85,000 bushels of grain stranded, valued at nearly $450,000. Flood water has impacted the first 12″ to 14″ of these structures. The grain is rotting. As these supplies shrink, so does the much needed income it represents. Many operators owe money against the 2018 grain that was destroyed during this year's flood. Sadly, many won't recover.

If breached levees aren't repaired back to the 100 year protection level, our crop insurance and farmland could be re-rated. If it is, we will become high risk, resulting in higher insurance premiums.

Because of the continuing mismanagement and flooding of the Missouri River, we no longer forward contract grain, which is how farmers secure a price for grain that has not yet been delivered. That is because at any given time, we run a risk of losing our crop. Lacking the ability to use this simple marketing strategy puts us at a competitive disadvantage. The question is, will this disaster affect the change that is desperately needed?

Moving forward, we must not only rethink how we manage the Missouri River, but also how we sharpen policy that will shape agriculture's flooding. If we are to stop the reoccurring devastating flooding of the past 12 years, flood control must be the top priority management of the Missouri River. The water control structures in the channels below the dams must be rehabilitated.

We must explore more ways to drive more investment into flood-ravaged communities. Policy can serve as a catalyst and help make this happen.

It is my hope, sincere hope that Congress acts, acts to approve USMCA trade agreement; acts to implement the 2018 Farm Bill, the vastly improved farm safety net; acts to address the basic infrastructure needs; acts to ensure flood control is the dominant function of the Missouri River.

Even with the positive ruling in *Ideker Farms, Inc., et al.,* v. *The United States,* if actions are not taken, we can expect larger and more expensive floods. Farm belt bankruptcies will soar even higher. Farmers in rural communities will begin disappearing from the map. That is not what this farmer or our country wants or needs. Let's get to work, reclaim our rivers, farms, towns, protect the lives and livelihoods of future generations.

Thank you very much.

[The prepared statement of Mr. Ettleman follows:]

PREPARED STATEMENT OF LEO ETTLEMAN, AG PRODUCER, SIDNEY, IA

Good morning, Chairman Vela, Ranking Member Thompson, and Members of the Subcommittee. A sincere "thank you," Congresswoman Axne, for inviting me to speak. I am honored to address you here today. In doing so, I give voice to a topic that affects countless Americans in the heart of the Midwest.

Call me biased, but I believe farming is one of our nation's most noble and rewarding professions. For six generations, the Ettleman family has farmed the rolling countryside of southwest Iowa. I was raised on a farm located just a few rods and reels away from the banks of the Missouri River. For more than 100 years, our families have farmed Missouri River bottom ground. It is good and productive soil. When managed correctly, it provides a good life and living for my family. It also sustains countless others while contributing to the jobs and economic activity created by production agriculture.

While we make the choice to farm, we have little say over the price we receive for what we grow, or the multitude of challenges that we face. Trade disputes. Monetary values. Geopolitical unrest. Pests and disease. Too much rain. Not enough rain. Ill-timed hail storms and straight-line winds. These are just a few of the unpredictable events that hit us financially and emotionally.

We accept this as a part of farming. It's been that way for generations. Farmers have a history of dealing with challenges. We're often heralded for our strong work ethic and ability to rise above problems and persevere. This holds true even when the situation seems hopeless or the odds of succeeding insurmountable. While having such a respected brand is humbling, it can sometimes mask the true extent of the challenges we face and the emotional and financial pain they inflict.

According to the National Oceanic and Atmospheric Administration, Iowa's had the wettest 12 month period since official records began in 1895. The catastrophic flooding across farm country has been well-publicized. What's largely ignored; however, is the mismanagement of our inland waterways and the effect a lack of flood control prioritization is having on farmers, landowners, wildlife populations, commerce and the ability of those who live near rivers to live their lives.

Before I get into the specifics, let me first thank Congress for acting and passing much-needed disaster aid. It is greatly appreciated as it will keep some farmers in business as they wade through this terrible situation.

Close to my home, I've heard, and more recently seen, changes made to the management and flow of the Missouri River. These changes go back to when my dad was born on the home farm and before passage of the U.S. Flood Control Act in 1944. Since that time, the river and river channels have been dredged and levies built.

In 2004, these changes were accelerated with an update to the River's master manual. A subsequent amendment to the manual in 2006 deprioritized flood control.

Since that time, flooding events have become more frequent, severe and costly. Flooding has occurred along the Missouri River almost every year since 2007. In 2008, we experienced tremendous damage due to seep water and blocked drainage.

In 2010, the situation worsened, and come 2011, we had an all-out levee breach of the Missouri River just ½ mile from our family farm. Our land sustained devastating scouring caused by the swift-moving floodwaters. To make matters worse, there was significant sand and debris deposits. It took nearly 4 years to clean up the mess.

More wet years followed. Last year was extremely challenging with land drainage blocked because of extended high river flows for 6 consecutive months. Rain water fell and ponded on our land. When harvest started last fall, our combines sat idle for days on end. Acres of mature corn and soybeans went unharvested.

Soon, the calendar read 2019, and with it came significant snow and ice. By early March, unusually warm weather had arrived, allowing us to bring in the reduced, belated harvest. We suspected the 50° weather and rain forecasts of up to 3″ over a large area would cause trouble.

We weren't wrong. It was 50°+ weather and rainfall totals that surpassed 6–8″ in locations throughout the Missouri River basin. The quick escalation of temperatures and massive amounts of rain on top of frozen ground over such a large area was a recipe for disaster.

On March 14th, I received a call at 9:00 in the evening. It was a friend who lives and farms just to the north of us. A levee at river-mile 601 was over-topping. A wall of water was rushing down river. Our farm, and thousands of farmers and homeowners were directly in its path.

We helped evacuate a friend's home that night around 11:00. By early the next morning, the levee had been breached. We immediately began evacuating our equipment and spent the next 2 days preparing for the worst. Roads began deteriorating quickly, complicating and hindering our efforts to move equipment, let alone stored grain. As the river's crest moved south, levees continued to fail with no warnings from the Federal Government. We were out there on our own evacuating and helping those we could.

Until you witness and experience the catastrophic forces of flooding firsthand, you cannot fully appreciate and understand the disruption to life, upheaval of normalcy, and emotional and economic toll it extracts.

Firsthand examples include:

- Grain bins and stored grain destroyed.
- Livestock washed away, perished or stranded.
- Gates, pens and fences gone.
- Crops that went unharvested in the fall of 2018 ruined.
- Homes, furniture and memories submerged.
- Roads, bridges and railways decimated.

Every year is different. So, too, are the floods. This year, the devastation came with no warning. Within 3 days, we were inundated with tremendous amounts of water. Hundreds of homes and businesses were affected. People didn't have time to act proactively. The losses were much greater because of this.

The flooding is ongoing, and the negative impact will be felt for years to come. As I sit before you today:

- Hundreds of thousands of acres of farmland remain underwater.
- Vital infrastructure like roads and bridges—lifelines for farm-to-market commerce—are impassable. They will remain that way for years. Some will never be repaired. Roads running east-west are destroyed. It resembles a war zone. Even when the water goes down, it could be weeks until we can return to our farms to begin the arduous task of cleaning and repairing.
- A strategically important section of the Burlington Northern Railroad has been closed for months, costing billions in lost commerce and inefficiencies.
- Sections of I–29 remain closed. Traffic that should be coursing up and down Interstate 29 has been rerouted to county highways. These two-lane roads were not designed for safely handling such heavy traffic flows, resulting in spikes of traffic accidents and motorist injuries and fatalities.
- Farmland must be surveyed and determined how it can be salvaged and when it can return to productivity. Land located within a mile or so of a levee breach is inundated with millions of tons of sand—up to 5′ in some locations. Massive trees and other debris litter the landscape. Tons of topsoil have washed away.
- With roads impassable in many locations and floodwaters slow to recede, we still have nearly 85,000 bushels of grain stranded. This includes 65,000 bushels of corn and 20,000 bushels of soybeans valued at nearly $450,000. Floodwater has impacted the first 12–14″ of the pile. The moisture along with warming summer temperatures create the perfect scenario for rotting grain. So, as we sit on the sidelines, our grain supplies shrink along with the much-needed income it represents.

Thousands upon thousands of acres of farmland impacted by the floods will never be as productive as it once was—another lost income opportunity. This year's flood will impact farmers like never before. No one knows for sure when the situation will ease because there are so many levee breaches. If they aren't repaired back to the 100 year protection level, our crop insurance and our farmland could be re-rated. If it is, we could become high-risk, resulting in higher insurance premiums. That's just one more domino to fall in a long line of dominos. As each one does, it impacts our families, heath, livelihood, farms, neighbors, communities and all who depend on our productivity.

And that's not all. Because of the continued mismanagement of the Missouri River, we no longer forward contract grain. That's because at any given time, we run the risk of losing our entire crop. Lacking the ability to use this simple marketing strategy places us at a competitive disadvantage to farmers who do not operate near the river.

Storing grain is another important management practice for farmers. Holding grain rather than selling it directly out of the field at harvest time helps farm families increase profit opportunities. But continued flooding destroys grain bins and contaminates the corn and soybeans within. To help alleviate the situation, we've elevated grain bins and other structures. However, mismanagement of the Missouri River renders this approach futile as the waters continue to rise faster than we can lift our buildings. Many operations owe money against the grain that was destroyed during this year's flood. Sadly, a good number of them may not recover. Even though the grain bins and farm buildings are insurable, they require separate policies for each structure; therefore, there are annual fees for each policy. Often farmers find it too expensive to adequately insure their properties.

We know the challenges. We've seen the impact associated with mismanaging this important river. The question now is: Will the lost productivity and increased costs of doing business be a sufficient catalyst for change?

We remain hopeful that they will. I want to recognize Congresswoman Axne and all who rolled up their sleeves to address some of these questions and pass much-needed disaster assistance. It will help. But more, much more, must be done.

In the short-term:

- Levee breaches must be closed. That's step one. The Corps' is working on that as we speak.
- We need to get the water off our ground and sand and debris removed. This will be costly and take time.
- Roads and rail must be repaired, and in some cases, rebuilt entirely.

Long-term, we must not only rethink how we manage the Missouri River, but also how we sharpen the policy tools that will inevitably shape agriculture's future.

Sure, Mother Nature plays a role in how we farm. You can't have a flood without water. But it's how that water is managed when it hits the ground that's key.

The 1944 Flood Control Act disconnected the flood plain from the river. If we are to stop the reoccurring, devast[at]ing floods of the past twelve years, flood control must be moved back to the top priority of the Missouri River management. The water control structures in the channel below the dams must also be rehabilitated.

When flood control fails, everything fails.

One vivid example has been repeated attempts to slow the water flow to enhance fish and wildlife populations by implementing The Missouri River Recovery Program. While the goal may have been well-intended, the efforts have backfired. When a river can no longer handle the volume of water it once did, catastrophic flooding occurs. Often, the flooding occurs during prime mating and nesting season, which has been the case again this year. Fish and wildlife populations have been destroyed as a result.

In 2014, nearly 400 farmers, businessmen, community members, and other stakeholders filed suit against the United States Army Corp of Engineers in a Fifth Amendment Takings Case—*Ideker, et al.,* v. *USA.* I'm a Bellwether Plaintiff in this case. In March of 2019, we received a positive ruling for 5 years of flooding—2007, 2008, 2010, 2013 and 2014. This is just one more affirmation that the damage done by the river's management is real and credible for farmers and businesses like mine.

It's imperative that Congress understands that even with a positive ruling, future disasters will occur until flood control returns as the dominant authorized purpose of the USACE in their management of the Missouri River. They are a military branch of the United States Government and they must follow the orders given to them by you, their boss. Many are depending on you to make sure your orders are followed. If not, more productive farm ground will be destroyed as will the lives of those who depend on our productivity.

Furthermore, the river's water quality is terrible. Waste water treatment plants upriver can't operate when the water levels are so high. As a result, human effluent is discharged directly into the river. When flooding occurs, the use of the river grinds to a halt. Water quality, the land and private property is decimated. Infrastructure is ruined. Schedules, routines, and one's way of life is altered.

What my family and neighbors have experienced this year would be catastrophic during the best of times, so imagine piling two 100 hundred year floods in the same decade on a subset of Americans who have been living through an extremely difficult period of uncertainty—trade disputes, retaliatory tariffs and market turmoil. We must explore ways to drive more investment into flood-ravaged communities. Policy can serve as the catalyst and help make this happen. It is my sincere hope that Congress acts.

- acts to approve the USMCA trade agreement,
- to aid the implementation of a 2018 Farm Bill that vastly improved farmers' safety net,
- to address the very basic infrastructure needs necessary for commerce, and
- to ensure that flood control is the dominant function of the Missouri River.

If these actions are not taken, we can expect larger and more expensive floods, Farm Belt bankruptcies will soar even higher, and farmers and the rural communicates to which they're so closely linked to begin disappearing from the map. That's not what this farmer—or our country—wants or needs. Let's get to work, reclaim our rivers, farms and towns, and protect the lives and livelihoods of future generations. Thank you, and I am happy to answer any questions you may have.

The CHAIRMAN. Thank you, Mr. Ettleman.

Ms. Gerdes, welcome back. And you may begin.

STATEMENT OF RUTH A. GERDES, PRESIDENT, AUBURN AGENCY CROP INSURANCE, INC., AUBURN, NE; ON BEHALF OF CROP INSURANCE PROFESSIONALS ASSOCIATION

Ms. GERDES. Chairman Vela, Ranking Member Thompson, and Members of the Subcommittee, thank you for having this hearing. It is designed to help us and get some information to you.

In my agency, we have been working nonstop ever since this bomb cyclone hit and even before. We are not through it yet. However, I couldn't have done it without some help from a good team. I would like to recognize Michael Smith, CEO of ARMtech. I wouldn't be sitting here today if he hadn't been willing to send three employees to my office to staff it for my farmers without his help.

Thank you, Michael.

I know it is not within the jurisdiction of this Committee, however, I echo what Mr. Ettleman just said. I am deeply concerned about the levees not being repaired in a timely manner and what is going to happen to the farmers' crop insurance in those areas. We could have this unfold again with billions of dollars in losses.

Of course, what has made this year's worst flood ever is the fact that we are also dealing with a depressed price. I have four things that crop insurance has done very well. It is real and it is bankable protection. Crop insurance is affordable and a good value to the farmer. It is a cost-share. That farmer has to put up his own cash in order to buy the crop insurance.

Crop insurance leverages the farmers' resources. That leverage is critical. We invest in more technology, better seed, everything we can do, as Mr. Peterson said, to produce those bumper crops in the last years. Crop insurance has an incredible delivery system. As I sit here today, we have already paid 2019 prevent plant claims to some of our producers. I don't think that would happen without what is going on with private industry.

Crop insurance is dynamic and market focused. Without the 508(h) process where we can bring things to the market, we wouldn't have the revenue policies.

While crop insurance is the most important tool to us, some things have been done to crop insurance, and the first one starts with prevent plant. Briefly, OIG at USDA conducted an audit and concluded, based solely on the 5 years of the highest prices we have ever had for commodities, that prevent plant coverage should be lowered. And that happened, and we would tell you, as CIPA did then, it was a bad idea. How bad of an idea? One particular farmer, average farmer, in 2012 had $553 an acre in guarantee under prevent plant. With all these changes forced upon the industry, we are now at $330 on that exact same farm that has a higher APH.

So it is not surprising to me that prevent plant was included in this disaster bill.

I want to say something. As a farmer myself, I want to say I strongly support both the recent disaster packages and the MFP. When people and farmers are drowning, they don't care who sends them a life vest. I thank the Members of Congress for stepping in at this critical juncture for so many farmers.

Crop insurance, simply put, is something we need to work on as a better way. The reasons for investing in crop insurance as a better alternative to *ad hoc* disaster are just as valid today as when my then-Senator Bob Kerrey, Senator Roberts, Chairman Stenholm, and Mr. Combest worked to strengthen crop insurance in 2000.

With that, I want to offer some very specific suggestions. First, better structure prevent plant coverage so that it can move with the market. Second, in a true disaster situation such as we are in now, deal with the enterprise unit for those farms that will not get the 2020 rule. Third, I would hope the private industry would step up to try and devise, through crop insurance, a policy to insure grain from previous years. Fourth, I say that we have to do something to repair these levees or none of the other stuff will matter for the farmers in our area.

I conclude by saying we need to be proactive in crop insurance rather than reactive. We had many good years of bumper crops that lulled us to sleep. We saw the shortcomings this spring. We can improve and avoid *ad hoc* if we work together.

Thank you for holding this hearing. I hope the suggestions are helpful. I will do my best to answer any questions that you have had and stand as a resource for you and any of your staff. Thank you.

[The prepared statement of Ms. Gerdes follows:]

PREPARED STATEMENT OF RUTH A. GERDES, PRESIDENT, AUBURN AGENCY CROP INSURANCE, INC., AUBURN, NE; ON BEHALF OF CROP INSURANCE PROFESSIONALS ASSOCIATION

Chairman Vela, Ranking Member Thompson, and Members of the Subcommittee, thank you for holding this very important and well-timed hearing concerning the extraordinarily adverse conditions farmers have been facing and how Federal farm policy is designed to help our nation's farmers through these challenges.

I am grateful for the opportunity to present this testimony as a crop insurance agent serving farmers in one of the most devastated regions of the country, in eastern Nebraska where we have been deluged by flooding.

I am Ruth Gerdes, and while I serve as President of the Auburn Agency Crop Insurance, Inc., I am really just a farm and ranch girl from Nebraska who loves to take care of my farmer customers.

Some 33 years ago, after nearly losing our family farm, I decided I wanted to help other farmers avoid the situation we had found ourselves in after a string of bad weather coupled with some very tough markets.

I got into crop insurance, believing it could prove to be a powerful tool for farmers. It is still that same belief and passion that drives me in my work each day. With each and every year, it seems, my work as an agent becomes both more challenging and fulfilling as the risks farmers face, and that I help them deal with, are only growing and becoming more complex.

In addition to working for my farmer clients, I have served on a number of industry task forces and working groups through the years, both with grower associations, such as the National Corn Growers Association and within the crop insurance industry, including the Crop Insurance Professionals Association (CIPA).

Through the 1990s, I was fortunate to be a part of what I believe proved to be four seminal fronts in the effort to make Federal crop insurance what it is today. In 1993, I was active in the effort to have prevented planting covered to ensure farmers had a safety net in years like this one where they could not plant a crop.

In 1995, I served on USDA's Risk Management Agency (RMA) Task Force on Actual Production History (APH) to ensure that coverage more closely approximated production actually at risk. During this time, I also sold and serviced the first-ever revenue insurance policies under a pilot program developed by Dr. Art Barnaby, at Kansas State University, and which now accounts for about 80 percent of policies. And, finally, in the depressed period of the late 90s, I served on an Advisory Committee for then-Senator Bob Kerrey (D–NE) that was instrumental in the development of the Agricultural Risk Protection Act of 2000 (ARPA)—legislation crafted in this Committee that was the game-changer in crop insurance in terms of affordability, access, and quality of coverage.

Within CIPA, I served as Chair of the Regulatory Affairs Committee of the Crop Insurance Professionals Association (CIPA), an association of premier and long-serving agents from across the country founded for the purpose of strengthening Federal crop insurance to better serve the needs of America's farmers, ranchers, and dairy producers.

I volunteer and serve in these capacities because I care about my farmer clients, and because I believe in the product I sell. From just a handful of customers in 1984, the Auburn Agency has grown to serve more than 2,000 farmers in ten states, with an average coverage level exceeding 80 percent.

I strongly believe the role farmers play in our society is a noble one. I understand that Federal crop insurance is about the farmer first, and I am honored to play a role in helping farmers, ranchers, and dairy producers learn how to use this vital tool to its maximum potential.

I hope my testimony today will provide you with some useful insight to guide the Agriculture Committee as you oversee the administration of our nation's farm safety net.

2019 Devastation of Midwest Flooding Coupled with Depressed Prices

Today's depressed farm economy combined with this spring's devastating flooding in the Midwest is an eerie reminder of the very situation that nearly cost my husband's and my farm more than 30 years ago. We are now fully into the sixth straight year of recession for agriculture. The result has been a 50 percent drop in net farm income. On the ground, I have witnessed not only a tremendous loss in equity among farmers, but also fading optimism and an alarming reluctance among farm families to make investments in their operations for the future.

It is this "farmers' optimism" and hope for a better day that has always made U.S. agriculture a marvel of the world and somehow we must recover it.

In March of this year, Mother Nature unleashed her wrath on the Midwest, turning some of the nation's most fertile farmland into a vast lake. Due to an exceptionally wet winter and the torrential down pours that began in March, the U.S. is contending with the wettest 12 months on record.

In my area of southeastern Nebraska, where the Platte and other rivers drain into the Missouri River, the devastation was truly epic. By late March swollen rivers and what was formerly known as high ground—and, thus, safe for grain storage facilities, barns, machinery, and homes—had been submerged in water. I know that many Americans saw the flooding on the news. But, as anyone who has ever lived through a flood can attest, you simply cannot appreciate the devastation until you have been through it yourself. The living conditions of friends and neighbors after the flood have been akin to what you might expect to see on the news concerning an international crisis in some faraway place. We still have cities and areas without potable water supplies. I know that it is not within the jurisdiction of this Committee, but I would add that I am deeply concerned that unless levees are repaired in short order that this same tragedy will unfold again, adding billions of dollars more in losses.

The flooding in March was certainly extraordinary. But subsequent persistent rains added insult to injury. We have all seen the impact on plantings of corn and soybeans in our area which have lagged far behind what they would normally be.

Based on recent United States Department of Agriculture's (USDA) numbers, by June of last year, the top 18 corn producing states reported a corn planting rate of 96 percent. However, as of June 2, the USDA also reported that this year's corn plantings in the same 18 states (which constituted 92 percent of the nation's corn acreage last year) was just 67 percent. The soybean crop was even more grim with a mere 39 percent planted rate in the top 18 soybean producing states as compared to last year's 95 percent. As you can see in excerpts from the USDA National Agricultural Statistics Service Crop Progress Report, below, Ohio and Indiana had less than a third of the corn crop planted and soybean plant rates were actually in the teens.

Corn Planted—Selected States

[These 18 states planted 92% of the 2018 corn acreage]

State	Week ending			2014–2018 Average (percent)
	June 2, 2018 (percent)	May 26, 2019 (percent)	June 2, 2019 (percent)	
Colorado	95	71	78	93
Illinois	100	35	45	98
Indiana	98	22	31	94
Iowa	99	76	80	99
Kansas	96	70	79	93
Kentucky	93	82	87	93
Michigan	78	33	42	87
Minnesota	97	66	76	98
Missouri	100	65	69	97
Nebraska	99	81	88	98
North Carolina	99	95	97	98
North Dakota	94	63	81	93
Ohio	89	22	33	90
Pennsylvania	73	66	74	83
South Dakota	96	25	44	96
Tennessee	98	93	95	98
Texas	95	93	96	95
Wisconsin	88	46	58	91
18 States	96	58	67	96

Soybeans Planted—Selected States

[These 18 states planted 95% of the 2018 soybean acreage]

State	Week ending			2014–2018 Average (percent)
	June 2, 2018 (percent)	May 26, 2019 (percent)	June 2, 2019 (percent)	
Arkansas	90	42	54	79
Illinois	93	14	21	84
Indiana	93	11	17	80
Iowa	91	32	41	89
Kansas	77	22	26	53
Kentucky	64	38	49	53
Louisiana	97	82	91	93
Michigan	62	23	31	73
Minnesota	91	35	51	90
Mississippi	92	65	80	89
Missouri	84	12	18	63
Nebraska	94	56	64	87
North Carolina	53	52	58	55
North Dakota	86	46	70	83
Ohio	79	11	18	76
South Dakota	83	6	14	82
Tennessee	68	49	64	60
Wisconsin	77	20	34	78
18 States	86	29	39	79

The only silver lining in this tragic set of circumstances is that there has been an uptick in crop prices as a result, but this is not much of a consolation for so many farm families who will have no crop to sell because they could not get the crop planted. Making matters worse for these farmers is the fact that the harvest price option was eliminated from their prevented planted claims in the context of other "cost saving" reforms discussed further below.

I know that many farm families are being forced to ask themselves the same questions my husband and I asked ourselves more than 30 years ago. Happily, I can confidently say that we have far better farm policy in place today to help these families through some extremely difficult circumstances and keep them on the family farm. Federal crop insurance is certainly the jewel in the crown of U.S. farm policy.

My goal in the remainder of this testimony is to highlight what is working particularly well in regard to crop insurance and to point out some of the key areas where can make some improvements. I leave the discussion of how to improve the title I safety net under the farm bill to the real experts in the field: our farmers and ranchers themselves and those who work for them every day in Washington.

Why Crop Insurance is Uniquely Suited to Meet the Needs of Producers

While U.S. farm policy offers a number of risk management tools to farmers, ranchers, and dairy producers to help them through low prices and extreme weather events, crop insurance stands out as the single most important tool that farmers have.

Of course, we heard this throughout last year's farm bill debate where virtually all of the nation's farm organizations ranked the protection of crop insurance as the top priority. Why is this? What is it that makes crop insurance such a vital tool for so many? From my experience, I would offer five simple reasons:

1. Crop insurance is real and bankable protection. It is a contract that guarantees a certain amount production of the crop at market prices, and is tailored by the farmer (working with his or her agent) to meet the specific risk management needs of the farm. What's more, after a disaster strikes, an adjuster will arrive in a timely manner and settle a claim quickly. No other farm policy is like this. Crop insurance is so vital that most lenders today will not extend credit to producers without crop insurance.
2. Crop insurance is priced to be a good value. It requires active study and participation by farmers (*i.e.,* farmers must carefully consider what coverage is right for his or her farm and pay significant premiums for coverage and, thus, have real skin in the game), but coverage is not cost prohibitive. We know that multi-peril coverage would be prohibitively expensive without the public-private partnership and premium cost-share of Federal crop insurance which makes insurance affordable to farmers.
3. Crop insurance leverages the farmer's resources. By minimizing the risk of loss, the farmer is free to use capital on other improvements that in turn allows him or her to farm better. Some measure the value of insurance in indemnities, but the real value is the peace of mind and the freedom it purchases to make investments in better seed, better equipment, and so on. Crop insurance has greatly improved the productive capacity of our farmers.
4. Crop insurance has an incredible delivery system. The unique public-private partnership encourages competition among agents and companies to deliver quality products to farmer customers. Crop insurance has existed since the 1930s, but it was not until this competitive model was first adopted in 1980 that the trajectory of crop insurance would put us where we are today—where nearly all planted acres in the United States are covered.
5. Crop insurance is dynamic and market focused. To the extent it is not working as well as it should for a specific crop or region, farmers producing those crops in those regions have a way to improve the product through what is called the 508(h) process, named after the section of law that allows private-sector development of products. Crop insurance has a history of critical improvements that have been made using this process.

Where Crop Insurance Can Be Improved

While crop insurance is the most important tool in the farmer's risk management toolbox, there are some areas where improvements can be made. We made it through more than a decade without the need for *ad hoc* disaster assistance, but Congressional passage of such assistance in more recent years suggests that there is still work to be done.

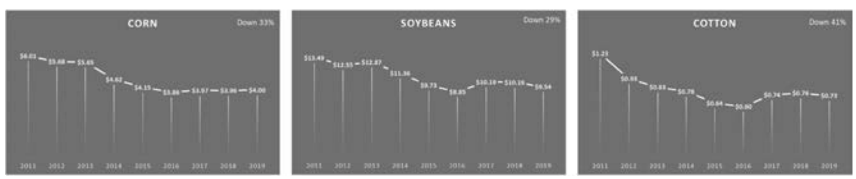
In order to ensure that crop insurance is as effective a risk management tool to hurricane-hit specialty crop producers in the Southeast, for example, as it is to row crop producers in the Midwest, we must work to identify and implement key improvements. The great news is these improvements do not require an act of Congress. Congress has already provided RMA with the legal authority the agency requires to address these needs.

Certainly, catastrophic events such as hurricanes, wildfires, and massive flooding will put any system to the test, but I believe that effective coverage to insure these kinds of events can be found within the context of Federal crop insurance. Will crop insurance ever be able to totally obviate the need for *ad hoc* disaster? Well, we know that certain events like Katrina required *ad hoc* relief for everyone affected even though most of those affected had home, business, and auto insurance in effect. But, I do believe with further effort, we can make the need for *ad hoc* assistance very rare and less and less costly. We've already made a lot of headway.

Beyond more effectively addressing certain natural disasters and specific crop perils, there is another area where crop insurance has to evaluate how to better serve all farmers and ranchers. As you know, the competition in agriculture is stiff. And, as the costs of inputs continue to rise even as prices fall and profit margins become thinner and thinner, farmers are increasingly taking on more risk in order to improve efficiency and economies of scale. As a result, it is fair to say that at no time have the stakes in farming been higher than they are for farm families today. Farming has always been a gamble, but the gamble is just a lot bigger today than it's ever been before. Those who understand this and appreciate the vital importance of crop insurance need to really think on how crop insurance can better serve farm families in this new market dynamic.

To put things into the current context, consider this: depressed crop prices have taken their toll on those fortunate enough to have produced a crop but they have doubly hurt farmers with no crop. Why? First, because crop insurance is not meant to make farmers whole in the event of a loss. There are deductibles farmers must pay, typically ranging from 15 percent on the low (and most expensive) end, to 50 percent on the high end. But, even beyond this, because commodity prices are very much a function in determining the value of crop insurance coverage, lower prices mean lower coverage and lower coverage means lower recovery on a loss.

The chart below illustrates the price elections from 2011 through the current 2019 crop year. Price elections reflect the value of crop insurance by unit of production. As you can see, the value of a bushel of corn, and therefore that bushel's coverage value, has sharply dropped. This not only means smaller recoveries on losses but also translates into trouble securing credit from lenders to produce a crop or to make improvements on the farm.



In short, crop insurance is vital to farmers and is working. And, where there are areas in need of improvement, thankfully, RMA has the legal authority necessary to make these improvements.

That said, had some of the amendments to crop insurance proposed during the farm bill been enacted into law, I do not believe that I could be so confident. Proposals that would have reduced access, affordability, and quality of coverage—including the imposition of arbitrary pay limits and Adjusted Gross Income (AGI) means testing; premium rate increases; and, the elimination of the Harvest Price Option (*i.e.,* replacement insurance)—and proposals that would have hobbled private-sector delivery through unsustainable cuts were rightly rejected by Congress because they would have put crop insurance back where it was prior to 1980: a program dying on the vine.

Though most threats to the program were averted, one change that was made to crop insurance that has caused serious problems for farmers this year is with respect to prevented planting coverage. Briefly, the Office of Inspector General at USDA conducted an audit and concluded that, based solely on high price-election years when crop prices are high, the guarantees provided in the prevented planted portion of the coverage were too high. As a result, RMA lowered the guarantee anywhere from 5 to 15 percentage points across various major commodities beginning in 2016, and reduced buy-up options for producers. The problem is that prices have been dropping dramatically and so, therefore, did prevented planting (PP) coverage.

In simple terms, a 65 percent PP factor of a 200 bushel corn yield with a $5.68 per bushel price election and 75 percent coverage level provides a PP guarantee of $553.80 per acre. In contrast, a 55 percent PP factor on the same farm but with a $4.00 price election provides a PP guarantee of just $330.00 per acre. You see the problem.

Not surprisingly, as a result of these changes, prevented planting supplemental support had to be added to the disaster package. This means the cost is borne solely by the government rather than through premiums paid by farmers under crop insurance with companies sharing in the risk of losses. I think we can and should learn from this.

Support for Supplemental Disaster but Crop Insurance is the Better Way

As a crop insurance agent who fights every day for my farmer clients, I supported the supplemental disaster package because of the extraordinary nature of the disasters and the record extent of the losses. I know this is also true of other crop insurance agents in the CIPA organization that I represent. Because the stakes are so high and times have been so incredibly hard on farmers, we support this *ad hoc* assistance and the help provided by the Market Facilitation Program. When people are drowning, they don't care who throws them a life vest.

However, with that said, I also strongly contend that it would be wise for us to start looking to crop insurance for the answers again—because it is the better way. We need to think boldly about how it can be more responsive in more circumstances around both natural disasters and market disruptions.

Farmers have proven willingness to invest in their own risk management. They would rather not have to depend on the possibility of a hand out. While *ad hoc* disaster serves a purpose by mitigating truly extenuating circumstances, crop insurance is the viable long-term strategy that protects farm families year after year, and farmers are willing to pay for it. The reasons for investing in crop insurance as a better alternative to *ad hoc* assistance are just as valid today as always: it is more cost effective for the taxpayer; every farmer is helped and can tailor that help to particular needs on the farm; it enables farmers to secure financing to produce a crop and to make investments; and, it has an incredible delivery system that will settle claims in a timely way and allow the farmer to move on and build for next year.

In this vein, I want to offer my sincere thanks for what was done in the 2018 Farm Bill. Not only did you preserve and protect crop insurance, but you provided direction and new resources for the development of new products to better serve farmers, regions, and crops with unmet needs. For example, you emphasized critical improvements to the Whole Farm Revenue Program (WFRP) to make it more simple and usable for more producers. You laid the groundwork for potential in-season buy-up products to guard against late season events like hurricanes. Finally, and very importantly to my agency, you included smart language seeking to empower farmers who use precision technology. Farmers who are willing to make investments in technology not only enjoy a more robust risk management strategy, but also gain efficiencies within their operations and improve the integrity of Federal crop insurance.

To further build upon the achievements of the 2018 Farm Bill and particularly to help those who suffered the most under recent disasters, I would urge consideration of the following:

First, better structure prevent plant coverage so that the factor can move with the market, but also provide reliable coverage for pre-plant costs. In short, when prices decline by 40 percent, prevent planting coverage should not drop by that same amount, because pre-plant costs do not drop by that amount.

Second, in a true disaster situation, such as this year, allow farmers the Enterprise Unit premium discount even if the producer cannot meet the 20 acres planted in two sections requirement. This would have prevented some acres from being planted this year that should not have been. It would also provide much needed relief to those hardest hit. There are many farmers who will not meet the EU requirements this year due to conditions beyond their control and many of them do not understand how this will affect them yet (*i.e.,* unexpected increases in premiums that they did not bank on and cannot likely afford). CIPA addressed this and related issues in a June 4, 2019 letter to USDA which has been attached to this testimony.

Third, I would hope the private industry might be unleashed to explore ways a crop could be covered in the bin against certain perils. This year's disaster bill rightly covered these losses in the absence of crop insurance coverage, and where virtually all private farm-level insurance products excluded losses from rising water.

Fourth, and this is really from my backyard, it is important to ask what we must do to manage risk for the farmer, companies, or Uncle Sam when there are holes in the levees. Although levee repairs are not within the jurisdiction of the Agriculture Committee, their repair is critical because weaknesses only expose farmers, companies, and the government to risk.

Finally, I would conclude by saying we need to be proactive in crop insurance, rather than reactive. We have had many good years where crop insurance has more than proved its metal and this string of success lulled us into thinking we already have the solution to every problem that might arise. This has highlighted some shortcomings where we need to constantly improve to meet needs. Congress encouraging RMA to aggressively tackle these shortcomings is important.

Thank you again for holding this timely hearing. I hope these suggestions are helpful. I will do my best to answer any questions you may have and stand as a resource to any of you or your staff on these important issues.

ATTACHMENT

June 4, 2019

Hon. BILL NORTHEY,
Under Secretary of Agriculture for Farm Production and Conservation,
U.S. Department of Agriculture
Washington, D.C.

Dear Under Secretary Northey:

On behalf of the Crop Insurance Professionals Association (CIPA), I write to urge flexibility concerning certain rules governing crop insurance given the extraordinary circumstances created by this year's weather and market conditions.

CIPA applauds the Administration for stepping up once again to mitigate the impacts of unjustified retaliatory tariffs against U.S. farmers and ranchers through the announcement of the Market Facilitation Program for 2019.

CIPA also greatly appreciates the efforts made by you and the Risk Management Agency (RMA) in working to ensure that crop insurance remains the vital tool on which farmers may always rely, especially in years of extreme peril such as this one.

Under Secretary Northey, consistent with your ongoing efforts in this regard, CIPA respectfully requests that the following actions be taken by RMA:

- With respect to prevented planting, CIPA encourages you to move the "no harvest" date for cover crops from November 1 to October 1 or earlier. There is increasing concern around tight supplies and a lack of available forage for livestock producers. CIPA believes that moving this date forward, and allowing chopping in the field in addition to haying and grazing, would address the concern in a way that would not have an adverse impact on crop insurance or the market for forages but would provide meaningful help to producers. CIPA believes that announcing this change early would help farmers better plan and minimize their losses in this very difficult year.
- Concerning Prevented Planting, as it relates to the Enterprise Unit (EU) discount, for those farmers whose ground is in an area that has received an abnormal amount of rainfall or is abnormally under water through the planting season, CIPA strongly urges you to waive the twenty acres planted in two sections requirement. CIPA agrees that geographic dispersion lowers risk in the case of prevented planting just as it does when a crop is planted. However, CIPA also believes that it is not appropriate for the EU discount to be withdrawn from a producer who had purchased EU coverage in the case where a crop clearly cannot be planted in a section because of the excess amount of rainfall during the planting season or the land is under water. The prevent planting loss in this instance is evident and the withdrawal of the EU discount would drive up the cost of insurance to a level not anticipated or budgeted by a producer. CIPA believes that offering relief on the "twenty in two" rule for those farmers truly prevented from planting because their farm received an excessive amount of rainfall during the planting season or was under water will provide critical help to those in the greatest need. We fear that failure to provide relief on this front will appear punitive to farmers who are among the most impacted by current conditions and, thus, reflect poorly on crop insurance.
- In regard to final plant dates and late planting periods, we understand and respect the need for clear dates and timelines for getting crops planted. These are built off long-term averages and expectations and any exceptions to these should be weighed very carefully. With that said, 2019 is an exceptional year with extraordinary rainfall in most regions and cool temperatures. CIPA therefore urges you to consider extending final plant dates, late planting periods and even release dates where appropriate so that farmers can have every option available to make a crop.

CIPA hopes you will carefully consider these suggestions, particularly given the extraordinary conditions this year. CIPA stands ready to answer any questions and to quickly and efficiently relay any changes or relief provided on these fronts to the growers in the field.

Sincerely,

WILLIAM COLE,
Chairman.

CC:
Administrator MARTIN BARBRE;
Dr. ROBERT JOHANSSON.

The CHAIRMAN. Mr. Davenport, thanks for joining us again.

STATEMENT OF MICHAEL DAVENPORT, J.D., CHAIRMAN, AMERICAN ASSOCIATION OF CROP INSURERS; CHIEF OPERATING OFFICER, RAIN AND HAIL LLC, JOHNSTON, IA

Mr. DAVENPORT. Thank you.

Chairman Vela, Members of the Committee, Ranking Member Thompson, thank you for the opportunity to testify today. Congressman Carbajal, thank you for the very kind introduction.

My name is Mike Davenport. I am the Chief Operating Officer of Rain & Hail, a Chubb company, and we are the largest writer of Federal crop insurance.

Today, I am testifying on behalf of the American Association of Crop Insurers, AACI, and currently serve as the Chairman of the association.

AACI represents every private-sector involved in marketing and servicing Federal crop insurance. We represent insurance companies, agents, adjusters, reinsurance brokers, and reinsurance companies. We have over 5,000 members.

Every year, some part of the U.S. experiences a natural disaster. Every farmer knows their livelihood is subject to the whims of Mother Nature. To channel Garth Brooks, farmers' paychecks depend on the weather and the crops. Many only harvest one crop a year, meaning one paycheck for a whole year. For these reasons, the U.S. has crop insurance to help mitigate production and price risk.

I would be remiss if I didn't thank you, Members of the House Agriculture Committee, as well as Members of the Senate Agriculture Committee, for continuing to invest in crop insurance, most recently with the passage of the 2018 Farm Bill.

Today, many farmers are facing difficult planting decisions due to the record rainfall. No farmer likes to decide not to plant; they all want to help feed us. I can assure you crop insurance agents like Ruth are working overtime with their farm clients right now, walking through insurance coverage, helping them with these difficult decisions.

After the drought in 2012, indemnity payments totaled $17.5 billion. It was a record payout. I am hopeful that the 2019 losses will come nowhere near the 2012 record. But if they do, crop insurance as an industry stands ready to meet that challenge.

Last year, farmers paid nearly $4 billion in premiums and received nearly $7 billion in indemnities. We anticipate the farmer-paid premium will be a similar amount this year, and it is way too early to tell what the indemnities will be.

Crop insurance companies will adjust and pay claims as farmers file them. We will do it quickly and fairly, no differently than we have in the past. For example, at Rain & Hail, we paid preventive planting claims in 2018 at the rate of 4.5 days after the claim was filed. We get the money out very quickly to the farmers, put it in the countryside.

As a national writer, we are also able to bring in loss adjusters from areas of the country that are not experiencing high claims to the areas that are so we can more quickly help farmers. Unlike disaster payments that come months or sometimes years after the disaster, crop insurance pays quickly.

We would like to highlight four reasons that crop insurance is a superior risk management tool and important to the farming community. First, flexibility: Farmers can tailor the coverage to fit their specific needs, and they have a choice in the coverage level that they pick, from 50 percent to 90 percent. Numerous coverage plans are available for over 130 crops. Insurance plans include yield guarantee protection, revenue products that provide yield and price protection, area coverage programs, and Whole Farm Revenue Protection which insures the entire farming operation.

Second, affordability: Since the government shares in the risk in administrative costs, growers can purchase crop insurance at more affordable rates. This cost-sharing arrangement makes it possible for many growers to secure better coverage than they otherwise could afford without government assistance. The result is affordable protection for the growers and manageable cost for the taxpayers.

Third, availability: Private-sector delivery provides competitive, localized service for growers. They can purchase crop insurance from the local agent and company of their choice. Additionally, private industry competition ensures prompt service on claims. This widespread availability creates choice and competition that helps protect and stabilize rural economies in small towns across America.

Fourth, predictability: Unlike disaster payments, crop insurance is predictable. Farmers and their lenders know what their protection is before the growing season starts. Farmers can use the insurance coverage to secure loans. From the taxpayer standpoint, crop insurance is more economical than disaster payments because the grower pays a significant portion of the cost, again, about $4 billion annually.

In closing, while we are focused on prevented planting claims right now, we are mindful that the late planting will create a shorter growing season than normal and will likely cause additional losses. We are ready to assist farmers as the season develops. We fully understand the significant job before us and are ready to fulfill the promises of the Federal Crop Insurance Program to each and every farmer who purchases a policy.

Thank you again for this opportunity to testify, and I look forward to answering your questions.

[The prepared statement of Mr. Davenport follows:]

PREPARED STATEMENT OF MICHAEL DAVENPORT, J.D., CHAIRMAN, AMERICAN ASSOCIATION OF CROP INSURERS; CHIEF OPERATING OFFICER, RAIN AND HAIL LLC, JOHNSTON, IA

Good morning, Mr. Chairman and Members of the House Agriculture Subcommittee on General Farm Commodities and Risk Management. My name is Mike Davenport and I am the Chief Operating Officer of Rain and Hail LLC, a Chubb Company. Rain and Hail is one of the U.S. Department of Agriculture (USDA) Risk Management Agency's (RMA) Approved Insurance Providers (AIP), writing nearly $2 billion of premium in 48 states. Furthermore, Rain and Hail has marketed and serviced Federal crop insurance policies throughout the history of the public-private partnership, which was authorized by the Federal Crop Insurance Act of 1980. We are celebrating our 100 year anniversary of serving the American Farmer this year and are the largest writer of Federal crop insurance.

Today, I am testifying as Chairman of the American Association of Crop Insurers (AACI). A trade association with membership unique to the crop insurance industry that includes all private-sector business components involved in marketing and servicing the Federal crop insurance program. On behalf of the Board of Directors and members of AACI, I want to thank you for scheduling this hearing and the opportunity to provide comment on how farm policies—such as crop insurance and disaster programs—assist farmers in adverse conditions.

Although Federal crop insurance has been around since 1938, it wasn't fully utilized until almost 60 years later. During this time, natural disaster management typically came in the form of *ad hoc* disasters bills which were slow in delivering assistance, very costly, and relied completely on taxpayers to fund. It was the legislation created in 1994, 2000 and 2014 that helped kick start involvement from the private-sector, made the program more actuarially sound, encouraged participation, and improved availability of coverage. With the continued bipartisan support for the public-private partnership crop insurance provides, farmers are able to receive a reliable and cost-efficient safety net to protect both themselves and the future of farming.

Every year some part of the U.S. experiences a natural disaster. Farmers know their business is subject to the whims of Mother Nature. Every year farmers intend to grow and harvest a crop. For this reason, the U.S. has a crop insurance program to help farmers mitigate production losses and to some extent price risk. I would be remiss if I didn't thank you, Members of the House Agriculture Committee as well as Members of the Senate Agriculture Committee for continuing to invest in crop insurance, most recently with the passage of the 2018 Farm Bill. Thank you.

Crop Insurance: Flexible, Affordable, Available, Predictable

Crop insurance is the premier risk management tool for the American farmer. A number of factors combine to make crop insurance the cornerstone of many farmers' financial and risk management plans: the ability to tailor coverage to their own operation at a meaningful level and affordable price, the comfort of working with a local and trusted insurance professional and the knowledge that crop coverage is in place and can be counted on for financial planning purposes. Throughout time, these crop insurance benefits have accounted for the success and acceptance of the program and will continue to do so well into the future.

Flexible—Farmers can tailor their coverage to fit the needs of their specific operation. They have a choice of coverage levels that range from 50% to 85%. Numerous coverage plans are available for a variety of crops, including Multiple Peril Crop Insurance yield guarantee protection, revenue products that provide yield loss and price protection, and area coverage programs, which provide broad-based, simple yield or revenue protection on a county basis. The variety of coverage and product levels that are available provide growers with the opportunity to obtain the coverage that best fits their own operational and risk management needs.

Affordable—Because the government shares in the risk and administrative premium costs, growers can purchase crop insurance at more affordable premium prices. This cost-sharing arrangement makes it possible for many growers to secure better coverage than they otherwise could afford without government assistance. The result is affordable protection for growers and manageable costs for taxpayers.

Available—Private-sector delivery provides competitive, localized service for growers because they can purchase crop insurance from the local agent of their choice. Additionally, private industry competition ensures prompt service on claims. This widespread availability creates choice and competition that help protect and stabilize rural economies and small-town businesses across America.

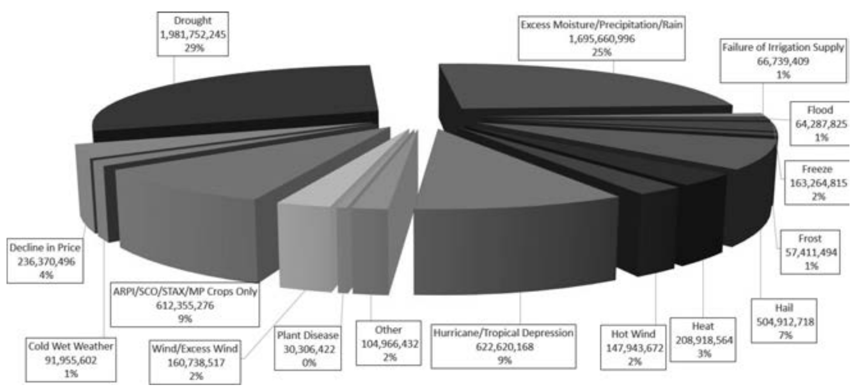
Predictable—Unlike disaster payments, crop insurance is predictable. Farmers, and their lenders, know what their protection is before they plant their crop. From the taxpayers' standpoint, crop insurance is more economical than disaster payments because the growers pay a significant portion, around $4 billion annually, of the cost themselves. The public cost share of the program is a manageable budget item for the government, while disaster payments are normally an *ad hoc* item subject to funding availability. Crop insurance also assures a stable and secure food supply—an important component of national security.

The bottom line is that the crop insurance program is successfully meeting the needs of thousands of farmers who can tailor their risk management needs to serve them best with the help of a local agent. This protection represents a good value for America's taxpayers when compared to other alternatives for addressing shortfalls in agriculture production.

In closing, I want to assure the Committee we are ready to work prevented planted insurance claims as soon as farmers file their claims. This will timely and efficiently infuse capital into farming operations and rural communities. As an industry, we are prepared financially to pay any and all legitimate claims. While we are focused on prevented planted claims right now, we are also mindful that the late planting will create a shorter growing season and are ready to assist farmers as the season develops. We fully understand the significant job before us and are ready to fulfill the promises of the Federal Crop Insurance Program to each and every farmer who purchased a policy. Thank you again for this opportunity to testify and I look forward to answering your questions.

Why U.S. Crops Fail—2018

The chart below illustrates what caused crops in the U.S. to fail during 2018. 2018 was a fairly typical year for crop losses in the U.S. Some of the largest causes of crop failure are excess moisture and drought. Excess moisture can severely damage a crop, significantly reduce quality and lead to other issues such as prevented planting.



"Other" includes but is not limited to: Wildlife, Cold Winter, Other, Snow, Lightning, Fire, Mycotoxin, Insects, Failure of Irrigation Equipment, Volcanic Eruption, House Burn (Pole Burn), Tornado, Excess Sun, Inability to Prepare Land for Irrigation, Earthquake, Cyclone, Falling Numbers, Asian Soybean Rust, Storm Surge, Ice Flow, Federal or State Ordered Destruction.

Source: RMA Cause of Loss Historical Data Files *https://www.rma.usda.gov/SummaryOfBusiness/CauseOfLoss*.

Crop Insurance Basics

Government Involvement

Crop losses tend to be correlated, unlike other insured losses that tend to be independent, random events. For example, when drought strikes, it generally impacts a large geographic area. This tendency toward correlation of crop losses prevented the commercial development of Multiple Peril policies for many years. For insurance companies, correlation of losses means capital requirements are higher in order to maintain adequate reserves to cover widespread losses. For farmers, correlation of losses means premiums are unaffordable. Generally, when a single event occurs that results in multiple losses, insurers refer to the event as a catastrophe. In crop insurance, catastrophic losses are the norm rather than the exception.

Conversely, a private market has existed since the early 20th century for Crop-Hail and Fire insurance because these losses are not generally correlated across wide geographic areas. Production risk varies significantly across the country. Without government involvement, producers in high-risk production areas would have fewer affordable risk management options.

Production History Determines Coverage

The farmer's yield history for the unit to be insured (the Actual Production History, or APH) determines the grower's premium rate as well as the grower's yield guarantee. Farmers document their yield history and the APH is the simple average of 4–10 years of historical yields for the insured unit. Farmers who lack 4 years of yield records can still get crop insurance by using a Transitional or T-Yield. To calculate the T-Yield, the insurer can offer coverage based on the county 10 year average as determined by the National Agricultural Statistical Service (NASS).

Yield and Price Coverage

Farmers are able to insure historical production. The MPCI guarantee is the product of the farmer's APH and the selected coverage level. Coverage levels range from 50% to 85%, in 5% increments (80% and 85% coverage levels are not available in all areas). Separate coverage levels may also be elected between an irrigated practice and a non-irrigated practice for the same crop/county. The chosen coverage level sets the farmer's deductible. For example, if the 65% coverage level is elected, the deductible is 35%. Any covered loss greater than 35% results in a loss payment. Revenue protection, now the most popular choice of coverage (see tables below) offers comprehensive protection through a dollar guarantee based on commodity exchange prices. Revenue protection also provides prevented planting and replant protection. A projected price is used to calculate premium and a harvest price is also calculated. Claims are calculated from the higher of the projected or harvest price.

Liability

The liability is the maximum amount the farmer could collect if the yield is zero. Per acre liability is equal to approved yield multiplied by coverage level, price and insured share. For example, for a soybean farmer who elects a 75% coverage level, has an approved yield of 50 bushels per acre, elects a price of $10.00 and has a 100% insurable share, liability would be: 50 × 0.75 × $10.00 × 1.0 = $375.00 per acre.

Premium Determination

The premium is the annual cost paid by the producer for insurance protection. A portion of the premium is discounted by the Federal Government. The premium is a proportion of the liability and is determined by multiplying the liability by a premium rate. The MPCI rate, which is set by the USDA, is an average based on the historical loss experience of crop insurance participants growing the crop in the county. This average rate becomes the basis for determining an individual farmer's premium rate. A farmer's rate depends on the relationship between his APH for the crop and the average yield in the county. Lower yields, assumed to be riskier, receive a higher rate; higher yields are assumed less risky and receive a lower rate. Rates are also adjusted for unit size. Unlike other insurance programs, the crop insurance premium is not paid when insurance coverage begins. Rather, the premium is due and payable after the crop has been harvested or when an indemnity payment is made, whichever is earlier. This setup provides farmers a benefit since they do not have to pay the premium up front. On the other hand, crop insurance companies are not able to earn interest on premium collections as they do for other insurance products.

Premium Assistance

The Federal Government provides two basic form of assistance for crop insurance: providing a discount for producer premiums and providing reinsurance for high-risk production areas. The premium assistance has two components: (1) Assistance of the premium associated with production/price risk; and (2) *In lieu of* risk premiums being expense loaded, the Federal Government pays Administrative & Operating (A&O) costs on behalf of the farmer. A&O payments have steadily declined since 1995, when they were set at 31.0% for MPCI buy-up coverage and 14.0% for CAT. A&O payments do not cover all of an approved insurance companies' expense. As A&O payments have declined over time, these expenses have continued to increase with insurance providers being burdened by additional Federal requirements. Because expenses tend to increase over time but A&O payments are essentially locked-in under the terms of the SRA, the shortfall is expected to increase in future years.

Prevented Planting Coverage

Given the extremely wet weather the U.S. has experienced this year, I though a more detailed explanation of prevented planting (PP) coverage would be helpful. PP is defined as the failure to plant the insured crop by the final planting date designated in the Special Provisions for the insured crop in the county, or within any applicable late planting period, due to an insured cause of loss that is general to the surrounding area and that prevents other producers from planting acreage with similar characteristics. Failure because of uninsured causes such as lack of proper equipment or labor to plant the acreage, or use of a particular production method, is not considered prevented planting

Insurability

The acreage must be insurable; meaning it has been planted *and* harvested *or* insured in at least 1 of the 3 previous crop years. The cause of loss must also occur within the insurance periods for:

- New Crop Contracts: On or after the sales closing date (3/15/2019) for the insured crop in the county for the crop year the application for insurance is accepted;
- Renewal Crop Contracts: on or after the sales closing date for the previous crop year (3/15/2018) for the insured crop in the county, provided insurance has been in force continuously since that date.

Final Planting Date, Premium and Filing a Notice of Loss

Producers must be mindful of final planting dates and late planting periods. A prevented planting notice of loss cannot be filed until after the final planting date and must be filed within 72 hours of determining that planting will not be completed within the Late Planting Period.

- The prevented planting coverage level is a percentage specified in the actuarial documents.
- Prevented planting acres must be reported on the acreage report and the per acre premium is the same as timely planted acres.

Eligible Prevent Plant (PP) Acres

Eligible PP acres are determined by using the greatest number of insured acres for the prevented crop in 1 of the last 4 crop years (2015–2018). This is true for insureds who have grown a crop for which PP coverage was available. Insureds who have not will have eligible acres based on an intended acreage report filed by the sales closing date.

Agents and Insurance Companies

Currently, fourteen companies and nearly 12,000 agents provide exclusive delivery of the crop insurance program. Insurance agents sell policies, interact with farmers to determine the best coverage, calculate the farmer's APH, provide premium quotes, and answer questions for their clients. Generally, companies do not directly market policies to farmers. Nearly all policies are sold through an agent. Insurance companies deliver the program. They contract and train agents, pay for marketing and advertising, hire and train loss adjusters, carry out loss adjustment activities, bill and collect premiums, process and verify applications, conduct APH reviews, process and verify acreage reports, pay claims, audit and verify claims data, process and send 1099 forms to farmers and the IRS, pay uncollected premiums and maintain the necessary automated data processing infrastructure to communicate data with USDA.

The policy is a contract between the insured and the insurance company, not the Federal Government. For the farmer to receive the Federal premium assistance attached to the program, the private insurance policy must follow the Federal standards and rates. Because the policy is private, all premiums are owed to and guaranteed by the insurance companies.

Reinsurance

Reinsurance is risk transfer and makes up an important part of the Federal Crop Insurance Program. Insurance companies transfer risk to other insurance companies who are willing to bear risk but are not necessarily interested in administering an insurance policy.

In addition to private reinsurance, the USDA offers reinsurance through the Standard Reinsurance Agreement (SRA). The SRA blends two basic kinds of reinsurance:

(1) Pro-rata (proportional) reinsurance is embodied by two separate risk pools with varying degrees of risk sharing between reinsurance companies and the government. These risk pools are known as assigned risk and commercial funds. Companies must retain at least 35% of their business nationwide, and cession limits vary with each state (riskier areas have higher limits).

(2) Excess of loss or stop loss reinsurance, under which the government agrees to accept all losses that exceed a certain loss ratio. These are applied by state funds. Besides ceding business directly to the USDA, some companies also secure additional reinsurance from the private reinsurance market.

Participation Rates by State

Source: RMA Summary of Business as of 04/29/2019.

2018 NASS eligible acres used to estimate production for the 2018 crop year.

2017 NASS eligible acres used for AK, CA, CT and SD to calculate % of eligible acres insured for the 2018 crop year.

2016 NASS eligible acres used for FL, MA and ME to calculate % of eligible acres insured for the 2018 crop year.

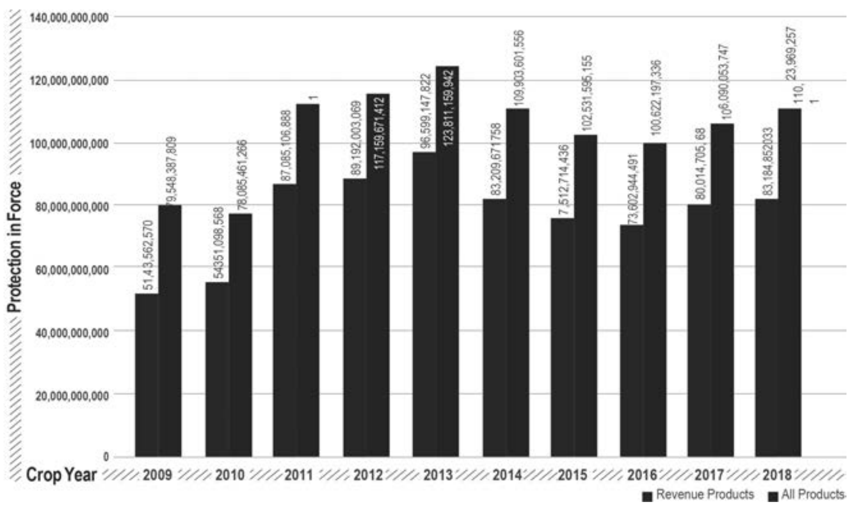
2012 NASS eligible acres used for HI, LA, MS and NV to calculate % of eligible acres insured for the 2018 crop year.

The percent of eligible acres insured has increased substantially since 1994. Congress passed the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 which created the underlying construct of the crop insurance program as we know it today. Prior to 1994 participation in crop insurance was not sufficient to run an actuarially sound program and *ad hoc* disaster bills were almost an annual occurrence. Congress provided additional premium assistance in the 2000 Agriculture Risk Protection Act and overtime crop insurance has become farmers primary risk management tool. As you can see from the map above, most farmers buy crop insurance, but some still choose to self-insure.

2018 Participation Data

Protection In Force

- Growers are taking an increasingly active role in managing their farm specific risks.
- Revenue coverage is the risk management tool of choice, accounting for 75% of protection in force in the last decade.



Source: RMA Summary of Business as of 04/29/2019.

U.S. Crop Insurance Snapshot

	1994	2015	2016	2017	2018
Total Crop Contracts	1,047,830	2,237,405	2,206,911	2,183,111	2,162,157
Percent Buy Up Contracts	N/A	95%	95%	95%	96%
Protection in Force:					
Total	$13,608,387,369	$102,531,595,155	$100,622,197,336	$106,090,053,747	$110,123,969,257
Revenue Programs	N/A	$76,512,714,436	$73,602,944,491	$80,014,705,868	$83,184,852,033
Acres Insured	99,399,759	296,075,647	290,314,686	311,729,708	335,102,096
Percent of Eligible Acres Insured	33%	88%	86%	86%	87%
Percent of Eligible Acres Insured at Buy Up	33%	82%	81%	81%	83%
Farmer Paid Premium	$694,519,685	$3,678,455,434	$3,461,958,164	$3,716,869,683	$3,629,508,906
Government Paid Premium	$254,876,115	$6,088,843,130	$5,866,046,752	$6,355,547,790	$6,264,127,679
Total Premium	$949,395,800	$9,767,298,564	$9,328,004,916	$10,072,417,473	$9,893,636,585
Losses Paid	$601,146,242	$6,314,572,680	$3,910,260,359	$5,419,458,122	$6,785,436,220

Buy Up is any coverage greater than catastrophic coverage (50/55).

Crops included in area planted are corn, sorghum, oats, barley, rye, winter wheat, durum wheat, other spring wheat, rice, soybeans, peanuts, sunflower, cotton, dry edib.

2018 NASS eligible acres used to estimate production for the 2018 crop year.

2012 NASS total acres used for HI, LA, MS, NV and WY to calculate % of eligible acres insured in total and at buy up for the 2015 crop year.

2014 NASS total acres used for CA, ME, MO, TN and WA to calculate % of eligible acres insured in total and at buy up for the 2015 crop year.

2012 NASS total acres used for HI, LA, MS and NV to calculate % of eligible acres insured in total and at buy up for the 2016 crop year.

2016 NASS total acres used for CA, CT, ME and WA to calculate % of eligible acres insured in total and at buy up for the 2017 crop year.

2012 NASS total acres used for HI, LA and NV to calculate % of eligible acres insured in total and at buy up for the 2017 crop year.

2012 NASS total acres used for HI, LA, MS and NV to calculate % of eligible acres insured in total and at buy up for the 2018 crop year.

2016 NASS total acres used for FL, MA and ME to calculate % of eligible acres insured in total and at buy up for the 2018 crop year.

2017 NASS total acres used for AK, CA, CT and SD to calculate % of eligible acres insured in total and at buy up for the 2018 crop year.

2018 Losses as of 04/29/2019. Final 2018 losses will not be known until well into 2019.

The CHAIRMAN. Thank you.

Mr. Boone, please.

STATEMENT OF MARCUS A. BOONE, SENIOR VICE PRESIDENT AND CHIEF LENDING OFFICER, FARM CREDIT OF FLORIDA, ACA, WEST PALM BEACH, FL

Mr. BOONE. Good morning, Mr. Chairman and Members of the House Agriculture Subcommittee on General Farm Commodities and Risk Management. My name is Marcus Boone. I am the Chief Lending Officer of Farm Credit of Florida, which is part of the Farm Credit System.

Congressman Lawson, thank you for your kind introduction. It is a privilege to represent Florida agriculture here today.

Mr. Chairman, I would add I spent several years working for Farm Credit in your district in the valley and have a deep appreciation for Texas agriculture. In addition, my first Farm Credit job was in Tifton, Georgia, hometown of Congressman Austin Scott. This is a great homecoming for me to share a few thoughts with you all today.

The Farm Credit System's mission is to support rural communities and agriculture with reliable, consistent credit and financial services today and tomorrow. In support of that important mission, Farm Credit of Florida provides loans to farmers, rural homeowners, farm-related businesses and other agribusiness firms in 36 counties in Florida. Our service territory runs from the Georgia-Florida State line, down to and including the Florida Keys. We support more than 2,850 customers with $1.2 billion of loans.

Like all Farm Credit institutions, Farm Credit of Florida is a cooperative. We are entirely owned by the customers we support, and they elect our board of directors. As the owners of our cooperative, our customers share in the success of our organization through patronage dividends. Over the past 5 years, Farm Credit of Florida has returned $50,750,000 in cash to our customer-owners.

Farm Credit of Florida remains financially strong and is fulfilling our mission in the current difficult agriculture environment where prices for commodities remain stubbornly low. Regardless, we remain committed to working for the best possible outcome for each customer we serve. Every operation is different, and we work with individual farmers and ranchers to help them deal with the current environment.

A critical tool for working with our customers is the FSA Guaranteed Farm Loan Program. We appreciate your support of that program and for the 2018 Farm Bill, which increased the lending caps to $1.75 million. Raising those caps helped better reflect the modern realities of farming.

In Florida, we are very blessed to serve a territory with great diversity in agricultural production. We finance everything from field crops to citrus and other tree fruits. We finance the equine industry and cattle operations. We support timber producers and ornamental plant growers. And Florida is truly a specialty crop state, growing the majority of winter vegetables Americans consume.

Many of the producers we support generally experienced favorable operating results across the past two seasons, despite the repeated severe weather events. Others are suffering from losses caused by recent natural disasters and low prices. Despite these difficulties, we remain optimistic about Florida agriculture. And one of the reasons why is the strong farm safety net you reaffirmed by passing the farm bill last year.

As a lender to farmers and ranchers, we fully understand the value to producers of the Federal Crop Insurance Program. It allows lenders to finance many agriculture producers, particularly young and beginning farmers who typically have less collateral and equity. For many of our customers, crop insurance is the only real risk mitigation tool available.

When insured at proper coverage levels, crop insurance provides a comfort level and mitigates risk in an inherently risky business. The program has always been about helping the grower recover from a peril by providing a program to recoup a portion, if not all, of their production costs. Whole Farm Revenue Protection also plays an integral role in Florida agriculture, especially for our specialty crop growers.

Overall, the landscape and agriculture across the country and within Florida continues to challenge producers. Fortunately, the 2018 Farm Bill reaffirmed the farm safety net, and we thank you and your colleagues again for providing the certainty that our nation's farmers and ranchers deserve. We are also grateful that Congress finally passed much needed disaster assistance and look forward to its quick implementation.

As we have done for over 100 years, Farm Credit institutions remain committed to working closely with each individual customer to ensure their best possible outcome. Thank you again for the opportunity to testify, and I look forward to your questions.

[The prepared statement of Mr. Boone follows:]

PREPARED STATEMENT OF MARCUS A. BOONE, SENIOR VICE PRESIDENT AND CHIEF LENDING OFFICER, FARM CREDIT OF FLORIDA, ACA, WEST PALM BEACH, FL

Good morning, Mr. Chairman and Members of the House Agriculture Subcommittee on General Farm Commodities and Risk Management. My name is Marcus Boone, and I am the Chief Lending Officer of Farm Credit of Florida, ACA, which is part of the Farm Credit System. The Farm Credit System's mission is to support rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow.

In support of that important mission, Farm Credit of Florida provides loans to farmers, rural homeowners, farm-related businesses and other agribusiness firms in 36 counties in Florida. Our service territory runs from the Georgia/Florida state line down to and including the Florida Keys; however, our territory generally excludes the Panhandle region of the state and 13 counties along the I–4 corridor in central Florida. We support more than 2,850 customers with $1.2 billion of loans outstanding. Northwest Florida Farm Credit primarily covers the Panhandle and Farm Credit of Central Florida supports farmers in the center of the state. In total, Farm Credit provides nearly $5.5 billion in of loans to more than 6,000 Florida customers.

Like all Farm Credit institutions, Farm Credit of Florida is a cooperative. We are entirely owned by the customers we support and they elect our board of directors which sets the strategic course of our organization. As the owners of our cooperative, our customers share in the success of our organization through patronage dividends, which represent each customer's share of our profits. Over the past 5 years, Farm Credit of Florida returned $50.75 million in cash to our customer-owners via our patronage dividend program.

Farm Credit of Florida remains financially strong and is fulfilling our mission in the current difficult agriculture environment. Prices for commodities remain stubbornly low. Uncertainty in our overseas markets is impacting demand for many agricultural products. In addition, multiple years of weather disasters have directly impacted farmers and ranchers in Florida and many other states.

Regardless, we remain committed to working for the best possible outcome for each customer we serve. Every operation is different and we work with individual farmers and ranchers to help them deal with the current environment.

We are very blessed to serve a territory with great diversity in agricultural production. We finance everything from field crops to citrus and other tree fruits. We finance the equine industry and cattle operations. We support timber producers and ornamental growers. And Florida is truly a specialty crop state, growing the majority of the winter vegetables Americans consume. No single agricultural segment represents more than 17 percent of our lending.

Many of the producers we support generally experienced favorable operating results across the past two seasons despite repeated severe weather events. Others are suffering from losses caused by recent natural disasters and low prices.

Forest producers, along with pecan and peanut growers, were particularly hard hit by recent hurricanes. Our citrus industry continues to feel the impact of "citrus greening" and hurricanes, with Florida orange production falling 35 percent this past season compared to the previous season. Florida dairy producers, like many dairy producers across the U.S., are trying to survive a prolonged period of low prices. Hopefully the Dairy Margin Coverage program, passed in the 2018 Farm Bill, will help. And our nursery producers are still recovering from the earlier general economic difficulties which dramatically reduced commercial and residential construction.

Despite these difficulties, we remain optimistic about Florida agriculture. The U.S. Department of Agriculture (USDA) forecasts a 64 percent increase this season in Florida orange production. The strong general economy is boosting off-farm employment opportunities for many farm families. Interest rates remain at historically low levels and land values remain strong. Florida's climate and growing conditions allow farmers great flexibility to produce a wide range of agricultural products.

We temper this optimism with the realistic understanding that farmers need tools to manage the increasing risks of weather and markets. We are deeply grateful that Congress enacted a farm bill last year. The bill continues providing a safety net for our producers—with title [I] programs and strong crop insurance programs. We also look forward to full implementation of the new Dairy Margin Coverage (DMC) program. Florida dairy producers already have utilized the Dairy Revenue Protection program that the American Farm Bureau Federation helped create. With the DMC program coming online, we hope our state's dairy farmers will find more solid financial footing.

As we look to leverage all possible tools to work with our customers, the USDA's Farm Service Agency (FSA) Guaranteed Farm Loan program offers a great opportunity. Thankfully, the 2018 Farm Bill increased the lending caps to $1.75 million. And Farm Credit continues to support the Beginning Agriculturist Lifetime Employment (BALE) Act. This legislation would raise those lending caps to $2.5 million, reflecting the modern realities of farming.

We use FSA guarantees to help support our farmers and continue to strongly support that program. We find, however, that FSA's complex requirements can significantly slow the lending process. Especially when real estate is involved, our state FSA office must go through so many reviews that it frequently jeopardizes the transaction. Reviews include tribal land reviews, historical land reviews, fish and wildlife reviews, requiring a Comprehensive Nutrient Management Plan, *etc.* This process typically exceeds the time frame a potential seller of the property is willing to allow.

As a lender to farmers and ranchers, we fully understand the value to producers of the Federal crop insurance program.

It is a successful public-private partnership that is federally regulated by the Risk Management Agency (RMA) and delivered by the private-sector to help farmers maintain the country's safe, affordable food supply. A viable Federal crop insurance program also allows lenders to finance many agriculture producers, particularly young and beginning farmers, who typically have less collateral and equity.

At a national level, Farm Credit participates in a crop insurance coalition coordinated by CIRB, the Crop Insurance and Reinsurance Bureau. This organization benefits from the perspectives of its variety of partners, which include the American Association of Crop Insurers and Crop Insurance Professionals Association—both of which have been invited to testify before this Committee today—along with dozens of other insurance and commodity organizations.

To help us balance the risk of many of our production loans, we—and most lenders—require our customers to carry crop insurance. For many of our customers, crop insurance is the only real risk mitigation tool available. Florida is susceptible to many forms of adversity, including freezing temperatures for the central and southern regions that adversely affect fruit and vegetable production, hail that can adversely affect production agriculture throughout the state and hurricanes that bring high winds, heavy rains and flood waters that can also adversely impact crops, livestock and timber.

Our producers rely on crop insurance to help manage those risks. We support those efforts by having Farm Credit of Florida retain seven licensed crop insurance agents on our team. These agents work hard to help educate our customers, as well as farmers who are not borrowers, about the crop insurance programs available. They work closely with producers to tailor the coverage to each specific farming operation.

Even with these natural disasters, convincing producers to purchase crop insurance at higher than catastrophic levels has been a challenge. Florida went through a period of 10 years when there was limited adversity due to natural disasters. With the challenges much of agriculture faced from the economic recession's impact on the nursery industry and "citrus greening" on the citrus industry, many agriculture operations sought ways to trim expenses. Unfortunately, those extra premiums to purchase higher levels of crop insurance often have been a casualty.

If insured at proper coverage levels, crop insurance provides a comfort level and mitigates risk in an inherently risky business. Most of the grower's displeasure with crop insurance is due to not realizing returns on the premium investment. Growers insured at higher levels, and therefore guaranteeing higher amounts, were generally satisfied with the program.

Crop insurance has always been about helping the grower recover from a peril by providing a program to recoup a portion, if not all, of their production costs. In Florida, there is a discussion within the citrus industry that the dollar protection is lagging behind actual production costs of $1,800 to $2,000 per acre. In some cases, the grower is not able to recover a useful percentage of their costs. The current policy is not workable in Florida with the requirement to go back 3 years to establish a value for the current crop as the impact of citrus greening and Hurricane Irma will not allow a fair value of the current crop.

The 2018 disaster assistance legislation asked RMA to make improvements to the citrus policies. Depending on the outcome of RMA's research, potential new products could result in better and more frequently adopted options for citrus growers. RMA also is working on a hurricane policy, as required by the 2018 Farm Bill. We look forward to these initiatives bringing some new and more useful products for Florida growers.

Fortunately, RMA has the ability to make improvements to policy offerings that expand the program to farmers without legislation. And the agency is open to feedback and suggestions from its private-sector partners. It's intentionally flexible to react to producers' needs.

Relatedly, Florida Citrus Mutual has proposed an Actual Production History (APH) program to supplement the currently available catastrophic crop insurance program for citrus growers. Ideally, implementation would occur as a dual transitional program, where growers can choose between the current dollar (catastrophic) program and an APH program. RMA has indicated they would consider offering both programs for a period of time if the need is there for growers. We also appreciate RMA's work on a new strawberry policy, as well as policies to replace the current fresh-market tomato, fresh-market sweet corn and pepper policies offered in Florida.

While Whole Farm Revenue Protection provides revenue protection, some producers feel that the program is too complicated, expensive and difficult from an administrative standpoint. It's further challenged by some the seasonal production cycles of Florida's winter specialty crops that cross over the year end, causing tax and other financial complications. It's not a unique problem for a new program, and we hope it will improve over time. After all, producers want a product that they could decide the amount of insurance they would want and also have the option to add a revenue component. And specialty crop producers generally would like to see the policy provide coverage of the net revenue (after harvest costs) of the commodities. This would make the policy more affordable while covering the true revenue risk that producers have.

For example, during Hurricane Irma, the maximum dollar amount of coverage for a Valencia orange was $2,425 per acre. With production costs averaging $2,000 per acre, even at the 85 percent coverage level that provides only a maximum of $2,061 protection.

The USDA Wildfires and Hurricane Indemnity Program (WHIP) has been received favorably, but challenges remain. Implementation of the program and payments to producers took too long, in addition to cumbersome reporting requirements to demonstrate the impact of the disaster. For example, Hurricane Irma struck in September of 2017. WHIP became effective in July of 2018; however, Florida growers were unable to apply for the program until October of 2018. Payments, themselves, did not become available until December 2018 and January of 2019.

Market Facilitation Payments have also helped producers across the country, although their full impact has yet to be realized. For some, it helped them break even or make a small profit. For many, it helped them return to the field this year. With farmers and ranchers planting across much of the country—and those in Florida tending to their summer crops—we hope new markets will open and certainty returns.

Overall, the landscape in agriculture across the country and within Florida continues to challenge producers. Fortunately the 2018 Farm Bill reaffirmed the farm safety net and we thank the Congress once again for providing the certainty that our nation's farmers and ranchers deserve. We also are grateful that Congress finally passed much needed disaster assistance and look forward to its quick implementation.

As we have done for over 100 years, Farm Credit institutions remain committed to working closely with each individual customer to ensure their best possible outcome.

Thank you again for the opportunity to testify and I look forward to your questions.

The CHAIRMAN. Thank you.

Mr. Willis.

STATEMENT OF BRANDON WILLIS, LL.M., ASSISTANT PROFESSOR, DEPARTMENT OF APPLIED ECONOMICS, COLLEGE OF AGRICULTURE AND APPLIED SCIENCES, UTAH STATE UNIVERSITY, LOGAN, UT

Mr. WILLIS. Chairman Vela, Ranking Member Thompson, and Members of the Subcommittee, I appreciate the opportunity to discuss how farm policy helps farmers in adverse conditions. I commend you for holding a timely hearing on this topic.

My name is Brandon Willis. I am an Assistant Professor in the Applied Economics Department at Utah State University. Prior to working at Utah State University, I oversaw USDA's Crop Insurance Program as the Administrator of the Risk Management Agency. Before that, I served as Senior Advisor to Secretary of Agriculture, Tom Vilsack, and was the Deputy Administrator for Farm Programs at the Farm Service Agency.

Natural disasters inevitably impact agriculture. How and if we respond to these disasters is where I will focus most of my testimony.

There are two primary methods to respond to disasters. First, through the Federal Crop Insurance Program. Second, through *ad hoc* disaster assistance. During my time at USDA, I worked directly on both. I will share thoughts, based upon those experiences, on how to best respond to disasters, as well as to conclude with thoughts and suggestions on improving crop insurance.

A few years ago, we heard from some quarters that farm policy was no longer necessary and producers could manage the risk of losses stemming from major disasters on their own. Today, we know better. I am not suggesting that farm policy is perfect, but it does get a whole lot right.

Our nation's agriculture policy has benefited America's farmers, ranchers, and taxpayers. We are stronger because of these policies and have invested modest amounts into a safety net for our producers.

Crop insurance is a central part of the success and has likely kept more of your constituents in business than you realize. I remember as Administrator of RMA how frequently farmers would come up to me when I was visiting with them and say the same thing. And they would say, "Without crop insurance, I would no longer be in business." Or perhaps the next generation would come up and say, "Without crop insurance, I couldn't have started or taken over the family business."

These conversations remind me that, for many people, crop insurance is the difference between being a farmer or needing to find another job.

Farm policy has not just benefited farmers, it has benefited taxpayers and consumers. For example, the percentage of the total Federal budget comprised by the farm safety net has fallen significantly over time. Consumers have benefited from the efficiency of agriculture. According to USDA, since 1948, U.S. agricultural output has almost tripled, up to 269 percent. What is the result? Americans have consistently spent less of their disposable income on food.

Agriculture policy has also benefited the environment. As a requirement to enroll in any safety net program, farmers must comply with certain conservation standards. These standards have sharply reduced the amount of soil erosion. You cannot disconnect the success of agriculture from our nation's farm policy.

I would like to offer a few thoughts, based upon my experience, on how we could continue to improve farm policy, and specifically, ideas on how to reduce *ad hoc* disaster and save taxpayers money.

Working at the Farm Service Agency, I gained nothing but respect for the staff that is frequently called upon to deliver *ad hoc* assistance to our farmers and ranchers under difficult timelines. At times, as has been demonstrated recently, *ad hoc* assistance is necessary due to extraordinary events and losses. But efforts must continue to be made to reduce the need for *ad hoc* relief through renewed efforts to cover losses through insurance. *Ad hoc* is frequently inefficient, inequitable, slow, and uncertain. Farmers need more reliable options to manage risk, even if it costs them a little bit more money.

History has demonstrated that Federal crop insurance is a more effective way to help, not just for the producers, but for taxpayers. With crop insurance, producers have the confidence that they can make investments in their operations to remain efficient and competitive in a world market. It provides lenders the confidence to let farmers put a crop in the ground. Finally, farmers are footing approximately 50 percent of the bill, and insurance is designed only to pay a portion of losses.

If Congress continues to maintain the goal that insurance ought to replace *ad hoc* disaster assistance, I would suggest redoubling efforts toward the development of new and improved crop insurance products and risk management education.

Congress deserves credit for improvements in the Federal Crop Insurance Act made in the 2014 Farm Bill that required new policies to be improved without some of the bureaucratic red tape that effectively halted new policy expansion in the past. Congress should remain vigilant against attempts by the Office of Management and Budget to burden USDA with new obstacles.

Historically, most of the new products that have been created by the private-sector have done a tremendous job. That should continue. In addition, the Risk Management Agency has the capacity to develop products where the private-sector is not doing so. And I would suggest we look into that.

Finally, I think increased education by the Risk Management Agency to educate producers on the value of insurance could be a benefit.

In conclusion, I appreciate the opportunity to be here today. I commend your decision to look at farm policy and how it is responding to adverse conditions, and look I forward to your questions.

[The prepared statement of Mr. Willis follows:]

PREPARED STATEMENT OF BRANDON WILLIS, LL.M., ASSISTANT PROFESSOR, DEPARTMENT OF APPLIED ECONOMICS, COLLEGE OF AGRICULTURE AND APPLIED SCIENCES, UTAH STATE UNIVERSITY, LOGAN, UT

Chairman Vela, Ranking Member Thompson, and Members of the Subcommittee, I appreciate the opportunity to discuss how farm policy helps farmers in adverse conditions. I commend you for holding a timely hearing on the topic.

My name is Brandon Willis. I am an Assistant Professor in the Applied Economics Department at Utah State University. Prior to working at Utah State University, I oversaw the United States Department of Agriculture's (USDA) crop insurance program as the Administrator of the Risk Management Agency (RMA) from 2013–2017. From 2011–2012, I served as a Senior Advisor to Secretary of Agriculture Tom Vilsack. And from 2009 and 2010, I was the Deputy Administrator for Farm Programs at the Farm Service Agency (FSA).

Natural disasters inevitably impact agriculture. How, and if, we respond to these disasters is where I will focus most of my testimony. There are two primary methods to respond to disasters. First, through Federal crop insurance. Second, through *ad hoc* assistance. During my time at USDA, I worked directly on both. At FSA, I have helped develop and administer *ad hoc* programs. At the RMA, I oversaw all USDA's insurance programs. I will share thoughts based upon those experiences on how best to respond to disasters, as well as conclude with suggestions on improving crop insurance.

Agriculture Policy's Successes

A few years ago, we heard from some quarters that farm policy was no longer necessary as farm prices were strong and producers could manage the risk of losses stemming from major disasters on their own. Today, we know better. Yes, we may find instances where the safety net could be improved but it gets a whole lot right, too. Our nation's farm policy has a long history of success and to remain successful we need to continue working at it.

Our nation's agriculture policy has benefited America's farmers, ranchers, and taxpayers. We are stronger because of policies that have invested modest amounts into a safety net for farmers and ranchers.

Federal crop insurance is a central part of this success and has likely kept more of your constituents in business than you realize. I remember as Administrator of RMA how frequently farmers would tell me that "without crop insurance I would no longer be in business". And those who were in their first few years of farming who often said, "Without crop insurance I could not have received a loan to start farming." Those conversations remind me that for many people crop insurance is the difference between being a farmer or finding another job.

When our first comprehensive farm bill was passed in the 1930s, a significant portion of our population was involved in agriculture. Today, fewer than one percent of Americans derive their primary source of income from farming. Tight and often zero or even negative margins have caused, and efficiency has demanded, fewer people to produce more food for our nation and for people around the world. Fewer people producing food means that the risks inherent in agriculture are not very attractive to most of our population.

As noted earlier, we have heard from some quarters that farm policy is no longer necessary and that it is stuck in a bygone era. I am not here to suggest that our farm policy is perfect but I will say it is pretty good as evidenced by the low cost, high quality, and abundance of food and fiber that really is the best we have ever known in any country in history. And our farm policies of the 1930s and our policies of today do not even resemble one another anymore. What is more, we spend a lot less on farm policy than we used to just a few short years ago and the policies in place today are very market-oriented. In fact, the percentage of the total Federal budget comprised by the farm safety net has fallen from 1.463 percent in the 1960s to 0.347 percent earlier this decade and to just 0.26 percent just recently.

The 99 percent of Americans who are not engaged in agriculture have greatly benefited from the farm safety net and the ingenuity of farmers and ranchers. Unlike other sectors that are not—in economics jargon—"perfectly competitive", the logical response to low prices for a farmer can, out of necessity, actually be to produce even more in order to lower the per-unit cost of production in order to stay competitive. According to USDA's Economic Research Service (ERS) since 1948, U.S. agricultural output has almost tripled, up 269 percent. USDA's observed that, "[a]s a result of this transformation [in production], U.S. agriculture has become increasingly efficient and has contributed to the overall growth of the U.S. economy. Output from U.S. farms has grown dramatically, allowing consumers to spend an increasingly smaller portion of their income on food and freeing a large share of the population to enter non-farm occupations that have supported economic growth and development." The data show that the U.S. At-Home Food Share (*i.e.,* what it costs to eat at home) is the lowest in the world. In fact, since 1930, Americans have consistently been spending less of their disposable income on food.

Agriculture policy has also improved the environment for the other 99 percent of Americans. As a requirement to enroll in any safety net program farmers must comply with certain conservation standards. USDA has found that these standards have reduced the amount of soil erosion on farmland. Between 1982 and 1997, excess erosion dropped sharply on . . . farms [that received Federal farm program payments], and the reduction in erosion appears to have been larger on farms receiving payments than on farms not receiving payments, particularly on farms with wind-erodible soils. Overall, a significant share of erosion reduction between 1982 and 1997 is likely to have occurred on land directly subject to conservation compliance requirements. There has been similar success in terms of wildlife and wildlife habitat and water and air quality protection.

In short, our farm policy has a record of success. And one of the reasons for this success is the constant determination of Congress and USDA to make it better.

In the past few years, at times at the direction of Congress, RMA has added significant improvements that allow producers to manage the risk that previously would have been uncovered. For example, the Whole Farm program was added in 2015 as an option for many producers of crops where there was no commodity-specific insurance policy; in 2016 a short-term drought insurance for livestock producers was expanded to cover the continental U.S.; and in 2018 dairy producers were able to purchase coverage to protect themselves against unexpected price declines.

Yet, despite these and countless other examples, there remains work left to do. The past year has certainly provided new examples where insurance must be improved to adequately cover all potential disasters.

I would like to offer a few thoughts, based upon my experience, on how we could continue to improve farm policy, and specifically ideas on how to reduce *ad hoc* disaster, save taxpayer money, and provide a more reliable safety net for farmers utilizing crop insurance.

Working at the FSA, I gained nothing but respect for the staff that is frequently responsible for delivering *ad hoc* assistance to our farmers and ranchers. They move mountains to meet tight deadlines to help producers in need. At times, as has been demonstrated recently, *ad hoc* assistance is necessary due to extraordinary events and losses. But efforts must continue to be made to reduce the need for *ad hoc* relief through renewed efforts to cover losses through insurance. Ad hoc aid is frequently inefficient and often an inequitable method to deliver assistance. It is slow and uncertain, with payments sometimes coming years after losses occur and frequently in a measure that does not reflect actual losses. Farmers need more reliable options to manage risk, even if it costs them a little more.

History has demonstrated that Federal crop insurance is the far more effective way to help. Not just for producers, but for taxpayers as well. With crop insurance, producers have the confidence that they can make investments in their operations to remain efficient and competitive in a world market. It provides lenders the confidence to let farmers put a crop in the ground. Finally, farmers are footing approximately 50 percent of the bill and insurance is designed to pay only a portion of losses. If Congress continues to maintain the goal that insurance ought to replace *ad hoc* assistance, as I believe it should, I would suggest redoubling efforts toward the development of new and improved products coupled with better risk management education.

There needs to be a focus on expanding insurance options for uncovered risks. A stubborn determination and constant attention will be necessary to continue to improve coverage in this way.

Congress deserves credit for improvements to the Federal Crop Insurance Act made in the 2014 Farm Bill that required new policies to be approved without some of the bureaucratic red tape that effectively halted new policy expansion in the past. Congress should remain vigilant against attempts by the Office of Management and Budget and others to burden USDA with new obstacles in administering the program and in responding to the needs of America's farmers and ranchers. Congress has invested trust in RMA to expand crop insurance to all farmers, ranchers, commodities, and regions of the country and any attempts to limit this charge should be closely scrutinized.

Insurance is at the stage where there is little "low hanging fruit" left to insure. Addressing areas with unprotected risks requires a thorough understanding of both insurance and the crops impacted, relationships with impacted growers and grower groups, and finally, a willingness to think outside the box to develop new insurance options. It will take unique insurance approaches and a diligent focus.

Following the devastating losses from hurricanes in Florida and the Southeast in 2017, I was pleased to see that the 2018 Farm Bill included a provision that required an effort to develop a policy or endorsement specifically for hurricanes and tropical storms. If an effective policy like that had existed at the time, the costly *ad hoc* assistance provided for 2017 losses might have been avoided.

Historically, most of the new insurance products have been developed by the private-sector and approved by the Federal Crop Insurance Corporation's (FCIC) Board of Directors. This process should continue as it has many successes. Coupled with this private development, in cases where significant uncovered risk exists and private products are not being developed RMA should develop products to cover these risks. RMA has the expertise to create successful products.

If Congress wants RMA to create options to address uncovered risk, I believe a relatively small investment will be necessary as the appropriations process has not kept pace with Congress' expectation for continued expansion of crop insurance. In 2014, the Agriculture Committee recognized this fact and provided some funding to help with program integrity operations. If Congress wants insurance to replace *ad hoc* disaster, we need to develop the insurance products now to address future disasters. A small investment, with clear direction, and an expectation that results will follow will lead to improved insurance products. Likely, this will avoid billions of dollars from being spent on future *ad hoc* assistance. I can attest that the resources of the RMA are stretched between day to day operations, compliance activities that ensure program integrity, and developing new products. Oftentimes, RMA employees are engaged in all three of these fronts.

Better education and outreach are also necessary to address areas where there is a new policy or low participation. Frequently when producers are not enrolling in crop insurance, it is due to a lack of understanding on how a policy works or clear demonstration of its value.

To this end, the 2018 Farm Bill also consolidated all risk management education efforts into the Extension Risk Management Education centers like the one Dr. Lubben oversees at the University of Nebraska. These centers will now have additional funding to provide grants for crop insurance education as well as other risk management strategies to help producers manage the dynamic business of farming. I hope that NIFA will quickly make these funds available for crop insurance education and make sure that expenditures are highly scrutinized to ensure that the money is well spent in areas that need education.

Currently, RMA provides education on policy details to Approved Insurance Providers who, in turn, train agents on policy details. However, providing information that would help farmers understand the economic value of insurance is minimal. Further, useful information is difficult to find for others who could provide education to producers on insurance, such as state extension.

Now, contrast the lack of information available to farmers with the information available internally at the RMA. When I was briefed by staff, I was always impressed with the data and information available and presented. Unfortunately, most of that information is never made available to farmers and ranchers.

To address this problem, I would suggest that the RMA program experts in Kansas City create and offer an annual webinar to any interested individuals such as extension, agents, and grower groups where they provide information on new and underutilized programs utilizing data and information that can be shared publicly that demonstrates the value of the program and provides necessary background and history. The information from the webinar should be disseminated to all attendees to help them further educate agriculture producers.

In conclusion, I appreciate the opportunity to be here today. I commend your decision to look at farm policy and how its responding to adverse conditions. I look forward to your questions.

The CHAIRMAN. Thank you all for your views regarding this very important topic. I.

I would like to submit for the record a written testimony of a fellow Texan and wheat farmer, Ben Scholz, in his role as President of National Association of Wheat Growers.

[The statement referred to is located on p. 59.]

The CHAIRMAN. Members will be recognized for questioning in order of seniority for Members who were here at the start of the hearing. After that, Members will be recognized in order of arrival. I recognize myself for 5 minutes.

The Agriculture Committee has heard time and time again about the importance of crop insurance for farmers. Today, your testimony reiterates the need for this robust risk management option.

In March of this year, President Trump released a budget for Fiscal Year 2020 that would reduce the average crop insurance premium subsidy rate from 62 percent to 48 percent, and would cap underwriting gains for crop insurance companies at 12 percent.

What sort of an effect would this have on the farm safety net? And would this be especially problematic for farmers who have suffered a loss due to natural disaster? Dr. Lubben and Mr. Willis, why don't you chime in on that question?

Dr. LUBBEN. Thank you, Mr. Chairman. I appreciate the opportunity to respond here.

We understand that crop insurance, as it is currently delivered, is effectively a cost-share between a producer and the Federal Government. Reducing that Federal portion certainly puts more of a price on the producer. And all other things being equal, would certainly reduce participation rates. That might, on budget, bring down the cost of the crop insurance program, but that would also put more risk on potential emergency response and *ad hoc* assistance from Congress at a later date.

So reducing participation rates is fully expected, if that was the move. Reducing participation rates would create more risk in the industry.

The CHAIRMAN. Mr. Willis.

Mr. WILLIS. The Crop Insurance Act requires that there be what they call a reasonable reserve. In reality, farmers actually already pay around 50 percent of the cost. It is often talked about as being 62, 63. The reality is, in practice, it is less than that. Farmers are paying more already.

Every year, the President's budget has a long history of suggesting draconian cuts to agriculture. In the long run, it will only harm farmers and taxpayers because we end up paying more through other avenues such as *ad hoc.* I think you would find if any of those suggestions were adopted, you would end up spending more money in the long run.

The CHAIRMAN. Ms. Gerdes, when I first met you in Kansas City, and it was within a month after the flooding, and the pictures that you shared with me were pretty drastic. I am curious, what is that looking like now?

Ms. GERDES. We have since had an additional round of flooding and it is as bad or worse. We have very little infrastructure between Nebraska, Iowa, and Missouri. In order to get to my partner in Rock Port, Missouri, which usually takes me 20 minutes, now takes me 3 hours, because I either have to go to Omaha or to St. Joe. Most of that ground is still under 3′ to 5′ to 6′ of water.

In order to settle some of these claims, we have to use drones, go on the bluff. We are using some pretty amazing techniques. Liz Brueggemann, a staff member of mine, a young agent, took quite an amazing air boat ride. And you all have the video; it is something to see. We are 4, 5, 6, 7, 8 miles from the Missouri River and under water.

It is not going away and, unfortunately, for some of you down river, it is not going to be any better. We are still very much under siege, Mr. Chairman.

The CHAIRMAN. For those of us that are not from the Midwest, and from a national perspective, can you give us an idea of the geographic scope of this damage?

Ms. GERDES. I think you really start up where the Missouri River starts up in South Dakota and then comes down. You have Nebraska, Iowa, corner of South Dakota. You come down the Missouri River, you have Kansas, you have—Missouri as a whole where the Missouri River cuts across is—the central part of Missouri is just awash. And then you come in where it dumps into the Mississippi and it will go all the way down.

The midsection of our country is flooding, along with all of the rain that you have in Illinois, Indiana.

I have a partner in Ohio, she is going to have massive prevent plant. You have almost every major river and every watershed in a flood status in the Midwest and even the eastern Corn Belt. I have lived and worked there 40 years; I have never seen anything like this.

The CHAIRMAN. Thank you.

I now recognize Ranking Member Thompson, for 5 minutes.

Mr. THOMPSON. Mr. Chairman, thank you very much.

Members of the panel, thank you for being here, and thank you for bringing your expertise to Washington. It really helps us as we prepare and look for future policy decisions related to what is probably one of, obviously, the most important committees and important work when you look at the food security of a nation that we do here on the Agriculture Committee.

Dr. Lubben, we have heard today mostly about the impacts of recent weather-related disasters. And certainly, the amount of rainfall, we are not—and my heart goes out to the folks in the Midwest with the massive flooding. In Pennsylvania, it just rains every day, it seems like, and it has for some time. We may not see the flooding, but we see the impact on agriculture as well.

Dr. Lubben, you mentioned the downturn in the farm economy has been plaguing producers for going on 6 years now. Farmers were, in our experience, in lean times. Can you comment on the financial position of most farmers generally? And in light of the widespread losses we may see this year, both price and yield related, just how precarious is the situation and how much worse could it be without some of the programs or assistance we are discussing here today?

Dr. LUBBEN. Yes. Thank you, Mr. Thompson. I appreciate the opportunity to add input here.

While this is the strongest, deepest downturn in real farm income in a couple decades, it fortunately does build from what was record farm income and a very strong balance sheet. When you look at the aggregate numbers, the total farm sector balance sheet still looks very strong, from near record strong debt-to-asset ratios, very low debt-to-asset ratios that have been going up, but still very manageable.

But, when you specifically look at the portion of producers that are leveraged, recognizing that there are many that are full equity with no borrowing or very little borrowing. When you look at the segment of producers that have leverage, that are borrowing, the young, the beginning producer that is growing, maybe the aggressively growing producer that is leveraging both equipment and land or exposed to bigger cash flow needs for rented acreage and so forth, amongst that segment this is becoming a more challenging circumstance. Again, I don't have a statistic in front of me; but, we can say that we are moving from strong positions to moderately at-risk positions. And for some producers, we are moving from moderate risk to very substantial risk.

And so without a safety net to depend on, both the commodity program and the crop insurance program, and the additional programs as they come out, without that safety net to depend on, we will see an increased number of producers dealing with extremely stressful conditions.

We have seen increased calls to our stress hotlines in Nebraska and elsewhere. We have seen increased evidence of changes or liquidation, but in aggregate, still a very strong sector, but certainly with very pointed challenges for some producers.

Mr. THOMPSON. Any of the rest of the panel care to comment to that particular question?

Go ahead, Mr. Ettleman.

Mr. ETTLEMAN. I would just like to add this year's event is unique to a lot of the others. In 2011, our flood—a historic flood—came in June, July, so our crop was planted. We lost that crop. We picked it up: 2012, 2013, and 2014, we had decent crops and a very good price. We recovered financially.

This year's event will affect a minimum of 3 years. The 2018 crop that was destroyed in the bins. Naturally, this year's crop, a tremendous amount of prevent plant. Tens of thousands of acres will not get planted and a lot of destruction. And then as Ruth pointed out, and I mentioned earlier, if the levees do not get repaired, we will be at risk in the future.

Thank you.

Mr. THOMPSON. How many of you are seeing because of the amount of rainfall that I monitor—I look at this on a daily basis, it is impacting corn, soybean plantings and how late it is. We are kind of past some of the crop insurance dates, aren't we, or fast approaching it, which gives us risk with if it is an early fall or depending on frost and the weather, going forward, and that is going to be an issue for us.

Mr. Chairman, thank you.

The CHAIRMAN. Thank you.

Mrs. Craig from Minnesota is now recognized.

Mrs. CRAIG. Thank you very much, Mr. Chairman.

I have a statement to be submitted for the record as well.

[The statement referred to is located on p. 61.]

Mrs. CRAIG. Thank you to the Chairman and Ranking Member for holding this hearing today, and I thank each of the panelists for being here this morning. This is an incredibly timely conversation and a much needed discussion, given the planting conditions throughout the Midwest and my State of Minnesota.

Before I start, Mr. Chairman, let me say that it absolutely breaks my heart to see what is going on back home when it comes to weather uncertainty, trade uncertainty, forage uncertainty. These folks can't catch a break.

All of you on this panel know we are watching one of the greatest farm recessions of our time, and not enough people are paying attention. It is time my colleagues outside this room show that they care about family farms and the issues they are facing. Farm country is in a crisis, and it is about time those of us in Congress act like it. I hope each of us can go back to our farmers at home, look them in the eye, and tell them that we hear them and that we mean it.

Thankfully, the work of this Committee in the last farm bill upheld the cornerstone risk management tool of crop insurance to be there for farmers when disasters hit, and thank all of you for being here today to speak to its importance.

As many of you have spoken to, farmers throughout the Midwest have been fighting wet conditions and flooding. Now thankfully, my district caught a few dry planting days recently, but not everyone has been so lucky. I am proud to work with my colleague, Mr. Dusty Johnson of South Dakota, on the FEEDD Act to allow additional flexibility in the harvest of cover crops on prevent plant ground. I am pleased with the agency's willingness to work with us on this issue, and I am hopeful that this will soon bring additional relief.

Mr. Davenport and Mr. Willis particularly, can you speak to the importance of both incentivizing cover crops on prevent plant acres where possible to build resiliency, but also the need for forage given this year's wet weather conditions?

I will let you arm wrestle.

Mr. DAVENPORT. Congresswoman Craig, first I would say, as to the current year, at least according to the reporting this morning, it appears USDA is going to move that date up to September 1, which obviously in Minnesota and South Dakota is a date they really need, because in the past, they have moved that date up to October 1. But when you get that far north, it is maybe earlier to actually be able to do something with those crops. We do feel that is very helpful, given the current situation.

When you look at a more permanent type of solution and providing that solution there is, I guess, a lot of moving pieces to that that we need to really think through, including how the Secretary is going to determine that there is a feed shortage and to make sure that that is going to be done in a consistent fashion, going forward. We do have concerns with the ability for a farmer to donate the crop and how that would be sort of monitored to make sure that there is not anything inappropriate going on.

But, the broad concept of it kind of matches what USDA has done in the past as far as moving the date earlier in specific situations where there are shortages of feed.

Mrs. CRAIG. Mr. Willis, any comments?

Mr. WILLIS. USDA has come a long way on cover crops. I think people would be surprised at how much time the Risk Management Agency has spent trying to make sure that the crop insurance program works in concert with cover crops that producers want to plant. I think there is a success story there.

If what Mr. Davenport says is correct on the September 1, I think that is a positive thing. In reality, that is something that Congress needs to spend some time looking at. Because, certainly, when there are unique circumstances like this year, you need to help the farmers, you need to help agriculture. At the same time, you do have to balance that with prevent plant, and then certainly you want to make sure there is no abuse there.

So it sounds positive what they are doing. I really think that Congress should look more into that in the future so that perhaps we have a more steady policy moving forward.

Mrs. CRAIG. Thank you both very much for your comments. I am looking forward to the specifics of the Secretary's announcement as well this afternoon. And I know Dusty and I are going to be talking about Congress' role, moving forward.

With that, thank you all, again, for being here.

And, Mr. Chairman, I yield the remainder of my time.

The CHAIRMAN. Thank you.

We now recognize Mr. Austin Scott from Georgia.

Mr. AUSTIN SCOTT of Georgia. Thank you, Mr. Chairman.

And, Mr. Boone, the losses in your state were similar to mine. Our commodities are the same in the areas that the losses in Florida and Georgia occurred from Hurricane Michael.

The University of Florida and the other estimates that we saw from Florida with regard to cotton totaled around $50 million. Does that sound about right to you?

Mr. BOONE. Yes, sir.

Mr. AUSTIN SCOTT of Georgia. I want to share a number with you. The USDA estimate for Florida losses was $12.898 million. For Georgia, our extension service estimated that our losses in cotton were between $550 million and $600 million, and yet the USDA estimate was $300 million.

And just so the Members of the Committee who recognize the challenge that is created for us, is that we were successful, much credit to my friend and colleague Sanford Bishop, in moving from $1 billion, which was the request from USDA for the losses, to $3 billion, the total amount available for agriculture—let me stress, that is the total amount available for agriculture for the 2018 storms, based on additional information that we had from the University of Georgia, the University of Florida, the University of Alabama, from local extension services.

But we have to have estimates from the USDA that reflect the total losses, so that when we write a disaster bill, the funding level reflects what is necessary to offset those losses. And that is something that I simply want to make the other members on the panel aware of, the discrepancy in what we had from USDA in the loss estimates and what we saw from the states.

I want to get to the issue of timber. In Florida, the timber losses are estimated at $1.3 billion. I want to still go to you, Mr. Boone, on this. If somebody who is a timber farmer came to you and said, "I am going to buy a thousand acres of land with timber on it, total value is going to be around $3.5 million, I am going to put 50 percent down," that would be a pretty good loan, in your opinion?

Mr. BOONE. Yes, sir. Any time a grower is willing to put 50 percent down, it is a good loan.

Mr. AUSTIN SCOTT of Georgia. What is the value of that land if that timber is laying on the ground from a storm like Hurricane Michael?

Mr. BOONE. It drops significantly. I don't know an exact number; but, timber adds a lot to the land.

Mr. AUSTIN SCOTT of Georgia. I would think in our part of the world, it would be worth less than $1,000 an acre if that timber is laying on the ground and you have to pick it up; because, truly, the timber was worth nothing once that storm came through.

And that brings me to the next question. How do we improve the current crop insurance program, to be more helpful for areas like timber, I will tell you, a pecan orchard, same thing. If you have a 50 percent equity in a pecan orchard or a fruit orchard, that would be considered a pretty good debt-to-equity ratio for a farmer in those types of areas.

How do we create a crop insurance program for specialty crops like pecans, vegetables, timber, and the other areas where we saw the shortcomings from Hurricane Michael? That may be a better question there for the insurance side of things.

Mr. Davenport, they don't adjust for those.

Mr. DAVENPORT. Yes, Congressman Scott. On the timber, Congressman Lawson asked me about that a few weeks ago, and it is an interesting situation to think about from an insurance standpoint, because the way that the timber is handled in the Southeast is it is a lot of smaller producers like you are talking about, and they keep the ground for 10 or 20 years; they are not actively harvesting the timber during that time period. You are really looking at a very long window that you would want to have sort of a policy in force for that particular piece of ground.

It is different than the other products that we offer that tend to be annualized products. Some of them on pecans, as far as the crop itself, is a 2 year crop, because the trees are alternate-bearing trees, so that there are some unique challenges to think through on timber.

Mr. AUSTIN SCOTT of Georgia. On pecans, you are talking about the actual nut, not the tree?

Mr. DAVENPORT. The actual nut, yes. And there is a pilot program right now on the pecan trees that was just rolled out, and it is fairly complicated and it needs to be revised for sure.

Mr. AUSTIN SCOTT of Georgia. It doesn't work. It doesn't work.

Mr. DAVENPORT. I would not dispute that.

Mr. AUSTIN SCOTT of Georgia. It doesn't work.

Mr. DAVENPORT. We didn't design the product; we are just——

Mr. AUSTIN SCOTT of Georgia. Right. Fair enough. My time has expired. I would just suggest that as we move forward, as there is more diversity in agriculture with regard to the crops, we need to find ways to make insurance products available for these additional commodity groups.

I know my colleague and I, Congressman Scott, have talked about this, in creating some type of loan program so that when a disaster happens, people in other parts of the country are not pushed past planting seasons as our farmers were.

With that, I yield the remainder of my time, which is gone.

The CHAIRMAN. I now recognize Mr. David Scott from Georgia.

Mr. DAVID SCOTT of Georgia. Yes. I would like to just pick up on the line of questioning of my good friend, Austin Scott. Because we are going to have to do something about making sure we have adequate coverage for timber, for our pine trees especially.

Georgia has a ton of pine trees. All over the South, we have these trees. Oftentimes, if someone has, let's say, 50 acres of just pine trees, it is almost like a savings account or maybe help for a child's tuition to college for farmers. And we are not adequately providing coverage for them.

And with crop insurance generally not available for trees in that respect, growers have been forced to rely on disaster assistance, which God knows we know from this recent situation in Congress, it not only is slow in coming, it is almost criminal to our farmers the fact of what happened. In the last couple of years here in Georgia, many of our farmers have not had a crop, in 2 years, because of back-to-back hurricanes, but because of the slowness in getting the financial disaster.

My question is, what do you think will be the challenges and opportunities in creating a crop insurance product for privately held timber?

Would you share with us? Anybody?

That may be a slight indication of the problem.

Ms. GERDES. Congressman, I don't——

Mr. DAVID SCOTT of Georgia. Could such a product be—I'm sorry. Go ahead.

Ms. GERDES. I don't know anything about timber, I don't know anything about pecans, but I have been dealing with crop insurance for darn near 35 years. The success with any policy always starts at the grassroots. If you try and push it from the top down, it doesn't work.

My suggestion would be to get a few agents in your area and a few farmers that are passionate about this and come together, come up with an idea, take it to an AIP, all AIPs, NCIS, and see if you can develop a policy through the 508(h), through NCIS, something. Because if it comes from the bottom up, you will have something that works that you can deliver. If it comes from the top down, it will not work and you can't deliver.

And that is spoken from somebody that has been on APH task force changes, trend adjusted yields, and I was very involved in getting the revenue policies put through. And trust me, I was told time and time again it couldn't be done.

I don't know anything about your issues, but I know how to start the process to help you.

Mr. DAVID SCOTT of Georgia. Do you think that crop insurers would be interested in such a product?

Ms. GERDES. They are always interested in a product if there is a market for it. If there is a need, it can be developed, but it is going to take some heavy lifting to figure out how to do that and do it. And you referenced it in your talk about creating a health savings account.

Maybe that crop is appraised and valued, and it is an ongoing premium that is paid small amounts every year. I mean, I am just thinking out of the top of my head.

But I don't know your issue, and I am mindful that through the Standard Reinsurance Agreement, these companies have to take risk.

Mr. DAVID SCOTT of Georgia. We have a problem here. The farmers out there, when these things happen, we are going to get floods, we are going to get hurricanes, we are going to get all of this, and we are not taking the best interests of the farmer into consideration.

I mentioned earlier the haphazard way and the slowness that this Congress moves with Federal disaster aid. That is all the farmer has got. He has crop insurance or he has disaster aid.

Let me ask you, do you see any tension between the disaster aid and supplemental disaster aid coming from us and the crop insurance coming from you? Any tensions there?

Ms. GERDES. I do not see it in my area, because my farmers understand they cannot rely on *ad hoc* disaster.

We went from, what, 2005 to 2016 with no *ad hoc* disaster. We have already paid farmers for their 2019 prevent plant. They know the majority of their income is coming from crop insurance.

We have an exceptional event in our area, and it certainly sounds to me like you have an exceptional event. We have to be mindful there is a social perspective that no insurance company can cover, and that is why we need to figure out a cost-share and a policy.

It pains me to hear that your farmers in 2018 didn't get paid. We are already paying our guys in 2019. That is very sad. We need to step up.

Mr. DAVID SCOTT of Georgia. Yes. Well, thank you very much. And our farmers need all the help we can give them. Thank you, ma'am.

The CHAIRMAN. We now recognize Mr. Allen from Georgia.

Mr. ALLEN. Thank you, Mr. Chairman, and I want to thank all of you for being here. Because I will tell you that what I hear from all of my farmers in my district is that the crop insurance, even under the new farm bill, it will not deal with disasters; it just doesn't work for disasters, like we have seen.

They have suggested some ways to improve the crop insurance program. The big problem you have, the large growers, even in the timber industry, aren't as concerned from an insurance standpoint, because they have timber all over the country, all over the state or multiple states. It is the small growers.

Recently, in Georgia, we have had a number of blueberry producers. And these are mostly small 500 acre, 1,000 acre producers. And we have had two major freezes. And, we have had tremendous growth in blueberry production, but when you look at the results of this freeze and what it has done to our producers, all of a sudden they are in serious trouble.

Many of our southern commodities like blueberries are regional crops, they are concentrated in certain areas of the state, and those developing the crop insurance products are just not there; they are not available.

How can we get crop insurance more focused on small, regional commodities?

Mr. Boone, what would you recommend we do for these folks?

Mr. BOONE. For crop insurance, sir?

Mr. ALLEN. Yes, sir.

Mr. BOONE. I am not a crop insurance expert. I am sorry, Congressman, I am not a crop insurance expert.

Mr. ALLEN. Right. How about it, Mr. Davenport?

Mr. DAVENPORT. There was reference earlier to the 508(h) process, which is a process where private companies can submit products to the Risk Management Agency tailored to specific crops. RMA also, through the last farm bill, was given specific direction to look at particular crops and specialty crops as part of that, and they are doing that.

One product that is currently available that crops that are not specifically covered under the Crop Insurance Act are available to purchase is the Whole Farm product, which insures the revenue for an entire operation. And there is a long list of things that are eligible under that, I know cut flowers is one of the things that we have gotten questions about recently. Hemp will be covered for the 2020 year. It is a product that is very flexible and can accommodate a lot of different operations.

So that is probably the best option currently. But they are constantly looking at other areas to offer new products. And a big part of that, as Ruth had mentioned, is making sure there is a market for the product, because we don't want to roll out a product that nobody wants to buy. And pecan trees was kind of in that category when it came out. It was a very complicated product. We sold very few policies, and it doesn't work very well. RMA is looking at how to make that product work.

Unfortunately, the timing of it wasn't great, because it was a brand new product, and then we had hurricane losses coming right after that. I have every expectation the product will be improved and will get to the point that it works, but it obviously has some work to do before we are there.

Mr. ALLEN. Thank you, sir.

Mr. Willis, could you comment on that, as well as in your written statement, you mentioned the lack of information available to help farmers understand the economic value of insurance. And, again, that seems to be a problem, is whether you buy this or not, are the premiums worth it or not. Could you address that for me?

Mr. WILLIS. I can. I appreciate your comments that you said that some of your smaller, mid-sized farmers are the ones that really need insurance. And sometimes we hear that insurance benefits the larger producers. The reality is, my experience is like yours, in that crop insurance often benefits the small to midsize who cannot afford to take that kind of a loss.

Moving forward, I have a lot of confidence that these losses can be covered, if we have a focus on making sure we cover them. Historically, the insurance program has kind of taken this off-the-shelf approach, where we take one policy for one crop and apply it to another. And that has worked very well, but we are probably to the point where we need to take different approaches.

For example, if a hurricane is a major cause of loss for timber or for any other crops, or freeze as a cause of loss, perhaps we should consider a new approach. Perhaps a policy that just covered freeze loss for blueberries; perhaps one that covers hurricane loss.

The final thing on education, if you look at some of these tree policies, a lot of people are not purchasing them. There are two problems. First, they are being charged too much, and so they are making a smart economic decision to not purchase it; second, they don't realize the losses that could take place, and they should be purchasing it but they don't see the value of that policy.

USDA could do a tremendous job. One of the things, when I was Administrator, I was briefed a lot, and my team sent tremendous information that showed the value of these products. That information needs to go to the growers, to the extent that it can. I think more education to help them see the value, sending it to agents, companies, and to extension people.

Mr. ALLEN. Yes.

And, Ms. Gerdes, I like your approach to it, the bottom up approach, rather than top down.

And, Mr. Ettleman, I am out of time, but I would be interested in contacting you later to talk about the levees, and I understand the Corps of Engineers is involved in that. And I have a problem with the Corps of Engineers on a project in my City of Augusta, and I need some feedback on your experience with them out there.

Thank you very much. I yield back.

The CHAIRMAN. Mr. Lawson, from Florida, is now recognized.

Mr. LAWSON. Thank you, Mr. Chairman.

And welcome to the Committee. And I have been real impressed with the level of experience that you all have.

And I would say, Mr. Scott, a couple of weeks ago, I was driving through south Georgia, and I saw a lot of the damage from the pecan trees. And I was saying how long is it going to take them to recover? Because it takes so many years to where those new trees have been planted, I saw a lot of new trees being planted, to produce.

But my question would be first going to you, Mr. Boone. Can you explain how the impact of extreme weather changes the way lenders work with the farmers and ranchers?

Mr. BOONE. Yes, sir, Congressman. Farm Credit has been around for over a hundred years. This is not our first rodeo when it comes to dealing with extreme changes in weather. One of the first things that we see when there is a disaster in any particular area, our regulator sends out a notice to us and encourages us to use every tool available to us in order to help that area's farmer and rancher. And fortunately, we do have a bunch of tools in front of us.

We can do anything from a simple deferment, where we are putting the interest off, the payments off for a few months or a year, to a restructure to stretch the loan out, stretch the terms out to get the payments down, or to even do a more drastic restructure from the standpoint of setting aside part of the principal and just work on a part that the operation can currently support, and then address the balance of that principal at a later date.

Mr. LAWSON. Okay. I really didn't really have a thought on this until when Michael hit areas of north Florida and south Georgia, and to see all the problem that happened to the timber industry, which probably in the state legislature had represented a lot of those areas for a number of years, still not really giving it—we were worried more about the redheaded woodpecker than worried about all of the damages and all trees that was on the ground.

But what really happened that was brought to my attention was the number of private growers that planted these trees on these smaller farms, really for their retirement purposes or to leave something for their kids. And to see where they don't have anything to turn to now, because it was—I don't know how—it was discussed earlier, and David Scott mentioned some of it, what do we do about educating the private growers that are looking out for future generations and for their own retirement that have lost just about all of it, acres and acres as I go through north Florida and see all of the trees down?

In the past, has that been an interest of anyone in the crop insurance area about all of these little private tree owners that we have? Can anyone respond to that?

Mr. DAVENPORT. Congressman, I would say from my perspective, we had not been asked about timber until, a few weeks ago was the first time that I had actually been asked about that. And we have been thinking about it internally as to how you would go about it.

And as we were talking about a little bit earlier, the challenge in my mind is that, if you are looking at a 20 year period that you are going to have the trees, how to structure a product that makes sense for the grower. You certainly don't want the grower—sort of like happens in California with earthquake coverage, people buy it randomly, they will buy it for a year and then they don't buy it for a couple of years and then buy it for another year.

And if you are going to truly manage that risk, we are going to want something in place for them where they actually buy the product and keep the product for the entire time period. Because otherwise, it just doesn't make sense to sort of randomly decide when to purchase it and when not to.

It is a unique challenge, I would say, but I think it is something that certainly should be looked into.

Mr. LAWSON. Okay. My time has almost run out. But how does Farm Credit stay solvent, with all of the disasters that we have, particularly in Florida?

Mr. BOONE. Well, obviously, the programs that are available through the USDA, we do use the FSA guaranteed a good bit. We also are a big believer of the crop insurance program. And so with the combination of that trilogy there and making safe and sound loans as much as we can, we are able to pretty much stay ahead of the game.

Now, Florida, Farm Credit of Florida, as I talked about in my opening statement, is so diversified that typically when we have an adversity in one area of our territory, the rest of the territory is pretty good. We never have had anything that has really crippled us over the long-term in the hundred years that we have been around.

Mr. LAWSON. Okay. Mr. Chairman, I yield back.

The CHAIRMAN. Mr. Crawford, from Arkansas, is now recognized.

Mr. CRAWFORD. Thank you, Mr. Chairman.

Obviously, I want to talk about crop insurance. I come from Arkansas. My district accounts for about 50 percent of the U.S. rice crop. And rice is a tough one to get your arms around with regard to crop insurance. And so I have been texting back and forth with some rice farmers back home about what is the biggest concern. Actually two of them.

The Rice Belt extends from southeast Missouri down to Texas. That is the medium long-grain. California is a little bit of a different animal, so I will just stick with the mid-south Rice Belt.

But the prevent plant deadline in Arkansas is May 25. Agronomically, what we know and certainly in our latitude, is that May 15—anything after May 15 is a crapshoot. And that date doesn't seem to reflect.

Is there any chance we might see some alterations to adjust those dates latitudinally? Not just for rice, but other crops in different latitudes where it makes more sense agronomically to consider that.

Your thoughts on that?

Mr. DAVENPORT. Congressman Crawford, I would say that is certainly possible. When you look at other crops, those dates do vary by area. You look at corn and soybeans, and it varies quite widely depending on where that crop is at. I would say that is definitely something that RMA could look at and make changes to.

Mr. CRAWFORD. The blanket approach, this is kind of typical of Washington. We tend to try to look at things in a one-size-fits-all context. But I just think there is so much difference geographically in climate conditions and so on at different times of the year. Further south, it is not uncommon at all for them to get a second crop. A ratoon crop is fairly common in places like Louisiana and east Texas. That is not something that is common in our neck of the woods. Southeast Missouri and northeast Arkansas and further south into Mississippi, that is the exception.

The other issue is, what is not included is row rice. And that is another complaint that we get from our rice farmers, across the Belt, is that row rice is not included in crop insurance.

Any comment on that?

Mr. DAVENPORT. I would, again, from my perspective, say it is something that could be a program expansion.

Every year, RMA comes out with additional crops that are insurable, different practices that are insurable. It would certainly be something that could be expanded.

Mr. CRAWFORD. Okay. One of the other things that we talked about, and I have heard this referenced throughout the hearing, is how do you get more people participating in crop insurance.

I mean, bottom line is, insurance like any kind of insurance, is about an actuary base. Isn't that right? I mean, expanding the actuary base, spreading that risk over a broader area?

I understand that there are a depth and breadth of crops that have to be accounted for and it is not necessarily, just like I said, one-size-fits-all is not going to answer this question. But, broadly speaking, expanding the actuary base seems to me—is there a way maybe that Whole Farm takes a look at this, maybe some tweaks there to make that up to increase and improve the uptake on expanding that actuary base and incentivizing farmers to participate at a broader scale?

Mr. DAVENPORT. Certainly. We think Whole Farm is a product that we have seen significant growth in the last couple of years. And as more farmers become familiar with the product and understand the product, we anticipate that to continue to grow and to help farmers cover those crops that are more unique.

Mr. CRAWFORD. That is the key there is the understanding part of it, because it is so complicated. And I think a lot of farmers are afraid of it, quite frankly.

But it seems to me like if we are really trying to expand that base and get more people, then we have to do a better job and be more proactive on communicating just exactly what this entails, making them understand. Because it is a difficult thing to get your arms around, just generally speaking.

I appreciate you all being here today. I am going to change subjects real quick.

Mr. Ettleman, I am going to direct this question to you. And I appreciate you bringing attention to the connection between our lock and dam systems and the losses we are talking about here today.

Isn't directly in the jurisdiction of this Subcommittee, obviously, but I am on the Transportation and Infrastructure Committee, and many of us on this Committee serve on that Committee as well.

In looking across the Federal agencies that you interact with, are there any additional problems that could be addressed to help prevent disasters from occurring that farm policy isn't bearing the brunt on these losses?

Mr. ETTLEMAN. I would like to say on this 2019 event, there was a complete breakdown right from the start with the weather forecasting, was a huge issue. On March 6, the National Weather Service out of Kansas City released a greatly enhanced risk rating over a large group of tributaries in northwest Iowa, northeast Nebraska, and northeast Nebraska and southeast South Dakota. The Platte River, northern Niobrara River, neither one were on that enhanced list. Seven days later, we had a disastrous flood out of the Platte River and the Niobrara.

When we pushed the issue, we found out that—we are really concerned that their modeling is—they are not using the right models. And also, the modeling is not frequent enough. When you get in that enhanced risk category, you have to do more modeling frequently to keep on those conditions, when we are talking about a bomb cyclone event coming through, that was a huge event.

Also, the communication from the United States Army Corps of Engineers, the Omaha District, was nonexistent. In the past flooding, they were very hands-on, gave us tremendous amount of warning, worked with our levee state sponsors to let the citizens of the valley know to evacuate. We had no communication from the Omaha District this year. When we finally did get communication, it was not accurate and it was too late. Issues like overtopping we already knew about 3 days earlier. It was a complete breakdown from square one.

Thank you.

Mr. CRAWFORD. Thank you. I yield back.

The CHAIRMAN. Mrs. Axne.

Mrs. AXNE. Yes. Thank you, Mr. Chairman.

And thank you, members of the panel, for being here. And a special thank you to Leo Ettleman and his wife, Angie, for being here today. They are from our flooded area in the Third District in Iowa, and they bring an exceptional amount of knowledge about the situation that we are facing. They are not just farmers, but they are also small business owners in the area. They have felt the impact from an agriculture perspective, even though specifically where their business is located wasn't necessarily flooded, traffic isn't flowing well. People have left the area. We are seeing a major impact on our rural communities.

I would like to take this a little bit further from where Mr. Crawford was about the systems, the processes, and the communications that you have experienced throughout this entire time.

Just to go back—and I know that there was some information presented on this. But from January to early March, we had record snowfall and freezing weather. Just to put it in context, we had 340 individual city record low temperatures in the Midwest in 2 days, January 30 and 31, when our temperatures dropped to as low as $-50°$.

And then in February, we got about 25″ of snow just in the Des Moines, Iowa, area. Omaha, Nebraska got 27″, north of us about 30″. We were inundated with snow and cold weather. Then hit by the cyclone blizzard, so one of the most intense this country has ever seen on record.

And the water had no place to go. The ground was incredibly frozen, of course. Everything was over-saturated from the heavy snows. And so where did it go? It went to our farmlands and lowland areas, and today, we are seeing the results of that.

I am very grateful that the President signed the disaster bill into law. I am thankful that in the House, I was successful in getting $3 billion of funding specifically for the Midwest flood, because it is very critical that we address this.

But as Leo said in his testimony, he discussed that he has had major flooding before, in particular in 2011, when the levies breached about ½ mile from your farm, I believe. And he stated in his testimony, it took 4 years to clean up the mess, so almost until this last flooding.

My questions and concerns that I have been hearing, and we have talked in the past, we have a lot of work to do with the Corps of Engineers, and I am looking forward to working with Mr. Allen and Mr. Crawford on that. We will table that for a minute, because we know that there are a lot of communications issues there.

But I have also noticed that within our own structures, our departments in government, that there are issues there with our procedures and processes.

And so, Leo, I would love to ask you, given your unfortunate experience with flooding, is 60 days an appropriate timeframe to apply for these important programs?

Mr. ETTLEMAN. In the past, yes: 2011 were unique events. And the extensions are definitely important, because, even today, 97 days and counting, this flood has been going on, the 2011 event, 140 days.

We can't get out there for the emergency ECP Program. We can't get out there to see any damage because there is water on the ground. We can't get out there to do anything, to recover. We don't know how much of our grain out there is destroyed in those bins that are landlocked out there, whether they are salvageable or not. Extensions are very important, yes.

Mrs. AXNE. Okay. What does your farm look like at this time?

Mr. ETTLEMAN. We have numerous tracts of land, but the home base, the water is going down, because the Corps of Engineers are getting that breach plugged. In fact, might get stopped today, the water is going down.

I–29 opened up 2 days ago from St. Joe to Highway 34. The entrance and exit ramps are not open, so better have a full tank of gas when you get on there. There are a lot of over-the-road trucks getting stranded out there, I know that.

But the roads between are destroyed, to get from east to west is impossible. Those east-west roads are completely destroyed.

Mrs. AXNE. There is a limited time to be able to see what you need?

Mr. ETTLEMAN. Exactly.

Mrs. AXNE. Another question is, I have heard numerous stories from folks, small business owners, farmers, and homeowners alike, that they don't know about all the resources that they have access to. I know that you are heavily involved in this. Do you know of people who have no clue about what things they have access to and how they can find those resources?

Mr. ETTLEMAN. Yes. The wheels are turning on that. We had a meeting yesterday with Governor Reynolds on this task force with SBA and Homeland Security and things like that to get people, we have had a lot of issues with temporary housing, getting those trailers into our area where people are dislodged, some of them living in basements of relatives or moved out of the area, and they want to get back home, maybe get out of somebody else's house and get on their own. Getting that temporary housing has been a huge issue.

But, otherwise, it is a real learning curve when you have events that long to deal with it. Wheels are turning.

Mrs. AXNE. Absolutely.

My time has expired, so thank you. We have so much more to discuss here, but I want to thank you for being here. I want to continue this conversation. Within our government entities, we do not have proper processes and communications in place to help our families in need.

Thank you.

The CHAIRMAN. Thank you.

Mr. Johnson, South Dakota.

Mr. JOHNSON. Thank you, Mr. Chairman.

And I know I am not telling the panelists anything they don't know. But, oh, my goodness, did the winter and spring of 2019 push a lot of very hearty producers to the brink, and, frankly, it kind of pushed the farm safety net to the brink. I mean, it was just these slow-moving disasters are the hardest ones to psychologically really wrap your mind around.

I mean, as wet days turn into wet weeks, turn into a wet month, you just see the days on the calendar, the planting days, fall away, fall to the side. And people aren't sure, to the extent that they would be able to get the corn and the beans in. And although it has been a little bit better in the last couple of weeks in South Dakota, we are still a long ways away from where we need to be. You all know that, and I thought a number of you did a good job of addressing it.

I was grateful that Congresswoman Craig mentioned the FEEDD Act that she and I have been working together on to provide USDA the flexibility to prompt them to move that November 1 chop, hay, graze date to September 1 during an emergency situation. And it sounds as though we are going to have some good news here sooner rather than later, maybe even today. That is the kind of flexibility that really helps. When you have widespread prevent plant environments, it is good to be able to have that kind of flexibility.

Ms. Gerdes, I really liked in your testimony how you laid out a number of tangible improvements to the crop insurance system generally. What I would like you to do is put a little more meat on that bone, particularly with regard to areas that have widespread prevent plant. And it seems that maybe the prevent plant system works less well when you have a systemic need for that to work.

Any improvements come to mind? And as you talk about any improvements, do we have the authority we need today under the crop insurance system to get that done?

Ms. GERDES. I will answer the last part of that first. I think you do have the authority. I may be corrected on that, but I believe the authority is there.

I was involved back in 1993 when prevent plant was put in, in June, for 1993 payments, so my history with prevent plant is very deep. I was very disappointed to see USDA listen to OIG on prevent plant.

Any of the actuarial folks, Mr. Davenport, any company, will tell you a 5 year window to develop policy is not actuarially sound. I sat on the APH task force. They wanted us to have at least 20 years of data to come up with a rating on APHs. For a government to do that was tragic.

We would not be in the position we are today on prevent plant had that not happened. Now, we can learn something, though, because we don't want to incentivize farmers not to plant.

The other thing that has happened, particularly in your area, in my area, Iowa, all over, is when we put prevent plant in, in 1993, there wasn't the extensive use of cover crops. And we certainly never used it, but we use cover crops on a significant number of our acres now for conservation issues.

I also grew up on a ranch in western Nebraska. I am a ranch girl at heart. I understand when you have the kind of bomb cyclones, you have weeks and months going on, there is no feed available for some of these ranchers. And we need to do something, and this cover crop is an opportunity where we can develop something in the long-term.

I think you are on the right path, and I think it can be done.

Mr. JOHNSON. Any other ideas? You talked about concerns you had that they were listening to OIG, the 20 year data collection. I mean, are there any other specific improvements that we could make to the prevent plant universe generally?

Ms. GERDES. There is one very important one. And you all probably haven't heard about it yet, but trust me, in about a month, you will, as these farmers start to file acreage reports. If the entire farm is flooded, and you were signed up for an enterprise unit, and you didn't get your 20 acres in two separate sections on that crop planted, your premium just doubled, or in many cases, particularly up in your area and in my area where you have high-risk ground, I figured one the other day, it is going to go from $26 an acre to $99 an acre.

I don't know whether the authority lies with RMA or the authority lies with the Committee, but I would definitely, if you are fully prevented from planting in a year like this, to allow that farmer to have the enterprise unit discount, because his intention was to plant it all.

Mr. JOHNSON. Well said. Thank you very much.

Mr. Chairman, I yield back.

The CHAIRMAN. Before we adjourn, I invite Ranking Member Thompson to make any closing remarks that he may have.

Mr. THOMPSON. Well, Mr. Chairman, first of all, thank you. Thank you for this hearing. It is the importance of it, the timeliness of it.

Thanks to the staff on both sides of the aisle that work so hard to help us to be able to do this.

And thanks to the members of the panel. Most all of you traveled quite a distance to be here, and that is a sacrifice and a service that serves well all farm families, and it is appreciated.

Farmers have always faced risk in working so hard to feed, clothe us, give us building materials, and energy. And we should be proud of this Committee's work in the 115th Congress in the 2018 Farm Bill on the risk management/commodities title.

With that said, our American farm families are counting on us to do our very best regarding risk management that works for all commodities. Farmers don't want a handout. They just want a fair shot at managing what is truly probably one of the most risk-filled industries that there are when you consider the weather.

So, Mr. Chairman, thanks again. I yield back.

The CHAIRMAN. Thank you.

I too would like to thank Committee staff and all of our Member staff for putting this really very important hearing together, for our Members for their participation, and for our witnesses coming from across the country.

The Ranking Member and I met about a month and a half ago. And, having heard the concerns of our Members from the Midwest, from Georgia and Florida, we really wanted to focus on the severe weather events that producers in those regions experienced. And you have done a really great job in informing us about what has happened and giving us some guidance in terms of what it is that we can do to move forward. Hopefully, we can address with the Transportation Committee some of the Army Corps issues. And so we will start working on that.

With that, under the Rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional material and supplementary written responses from the witnesses to any question posed by a Member.

This hearing of the Subcommittee on General Farm Commodities and Risk Management is now adjourned.

[Whereupon, at 11:46 a.m., the Subcommittee was adjourned.]

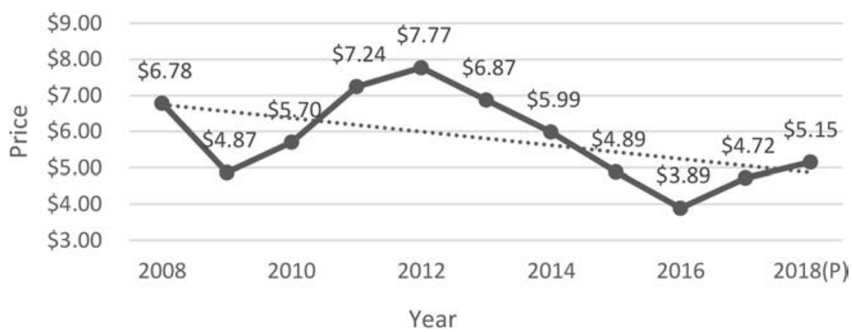
[Material submitted for inclusion in the record follows:]

SUBMITTED STATEMENT BY HON. FILEMON VELA, A REPRESENTATIVE IN CONGRESS FROM TEXAS; ON BEHALF OF BEN SCHOLZ, PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS

Chairman Vela, Ranking Member Thompson and Committee Members, I am Ben Scholz, a wheat farmer from Lavon, Texas and President of the National Association of Wheat Growers (NAWG). NAWG represents wheat growers across the nation and works with a team of 21 state wheat grower organizations to advocate for the wheat industry. Thank you for the opportunity to submit testimony on how farm policy can help farmers in adverse conditions. Programs authorized in the 2018 Farm Bill, like crop insurance and title [I] commodity programs, make it possible for farmers to manage risk through challenging economic times.

First, let me start by sharing the tough conditions facing wheat growers across the country and explain why these programs are needed. Wheat farmers have seen several years of continuous low commodity prices. The drop-in commodity prices have been much faster than the change in cost of production. The expectation of continued low prices has contributed to some of the lowest wheat acreage in U.S. history, with only 39.61 million acres of harvested wheat expected in the 2018/2019 marketing year, a drop from 47.32 million acres just 4 years prior during the 2015/2016 marketing year.[1] Additionally, with a wet fall last year impacting winter wheat seedings and difficult weather conditions impacting spring wheat seedings this year, we anticipate there could be further reductions in production. The market year average price for wheat continues to trend downward, having fallen to a low price of just $3.89 per bushel in 2016. While the price has come up to $5.15 per bushel in the 2018 marketing year, the average price over a 10 year period is still trending down significantly.

Wheat Market Year Average Price



https://quickstats.nass.usda.gov/, *(P)= projected value by USDA.

In addition to low commodity prices, U.S. wheat export markets are in turmoil due to uncertainty and unfair trading practices. Countries like China have support systems for their farmers that distort trade, and uncertainty in current and new trade agreements especially with the top two destinations for U.S. wheat, Mexico and Japan, have caused strain on an already low-price wheat environment. U.S. farmers aren't competing on a level playing field, with major wheat producing countries like China violating WTO trade commitments in how they support their farmers and not fulfilling their tariff-rate quota (TRQ) commitments. We recently secured two big victories at the WTO on these issues, and continued engagement will be necessary to ensure China complies with the rulings. In addition, since last March there have been almost zero sales of U.S. wheat to China due to the retaliatory 25% tariffs on wheat and wheat products.

More so, we have instability in two top markets for U.S. wheat as trade agreements linger. The United States-Mexico-Canada Agreement (USMCA) would enhance our already strong trading relationship with Mexico and Canada while also maintaining duty-free access for U.S. wheat that began with NAFTA. Uncertainty over the future of NAFTA and now Congressional action on USMCA has meant that Mexico has looked to other sources for wheat. The United States also faces uncertainty in the Japanese market, another top export destination for U.S. wheat. With

[1] Source: USDA, National Agricultural Statistics Service, Crop Production, Agricultural Prices, and unpublished data; and USDA, World Agricultural Outlook Board, *World Agricultural Supply and Demand Estimates.*

the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) moving forward without the U.S., top competitors like Australia and Canada have a growing price advantage in the Japanese market. We are pleased that the Administration has indicated that negotiations with Japan is a priority; however, we absolutely need an agreement as soon as possible that at least provides equal treatment for U.S. wheat in Japan as our competitors in order to remain competitive. A stable and predictable international marketplace is critical to helping grow demand for U.S. wheat, especially given that 50% of wheat grown in the U.S. is exported. While the U.S. remains focused on renegotiating current trade agreements and maintaining current market access, the world, including our competitors, moves on with new agreements creating new market access. The continued years of low prices have placed significant stress on wheat farmers. Programs authorized in the 2018 Farm Bill have and will continue to play a critical role in helping farmers make it through the low-price environments.

Of those tools authorized in the 2018 Farm Bill, none are more important than the Federal Crop Insurance Program. Crop insurance is purchased by farmers to protect against yield and revenue losses and farmers actually receive a bill for their crop insurance policy. It is true that farmers may pay into the crop insurance program for years without ever receiving an indemnity payment. Currently the price for wheat has risen dramatically because of the unusual wet weather pattern being experienced this year, but that only helps those with production. I wish to remind all of you; low yield or no yield, even in times of higher price, still leave a farmer without profit. In those tough years where there are large losses from revenue declines or crop disasters, crop insurance is a critical tool to helping farmers.

Crop insurance is also a tremendous example of how public-private partnerships can work. When there are losses, the losses are shared by farmers, private-sector companies, and the government. Crop insurance premium rates are set by the USDA's Risk Management Agency and private-sector companies delivering the policies cannot refuse farmers a policy if it is offered in that farmer's location. Unlike disaster payments, the private-sector delivery of crop insurance allows for farmers to receive indemnity payments quickly after they have met their deductible on a loss. More so, by statute, crop insurance is actuarially sound.

The reliability and efficiency of the crop insurance program is one of the reasons that many lenders require a farmer to have it in order to qualify for loans, especially younger and beginning farmers who often have less collateral and equity. Farmers having access to affordable crop insurance allows farmers access to valuable loans and credit which in turn helps not just a farmer but the entire rural economy. In the case of an operating loan, a farmer uses the loan to purchase seed and other inputs to grow their crop. In turn, the entire rural economy benefits with farmers being able to pay for inputs and farm equipment after a loss.

For the reasons above, wheat growers strongly support crop insurance and oppose any efforts to undermine the crop insurance system. Due to the program being actuarially sound, any policy proposals that would increase the cost of crop insurance or kick farmers out of the program could have negative impacts on all other farmers in the program. Bringing on more cuts to the private-sector delivery of crop insurance risks impacting the efficient delivery that is one of the greatest benefits of the program. NAWG would encourage the Committee Members and all Members of Congress to keep this in mind.

Beyond crop insurance, title [I] commodity programs also serve as a useful safety net for farmers. For wheat growers, the Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) programs have helped farmers through these low-price environments. Reauthorized in the 2018 Farm Bill, farmers are able to elect into the program that best fits the needs of their operation and their risk management strategies. The ARC program protects farmers against declines in revenue while the PLC program protects farmers against price losses. These programs play an integral role in helping farmers to manage their risk through prolonged periods of low prices or production problems.

NAWG was pleased to see Congress strongly support both the Federal crop insurance program as well as title [I] commodity programs in the 2018 Farm Bill. Farming is a risky business and farm policy like what was reaffirmed in the 2018 Farm Bill helps farmers to manage that risk and continue operating through a depressed farm economy and weather challenges. Crop insurance and title [I] commodity programs are key tools to helping U.S. farmers have some predictability and stability in a very uncertain profession as well as helps are farmers to compete on a level playing field in the global marketplace.

Wheat growers look forward to continuing to work with Congress to ensure a strong farm safety net is maintained.

Sincerely,

BEN SCHOLZ,
President,
NAWG.

SUBMITTED STATEMENT BY HON. ANGIE CRAIG, A REPRESENTATIVE IN CONGRESS FROM MINNESOTA; ON BEHALF OF CROP INSURANCE AND REINSURANCE BUREAU

Chairman Vela, Ranking Member Thompson, and distinguished Members of the House Agriculture Committee, on behalf of the Crop Insurance and Reinsurance Bureau (CIRB), thank you for the opportunity to provide a statement for the record on crop insurance and the vital role it plays in providing risk management to farmers across the country.

CIRB unites crop insurance companies, reinsurers and brokers to provide a proactive voice for the industry in Washington, D.C. Its mission is to preserve crop insurance as a critical component of the farm safety net.

Over the years, and particularly since the adoption of the Agriculture Risk Protection Act (ARPA) in 2000, crop insurance has become a cornerstone of risk management for farmers and ranchers across the country. Today, more than 1.1 million crop insurance policies are sold to farmers each year by 15 private-sector crop insurance companies.

Crop insurance companies, also known as Approved Insurance Providers or AIPs, underwrite crop insurance policies, which means these companies share in bearing the risk of crop insurance policies, so the taxpayer is not entirely on the hook for losses. AIPs hire agents to sell policies and adjusters to assess and confirm losses. AIPs invest in technology, training and services to ensure the integrity and efficiency of crop insurance. Companies also work closely with RMA to implement policies such as conservation compliance.

AIPs, as well as the agents and adjusters that service crop insurance policies, represent 20,000 jobs, primarily in rural America. This private-sector delivery system allows the Risk Management Agency (RMA) that oversees crop insurance at the U.S. Department of Agriculture (USDA) to be one of the smallest USDA agencies with fewer than 500 staff.

As an industry, we are proud to be an integral part of the rural economy, but often the breadth and depth of coverage provided by crop insurance is overlooked. Here are some significant facts about the industry:

- Almost 325 million acres were covered by crop insurance during the 2018 crop year.
- Individual crop insurance policies are available to more than 125 commodities from apples to almonds and from cotton to corn. Whole Farm revenue policies now make crop insurance accessible to almost every single commodity and to even the most diversified farms.
- Crop insurance protected more than $110 billion in liabilities during the 2018 crop year.
- After proof of loss, indemnities of more than $6.7 billion have been paid to date to farmers and ranchers for losses in 2018. During the devastating drought of 2012 more than $17 billion in indemnities were paid to keep rural economies from collapsing.
- Crop insurance is available in all 50 states and is purchased by farmers in all 50 states.

Support for crop insurance unites a broad swath of rural interests, including a crop insurance coalition that represents farmers, ranchers, agents, lenders, ag input companies, conservation groups and crop insurance companies. *As CIRB, we stand united with these partners in working to protect and preserve crop insurance that is affordable and effective for producers of all sizes, crops and regions and is delivered by the private-sector.*

This year has been particularly trying for farmers and ranchers across the country. Multi-year declines in farm income, low commodity prices, trade uncertainty, and highly extreme and unusual weather have all left farmers vulnerable. Crop insurance is the cornerstone of the farm safety net, but it is not designed to provide protection in all scenarios. For example, crop insurance covers losses in the field, but does not cover liability when a commodity has been removed from the field, as was experienced with the tragic flooded grain bins in the Midwest.

Additionally, crop insurance is based on market prices and covers revenue decreases caused by in-season price declines. However, the program is not designed to cover the multi-year price declines that farmers have faced for the last 5 years.

While these examples are outside of the jurisdiction of Federal crop insurance, there are certainly improvements that can be made that are within the scope of the program. We look forward to working with this Subcommittee to identify areas where crop insurance can improve within the purview of the program to provide the best risk management possible to America's farmers and ranchers.

We would like to take this opportunity to point out that crop insurance has faced numerous attacks in the past decade, often in the form of draconian budget cuts. If these attacks are allowed to succeed, improvements to the program simply could not occur or would be counter-acted.

Challenges on the Horizon

Despite the overwhelming support for crop insurance among those most familiar with the needs of farmers and ranchers, crop insurance continues to be an ideological punching bag for some interests that fail to recognize its value to the rural economy.

CIRB remains vigilant in defending the program from those who wrongly believe that the nation's budget woes can be balanced on the backs of rural America and who see farm programs, including crop insurance, as a bank account to draw down at will. We have consistently seen attacks that (1) pursue cuts to the private-sector delivery system for crop insurance, (2) seek cuts to premium discounts for farmers, and (3) demand means testing for crop insurance. *We oppose each of these proposals to harm crop insurance and urge the House Agriculture Subcommittee on General Farm Commodities and Risk Management to stand united with us in that opposition as challenges arise.*

Private-Sector Delivery

We are proud to deliver crop insurance to America's farmers and ranchers. CIRB views crop insurance as a successful public-private partnership where the program is federally regulated, but delivered by the private-sector. Federal regulation ensures that farmers cannot be refused crop insurance protections and that individual companies cannot raise premiums or impose special standards on any individual producers. Premium rates are set by the government and are based on actuarial soundness. Losses are shared by farmers, private-sector companies, and the government.

Time and time again the private-sector has shown its value by making it possible for farmers who have losses and have met their deductible to typically receive indemnity payments in less than 30 days. Alternately, *ad hoc* forms of assistance often take more than a year to provide financial help to farmers in need. It is this efficiency that allows rural lenders to rely on crop insurance when providing operating credit to farmers and ranchers.

Since 2008, the private-sector has absorbed cuts estimated at $12 billion over 10 years, including cuts in the 2008 Farm Bill and through administrative actions taken in 2011 in the Standard Reinsurance Agreement (SRA). Despite the positive track record of the private-sector in delivering crop insurance to all 50 states, supporting 20,000 rural jobs and making previous contributions to deficit reduction, various proposals have surfaced to make additional cuts to the private-sector delivery system.

One such proposal aims to cut billions from private-sector delivery by reducing the target rate of return for crop insurance companies from 14.5% to 8.9%. As is the case with many aspects of crop insurance, there is an abundance of misinformation about what a target rate of return is and what a cut would mean for crop insurance companies.

The target rate of return is not a floor on the rate of return for companies, it is not a guaranteed rate of return, and it does not equate to profit. Rates of return for companies fluctuate with the market based on losses in any given year. In 2012 when the country was devastated by drought and commodity prices were high, crop insurance companies lost significant amounts of money. Last year, when losses were lower, companies were able to recover many of the losses incurred in years like 2012.

Just like with farming, there will be bad years and good years for crop insurance companies. The good years are needed to recoup losses in bad years with the hope that at the end of the day the business is able to generate profit. Reducing the target rate of return would only make it more difficult for companies to generate a profit and would encourage companies to pull out of some markets where it would simply not be financially viable to continue service. High risk areas and small markets—two areas arguably most in need of the national safety net—would likely be the first places to lose crop insurance providers, thereby reducing competition in these markets.

We urge the House Agriculture Subcommittee on General Farm Commodities and Risk Management to oppose misguided attempts to further cut the private-sector delivery system for crop insurance.

Premium Discounts for Farmers

There have been numerous proposals to cut the discount that farmers receive when purchasing crop insurance. The proposals vary in the details, but are fundamentally flawed, regardless of how the cuts are structured.

First, farmers receive a bill for their crop insurance coverage, not a check. The premium discount simply reduces the size of that bill. A farmer only receives a check for their crop insurance policy if they have a verified loss above and beyond their deductible. The average deductible is approximately 27%.

The indisputable fact is that a reduction in the premium discount for crop insurance will increase the cost of crop insurance to every farmer in every single state and for every single commodity. The premium discount is what keeps crop insurance affordable for farmers.

Likewise, any increase in the cost of crop insurance will decrease demand for the product. Economists can debate how much of a decrease in demand will result from an increase in cost, but the fundamental fact remains: if you increase the cost of crop insurance for farmers, they will purchase less crop insurance. As commodity prices continue to decline and farmers' budgets tighten, the impact of higher crop insurance costs will only be more difficult for farmers to absorb.

As a reference point, recent analysis has shown that a ten percentage point decrease in the premium discount would increase the bill a typical Midwest grain farmer pays by 50% for a policy at the 70% coverage level. On a policy with an 80% coverage level, the farmer's bill would increase by over 30%.

The alternative to affordable and viable crop insurance is often *ad hoc* disaster assistance that is 100% paid for by the taxpayer. This is why an increase in premium discounts and types of coverage after passage of the Agriculture Risk Protection Act in 2000 coincided with an overall decrease in agricultural *ad hoc* disaster assistance.

We urge the House Agriculture Subcommittee on General Farm Commodities and Risk Management to maintain the successes of the Agriculture Risk Protection Act and to oppose cuts to farmer premium discounts for crop insurance.

Means Testing

Adjusted gross income (AGI) limits and premium discount caps for crop insurance have been discussed for a number of years. Some support such proposals as politically expedient under the misguided belief that they would simply eliminate government benefits for wealthy farmers who "do not need support." However, the reality is much more complicated.

Federal crop insurance is, by statute, required to be actuarially sound. Over the long-term, every dollar of indemnities (payments to producers for losses above and beyond their deductible) must be equal to the assigned premium. Crop insurance premiums, just as with other forms of insurance, are based on the attributes of the risk pool, in this case consisting of all of the acres of farmland enrolled in crop insurance.

So, *if AGI limits are applied and certain acres are removed from the risk pool, the premium rates change for all farmers and the acres that remain protected by crop insurance*. It might be only a small number of farmers who are directly impacted by an AGI limit, but it would be a much larger number of acres impacted and would ultimately impact every single producer in the program with a change in rates. Studies have shown that larger farmers are less risky, so the premiums for the smaller farmers left in the risk pool will increase.

Means testing via caps on premium support have been called "ill-advised" by USDA, which has noted that regions with high-value crops, large-scale farmers and/or regions with a higher risk of crop loss would be especially hard hit. High-value crops would include things such as fruits and vegetables and many organic crops. North Dakota, South Dakota, Texas, Minnesota, California, Arizona, Mississippi, Utah and Hawaii have all been singled out by USDA as likely to shoulder disproportionate effects under a cap on premium assistance.

We urge the House Agriculture Subcommittee on General Farm Commodities and Risk Management to oppose misguided attempts to place means testing restrictions on crop insurance.

Conclusion

Thank you again for conducting this hearing to review the farm safety net and for allowing CIRB the opportunity to provide a statement about the critical importance of crop insurance to rural economies. CIRB stands ready as a resource to this Subcommittee as improvements are sought to the farm safety net.

SUBMITTED LETTER BY HON. AL LAWSON, JR., A REPRESENTATIVE IN CONGRESS FROM FLORIDA; ON BEHALF OF JOHN L. HOBLICK, PRESIDENT, FLORIDA FARM BUREAU FEDERATION

June 20, 2019

Hon. FILEMON VELA,
Chairman,
Subcommittee on General Farm Commodities and Risk Management,
U.S. House Committee on Agriculture
Washington, D.C.;

Hon. GLENN THOMPSON,
Ranking Minority Member,
Subcommittee on General Farm Commodities and Risk Management
U.S. House Committee on Agriculture
Washington, D.C.

Chairman Vela and Ranking Member Thompson:

In Florida, adverse conditions define the agricultural landscape. As resilient and innovative as our producers are, there are certain challenges beyond control or predictability that merit the attention and action of Federal policymakers.

For instance, our state's climate and geography exposes our industry to heightened threats of invasive pests and diseases. The onset and spread of citrus greening is a prime example, reducing our state yields to ¼ of its production within a matter of years. Hurricanes Irma and Michael caused a combined $4.1 billion in total agricultural losses statewide in 2017 and 2018, respectively. Decades of subsidized Mexican imports into Southeastern produce markets have oppressed domestic producers and eroded market share. Unfortunately, adverse conditions seem to be a permanent fixture in Sunshine State agriculture.

Federal farm policy should serve as a foundation for proactive strategies to address the myriad challenges that Florida producers face. Indeed, there are crop insurance tools for specific commodities and disaster aid programs for special circumstances; without these programs, relevant producers lay vulnerable and unprotected. The passage of the 2018 Farm Bill made great strides in making improvements to these vital programs.

However, as an organization representative of our state's 300 various commodities, it proves challenging to apply the Federal Government's "one-size-fits-all" predisposition to each grower's unique situation. There is no better example than the 2017 Wildfires and Hurricane Indemnity Program (WHIP). Effective implementation of 2018 and 2019 WHIP should be appropriately monitored by this Subcommittee.

As the leadership of the General Farm Commodities and Risk Management Subcommittee of the U.S. House Committee on Agriculture, I encourage the Committee's active engagement on preserving and enhancing policy and programs that helps our farmers through tough conditions, while also exploring innovative solutions to improve timeliness, responsiveness, and efficiency to these existential problems for Florida growers.

On behalf of our 147,000 member-families, we value the charge of this Committee and appreciate its serious work to ensure farm policy meets the needs of producers as they grapple with these unprecedented, numerous challenges.

Kind Regards,

JOHN L. HOBLICK,
President.