The Agricultural Risk Protection Act of 2000: What it does. What it means.

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2000 goals:

- Deliver the program effectively;
- Maintain increase in participation;
- Participate in legislative debates;
- Address situations in the field;
- Resolve open issues
  - Association marketing, civil rights data;
- Communicate positive message.

What it does - The Headlines:

- Invests $8.2 billion in 5 years to make crop insurance better -- a strong vote of confidence in the program;
- Makes buy-up coverage more affordable;
- Addresses the problem of multi-year losses;
- Expands research and development for new products and under-served areas;
- Tightens compliance;

Looking beneath the headlines:

- Highly complex;
- Expensive to implement - limited funds provided - at a time when both government and industry resources are thin;
- Raises expectations going into a Farm Bill cycle;
- Lots still hidden in the details.

What it does - The Fine Print:
1. The basic product:

- Higher premium subsidies for buy-ups
  - At all levels, at least as good as 30% discount;
- Farmer-subsidy equalized for new products;
  - One-year phase-in for existing revenue policies;
  - A&O split: new versus old policies;
- Performance-based discounts allowed;
- AHP 60/60 adjustment authorized;
- Fee raised to $30 per crop policy;
- Continuous coverage delayed until 2006;

2. CAT coverage:

- Fees raised to $100 (same as NAP);
- Group-risk alternative required;
- Associations can pay fees where State laws allow;
- A&O cut to 8% from 11%;

3. Encouraging new products:

- Investment in private sector R&D:
  - $65 mil.: reimbursements for new products:
    - $10 mil. in 2001-2, $15 mil. in 2003-5;
    - After 4 year, either (a) revert to RMA or (b) charge fees;
  - $110 mil.: contracts for "partnerships":
      - R&D for under-served areas and crops ;
      - Ear-marked studies of multi-year coverage, revenue insurance, and cost of production,
      - Partnerships for new tools, weather data, so on;
    - $20 mil. in 2001-3, $25 mil. in 2004-5;
    - $5 mil. ann. ($25 mil. total) for under-served states;
    - If not needed, can be used elsewhere

New products - more:

- Bans direct research and development by RMA;
- Expands pilot program authority;
- RMA revenue products allowed;
- Mandates livestock pilot program;
  - Limited to \$75 mil. cost;
    (\$10 mil. in 2001-2, \$15 mil. in 2003, \$20 mil. in 2004-5);
- Allows premium rate reduction pilot program;
- Expands Risk Management education
  - \$5 mil. ann. regional through RMA;
  - \$5 mil. ann. national through CSREES;
- Dairy options pilot program expanded;
- Cost-share pilot program in 10-15 states.

4. Tightens compliance:

- Limits double insurance and prevented planting;
- Coordinated plan with Farm Service Agency:
  - Annual data reconciliation;
  - FSA monitoring assistance;
  - Consultation with FSA state committees;
- Targeted reviews:
  - Agents or loss adjusters representing losses 150% (or an appropriate percentage) above area average;
  - Required annual oversight of agents and loss adjusters;
- Submission of policy data within 30 days of sales closing;

And tightens it some more:

- Sanctions:
  - False information;
  - Requirements of Corporation;
- Good farming practices: limitation on appeals;
- Data mining - general authority;
- Under-writing group (“Expert Review of Policies”);
- Annual report to Congress;
- $36 million for compliance implementation.

5. Related changes:

- FCIC Board:
  - Membership grows, chooses own chairman, contracting authority, 4-year terms; *but*
  - Members serve at pleasure of Secretary, no independent staff, no Commission, RMA still included;
- Board approval process:
  - 120-day limit;
  - “Review by Experts”
- SRA re-negotiation: once during 2001-2005 period;
- “Rebating” governed by State law (except RMA-sanctioned premium reductions).

6. Special cases:

- No revenue insurance on potatoes
- Irrigated drought coverage for rice & cotton;
- Payments for the durum growers;
- Cotton quality adjustment provision;

So what do we do?

- First, take a breath;
- Next, accept the compliment.
- Then, do some triage-
  - What needs to happen for crop year 2001
  - On which do we have time;
  - Now, focus on what comes next - step by step.

- Note: the big workload here falls on RMA.

Basic first observations:

- Regulations due out in 120 days;
- Items expected for fall 2001 crops-
  - New subsidy levels;
  - New APH system
  - New prevented planting/ double insurance rules (?).
- Contracting process can also being quickly--
  - First in the door: (i) livestock revenue, (ii) cost of production;
- Others -- we will need to work out.

First steps(?):

- Planning meeting with regional offices;
- Working group with FSA;
- Drafting group on the regs.;
  - Bringing in OMB, OBPA, OCR, so on;
- Other steps?