Crop Insurance Professionals Association, LLC

April 15, 2015

Director, Product Administration and Standards Division,
Risk Management Agency,
United States Department of Agriculture,
P.O. Box 419205,
Kansas City, MO 64133-6205

Dear Director:

The Crop Insurance Professionals Association (CIPA) appreciates this opportunity to provide comment regarding the recommendations put forth by Agralytica Consulting regarding Prevented Planting (PP).

CIPA brings together top agents from across the nation to consider issues affecting the crop insurance industry, and the growers we serve. As those who are selling the product to the producer, and helping them to understand all aspects of a policy, we believe we bring an important perspective to this issue. In summary, our perspective is that the current PP methodology is working and, therefore, the Risk Management Agency's (RMA) guiding principle should be to "first, do no harm."

Prevented Planting coverage is an important component of multiple peril crop insurance. We have all experienced years where our farmer customers have spent significant time and capital to prepare for planting only to experience a flood during planting season, or an irrigation district cutting off water because of prolonged drought, or any number of other weather-related scenarios. These are exactly the type of situations PP coverage is designed to address, and we know of no better way to address it. Insurance encourages economic activity which is good for our rural communities.

The economic model and recommendations developed by Agralytica Consulting do not appear to comport with real world circumstances. We understand the desire for a model or consistent approach to setting PP percentages for various commodities, but this desire needs to be balanced with the realities in the marketplace which do not always lend themselves to a cookie-cutter approach.

We know that commodity organizations — particularly those like corn and cotton where significant reductions in coverage are recommended — will focus on the problems with the Agralytica model in measuring relative costs of production. We would encourage you to pay close attention to these comments and afford them special deference.

From a bigger picture, we are very concerned at the scope and severity of this recommendation — limiting options for farmers nationwide — when we believe you have tools at your discretion that can more effectively address any local problems with a more tailored solution. We think a more tailored approach would be more in keeping with principles of insurance and would be far superior to making massive downward adjustments to potential coverage levels.

Finally, we would be remiss if we did not note the significant downward trend in commodity prices and associated liability levels in crop insurance since 2012, the last year of the Agralytica study's analysis. Corn producers this year could only purchase 73% of the coverage they could have purchased 4 years ago. This is the reality of a $5.68 per bushel price election in 2012 verses a $4.15 per bushel price election in 2015. For cotton, the price election has also dropped, from $0.93 per pound to $0.64 per pound, a 31% reduction. Given this, we would strongly encourage RMA to not worsen current hardships by reducing the value of prevented planting coverage.

Thank you for your consideration of our views. We would look forward to any ongoing opportunities to discuss this important matter.

Sincerely,

William Cole Jr.

William Cole
Chairman