

Risk Management Agency Releases 2011 SRA Agreement Proposal to the Industry

As you likely recall, the 2008 Farm Bill included cuts to the federal crop insurance program totaling \$6.4 billion over ten years. Now, even before our industry has determined exactly how to absorb these cuts, the Administration has proposed a Standard Reinsurance Agreement (SRA) that will, by their own estimates, cut another \$4 billion from the program over the next five years. A deeper analysis of these cuts may indicate that the draft is even more devastating than we currently realize.

This proposal, if enacted, would be the largest cut to the crop insurance program in its history. We believe that this approach would be damaging to production agriculture, as it would greatly undercut our farm safety net and likely jeopardize many insurance agency and company positions throughout rural America. Moreover, it would put thousands of family farmers at risk, as they rely on crop insurance as their primary safety net. Our agricultural economy cannot afford this proposal as it works to recover from the worst recession since the Great Depression.

Specifically, the proposed SRA would reduce the average administrative and operative expense allowance (A&O) to an average rate of reimbursement of roughly 12.2 percent from the pre-Farm Bill level of 20.5 percent and the current level of 17.9 percent for 2009. Additionally, drastic cuts in the opportunities for companies to earn underwriting gains would hinder the ability of companies to continue to subsidize delivery costs from these gains.

These cuts result from the establishment of a new ceiling price for A&O payments on the basic crops that account for over 70% of the crop insurance premium. The prices per bushel are \$2.56 for corn, \$3.92 for wheat, \$6.36 for soybeans, \$2.43 for grain sorghum, and \$2.93 for barley. The price per pound for cotton is \$0.52 and for rice is \$0.083. The price on which A&O is paid could fall below this number, but never above. It is flawed policy to base the terms of the SRA on recession-level prices, which are less than production costs for many farmers.

It is imperative that you call your Members of Congress now, before they leave Washington for the Holiday Recess.

- Thank your own Member of Congress for supporting the federal crop insurance program;
- Tell your Member of Congress that the crop insurance delivery system cannot sustain cuts of this magnitude without putting at risk the primary safety net for farmers and rural communities;
- Ask your Member of Congress to share these concerns with the White House and the U.S. Department of Agriculture.

Please review these talking points regarding the proposed SRA and then urge your Members of Congress to let the Administration know that these cuts will put rural America's soundest risk management tool at risk.

Information to contact your Senators can be viewed at:

http://www.senate.gov/general/contact_information/senators_cfm.cfm

To find out who your House Representative is, you may go to:

<http://www.house.gov/>