



United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

May 30, 2007

Dear Chairmen and Ranking Members:

I am pleased to share with you legislative language that would implement the miscellaneous provisions of the Administration's proposal for the 2007 farm bill. We have been asked by Members and staff to provide a draft for their consideration.

I believe that our comprehensive proposals can be the building blocks for a farm bill that is more equitable, predictable, and better able to withstand challenge. More specifically, the miscellaneous proposals are intended to strengthen and make more cost effective the Federal crop insurance program, as well as revise the dairy assessment requirements to create a more fair system.

The Federal crop insurance program provides critical risk management tools to farmers and ranchers across the country. Since the enactment of the Agricultural Risk Protection Act of 2000, the dollar value of liability coverage in the Federal crop insurance program has grown from \$40 billion in fiscal year (FY) 2000 to more than \$60 billion in FY 2007. As a result of this growth, the Department of Agriculture (USDA) has reexamined the program to determine whether adjustments should be made. Specifically, we are proposing the following reforms:

- Supplemental gap insurance coverage would allow producers to cover all or part of their deductible contained in their individual primary coverage. With supplemental gap coverage, producers will be able to obtain full insurance coverage for losses in cases where the producers' losses are part of an area-wide disaster. The proposed new coverage could be reinsured by the Federal Government, and administrative and operating expense reimbursement would equal six percent of the premium. This innovation will strengthen the safety net for producers.
- Participating insurance companies would be allowed to obtain access to the Department's data mining system for a fee. A company could access their policies to help conduct more effective compliance reviews and increase program integrity.
- USDA would be allowed to contract to improve and maintain existing crop insurance policies.
- USDA would be allowed to renegotiate the Standard Reinsurance Agreement every three years.

- The Federal crop insurance program would be made more cost effective for taxpayers and would be required for commodity program participation.

Other important miscellaneous provisions include:

- Ensuring that all national dairy promotion and research assessments are consistent for domestic milk and dairy products and imported milk and dairy product collections.
- Enhancing organic agriculture initiatives to facilitate entrance into organic production by increasing the Federal cost share assistance for obtaining USDA certification.
- Reauthorizing and funding the collection and reporting of data crucial to successfully marketing organically produced commodities and organic products.
- Increasing purchases of fruits and vegetables through Section 32 authority by \$2.75 billion over 10 years.

I have consulted with the Office of Management and Budget, and they advise that enactment of this legislation would be in accordance with the President's program.

I appreciate your consideration of the legislative language that correlates with our 2007 farm bill miscellaneous proposals. I would be happy to further discuss these proposals with you or any member of Congress, and to answer any questions you might have.

Sincerely,



Mike Johanns
Secretary

Enclosures