U.S. Department of Agriculture
Office of Inspector General
Southwest Region
Audit Report

Risk Management Agency
Viability of Fall Watermelons
in Texas and Their Inclusion
in the 1999 Watermelon Insurance
Pilot Program

Report No.
05601-8-Te
SEPTEMBER 2002

UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL
Washington D.C. 20250

DATE: September 30, 2002

REPLY TO
ATTN OF: 05601-8-Te

SUBJECT: Risk Management Agency - Viability of Fall Watermelons in Texas and Their Inclusion in the 1999 Watermelon Insurance Pilot Program

TO: Ross J. Davidson, Jr.
Administrator
Risk Management Agency

ATTN: Garland Westmoreland
Deputy Administrator
Risk Compliance

This report presents the results of the subject audit. The Risk Management Agency's response to the draft report, dated September 23, 2002, is included as exhibit B and incorporated, along with the Office of Inspector General's (OIG) position, into the relevant section of the report.

While we generally agree with your response to Recommendation No. 1, we need additional information to reach a management decision. The information needed is set forth in the section marked, "OIG Position."

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective action taken or planned and the timeframes for implementation of the audit recommendation. Please note that the regulation requires a management decision to be reached on the finding and recommendation within a maximum of 6 months from the report issuance and final actions to be taken within 1 year of the management decision.

We appreciate the courtesies and cooperation extended to us by members of your staff during the audit.

/s/ R. D. Long
RICHARD D. LONG
Assistant Inspector General
for Audit

EXECUTIVE SUMMARY

RISK MANAGEMENT AGENCY
VIABILITY OF FALL WATERMELONS
IN TEXAS AND THEIR INCLUSION
IN THE 1999 WATERMELON INSURANCE
PILOT PROGRAM

REPORT NO. 05601-8-Te

RESULTS IN BRIEF

In 1997, the Risk Management Agency (RMA) began designing a pilot insurance program to determine if the Government should include watermelons as an insurable crop. The procedures of a pilot program require each region participating to conduct studies of the crop in that region, including assessments of risk, analyses of market dynamics, and evaluations of the suitability of the crop in the intended growing area. Regional studies are reviewed and approved by [ ], by RMA's Research and Evaluation Division (RED), and by RMA senior managers before a final decision is rendered.

The pilot program was implemented largely in southern States and included coverage of both spring and fall plantings. RMA suspended the program in September 1999 because it received complaints from watermelon industry representatives across the country that the program was depressing market prices nationwide.

The Office of Inspector General (OIG) began reviewing watermelon insurance claims in South Texas in July 2000. During that review, experts expressed concerns about the suitability of fall watermelons in South Texas and believed RMA should not have insured them. The objectives of this audit were to determine if fall watermelons were a viable crop in South Texas and if controls were adequately exercised during RMA's process of approving crops for coverage in the pilot program.

We determined that RMA approved coverage of fall watermelons in its 1999 watermelon crop insurance pilot program even though evidence existed that this crop was not suitable to South Texas and was unlikely to produce a harvestable fruit. Infestation by a whitefly-transmitted virus and cooler temperatures in the fall season result in only a 5- to 10-percent chance that a fall watermelon crop will make it to harvest. The coverage was nevertheless approved because RMA managers did not exercise adequate control over the program preparation and approval process to ensure that the development package that set forth the scope of the pilot program was complete, accurate, and specific as to the level of actuarial risk associated with each crop.

Controls over program preparation and approval failed at several levels:

- The participating regional office (RO) in Oklahoma City, Oklahoma (OKC), that was responsible for studying watermelon production in South Texas did not conduct comprehensive research or perform horticultural evaluations of the suitability of fall watermelons in that region. The development package forwarded to [ ] generally did not distinguish between spring and fall crops and did not contain suitability studies of either crop.

- [ ] at the Valdosta, Georgia, RO did not perform an adequate review of the development package to detect the absence of a suitability study for fall watermelons in South Texas. [ ] did not attempt to clarify the package regarding the risk distinctions between spring and fall plantings.

- RED in Kansas City, Missouri, did not perform a comprehensive technical review of the development package to ensure that all development handbook requirements were met and all necessary evaluations were performed. Similarly, RMA senior managers on the New Program Review Council added their concurrence to the program without detecting the incompleteness of the development package.

Risk management personnel at the OKC RO said that research on fall watermelons was unnecessary because the risk was small that producers would overplant such a crop. [ ] stated that [ ] was too inexperienced with watermelons to detect omissions or undifferentiated risk levels in the development package. Officials at RED said they were understaffed and could only perform cursory reviews of the documentation forwarded to them.

Inexperience or understaffing should not be accepted or tolerated as a basis for assuming that others would exercise the responsibilities assigned by the development handbook to each level of review and concurrence. We also believe it a highly questionable practice to second-guess what producers may or may not do, when the required research would provide managers with the basis for a more meaningful decision. Senior managers emphasized that they relied upon the data provided by the RO's and those in charge of the project.

The question of suitability of fall watermelons was not raised at any level of the preparation and approval process. The package that the Research and Evaluation officials presented to the Board of Directors for approval of the pilot program had received the endorsement of all prior levels of review.

Because RMA offered insurance protection on such a high-risk crop and because pilot program acreage was unlimited, the number of acres devoted to fall watermelons in South Texas swelled dramatically, from an estimated 1,000 acres to almost 27,000 acres, increasing the Government's liability correspondingly. RMA in effect gave producers a financial reason to extend a crop onto lands that would normally lie fallow and thereby created a "moral hazard"—an incentive for producers to forgo prudent farming practices for guaranteed indemnities. It was against such a hazard that the U.S. Department of Agriculture (USDA) had warned in its 1994 feasibility study of watermelons.

At the end of the fall harvest, indemnities in South Texas for losses on fall watermelons reached $21.1 million, or 44 percent of all claims paid nationwide for both spring and fall plantings under the pilot program.

The Agricultural Risk Protection Act of 2000 mandated that all research and development of new insurance programs be performed by non-Government contractors. Concomitantly, we see a continuing need for RMA to ensure that its staff implement proper and effective reviews and approvals of new programs, based on the research done by the contractors. Since we did not review these new procedures, we are making no recommendations concerning them.

KEY RECOMMENDATIONS

We recommend that the RMA National Office review the decisions made in approving the 1999 watermelon crop insurance pilot program and determine if any [ ] any of the RMA employees responsible for preparing and approving the program.

AGENCY RESPONSE

RMA agreed that within 6 months the Administrator will conduct a review of the decisions made in approving the 1999 watermelon crop insurance pilot program and determine the need [ ] in his capacity as head of RMA. (In an attachment to its official written response, RMA provided its rebuttal to statements in the report.)

OIG POSITION

We concur with the decision by the RMA Administrator to conduct a review within 6 months and to determine what [ ] would be appropriate. However, we cannot accept management decision until we have been informed of the RMA Administrator's determination of the action, if any, to be undertaken.

In an attachment to its official written response, RMA officials disagreed with our conclusions about the impracticality of insuring fall watermelons in South Texas and offered rebuttals to statements in our report. We do not agree with many of RMA's arguments and conclusions. First of all, we believe that the agency's decision to suspend the pilot program in September 1999 confirms our position. In a September 13, 1999, notice to all reinsured companies and RMA field offices, the Administrator stated that RMA had received adverse comments about the terms and coverage of the program. Second, even though RMA implies that the problems with this pilot program resulted from program abuse by producers, we contend that the environment for this abuse arose from RMA's own implementation of the program. This audit report, as well as our Audit Report No. 05601-9-Te, "Review of Large Insurance Claim for Watermelons in South Texas," makes note of the "moral hazards" created when agencies insure crops with histories of weak production. RMA did not detect or correct these hazards during its review and approval process. Third, we recontacted the same sources that RMA officials allude to as support for their rebuttal to our conclusions, and we confirmed that these sources continue to agree with our conclusions.

TABLE OF CONTENTS

INTRODUCTION

BACKGROUND

The Federal Agriculture Improvement and Reform Act of 1996 authorized the formation of RMA to handle the day-to-day operations of the Federal crop insurance program, which is administered by the Federal Crop Insurance Corporation (FCIC). FCIC provides producers with insurance coverage against crop failures due to crop diseases, hurricanes, and other risks of production.

The Federal Crop Insurance Act of 1980 contains provisions for expanding crop insurance to more crops and to provide coverage in most counties throughout the United States. In accordance with this act, RMA develops, implements, and monitors pilot programs for crops not previously covered by Federal crop insurance. New programs are developed primarily as a result of requests from individual producers, producer associations, and others.

Manual FCIC 23010, New Program Development Handbook, contains the standards and guidance that are to be used in the research and development of a pilot program. According to this handbook, development continues after studies determine that an actuarially sound program can be created for the crop scheduled to be in the pilot program.

At the time of development of the crop year (CY) 1999 watermelon pilot program, new programs were still being researched and developed by RED under the auspices of the Deputy Administrator of Research and Development in Kansas City, Missouri. Currently research and development of new programs is contracted out. However, final approval of a program still rests with the FCIC Board of Directors. New programs are tested on a pilot basis in selected counties to allow RMA to gain insurance experience and test program components. Most pilot programs operate for 2 or 3 years before they are converted to permanent program status.

The development handbook details the process used for researching and evaluating new programs being considered for implementation as pilot programs. The handbook states that all requests for new programs are forwarded to RED where they are logged into a tracking system. A letter is then sent to the requester acknowledging RMA's receipt of the request. RED, based upon preliminary recommendations and comments from each RO, determines if the request warrants further consideration. If not, RED sends the requester a letter stipulating that no further work will be done on the request.

If RED determines that the request warrants further consideration, [ ]. [ ] establishing and leading a New Program Development Team. Generally, an individual from RED serves [ ] for a program that is national in scope, and an individual from an RO serves [ ] when the program is more regional in scope. In the latter case, an individual from RED who serves as the RED representative on the development team also serves as a liaison to coordinate the team's activities within RMA offices in Kansas City, Missouri.

According to the development handbook, the development team is composed of representatives from divisions under the Deputy Administrator of Research and Development and the Deputy Administrator for Insurance Services. The Insurance Services representatives are usually [ ] from RO's where the program is expected to be implemented. For the most part, the development team coordinates the completion and evaluation of data sent in by the requestor and the RO's.

The development team also advises the director of RED that expansion into the new program is recommended or not. If expansion is recommended, the team prepares a package for presentation to the New Program Review Council, which is composed of senior RMA managers such as the senior actuary, the senior underwriter, and representatives of the two Deputy Administrators mentioned above. The council reviews the package and recommends that the team either: (1) not proceed with continued development (for specific reasons), (2) modify the program with specific changes, or (3) proceed with the program development.

If the review council recommends further development, the development team obtains appropriate concurrences on various components of the new program (policy terms and conditions, underwriting, loss adjustment procedures, actuarial information, etc.) and prepares a decision memorandum for the RMA Administrator for approval or disapproval of further development of the program. If the Administrator does not agree to further development of the program, a notification signed by the Deputy Administrator of Research and Development is sent to the requester advising them of this decision. If the Administrator agrees to further development, the development team prepares a project proposal for presentation to the FCIC board. RED then notifies the requester of the board's decision.

The Valdosta, Georgia, RO initiated development of a watermelon pilot program. Actual development began in January 1997. The development team consisted of officials from the applicable RO's, RED in Kansas City, and [ ]. [ ] Valdosta, Georgia, RO. On September 16, 1997, the OKC RO submitted its plan for the pilot program in Texas. The program in Texas included only Duval, Frio, and Hidalgo Counties. In coordination with the development team, [ ] consolidated the development packages from the applicable RO's into the nationwide program development package. On December 16, 1997, the package was approved by the RED director for presentation to the review council. The review council reviewed and approved the package on this same date. The development team continued to work on the program into 1998.

In April 1998, concurrence packages were presented to and reviewed by personnel in three divisions—the actuarial, the fiscal operations and systems, and the product development—under the Deputy Administrator of Research and Development in Kansas City. At this same time, RO's involved in the program were presented concurrence packages for review and approval. During June and July 1998, the same concurrence packages were sent for review and concurrence to the senior actuary and senior underwriter as well as the Deputy Administrator of Research and Development. On August 7, 1998, the RMA Administrator signed off as approving the package for forwarding to the board for their decision. The board approved the watermelon pilot program on August 10, 1998, with the program effective for CY's 1999 through 2001 in 15 counties in 7 States.

The pilot program was developed to explore the feasibility of providing insurance protection for a crop previously covered by the noninsured disaster assistance program or ad hoc disaster payments, administered by the Farm Service Agency (FSA).

In a prior review of FSA crop disaster payments, OIG questioned the eligibility of fall watermelons in South Texas for disaster assistance. Our review found that this crop had a high risk of failure, was rarely grown in South Texas, and represented a poor planting practice in that area. FSA officials acknowledged that crop disaster payments for fall watermelons in South Texas had resulted in substantial increases in watermelon acreage and abuse of the program. These officials said their decision to include fall watermelons in the crop disaster program was based on RMA's determination that fall watermelons were an insurable crop. (See OIG Audit Report No. 03601-38-Te, dated July 2001.)

In September 1999, RMA officials suspended the pilot program. In a September 13, 1999, notice to all reinsured companies and RMA field offices, the Administrator stated that RMA had received adverse comments about the terms and coverage of the program. Producers, packers, processors, members of watermelon marketing boards, and individuals from the insurance industry generally voiced concerns that the program had caused increased acreage of watermelons in 1999 and resulted in declining market prices. Based upon these complaints, RMA officials believed the watermelon pilot program needed to be reworked to make it a more market-neutral product.

Our audit work has disclosed cases of abuse of the pilot program. During one review of the largest watermelon claims in the 3 pilot counties (Audit Report No. 05601-7-Te), we found that 3 of the 11 producers in our review did not meet eligibility requirements for the pilot program. We requested that RMA review these producers to make a final determination and, if necessary, collect $1.5 million in indemnities paid to them. Review work still in process of another claim has identified a producer who we believe purposely misrepresented his share in a fall watermelon crop and received about $5.5 million in indemnities. We concluded this producer's contract should be voided and the total $7 million in claims paid for spring and fall watermelon losses be returned to RMA. We also found that an apparent conflict of interest existed between this producer, his insurance agent who sold him the crop coverage, and the son of the agent, who represented himself as the producer's farm manager in arranging for the leasing of land that expanded the producer's fall watermelon crop.

Other reviews are being conducted by OIG and by RMA's special investigation unit in the State of Florida concerning alleged fraudulent acts perpetrated by insurance agents and producers in the pilot program.

OBJECTIVES

The objectives of this audit were to determine if fall watermelons were a viable crop in South Texas and if controls were adequate over RMA's process of approving crops for coverage under the 1999 watermelon insurance pilot program.

SCOPE

This audit was initiated based upon an OIG review conducted during a prior audit (Audit Report No. 05601-7-Te, "Watermelon Claims in South Texas"). During this review, agricultural experts expressed concerns about the suitability of fall watermelons and the fall watermelon crop insurance program in South Texas. The pilot program in Texas included Duval, Frio, and Hidalgo Counties.

At the time of our review, there were 386 policies that had a total liability of about $63.7 million on approximately 78,000 acres in 15 counties in the 7 States that participated in the 1999 watermelon pilot program. Indemnities of about $47.8 million were paid on 241 of these policies.

In the 3 pilot counties in Texas, there were 79 policies on which indemnities of over $32.5 million were paid to 77 producers. This included about $21.1 million (about 65 percent) that was paid for fall watermelon losses. Historically, in years prior to 1999, an estimated 1,000 acres of fall watermelons had been planted in the 3 pilot counties. With the pilot program in effect in these 3 counties, 26,973 acres of fall watermelons were insured and had claims paid on them in CY 1999.

For this audit as well as our prior audit on claims (Audit Report No. 05601-7-Te), we judgmentally selected 11 producers (or about 14 percent of the 77 producers) with claims totaling almost $20.1 million or about 62 percent of the $32.5 million paid in indemnities for CY 1999 watermelons in Texas. These 11 producers included 4 with the largest indemnities and 2 with the largest fall nonirrigated watermelon indemnities. Five of the producers filed claims in Hidalgo County, four in Duval County, and one in Frio County. The remaining producer filed claims in all 3 counties.

Among those receiving the largest indemnities were two producers identified in this report as producers A and B. Producer A planted and insured watermelons in Frio County in CY 1999. Previous to CY 1999, he had managed farms that planted only about 300 acres of watermelons. In 1999, he planted and insured almost 3,200 acres in Frio County. Producer B planted and insured watermelons in all three pilot counties in CY 1999. Prior to 1999, he managed a farm that produced only about 150 acres. For CY 1999, he planted and insured about 4,400 acres in the three pilot counties.

Fieldwork for this audit was conducted from January 2001 through July 2001.

This audit was conducted in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. Accordingly, the audit included such tests of program and accounting records as necessary to meet the audit objective.

METHODOLOGY

To determine the extent of research conducted by RMA on the suitability of the fall watermelon crop in South Texas, we interviewed personnel and reviewed documentation provided by RMA's RED in Kansas City, the RMA watermelon pilot program development [ ] Valdosta RO, and an RMA official from the OKC RO.

The Valdosta RO, in conjunction with RED in Kansas City and participating RO's, had overall responsibility for research and development of the nationwide pilot program. The OKC RO was responsible for researching and developing the pilot program in Texas. We interviewed Texas Agricultural Extension Service extension and research horticulturists, selected producers, and other individuals, as was considered necessary to make a determination about the suitability of the fall watermelon crop in South Texas.

To determine what controls were exercised over the approval of the 1999 watermelon insurance pilot program, we interviewed personnel and reviewed the development package submitted by the OKC RO [ ] and consolidated for further review by RED and the New Program Review Council in Kansas City. We also reviewed RMA's New Program Development Handbook, dated October 1997, which was in effect at the time the 1999 pilot program was approved. The handbook sets forth the standards and guidance to be followed in preparing new programs for testing.

We requested and reviewed all expense documents for the land preparation, purchase of watermelon seed, planting of the seed, chemical application, water application, and overall care of the crop (up to the time of loss) for two sampled insured producers. We then compared the amounts expended for their crops to the indemnities these producers received for their losses.

FINDINGS AND RECOMMENDATIONS

CHAPTER 1	CONTROLS OVER THE PILOT PROGRAM APPROVAL PROCESS WERE INADEQUATE: RMA INSURED FALL WATERMELONS IN SOUTH TEXAS WITHOUT CONSIDERING THEIR SUITABILITY OR THE HIGH RISK OF CROP FAILURE

FINDING NO. 1

Producers in three counties in Texas were provided crop insurance coverage for 1999 fall watermelons even though there was only a 5- to 10-percent chance that the crop would grow to harvest. The RMA employees who approved coverage of the crop did not review the development package closely enough to realize that a horticultural study on the suitability of fall watermelons in South Texas was never performed to ensure the program was actuarially sound. Such a study would have shown that cooler temperatures and a whitefly-transmitted virus, detected 6 years earlier, made fall watermelons in that region a high-risk crop. As a result of the insurance protection, fall watermelon plantings exploded in South Texas in 1999, and the Government paid $21.1 million in loss claims, or 44 percent of total indemnities paid nationwide under the watermelon pilot program, for a crop it should never have insured.

FCIC Manual 23010, New Program Development Handbook, provides standards and guidelines for developers of pilot programs to follow. Among the required standards are evaluations of the agronomic and horticultural suitability of a crop, such as rotation, fumigation/sterilization, soils, cultural practices, weather, and varieties for the intended growing area.[1]

A feasibility study completed in 1994 by the USDA's Economic Research Service, in coordination with the University of California, generally concluded that watermelons were a good candidate for multiple-peril crop insurance coverage. However, the study warned that if coverage were not properly controlled, RMA could risk "moral hazards," whereby producers would willfully neglect prudent management practices in order to receive indemnities rather than

[1] FCIC Manual 23010, New Program Development Handbook, Section 8C, dated October 1997.

produce a crop. Further, the study did not address the issue of unsuitability of fall watermelons in some areas.[2]

We contacted agricultural experts with specific knowledge about watermelon production to determine the suitability of fall watermelons in South Texas. We interviewed the Hidalgo County extension agent and two horticulturists from the Texas A&M Research and Extension Center of Weslaco, Texas. We also contacted a Texas A&M University professor and a horticulturist from the Texas Agricultural Extension Service in Uvalde, Texas. All informed us that fall watermelons would not produce a crop in South Texas because of diseases and viruses as well as cooler temperatures in the latter part of the fall season.

The Hidalgo County extension agent said that in 10 years of planting fall watermelons, a producer might produce a crop in 1 of those 10 years. These numbers were confirmed by one of the horticulturists at the Research and Extension Center, who said that fall watermelons had about a 5-percent to 10-percent chance of making a crop in this area of Texas. The professor of horticulture at the Extension Service, speaking of a fall watermelon crop in Frio County, said such a crop had "zero" chances of producing. He said the crop faced too great a risk from whiteflies, disease, and early freezes. He also noted that watermelons like hot temperatures and that their growth slows as temperatures cool down.

The horticulturalist at the Research and Extension Center concluded: "the Government has no business insuring a fall crop."

To determine if RMA had conducted its own research on the suitability of fall watermelons in Texas, we asked for all documentation concerned with the development of the program in Texas from RED in Kansas City, Missouri, and from the RO's in OKC and in Valdosta, Georgia, where the project was being managed. Our review of this documentation revealed nothing that suggested a suitability study had been done beyond the study performed by the Economic Research Service. The development package contained no such study and generally did not distinguish between spring and fall crops.

[2] Watermelons: An Economic Assessment of the Feasibility of Providing Multiple-Peril Crop Insurance; Executive Summary, and pages 53 through 55, dated November 22, 1994.

Preparation of the Development Package Was Flawed

The OKC RO initiated development and implementation of the pilot program for Duval, Frio, and Hidalgo Counties in Texas. The region submitted the program development package to the Valdosta RO. The package submitted contained background and historical information about watermelon crops in Texas and made the proposal that Duval, Frio, and Hidalgo Counties be included in the pilot program. The package also contained prior years' watermelon acreage and production history for these three counties. None of this data made any distinction between spring or fall crops beyond establishing their planting dates and yields, and none of it related to the suitability or increased risk of the fall crop.

We questioned an official from the OKC RO about this apparent lack of research. The RO employee stated the development of the South Texas fall watermelon program was justified because in the past only about 1,000 acres had been planted annually. He said that the low transitional yields set for nonirrigated watermelons and the high expenses involved in producing them should have been a deterrent to significant increases in the number of new producers.

The OKC RO official also stated that the region had contact with agricultural experts during the development process of the program. [ ] said that at one of the three development meetings [ ] held with producers and insurance industry representatives, a Texas A&M economist was present. During these meetings, nothing was ever mentioned about the risk of insuring fall watermelons in South Texas.

We question whether an economist has the qualifications to determine the suitability of a crop or whether the absence of objections to a fall program by participants of meetings of this type would suffice as "research" concerning the suitability of a crop. Furthermore, we noted that the majority of losses ($19.2 million of $21.1 million) in the three counties in Texas where the watermelon pilot program was implemented were reported as irrigated fall watermelons. The transitional yields for nonirrigated watermelons were irrelevant.

By putting together a development package that was silent on the unsuitability and high risk of fall watermelons and that made no obvious distinction between spring and fall plantings, the OKC RO was essentially recommending that RMA offer insurance protection on a crop that was known to have little chance of reaching harvest. Such an insurance offering created the “moral hazard” that the Economic Research Service warned about in 1994—an incentive for producers to abuse the program, to forgo prudent farming practices for guaranteed indemnities on a crop that would inevitably fail.

<u>Controls Were Not Exercised Over the Approval Process</u>

Although this program development package did not contain an evaluation of the suitability or high risk of a fall watermelon crop in South Texas or other horticultural evaluations, it was not subjected to a thorough review either by program managers at the Valdosta RO, by RED in Kansas City, or by the New Program Review Council in Kansas City, whose members include the senior actuary and the Deputy Administrator of Research and Development. Each of these levels of review is responsible for ensuring that the development standards in the new program handbook were followed and for recommending that development of the program not proceed if those standards are not met. None of these levels performed comprehensive technical reviews designed to detect missing required information (i.e., horticultural study) during their concurrence process. Each relied entirely upon the OKC RO to gather the necessary data and complete the required studies.

[ ] Valdosta RO said that [ ] was not experienced enough in the production of watermelons to perform technical reviews of the packages and it was not [ ] responsibility to do so. Generally, [ ] the development packages submitted by the participating regions. We determined that, as a rule, [ ] pilot programs of national scope, such as the watermelon program, are RED [ ] rather than regional personnel. However, [ ] Valdosta stated that [ ] had considerable experience in this area. Furthermore, the director of the Valdosta RO, who had overall responsibility for the development of the program at the RO, told us that he probably should have conducted a more comprehensive review himself of [ ] consolidated package.

The Director of RED stated that he did not have enough staff available to assign anyone [ ] or to do any more than a cursory review of data submitted by the development team. He did appoint a representative from RED in Kansas City to [ ] RED [ ] Valdosta. Nevertheless, both RED and the New Program Review Council, in their concurrence process, relied upon RO's and [ ] to collect the appropriate data. They did not perform comprehensive reviews themselves in preparing the package for presentation to FCIC's Board of Directors, which made the final decision based on RMA's recommendations.

According to RMA National Office officials, RED is responsible to review the development package for completeness. Even though the OKC RO had not raised any concerns about the unsuitability of fall watermelons in South Texas, no one else in the RMA research, development, and approval process questioned why research on the suitability of fall watermelons or other horticultural evaluation was not done. [ ] to recommend discontinuing development of a risky program, and RED and the New Program Review Council have the authority to stop program development, if they determine that the data is insufficient to support it.

<u>"Moral Hazard" Was Realized: Producers Increased Their Acreage of a High-Risk Crop and Profited from the Insurance Protection</u>

Because RMA offered insurance protection on a high-risk crop, the number of acres of watermelons insured in South Texas in CY 1999 increased dramatically. The final CY 1999 watermelon acreage (for the spring and fall seasons) ended up being about 21 times the number estimated by RMA in approval documents presented to the FCIC Board of Directors. Fall acreage in South Texas alone jumped from its pre-1999 plantings on an estimated 1,000 acres, per the OKC RO employee, to total program plantings of 26,973 acres. This was the clearest indication that the program, as designed, was encouraging poor farming practices. Because of the guaranteed indemnities, producers were willing to expand acreage of a high-risk crop that they historically minimized.

In a briefing memorandum to the Board of Directors, RMA stated that, "using an estimated participation of 15 percent in Texas, Georgia, and Florida and 40 percent in all other pilot program States, about 8,000 acres would be insured [nationwide]." In actuality, almost 10 times as many (or about 78,000) acres were actually insured nationwide in CY 1999. RMA estimated that 2,400 acres would be insured in Texas. The actual figure amounted to almost 50,000 acres (or about 21 times as many acres as estimated by RMA and almost two-thirds of the total nationwide acreage for that year).

This increase can be more dramatically shown in the example of just one Texas producer in Hidalgo County. For CY 1999, this producer planted and insured almost as much acreage as RMA estimated for nationwide participation. The producer's crop of 7,400 acres of watermelons contrasts with the 8,000 acres predicted by RMA for all producers nationwide. Furthermore, in 1998 the three pilot counties in Texas planted only 7,300 acres of watermelons. Thus, in CY 1999, just one producer in one of the three pilot counties in Texas was able to plant more watermelons than were planted by all producers in the three counties in the prior year.

The FCIC common crop insurance policy gives RMA the authority to restrict the amount of acreage in any program, if notification is made prior to the sales closing date for the crop.[3] However, RMA did not exercise this authority. After it became apparent that significant acreage increases were occurring in Texas, RMA considered placing limitations on the CY 2000 program, but these changes were never implemented because RMA suspended the pilot watermelon crop insurance program effective for CY 2000.

An official from RED in Kansas City stated that he never imagined that so many acres would be planted and felt RMA "missed the boat" on that issue.

Besides increasing the acres they devoted to fall watermelons, South Texas producers also reduced their costs of production when fall crops failed to mature for harvest. In these instances, the producers with insured acres were able to profit from the program even though no watermelons were ever harvested from their fields. Indemnity payments to these producers for losses of fall crops significantly exceeded costs incurred.

Producer A, for example, insured 3,197.5 acres of fall watermelons in Frio County. This producer owned no land or farming equipment and employed no workers. He leased the land and paid producer B to custom farm it. For the loss of his crop, producer A was paid $2,618,794 in indemnities (net of premiums) or about $819 per acre (for the 3,197.5 acres insured). Expenses to put the crop in and take care of it up to the time it was lost amounted to $1,207,747 (about $378 per acre). This did not include any harvesting and marketing expenses (which normally represent 30 percent to 60 percent of the costs) because the crop was lost well before harvest. Because RMA approved fall coverage, the opportunity

[3] FCIC 99-BR, Common Crop Insurance Policy, Basic Provision 9.(d), dated 1999.

existed for this producer to make a profit of $1,411,047 or about $441 per acre (for the 3,197.5 acres insured) even though no fall watermelons were ever harvested from the fields he rented for the program.

This opportunity also allowed producer B to profit from a failed crop. Producer B, who performed all of the custom farming for producer A, also insured fall watermelon crops in Frio, Duval, and Hidalgo Counties in 1999. Producer B insured a total of 4,422.9 acres in these three counties for which he received indemnity payments of $3,755,175 (net of premiums) or about $849 per acre. Producer B spent about $2,032,011 or $459 per acre on the crop, leaving a profit of $1,723,164 (about $390 per acre) for a crop from which no watermelons were ever harvested.

We believe that with minimal research efforts, the OKC RO could have determined that the fall crop was not suitable and could have addressed this issue in the development package submitted to the Valdosta RO, which was managing the project. Similarly, the Valdosta RO could have included this concern in the development package sent to Kansas City, and after consideration of this unsuitability, RMA could have then excluded fall coverage in the pilot program for Texas.

RMA's 1997 New Program Development Handbook, in effect at the time the 1999 watermelon pilot program was being developed, set forth the standards for implementing new insurance programs and the responsibilities of each member of the development and approval process. Although [ ] the handbook referred to it as "guidance," the language [ ] included in the standards clearly distinguishes between the data that is required and the data that is not. We concluded that [ ] would expect a suitability study to be performed and would recognize when one was not performed. We are therefore recommending that because of the large loss to the Government from insurance liabilities that should never have been approved, the national office review the decisions made by the RMA employees responsible for preparing and approving the program and determine if any [ ] any decision-makers is warranted.

After RMA suspended the pilot program, the Agricultural Risk Protection Act of 2000 mandated that all research and development of new insurance programs be performed by non-Government contractors. Under the new procedures, RMA would still be responsible for reviewing and approving the programs, based on the packages prepared by the contractors. While we see a continuing need for RMA to ensure proper and effective reviews of program-related data, we are making no recommendations concerning future programs. We did not review the new procedures upon which approval of pilot programs would be based, and we do not believe the procedures have been in place long enough to establish their effectiveness.

RECOMMENDATION NO. 1

Review the decisions made in approving the 1999 watermelon crop insurance pilot program and determine if any [ ] any RMA employees responsible for preparing and approving the 1999 watermelon insurance pilot program.

RMA Response

RMA agreed that within 6 months the Administrator will conduct a review of the decisions made in approving the 1999 watermelon crop insurance pilot program and determine the need for appropriate [ ] in his capacity as head of RMA. (In an attachment to its official written response, RMA provided its rebuttal to statements in the report.)

OIG Position

We concur with the decision by the RMA Administrator to conduct a review within 6 months and to determine what [ ] would be appropriate. However, we cannot accept management decision until we have been informed of the RMA Administrator's determination [ ].

In an attachment to its official written response, RMA officials disagreed with our conclusions about the impracticality of insuring fall watermelons in South Texas and offered rebuttals to statements in our report. We do not agree with many of RMA's arguments and conclusions. First of all, we believe that the agency's decision to suspend the pilot program in September 1999 confirms our position. In a September 13, 1999, notice to all reinsured companies and RMA field offices, the Administrator stated that RMA had received adverse comments about the terms and coverage of the program. Second, even though RMA implies that the problems with this pilot program resulted from program abuse by producers, we contend that the environment for this abuse arose from RMA's own implementation of the program. This audit report, as well as our Audit Report No. 05601-9-Te, "Review of Large Insurance Claim for Watermelons in South Texas," makes note of the "moral hazards" created when agencies insure crops with histories of weak production. RMA did not detect or correct these hazards during its review and approval process. Third, we recontacted the same sources that RMA officials allude to as support for their rebuttal to our conclusions, and we confirmed that these sources continue to agree with our conclusions.

EXHIBIT A - SUMMARY OF MONETARY RESULTS

CHAPTER NUMBER	FINDING NUMBER	DESCRIPTION	AMOUNT	CATEGORY
1	1	Estimated indemnities that would have been saved if RMA had followed Handbook standards and disallowed insurance coverage of fall watermelons in South Texas in 1999.	$21,100,000	FTBPTBU:[1] Management or Operating Improvements/ Savings.
		TOTAL	$21,100,000	

[1] Funds To Be Put To Better Use

EXHIBIT B - RMA'S RESPONSE TO DRAFT REPORT

USDA

United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

SEP 2 3 2002

TO: Richard D. Long
Assistant Inspector General for Audit
Office of Inspector General

FROM: Garland D. Westmoreland
Agency Audit Liaison Official

SUBJECT: OIG Draft Report Number 05601-8-Te –Viability of Fall Watermelons in Texas and Their Inclusion in the 1999 Watermelon Insurance Pilot Program

Outlined below is the Risk Management Agency's (RMA) response to recommendation number 1 in the subject audit.

RECOMMENDATION NO. 1:

> Review the decisions made in approving the 1999 watermelon crop insurance pilot program and determine if any personnel action should be initiated against any of the RMA specialists or managers responsible for preparing and approving the 1999 watermelon insurance pilot program.

RMA Response:

Within the next six months the RMA Administrator will review the decisions made concerning this matter and will determine the need for [ ] in his capacity as head of RMA.

RMA requests management decision for this recommendation based on the above actions.

Attached are additional comments concerning the content of the subject draft report.

If there are any questions, please contact [ ]

Attachment

•1400 Independence Ave., SW•Stop 0801•Washington, DC 20250-0801

The Risk Management Agency Administers and Oversees
All Programs Authorized Under the Federal Crop Insurance Corporation

An Equal Opportunity Employer

Risk Management Agency Comments Concerning
OIG Audit Report No. 05601-8-Te
September 13, 2002

The Audit Report appears to raise three issues that are listed below, followed by the Risk Management Agency's (RMA's) response.

Issue 1: The suitability of fall watermelons in south Texas

Background: The Audit Report includes a number of statements indicating: fall watermelons were not viable in south Texas and should not have been insured, the Oklahoma City Regional Office (OKC RO) did not conduct comprehensive research or perform horticultural evaluations of the suitability of fall watermelons, the development package did not contain suitability studies of either (spring or fall) crop, concern whether [ ] has the qualifications to determine the suitability of a crop, and the question of suitability of fall watermelons was not raised at any level of the preparation and approval process.

RMA Response:

1. RMA questions whether any of the experts OIG interviewed advised RMA at the time the program was being developed, that "fall watermelons would not produce a crop in south Texas"? If that is the case (that they would not produce a crop in south Texas) are NAP payments being made on fall watermelons in south Texas? RMA requested, and has not yet received, information on this issue. The watermelon horticulturists the OKC RO conferred with in their research did not make the statements that fall melons could not be grown in south Texas; which are further supported by an average 2,400 acres being grown annually. This is more acreage than is grown in each of the counties of three States (Alabama, Delaware, and Maryland) that were included in the pilot program. RMA has been advised larger acres of fall watermelons are grown in other parts of Texas and Oklahoma as well. Further, the Report on the Feasibility of Insuring Watermelons done by ERS states large disaster assistance payments were made in 1993 for yield losses due to drought, which reduced production of the fall crop.

2. Texas A&M University Research horticulturists contacted recently by the OKC RO stated fall watermelons are a viable crop in south Texas. It is RMA's understanding that an average of about 2,400 acres (not 1,000 acres as OIG indicated) is planted to fall melons in south Texas each year with an average yield ranging between 250 and 300 cwt. This information was confirmed with a representative of the Texas A&M Research and Extension Center in Weslaco, Texas, and a representative of the Texas Ag Extension Service in College Station, Texas, who is the acknowledged expert in watermelon production in the State. This expert also stated fall watermelon production has been good the last several years with whitefly no longer a serious problem. In addition, considerable fall watermelon production takes place in north Texas, east Texas, and southern Oklahoma, and it was felt by others that any watermelon pilot should explore this

prevailing practice. RMA is not aware of any indication that only 5% to 10% of fall watermelons make it to harvest.

3. At the time the program was being developed, RMA documentation indicated the chemical Admire would control whitefly and in some respects the risk was less in the fall.

4. The OKC RO did conduct research into the viability of fall watermelons. They did distinguish between fall and spring melons in their research. Perhaps because the Transitional Yields for fall and spring melons were the same OIG believes the OKC RO did not conduct research on them. According to the OKC RO, research indicated fall and spring watermelon yields were similar, and the T-Yields were set accordingly. The OKC RO submitted documentation on September 16, 1997, that addressed fall watermelons and other information concerning the inclusion of Texas in the melon New Program Development Package. In fact, this documentation is referred to in the first paragraph of page 3 of the Audit Report.

5. The feasibility study performed by ERS indicated on page 49 under Production Perils "the largest disaster assistance payments made to watermelon producers in Texas were for losses due to drought and excessive heat during 1988 and 1989." ERS further indicated "large payments were made in 1993 for yield losses due to excessive rain, which drowned plantings in the spring, and drought, which reduced production of the fall crop (Hinojosa)." This indicated fall watermelons were being grown, and there was no indication of a significant risk issue for the fall planting in the ERS feasibility study. In addition, there are no OIG reports or other audit reports to suggest disaster program payments on fall watermelons were inappropriate.

6. RMA representatives discussed fall watermelon issues in meetings that included watermelon industry representatives, growers, and others, including three separate meetings in Texas with large commercial growers, industry representatives, insurance company personnel, and an official with the Texas – Oklahoma Watermelon Growers Association. This is documented with attendee lists for those meetings.

7. The last paragraph on page 9 of the Audit Report indicates "Our review of this documentation revealed nothing that suggested a suitability study had been done beyond the study performed by the Economic Research Service. The development package contained no such study and generally did not distinguish between spring and fall crops." The initial feasibility study was conducted by ERS (at cost) for RMA. This alone is evidence a feasibility study had been done. The feasibility study was supplemented by further research (including meetings) and additional documentation. However, the feasibility study is not included in the Board Package. The feasibility study is essentially supporting research for the New Program Package.

8. Page 10 of the Audit Report indicates that OIG questions whether an economist has the qualifications to determine the suitability of a crop. Other knowledgeable watermelon experts attended these meetings besides the one Texas A&M economist referred to. This included a representative of the OKC RO, who has a degree in

agronomy, and large commercial growers and insurance company representatives, including an official with the Texas – Oklahoma Watermelon Growers Association. Fall watermelons were discussed and all in attendance agreed fall melons would be a viable, insurable practice. In addition, a Texas A&M Research and Extension horticulturist was called several times by the OKC RO and provided input that was also used in developing the program. A representative of the OKC RO and a Kansas City, Missouri, RMA official involved in the program development process have both grown watermelons commercially; and Kansas City RMA representatives involved with the project also have agriculture related degrees with agronomy backgrounds. Issues regarding fall watermelons were discussed in the meetings held in Texas; however, it is the understanding in RMA that, at the time those meetings were conducted, participants did not express the concern regarding fall planting indicated by the audit.

9. OIG inserted a paragraph at the top of page 4 regarding OIG's prior review of FSA crop disaster payments, in which OIG questioned the eligibility of fall watermelons in south Texas for disaster assistance (OIG Audit Report No. 03601-38-Te, dated July 2001). The paragraph includes a number of statements regarding Finding No. 2 of that audit report (that disaster losses to fall 1999 watermelon crops should not have been eligible for CDP payments) but fails to indicate that FSA's response to OIG's finding stated the following: "When establishing the yield for fall watermelons in 1998, vegetable specialists were contacted and stated the crop would produce a reduced yield and were normally planted on a limited basis due to this fact, but they agreed that fall watermelons are a viable crop. After the review it is the position of the Texas State FSA Office that fall watermelons are a viable crop with the reduced yield in normal circumstances. The abuse only occurred in the insured counties of Frio, Duval, and Hidalgo."

The FSA State Office went on to say "It is apparent by the increase in acreage in these counties that abuse of the insurance program was the intent of these producers." OIG takes a similar position on page 12, stating that the increase in acreage "was the clearest indication that the program, as designed, was encouraging poor farming practices. Because of the guaranteed indemnities, producers were willing to expand acreage of a high-risk crop that they historically minimized." RMA is concerned with the inferences that are implied in these statements. Producers, lenders, and others in the agricultural community have, for years, recognized the importance of risk management through crop diversification, crop insurance, and other tools. Lenders have been reluctant to provide financing for significant acreages, or acreage increases, of crops (and particularly for high- investment-intensive specialty crops) if crop insurance is not available. Producers have been encouraged to plant alternative crops such as watermelons, rather than traditional crops such as cotton or grain sorghum, because of low prices and profit margins for the traditional crops. These are just a few of the reasons programs for specialty crops such as watermelons have been requested in areas such as the pilot counties. It should likewise be expected that, when crop insurance is finally available to such producers, they will likely plant more acreage than they would have planted absent the opportunity to manage their risks. RMA is not aware of evidence that "guaranteed indemnities" caused producers to expand acreage of watermelons. Regarding the losses themselves, page 2 of OIG Audit Report No. 03601-38-Te on FSA disaster payments indicates OIG questioned $23,235 in fall watermelon disaster payments in Hidalgo County of $521,319 in payments reviewed for watermelon ($18,348 reviewed), cantaloupe ($229,368 reviewed), and cabbage ($273,603 reviewed), from the total program benefits of $5.4 million in Hidalgo County. Watermelons appear to have caused far less in payments than the other crops, and it does appear that legitimate causes of damage must have occurred in Hidalgo County.

Issue 2: RMA control over the program preparation and approval process, and performance of comprehensive technical reviews

Background: The Audit Report indicates RMA Managers did not exercise adequate control over the program preparation and approval process to ensure the development package that established the scope of the pilot program was complete, accurate, and specific as to the level of actuarial risk associated with each crop. The draft also indicates the Research and Evaluation Division in Kansas City, Missouri, did not perform a comprehensive technical review of the development package to ensure all development handbook requirements were met and all necessary evaluations were performed. References were also made regarding "cursory reviews," "understaffing," assumptions "that others would exercise the responsibilities assigned by the development handbook to each level of review and concurrence," and other aspects of the review process that are inconsistent with RMA's understanding of the process and actions that took place.

RMA Response:

1. RMA is not aware of (nor does the Audit Report appear to identify) specific components of the development package that were incomplete or inaccurate.

2. The statement on page ii of the Audit Report that "The Research and Evaluation Division in Kansas City, Missouri, did not perform a comprehensive technical review of the development package to ensure that all development handbook requirements were met and all necessary evaluations were performed" should more appropriately indicate the technical reviews of the development package failed to identify that fall watermelons were not a viable crop in south Texas. However, RMA is not aware of sufficient and appropriate evidence that was available when the program was being developed to conclude fall watermelons were not a viable crop in south Texas.

3. Page iii of the Audit Report indicates OIG believes it a highly questionable practice to second-guess what producers may or may not do (apparently regarding increasing their acreage or not), when the required research would provide managers with the basis for a more meaningful decision. RMA believes this represents an oversimplified observation regarding information that is highly unlikely to be as reliable as the luxury of hind sight.

4. Regarding the references to "cursory reviews" and "understaffing," the Crop Insurance Reform Act of 1994 and the FAIR Act of 1996 encouraged the accelerated development of new risk management programs, particularly for specialty crops. In 1999, 12 new

programs were initiated (more than any year in the history of the Agency). It has been acknowledged in the past that such ambitious program development places great strain on the resources and processes used in program development, but it does not necessarily mean representatives were negligent in performing their duties.

5. RMA management is not aware that RMA representatives assume "that others would exercise the responsibilities assigned by the development handbook to each level of review and concurrence." (See the top of Audit Report page iii.) Instead, RMA management expects the appropriate parties to exercise their responsibilities, and has often found that through the review and concurrence processes, parties raise concerns or questions on issues that are functionally under another party's area of responsibility.

6. The following is provided in reference to the statement on page 11 of the Audit Report that an RMA official stated that he did not have enough staff available to assign anyone as Project Manager or to do any more than a cursory review of data submitted by the development team. As provided on page 6 of the New Program Development Handbook, Regional Office personnel generally served as Project Managers for pilot programs like watermelons that are projected to involve a limited number of RO's. The appointment of a liaison from within the RED was a standard procedure when the Project Manager was located within an RO. More than cursory reviews of the data were conducted. It is true that the RED and the New Program Review Council relied upon the RO's and the Project Manager to collect the appropriate data; that was one of their responsibilities. It is certainly likely that the staff Director would in most cases not conduct the in-depth review, nor replicate the research, that would be conducted by the crop development team, R&D staff members, and others involved in the review and concurrence process.

In June 2000, the Agricultural Risk Protection Act (ARPA) was passed to provide greater access to more affordable risk management tools and to authorize the use of contracts and partnerships to carry out research and development to increase participation of producers for underserved States, areas, and agricultural commodities, including specialty crops. A number of changes have been initiated to strengthen the controls in place, including a Procedure for the Submission and Review of New and Revised Crop Insurance Policies that was approved by the FCIC Board of Directors on December 12, 2001, and the requirement for all new policies to be reviewed by expert reviewers designated by the FCIC Board. In addition, RMA has included a senior RMA staff review of proposals presented by contractors and partners.

7. The first paragraph on page 11 of the Audit Report indicates none of the levels performed comprehensive technical reviews designed to detect missing required information (i.e., horticultural study) during their concurrence process. It is RMA's position that insufficient evidence has been provided that required information was missing. Differences of opinion obviously exist on the suitability of fall watermelons in south Texas. Nevertheless, given unlimited resources and time, virtually unlimited information can be gathered and analyzed to research and develop risk management programs. Still, differences of opinion will exist and pieces of information may remain undetected. That is one reason programs are operated on a pilot basis - because you don't

always have all the answers in establishing a program. Some of them come through the experience of the pilot. RMA's goal is to make every effort to develop a program to meet producers' needs within appropriate constraints and information it is reasonably able to gather and assess.

8. Page 12 of the Audit Report indicates the RED and the New Program Review Council did not perform comprehensive reviews themselves in preparing the package for presentation to the FCIC Board of Directors. An RMA representative prepared and reviewed the package, and comprehensive technical reviews were conducted by senior RMA officials and the Office of the General Counsel before the package was presented to the Board. These reviews are acknowledged on page 3 of the Audit Report, and are supported by review and concurrence markups and documentation. Based on the ERS feasibility study and all other available information, there was nothing available to these reviewers to conclude that fall watermelons were not a viable crop.

9. Regarding the page 13, second paragraph statement that RMA did not exercise its acreage restriction authority, RMA would not be aware of the acreage increases until after the sales closing date. For this program, spring and fall watermelons had the same (spring) sales closing date. Individual producer acreage increase limitations and other controls have been placed in subsequent pilot programs as determined appropriate.

Issue 3: Possible program abuse

Background: OIG's findings in Audit Report No. 05601-7-Te indicates abuse of the program occurred (including misrepresentation and fraudulent acts). In fact, it appears a significant percentage of the losses can be attributed to such abuse.

RMA Response:

1. Has a thorough study of the legitimacy of the claims been conducted, particularly for fall watermelons in south Texas? Were the losses in fact due to insurable causes under the contract, or did producers and others "figure out" ways to take disproportionate advantage of the program by the time the fall crop was planted? And, if they did, how did they? Did they apply appropriate inputs to grow a crop? Did they have access to equipment, markets, and labor needed to grow, harvest, and market the crop? The significant acreage increases of fall watermelons raises questions as to whether there were sufficient markets, labor, and equipment in south Texas to grow, harvest, and market such acreage. This raises questions as to whether indemnities should have been denied due to failure to carry out good farming practices that could have, or should have, been detected.

2. It should be noted that the 1999 losses for Texas watermelons were excessive for both spring and fall. The spring watermelon indemnity was $13 million (4.41 loss ratio) and the fall watermelon indemnity was $22 million (7.31 loss ratio). The 1999 crop year was not a good year for other crops in the Texas watermelon counties. For example, other loss ratios in the counties were: wheat - 3.64, oats - 3.78, peanuts - 4.83, and cotton -

3.63. Caution is suggested when making assumptions and basing conclusions on only one year of insurance experience. (Disaster assistance for watermelon losses totaled about $95.8 million over the 1988-93 period, with Texas having 8 of the top 10 counties in the nation, in terms of the highest assistance paid.)

ABBREVIATIONS

CY	Crop Year
FCIC	Federal Crop Insurance Corporation
FSA	Farm Service Agency
OKC	Oklahoma City, Oklahoma
OKC RO	Oklahoma City, Oklahoma Regional Office
OIG	Office of Inspector General
RED	Research and Evaluation Division
RMA	Risk Management Agency
RO	Regional Office
USDA	United States Department of Agriculture