RISK MANAGEMENT AGENCY STRATEGIC PLAN

FOR FY 2000-2005

RISK MANAGEMENT AGENCY

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RISK MANAGEMENT AGENCY

INTRODUCTION

The Risk Management Agency's (RMA) strategic plan, required by the Government Performance and Results Act (GPRA), provides the framework to improve the performance of our program and operations. A cross-section of RMA employees developed this plan as an integrated approach to the planning, implementation, execution, and evaluation of RMA's activities to deliver quality products and services to the Agency's customers. This integrated process provides a clear direction for the Agency with an approach that supports key decisions for the management of all RMA activities. This is a working document that will be modified to incorporate new ways of doing business to meet the continuing challenges of change.

The RMA was established under provisions of the Federal Agriculture Improvement and Reform Act of 1996 (1996 Act), Public Law (P.L.) 104-127, signed April 4, 1996. This act amended the Department of Agriculture Reorganization Act of 1994, P.L. 103-354, Title II, to require the Secretary to establish within the Department an independent office responsible for supervision of the Federal Crop Insurance Corporation (FCIC), administration and oversight of programs authorized under the Federal Crop Insurance Act (7 U.S.C. 1501 et. seq.), any pilot or other programs involving revenue insurance, risk management education, risk management savings accounts, or the use of the futures market to manage risk and support farm income that may be established under the Federal Crop Insurance Act or other law; and such other programs the Secretary considers appropriate.

The year 2000 brought passage of the Agricultural Risk Protection Act (ARPA), P.L. 106-224. Provisions of ARPA, which are detailed in another section, will bring many changes in the way that RMA manages the Federal crop insurance program. Provisions of ARPA place a major emphasis on contracting and partnering for the development of new risk management products. ARPA provides incentives for private parties to develop and submit new risk management products to the FCIC Board of Directors.

RMA is committed to transforming the crop insurance program into a broad-based safety net for producers to assure that American agriculture remains solid, solvent, and globally competitive . This safety net for producers consists of many public and private alternatives designed to improve the economic stability of agriculture and is supported by the products and/or tools mentioned above. The following paragraphs explain in more detail RMA's principal products and/or tools.

(1) Federal Crop Insurance

The purpose of Federal crop insurance is to provide an actuarially-sound risk management program to reduce agricultural producers' losses due to unavoidable causes such as drought, excessive moisture, hail, wind, hurricane, tornado, lightning, insects, disease, etc., or to reduce loss of revenue due to reduced prices, reduced yields or a combination of both. Federal crop insurance is available to producers solely through private insurance companies that market and provide full service on crop insurance policies upon which these companies share the risk. The amount of risk they share is defined by reinsurance agreements, the principal one of which is designated as the Standard Reinsurance Agreement. Under this agreement, insurance providers agree to deliver risk management insurance products to eligible entities under certain terms and conditions. Providers are responsible for all aspects of customer service and guarantee payment of premium to FCIC. In return, FCIC reinsures the policies and provides a subsidy for administrative and operating expenses associated with delivering the insurance products and/or programs. This constitutes a joint effort between the Government and the private insurance industry.

Crop insurance is available through Catastrophic Coverage (CAT) or additional coverage. Producers can choose to obtain CAT, which guarantees the producer 50 percent of his/her average yield at 55 percent of the expected market price. The premiums are entirely subsidized by the Government while the producer pays an administrative fee equal to $100 per crop, per county which helps offset the cost of the overall program.

Additional coverage is available to producers who wish to insure crops above the CAT level of coverage. Producers can elect coverage up to 100 percent of the market price established by RMA for each unit at some percent of their actual yield. Currently, up to 85 percent of each individual's yield can be insured. Premium rates for additional coverage depend on the level of protection selected and vary from crop to crop and county to county.

As mandated by the 1996 Act, revenue insurance programs are available under which producers of certain crops are protected against loss of revenue stemming from low prices, poor yields, or a combination of both. Income Protection (IP) and Adjusted Gross Revenue (AGR) plans were developed by RMA led teams including representatives of the public and private sector, and were implemented as pilot programs. Other revenue insurance plans developed by private insurance companies were submitted to and approved by RMA, and include Crop Revenue Coverage (CRC), Revenue Assurance (RA), and Group Risk Income Protection (GRIP).

The Group Risk Plan (GRP) of insurance was designed to provide coverages based on county yields rather than an individual producer's actual production history; if the actual county yield falls below the producer's "trigger yield" (a percentage of the historical county yield), an indemnity results. All plans of insurance are offered through private insurance companies.

RMA has made a significant impact on the economic stability of producers. In 1999, private insurance companies sold and serviced 1.29 million crop insurance policies. Participation levels have significantly increased since 1994 when producers were protected by $13 billion in insurance liability (value of the insurance in force) on 99 million net insured acres. In 1999, RMA managed over $30 billion worth of insurance liabilities on 196 million net insured acres. Acreage insured in 1999 under additional coverage policies increased from 1998 levels by approximately 23 million net acres, while insured CAT acreage decreased 8 million net acres. Federal crop insurance supported farm income by providing $2.4 billion in payments to producers for losses on insured crops during 1999.

(2) Other Risk Management Tools

In addition to traditional crop insurance (production guarantee plans), new area plans of insurance, and revenue insurance products, RMA is expanding its research and development of other risk management tools through the private and public sector. An example of these non-insurance risk management tools is the Dairy Options Pilot Program (DOPP), conducted to determine if futures or options contracts can provide a meaningful reduction in market risk to dairy producers. Plans are in place to encourage development of other non-insurance risk management tools to assist producers in reducing their risk. These plans include such products as risk management savings accounts and a wide assortment of risk management education and information tools to help producers identify, quantify, and manage their risks.

(3) Risk Management Education (RME)

RMA has developed strategies to provide education to producers in managing the financial risks inherent in producing and marketing agricultural commodities. As part of this education initiative, RMA has established the partnerships with the private insurance industry, commodity groups, Cooperative State Research, Education and Extension Service (CSREES), Commodity Futures Trading Commission (CFTC), USDA's National Office of Outreach, and the Economic Research Service (ERS) to deliver risk management training programs to the agricultural community. RMA has developed educational materials that will assist producers in the knowledgeable use of forward contracting, commodity futures and options contracts, crop insurance, and other risk management alternatives.

Additionally, RMA operates the Dairy Options Pilot Program (DOPP). Under the provisions of the 1996 Act, RMA is to conduct pilot programs to determine if futures or options contracts can provide a meaningful reduction in market risk to producers. The Commodity Futures Trading Commission (CFTC) plays an advisory role in helping RMA evaluate the instruments which are being used in the DOPP. RMA also works with commodity futures exchanges on proposals they put forward. RMA is also evaluating the feasibility of options pilot programs for producers of other commodities.

(4) Agricultural Risk Protection Act of 2000 (ARPA)

On June 20, 2000, the President signed into law provisions which invest $8.2 billion in five years to further improve Federal crop insurance. ARPA amended the Federal Crop Insurance Act to strengthen the safety net for agricultural producers by providing greater access to more affordable risk management tools and improved protection from production and income loss, and to improve the efficiency and integrity of the Federal crop insurance program. Due to the new legislation RMA will improve the basic products by implementing higher premium subsidies to make buy-up coverage more affordable for producers; make adjustments in actual production history guarantees; and revise the administrative fees for CAT coverage. Other major provisions of ARPA include: expanded authority of general pilot programs; expansion of the Dairy Options Pilot Program and Risk Management Education; tightening of program compliance and integrity; establishment of expert review panels and procedures for reviewing policies, plans of insurance, and related material or modifications; mandating availability and acceptance of electronic information; and strengthening of "good farming practices" by including scientifically sound sustainable and organic farming practices.

In addition, ARPA prohibits FCIC from conducting research and development on new policies. Provisions of the legislation mandate expanded use of contracts and partnerships with public and private entities for the research and development of policies and other risk management tools. Pilot program authority was expanded to include a livestock program, wild salmon program, premium rate reduction pilot, and a cost-share pilot program. RMA will enter into contracts to carry out research and development to: (1) Increase participation in under-served areas, States, and commodities; (2) Conduct a study of multi-year coverage; (3) Research and develop revenue coverage plans; (4) Develop a cost of production policy; and (5) Review and adjust rating methodologies. RMA will provide reimbursement to public and private entities for the research, development, and maintenance costs associated with new plans and products. Implementation of the legislation will require that RMA develop regulations and procedures to solicit and manage the contracts and partnerships. RMA anticipates these changes will better the crop insurance program by increasing producer participation at both the CAT and additional coverage levels, providing insurance coverage for more crops, and making other new and innovative risk management tools available to producers.

(5) Small Farms

The strategic plan contains three components that each contribute to a framework of support for small farms. They include Risk Management Education, Outreach/Civil Rights, and risk management tool development and support. Risk Management Education is designed to increase the agricultural community's awareness and effective utilization of risk management alternatives. Outreach efforts are designed to identify and reduce barriers that prevent minority and small/limited-resource farmers from participating in RMA programs. Risk management tool development and support ensures that producers have economically sound risk management tools available to meet their needs. All of these components help to support the role that small farms play in the U.S. agricultural sector.

KEY EXTERNAL FACTORS

Several key factors in addition to the above provisions of the ARPA of 2000 could significantly affect progress in RMA's efforts to achieve its goal. They include:

- Changing economic or environmental conditions (e.g., commodity prices) could lead to increased or decreased participation and amount of insurance protection.
- Producers may assume that the Government will provide assistance in the event of disasters, as it has through former disaster programs, leading to a reluctance to utilize risk management alternatives.
- Producers unfamiliar with new products may be uncomfortable using tools other than traditional crop insurance.
- Insufficient funding or other resources would reduce RMA's ability to deliver the risk management program.
- Entities identified in the Partnerships and Coordination sections of this plan, who are vital to RMA achieving its goal, may become unable to provide needed products or services. For example, if a private insurance company no longer participates in the delivery of Federal crop insurance, the re-allocation of policies could cause a disruption in service to customers.
- If the requirements for participants in the contracting and partnership process for research and development activities exceed their capacity, achievement of planned new program targets will be jeopardized.

RMA will take appropriate steps to monitor these and other factors which could significantly affect its progress toward achieving its goal, and will take appropriate action to mitigate the impact of any factors which jeopardize such progress. For example, RMA will attempt to mitigate the discomfort of producers in using new risk management tools other than traditional crop insurance through education and appropriate dissemination of information to improve producers' comfort level with such tools.

VISION

RMA...transforming yesterday's crop insurance program into a broad-based safety net for producers to assure that American agriculture remains solid, solvent and globally competitive through the 21st century.

MISSION

The Risk Management Agency will provide and support cost-effective means of managing risk for agricultural producers in order to improve the economic stability of agriculture.
Achievement of the Agency's mission will be judged by the extent to which the needs of agricultural producers are met in times of disasters or other uncontrollable conditions which threaten the economic stability of American agriculture.

GUIDING PRINCIPLES

These principles and values important to the RMA represent the philosophies which guide the behavior of the members of our Agency in delivering its services and fulfilling its mission.

We:

- Believe that our most valued customer is the American farmer;
- Recognize the unique partnership we have with the private crop insurance industry;
- Strive to establish extraordinary customer relations as we respond to customer needs;
- Value our employees as our most important resource;
- Strive to make decisions based on strategic planning goal(s) and in the best interest of the taxpayers, our customers, and our organization;
- Practice daily, effective communication and cooperation at all levels to accomplish our mission;
- Believe in and promote a safe and healthy work environment, equal opportunity, and the treatment of all people with dignity and respect;
- Promote the development and maintenance of technical, management, and interpersonal communication proficiencies by conducting ongoing training and other developmental opportunities to continually enhance our employee capabilities and improve our customer service;
- Believe in the value of teamwork as a primary means to ensure continuing and increasing excellence;
- Promote and reward innovation and creativity as a means to excellence;
- Believe that we must focus on product quality by continuing to improve and simplify risk management tools;
- Believe that we must maintain the integrity of our organization through progressive management practices, sensible risk-taking, and rigorous financial controls; and
- Encourage responsible stewardship of our natural and cultural resources through responsible farming practices.

GOAL: To strengthen the safety net for agricultural producers through sound risk management programs and education.

RMA develops and delivers (in coordination with and through the private sector) a variety of risk management products to enable agricultural producers to manage their risks. These products help producers protect themselves from yield risks, market risks, or other risks faced in their farming operations. RMA's new legislative initiatives resulting from the passage of ARPA further contribute to producers' ability to protect their financial stability, and comprise the major component of the safety net for agricultural producers. The ARPA includes significant changes in the manner in which RMA accomplishes its goal, including expanded use of contracts and partnerships. These changes will expedite and strengthen the research and development process to enable new and innovative risk management tools to be utilized by producers. These new tools go far beyond traditional crop insurance programs which in the past, have been the primary focus of the FCIC. These efforts, and the resulting new RMA tools for producers will truly enable RMA to achieve its vision of transforming yesterday's crop insurance program into a broad-based safety net for producers through the 21st century. An expanded, comprehensive risk management education and outreach program will increase agricultural producers' awareness of their new and improved risk management opportunities. RMA's Agency goal provides a solid foundation and direction for the future, and is directly linked to the Secretary's Overview on Goal 1.1, "Provide an effective safety net and promote a strong, sustainable U.S. farm economy."

RMA has identified key strategies that will support the achievement of our goal and are identified under each objective documented in this plan. They are considered ongoing activities for the 2000 through 2005 Fiscal Year (FY) time frame.

RMA's portion of the safety net includes a wide variety of public and private risk management alternatives that are designed to protect the agricultural producer from economic disaster, while being cognizant of environmental, social, and other policy goals of USDA. RMA's success in strengthening the safety net will be measured through the accomplishment of the following objectives:

Objective 1.1: "Increase the availability and utilization of economically-sound risk management tools to meet producers needs."

Producers' needs are continuously being assessed by RMA and its private sector partners to ensure new and innovative risk management alternatives are available to meet producers' needs.

Strategies for Achieving the Objective

1. Assess needs and interest for risk management tools for producers of specific agricultural commodities.
2. Lead the contracting and partnership efforts to assist agricultural partners in the research, development, implementation, and maintenance of new tools such as revenue coverage products, options-based products, multi-year coverage, underserved commodities and areas, speciality crops, livestock, cost of production plans, and other non-traditional risk management products.
3. Maintain and continuously improve existing products.
4. Evaluate products and take appropriate actions.
5. Evaluate and improve process for private companies submitting and gaining approval/disapproval of alternative products.

Performance Measures

Considerable research is conducted each year to determine the needs of producers, identify possible alternative methods or approaches to meet those needs, and assess the effectiveness of the various risk management tools in meeting those needs. After risk management tools are made available to producers, program evaluations are conducted, and include input from producers, insurance providers, other Government agencies, private industry trade associations, and other parties as appropriate to assess the success of those tools in meeting producers' needs. Modifications to programs are made as necessary to ensure that risk management tools which are piloted are effectively meeting producers' needs before such pilot programs are converted to permanent status. Likewise, evaluations are conducted on permanent programs to determine their effectiveness for producers, and appropriate changes are made to them as necessary.

The performance measures for Objective 1.1 have been revised since the development of RMA's 1997 Strategic Plan. These new measures will provide the outcomes which assess the effectiveness of RMA's contribution to the safety net for agricultural producers through the utilization of risk management tools. RMA maintains an integrated data processing system to receive and validate data transmitted by the private insurance companies. These data are the basis to determine the liability and premium of the producers' insurance policies and resultant expense reimbursement to the private insurance companies. The checks and balances performed by the data processing system provide RMA with a mechanism to assure the quality and reliability of its data. The outcome of traditional crop insurance indicators is obtained from the databases and will be utilized to measure RMA's achievements.

RMA and its private delivery partners have made substantial strides in the number of producers who have benefitted from the economic protection offered by RMA-managed products. For example, achievement of the objective is evidenced by the increase in the number of acres that are insured. Since 1994, the acres that are protected by crop insurance have increased 98 percent. RMA anticipates the contracting and partnerships with public and private entities will further increase the number of acres insured and have projected 2005 targets levels at 30 million acres more than the actual acreage insured in 1999. Likewise, total insurance in force, which is the value of insurance liability, is a direct measure of RMA's contribution to the safety net for agricultural producers. In recent years, there has been a significant increase in the total insurance in force. That coupled with the expected increase in future products, results in a projected increase in liabilities of more than $11 billion for 2005 over 1999.

The following outcomes assess the effectiveness of RMA's contribution to the safety net for agricultural producers through the utilization of risk management tools.

- Net acres insured (Acres in thousands).
  Baseline: For the 1999 crop year, 196,359 acres were insured.
  Target: 226,163 acres will be insured for the 2005 crop year.

- Percent Participation (Percent of planted acres of principal crops as reported by NASS, other than hay, that are insured).
  Baseline: For the 1999 crop year, 73 percent of planted acreage was insured.
  Target: For 2005, planted acreage that is insured will increase to 84.3 percent.

- Total insurance in force (Dollars in thousands).
  Baseline: In 1999, producers were protected by $30,839,105 of insurance liability.
  Target: For 2005, insurance liability will increase to $42,175,500.

- Total crop insurance premium (Dollars in thousands).
  Baseline: In 1999, the total crop insurance premium was $2,304,582.
  Target: For 2005, the total crop insurance premium will increase to $3,743,900.

- Number of insurance plans available.
  Baseline: 138 insurance plans were available to producers for the 1999 crop year.
  Target: For 2005, 149 insurance plans will be available for producers to utilize.

- Number of non-insurance tools available.
  Baseline: One non-insurance tool was available to producers for the 1999 crop year.
  Target: For 2005, five non-insurance tools will be available for producers to utilize.

Partnerships and Coordination

- RMA is significantly expanding its use of contracts and partnerships with others to reach this objective. Contracts and partnerships with public and private sector parties are utilized in the research development and evaluation of risk management tools to a greater extent than ever before. A new process has been established to provide for the expert review of products being submitted to the FCIC Board of Directors for approval.
- The RMA product distribution system relies on the private sector. RMA works closely with our private sector partners (e.g., delivery partners, trade associations, grower groups, etc.) ensuring quality service to customers.
- RMA coordinates its activities, including new program development and research efforts, at various levels of the organization. A number of special-emphasis coordinators are tasked with specific coordination responsibilities. As an example, the Specialty Crops Coordinator serves as the Corporation's liaison with representatives of specialty crop producers and has primary responsibility for addressing their needs. Likewise, the Small Farms Coordinator represents the interests of small farmers.
- The ERS conducts and publishes independent analyses of risk management issues and current and emerging risk management tools and strategies. Relevant results of these analyses are incorporated into RMA's risk management material for availability to producers.
- The USDA Chief Economist will provide RMA with expert review and opinion on the economic impacts of program expansion and new products with the viewpoint of the Secretary's Senior Advisors.
- FSA and RMA share information used in their respective programs, and will place greater emphasis on data reconcillation.
- The National Agricultural Statistics Service (NASS) provides RMA with a database of yield and other agronomic data useful in developing actuarially-sound crop insurance programs. The Group Risk Plan uses NASS data exclusively to develop coverages and premium rates and calculate indemnities. NASS data are also used to project high-indemnity areas during catastrophic loss periods.
- The CSREES provides RMA with a network of knowledgeable agronomic and economic researchers who offer insight into certain aspects of crop insurance program design. They also provide RMA with analyses of the crop insurance program, proposals for modifying the crop insurance program, and potential alternatives for improving the crop insurance program as a risk management tool. Many of these researchers also serve as producer resources in their area of expertise. Some of these researchers participate in the FCIC/Extension Advisory Council by contributing analyses and peer reviews of existing and proposed crop insurance concepts and designs.
- The CFTC will provide RMA with reviews and analyses of revenue insurance products for compliance with CFTC legislative responsibilities.

Objective 1.2: Increase the agricultural community's awareness of risk management alternatives."

Through contracts and partnerships, the agricultural community will have available a comprehensive risk management education and outreach program. RMA will provide leadership, funding, and a strategy for institutionalizing this risk management program.

Strategies for Achieving the Objective

1. Enhance process to identify and reach underserved areas, States, commodities, producers, and other members of the agricultural community (e.g., farm publications, education courses, etc.).
2. Prepare and deliver RME products.

Performance Measures

The following outcomes will assess the effectiveness of RMA's risk management education efforts by measuring the awareness and utilization of risk management alternatives by the agricultural community.

- Percent of producers surveyed that are aware of risk management alternatives.
  Baseline: 30-35% average based on the 1999 Mississippi State University Report on Crop Producer Risk Management Survey.
  Target: Improve baseline.

- Percent of producers surveyed that utilize risk management alternatives.
  Baseline: 25-30% average based on the USDA, ERS, 1996 Agricultural Resource Management Study.
  Target: Improve baseline.

Partnerships and Coordination

- RMA is significantly expanding its use of contracts and partnerships with others to reach this objective.
- A CSREES representative serves as one member of a four-member RME Steering Committee chaired by RMA and organized by the Secretary's Risk Management Education Initiative involving public and private sector organizations involved in agricultural risk management. CSREES' State Extension Specialists will contribute to the development and dissemination of RME materials to producers and agribusiness through the CSREES' network of State Cooperative Extension Services located in 1862, 1890 and 1994 Land-Grant colleges. These specialists will also conduct research into producer and agribusiness educational needs and achievements.
- A CFTC representative serves as one member of the four-member RME Steering Committee. CFTC contributes to RMA's educational program. CFTC maintains research and information programs which assist RMA in the development of educational materials regarding futures trading. CFTC advises RMA on the instruments which are used in the Dairy Options Pilot Program (DOPP).
- A USDA's National Office of Outreach representative serves as one member of the four-member RME Steering Committee and ensures that small and limited resource farmers are served by RMA's education and outreach programs.

- The ERS will conduct and publish independent analyses of producers' risk management issues and current and emerging risk management tools. Relevant results of these analyses may be incorporated into RMA's risk management material and made available to producers.

Objective 1.3: Improve program integrity and protect taxpayers' funds.

This objective is achieved by conducting internal and external reviews, investigations, program evaluations, and audits to address inherent program vulnerabilities, deter abuse, and minimize program costs. This will be done in coordination with private sector delivery partners, oversight bodies, and appropriate contracts and partnerships with others.

Strategies for Achieving the Objective

1. Develop and maintain a system to continually evaluate and improve internal and external management controls.
2. Expand the use of contracts and partnerships in the evaluation of new and existing risk management tools, including the implementation of an expert panel to review products before they are sent to the FCIC Board of Directors, in accordance with the requirements of ARPA.
3. Implement the process identified in the Concurrence Process and Signature Authorities memo signed by the Administrator to the Deputy Administrator for Research and Development on October 4, 2000, to ensure adequate review and concurrence of new risk management tools.
4. Review, improve, and maintain performance standards for delivery partners.
5. Implement and maintain a process to ensure evaluation of financial performance measures of various reinsurance arrangements.
6. Develop and apply data mining and other state-of-the-art technology to compliance methodology.

Performance Measures

These measures are dependent on the Manual-14 (M-14) quality control reporting requirement found in the Standard Reinsurance Agreement (SRA) that controls a significant portion of the insurance providers contractual relationship with RMA/FCIC. We are making use of company generated data and reports. They reflect the current state of their respective quality control capabilities (which vary greatly company to company). Our aim is to: (1) measure the level of individual company quality control systems and the accuracy of their reports; (2) up grade the level of their quality control systems and reports; (3) take annual measures based on reports that are accurate and consistent; and (4) use the reports and our analysis to generate a set of performance measures that will prove useful in quantifying program vulnerabilities and costs. The evolution to a 3-year average cannot begin until steps (1) and (2) are complete. The following outcomes identify RMA's method for measuring the reduction in program vulnerabilities and costs:

- Total error rate (total of misrepresentation, program vulnerabilities, and unintentional errors).
  Baseline: 8.7% for the 1991 crop year (will evolve into a 3-year average).
  Target: Improve over baseline.

- Rate of erroneous payments (misrepresentation).
  Baseline: 1997 crop year average (new measure that will evolve into a 3-year average).
  Target: Improve over baseline.

- Rate of program vulnerability.
  Baseline: 1997 crop year average (new measure that will evolve into a 3-year average).
  Target: Improve over baseline.

- Rate of program delivery errors (unintentional errors).
  Baseline: 1997 crop year average (new measure that will evolve into a 3-year average).
  Target: Improve over baseline.

Partnerships and Coordination

- RMA is significantly expanding its use of contracts and partnerships with others to reach this objective.
- RMA conducts routine program and procedural reviews with delivery partners to minimize vulnerabilities and reduce costs.
- RMA's compliance efforts will be working together and in coordination with the Office of Inspector General (OIG) through their criminal investigation reports, subpoena power, audit and statistical expertise.
- RMA performs management control reviews and follow-up actions on audits which will be contributing to the Office of the Chief Financial Officer's report on the Federal Managers' Financial Integrity Act of 1982.
- The Office of the General Counsel will receive RMA investigative and litigation support for Board of Contract Appeals. They provide expert witnesses in cases and legal opinions and interpretations on a variety of matters.
- The General Accounting Office (GAO) will be providing reviews of RMA program management and operations for Congressional committees. GAO will also provide evaluations of RMA program participants.
- RMA is working with the Department of Justice to increase use of the Affirmative Civil Enforcement process to enhance program integrity.

RMA's vision is to create an organizational environment and climate which promotes the strategic vision at all levels of the organization. Objectives 1.4 and 1.5 demonstrate value through contributions of the workforce; focus efforts to eradicate discrimination in both program delivery and employment; improve internal and external communication; provide technological support for Agency program and business requirements; and incorporate coverage of proven environmentally-sound practices.

RMA recognizes the need to aggressively address its systems and processes in order to become more efficient and prepare to meet the challenges of the future. Objectives 1.4 and 1.5 highlight strategies which will enhance our ability to meet Departmental and legislative requirements, provide customer service, and practice good management.

Objective 1.4: Enhance the organizational infrastructure.

To support our program requirements, RMA will be working to create and sustain a diverse and cohesive organizational culture. This organizational culture will promote teamwork, recognize and develop potential, and value contributions by individual employees.

Strategies for Achieving the Objective

1. Negotiate and execute an annual Service Agreement and/or contract for Agency administrative services.
2. Establish means to collect, analyze, and report on RMA strategic plan performance measures.
3. Conduct organizational analysis.
4. Review, modify, and implement an employee development program.
5. Implement an equitable and innovative awards program.
6. Implement an effective employee performance evaluation process.
7. Implement an employee satisfaction survey and evaluation process.
8. Implement an automated employees' skills bank for use in appropriately staffing agency programs and projects.
9. Create and sustain effective communication systems and processes.
10. Create and improve existing processes of distributing information within RMA.
11. Create and improve existing processes and systems of information exchange with external customers (informational exchange such as, RMA Intranet web-page).
12. Implement and update RMA's Workforce Plan.

Performance Measures

The outcome for this initiative is general in nature and therefore difficult to directly quantify. The following measure assesses the quality of our infrastructure elements.

Assessment of the degree to which the organizational infrastructure supports the program requirements of RMA.

Baseline: Average rating based on survey.
Target: Improve baseline.

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Partnerships and Coordination

- Human Resources Division and Management Services Division of the Farm Service Agency (FSA) coordinate employee and management development opportunities, long-term training programs, incentive awards programs and other programs to develop teamwork skill and enhance the potential of individual employees.
- RMA is working with local unions to improve and coordinate communications and processes that facilitate improved and effective labor/management partnerships.
- CSREES' State Extension Specialists serving on the FCIC/Extension Advisory Council support the development and dissemination of RME materials to producers and agribusiness through the CSREES network of State Cooperative Extension Services located in 1862, 1890 and 1994 Land-Grant colleges.

- RMA is working closely with other Departmental entities on efforts to enhance and coordinate the communications systems and processes that facilitate improved and effective systems for both internal and external customers.

- The Office of Communications provides graphic design and duplication services important to RMA.

Objective 1.5: Integrate Civil Rights as part of all RMA activities.

To support this Civil Rights initiative, RMA will improve service delivery to historically under served populations of the agricultural community; deliver agency programs in compliance with civil rights laws and with Departmental regulations, policies and goals; and create an environment in which all individuals are treated fairly within RMA and in all facets of our delivery system. Implementation of this initiative will be in conformance with applicable Federal and Department-wide standards and plans (e.g., Civil Rights Implementation Plan, Affirmative Employment Plan, National Outreach Plan).

Strategies for Achieving

1. Ensure that policies and procedures are in place such that all Civil Rights laws, rules and regulations are followed.
2. Develop and implement a process to identify undeserved areas of the agriculture community.
3. Identify and implement outreach initiatives to identify and address barriers to equal access and participation to all RMA programs and activities.
4. Encourage an environment in which all individuals are treated fairly, both within RMA and in all facets of our delivery system.
5. Establish a system for early detection and resolution of potential internal and external conflicts.
6. Develop and maintain an effective process for handling civil rights program complaints.
7. Partner with 1890, 1994 and 1862 institutions, community based organizations, Hispanic Serving Institutions (HSI) to educate farmers on risk management.
8. Identify and take affirmative steps within the authority of the agency to develop and implement effective strategies for removing barriers to workforce diversity.
9. Deliver agency programs in compliance with civil rights laws and with Departmental regulations, policy and goals.
10. Conducts civil rights training for all employees.
11. Collect civil rights data on farmers participating in program.

Performance Measures

The following outcomes will assess the effectiveness of RMA’s Equal Employment Opportunity, Civil Rights and Outreach efforts by measuring the diversity of RMA’s labor force and delivery systems, and through the number of program and employee complaints and the percentage of these that are resolved in the initial stages. Also, through the number of partnerships with organizations and agencies representing women, minorities and small and limited recourse farmers and ranchers and through the number of small and limited resource farmers and ranchers attending workshops/conferences on managing risk.

- Improve agency representation of women and/or minorities and/or persons with disabilities in targeted grade levels and occupations.
  Baseline: FY 2000: 54% (276 of 516 employees) are in targeted diversity groups. (Additionally, 65 female employees are either minorities or persons with disabilities.)
  Target: Improve baseline with respect to grade levels and occupations

- Title VII, Equal Employment Opportunity measured indirectly through informal complaint activity and resolution.
  Baseline: FY 2000: 50% of 30 informal EEO complaints resolved
  Target: Improve baseline by 20% (4% per FY)

- Title VI, Civil Rights program delivery and equal treatment measured indirectly through civil rights complaint activity and resolution.
  Baseline: FY 2000: 33% of 6 program complaints resolved
  Target: Improve baseline by 20% (4% per FY)

- Civil Rights Compliance measured through the number of insurance providers reviewed and reports issued.
  Baseline: FY 2000: 3 Companies reviewed
  Target: Remainder (16) companies reviewed

- Outreach efforts measured through partnership projects aimed at providing small and limited resource farmers and ranchers with the information and technical assistance necessary to access and participate in RMA's programs and activities.
  Baseline: FY 2000: 11 projects (totaling $968,381)
  Target: Improve baseline by 50% (10% per FY)

- Outreach efforts measured through the number of small and limited resource farmers and ranchers attending risk management education workshops on the five areas of risk.
  Baseline FY 2000: 4,000 attendees
  Target: Improve baseline by 50% (10% per FY)

Partnerships and Coordination

RMA is partnering with community based organizations (CBOs), 1890 and 1994 land grant institutions, and Hispanic Serving Institutions (HSIs) and other Federal and state agencies to better serve small and limited resource farmers and ranchers.

Legislative Mandate

The Civil Rights Act of 1964 requires agencies to eliminate discrimination in employment practices and program delivery systems.

LINKAGE OF GOAL TO ANNUAL PERFORMANCE PLAN

Federal crop insurance is an important element of the safety net and has historical data available to establish baselines. As other risk management products become available, they will be included for performance measurement in updates of the strategic plan. Measurements will be refined as more experience is gained.

A variety of output measures have been developed and are identified in the Agency's Annual Performance Plan. RMA has a number of traditional measures that are used as components for determining our outcomes related to the goal, and objectives in this strategic plan. For instance, the number of insurance plans available is a measure of the variety of risk management tools which can be used by producers to manage their risk and is an indicator of the success in reaching Objective 1.1.

Additional performance measures are used in identifying annual progress for Objective 1.2. For example, the number of institutions offering risk management courses and the number of producers attending risk management training are leading indicators of the potential for producers to choose the most effective risk management tools to meet their individual needs.

The loss ratio of the insurance program provides a measure of the cost to the taxpayer in comparison to the premiums paid by producers for insurance coverage. Program vulnerabilities which result in high-indemnity payments increase the loss ratio. Objective 1.3 is intended to reduce these vulnerabilities and lower the loss ratio.

Objectives 1.4 through 1.5 directly support achievement of the agency goal. They highlight strategies which will enhance our ability to meet the program needs of the agricultural producer.

RMA's budget Program Activities are directly linked to the Agency's goal "To strengthen the safety net for agricultural producers through sound risk management programs and education."

RESOURCES NEEDED

Achievement of RMA's mission, goal, and corresponding objectives, requires resources to cover the salaries and expenses of a larger workforce than the approximate 568 full-time-equivalent employees currently authorized - - a larger work force will be necessary beginning in FY 2002 due to implementation of the ARPA of 2000. Staff at the Headquarters office in Washington, D.C. is needed to plan and coordinate the administration of the Agency. The National office in Kansas City, MO requires personnel to administer the contracting, implementation, maintenance, and evaluation of risk management products as well as to provide training, technical assistance, and accounting. Employees at 10 Regional Offices assist in the expansion of existing county crop insurance programs and introduction of new products and pilot programs. In addition, they coordinate and implement partnerships to provide risk management education and outreach to thousands of agricultural representatives and producers. Six Compliance Regional Offices, located across the country, require staffs to provide oversight of insurance programs through compliance investigations, insurance providers' reviews, and internal program reviews.

RMA is in the process of updating its 5 year IT Plan to reflect legislative mandate and emerging technology issues. This plan will be compliant with the Clinger-Cohen Act, USDA's enterprise architecture guidelines, common computing environment guidelines, and capitol planning and investment guidelines. In order to achieve the goals and objectives of the Agency, future information technology systems must support the needs of RMA. This has become even more critical since crop insurance reform legislation has been adopted. RMA's information systems perform critical functions unique to the success of the crop insurance program and serve as the heart and soul of program delivery, integrity, and general support to over a million program beneficiaries. Without sufficient resources to provide system upgrades, enhancements, and maintenance, program and product delivery, program integrity, and the infrastructure of the Agency will all be compromised.

RMA also requires resources to cover Civil Rights activities aimed at increasing the participation of women and minorities, and assuring that underserved and socially-disadvantaged producers and ranchers have full access to RMA programs. For FY 2000, an additional $300,000 has been committed to outreach initiatives aimed at accomplishing USDA/RMA goal to ensure equal access and participation of all farmers and ranchers. The ARPA also authorizes use of mandatory funds, beginning in FY 2001, for the Agency to enter into contracts to increase participation in States in which the Corporation determines there is traditionally, and continues to be, a low level of Federal crop insurance participation and availability and the State is underserved by the program. In addition, mandatory funds may be used to enter into contracts to research and develop ways to increase participation by producers of underserved agricultural commodities, including speciality crops.

Funding for Risk Management Education initiatives is also critical to the success of RMA. The ARPA authorizes mandatory funds, beginning in FY 2001, to establish a program under which crop insurance education and information is provided to producers. In addition, mandatory funds are authorized to establish a program under which competitive grants are made to qualified public and private entities for the purpose of educating agricultural producers about the full range of risk management activities.

Mandatory funding has been authorized under the ARPA for the Agency to properly enter into contracts and partnerships to carry out research and develop and provide a payment to reimburse applicants for research and development costs. In addition, RMA must be able to evaluate and make recommendations for improvement of existing crop programs, and coordinate support for speciality crop programs, such as wild salmon.

RMA will require adequate resources to ensure that it can properly conduct reviews of RMA programs and activities, review and evaluate internal and management control systems, maintain liaison with external audit and investigative agencies, and review activities of insurance providers and others involved in the delivery of RMA programs.

Due to consolidation of administrative services under the Farm and Foreign Agricultural Services mission area, resources are required to provide administrative services to RMA. This is currently handled through a reimbursable agreement with the FSA.

Mandatory funding will also be required for administrative expense reimbursements to insurance providers for delivering RMA programs/products, premium subsidy, and excess losses.

In addition to the standard operating costs of the Agency and Corporation, sufficient resources are required for RMA to implement the numerous program changes and carry out the many innovative products and plans the ARPA of 2000 authorized. Because the bill mandated many large and complex new programs and significant re-tooling of existing program systems and infrastructures, RMA estimates it will need increased financial resources of approximately $111 million over a 5 year period to implement the legislation. Funds would be used to contract for studies, conduct rate reviews, perform cost benefit analyses, obtain greater computer capacity, implement the livestock pilot program, implement program infrastructure to support revised actuarial information of new insurance terms and conditions, administer contracts for research and development, finalize and convert proposals into final insurance policies for RMA and FCIC Board of Directors approval, provide systems application development costs and data validation support, support increased compliance requirements, and support additional staff years.

PROGRAM EVALUATION

RMA conducts evaluations of pilot programs as required by the Federal Crop Insurance Act, as well as permanent programs. These program evaluations include input from insureds, insurance providers, other Government agencies, private industry trade associations, and other parties as appropriate to assess the success of risk management programs in meeting producers' needs.

RMA has established performance targets expressed as tangible, measurable points against which actual achievement will be compared. These performance targets, some of which are still under development, have been derived from the analysis of multiple and diverse reviews conducted by internal components of RMA, partner agencies, and the private sector.

Additionally, the Agency uses reviews conducted by the GAO and the USDA OIG to check its ability to achieve its goal and objectives. Agency Strategic and Implementation Planning and execution activities must be analyzed based on performance evaluation and process improvement recommendations derived from these reviews. RMA uses the results of these reviews to improve the effectiveness and efficiency of the Agency's programs and processes. RMA's internal and external reviews are identified in more detail throughout this plan.

RMA will conduct Quarterly Reviews as part of its evaluation and continuous improvement process. These Quarterly Reviews are designed to identify Agency progress as it relates to our strategic and annual implementation planning activity. These reviews will provide objective and formal assessment of RMA's performance as it relates to the goal defined in this strategic plan.

RMA's efforts offer a cost-effective means of managing the producers' risk through a variety of management tools, thus improving the economic stability of agriculture. RMA uses its resources to establish these tools which are made available to producers through its private industry partners. The outcome is realized when producers take appropriate measures to avail themselves of the risk management tools. The program is successful when these products are used by the producers and they, in turn, become economically protected against the perils of production and price risk. This outcome is measured by the rate of producer participation in the available tools. RMA will survey customers to collect comments on their satisfaction with RMA products and program delivery. These comments will become inputs to RMA's continuous improvement process.

MAJOR MANAGEMENT CHALLENGE

Crop Insurance has become a major USDA "farmer safety net." USDA/OIG audits have identified areas where crop insurance programs need to be strengthened:

- Oversight by insurance providers and the Risk Management Agency;
- Conflicts of interest;
- Verification by loss adjusters;

- Yield and total liability; and
- Insurance availability to all producers.

The Risk Management Agency's (RMA) strategy to manage (reduce) and report improper claims payments in the crop insurance program is to rely on the private insurance companies' quality control reviews and RMA's validation of these reviews. This process results in the companies conducting several thousand quality control reviews in any given year relevant to the major functions associated with the delivery of the crop insurance program. The companies are required to conduct these quality control reviews under terms and conditions established by RMA in Manual 14, (M-14) "Guidelines and Expectations for Delivery of the Federal Crop Insurance Program".

RMA conducts annual M-14 reviews of each private insurance company's quality control program to determine whether a company's program is adequate and effective in exposing intentional program abuse and identifying and correcting discrepancies, inconsistencies, or errors. The results of these reviews, including scope and magnitude of errors, are presented to RMA officials and company representatives in an effort to enhance the reliability of company-generated data over a period of time. RMA will track these results to facilitate development of a database encompassing industry-wide error rates. As the database becomes "normalized" over a period of time, an acceptable industry-wide error rate will be established. RMA will compare the annual M-14 review results for each company to the acceptable industry-wide company error rate. Reinsured companies having error rates significantly below the acceptable industry-wide error rate will be rewarded. Likewise, those companies having error rates significantly above the acceptable industry-wide error rate will be sanctioned. This reward/sanction mechanism will be utilized by RMA as a negotiating tool in future Standard Reinsurance Agreement (SRA) negotiations.

It should be noted, that the audit relative to conflict of interest was a review of 1995 quality control processes. Since the issuance of that audit, RMA has negotiated a new SRA beginning with the 1998 reinsurance year and issued a new M 14, which has significantly strengthened the conflict of interest language and the review requirements, and addressed OIG's concern about separation of supervisory responsibilities for claims adjustment and insurance sales activities. In addition, the RMA, Reinsurance Services Division (RSD) has completed an assessment of each reinsured company's procedures for preventing and detecting conflict of interest situations. During the assessment a review of each company's organizational chart, key management position descriptions, and departmental function statements was conducted to identify any potential overlaps in duties that may be in conflict. In most companies RSD found that the supervisory responsibilities for claims adjustment and insurance sales activities were separated and their organizational structure was properly documented in their plan of operations. RSD also found, that there needs to be a standardized disclosure form developed for the reinsured companies to utilize for their employees, agents, and loss adjusters to annually disclose potential conflict of interest situations and plans to incorporate new procedure in the revision of Manual 14, which is expected to be implemented for the 2002 reinsurance year.

ROLE OF EXTERNAL ENTITIES

RMA solicited comments from external entities, including insurance providers and trade associations to gather information to prepare this Strategic Plan. While inputs were received from multiple external sources, only federal employees were involved in the preparation of this plan.