

Risk Management Agency



Administrator Ross J. Davidson, Jr.

“It might be well to establish an office of insurance for farms against the damage that may occur to them from storms, blights, insects, etc.

A small sum paid by a number would repair such losses and prevent much poverty and distress.”



Benjamin Franklin - 1788

The Birth of Federal Crop Insurance

The Agricultural Adjustment Act of 1938

"It is the purpose of this title to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance and providing the means for research and experience helpful in devising and establishing such insurance."

Risk Management Agency

**Established by the Federal Agriculture
Improvement and Reform Act of 1996
to supervise and administer
the day to day activities of
the Federal Crop Insurance Corporation**

Vision

We serve America's agricultural producers through effective, market-based risk management solutions.

Mission

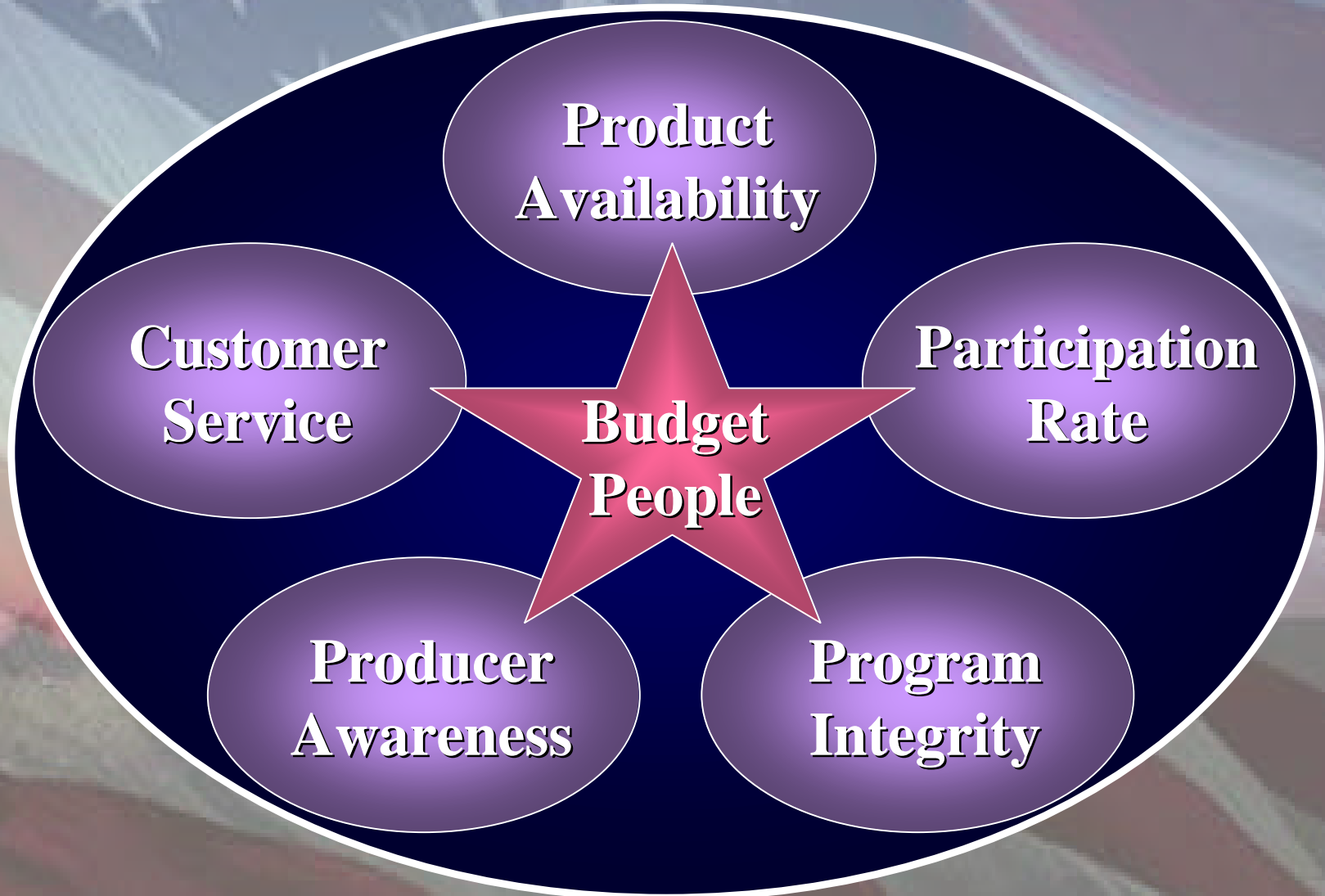
Promote, support, and regulate sound risk management solutions to preserve and strengthen the economic stability of America's agricultural producers

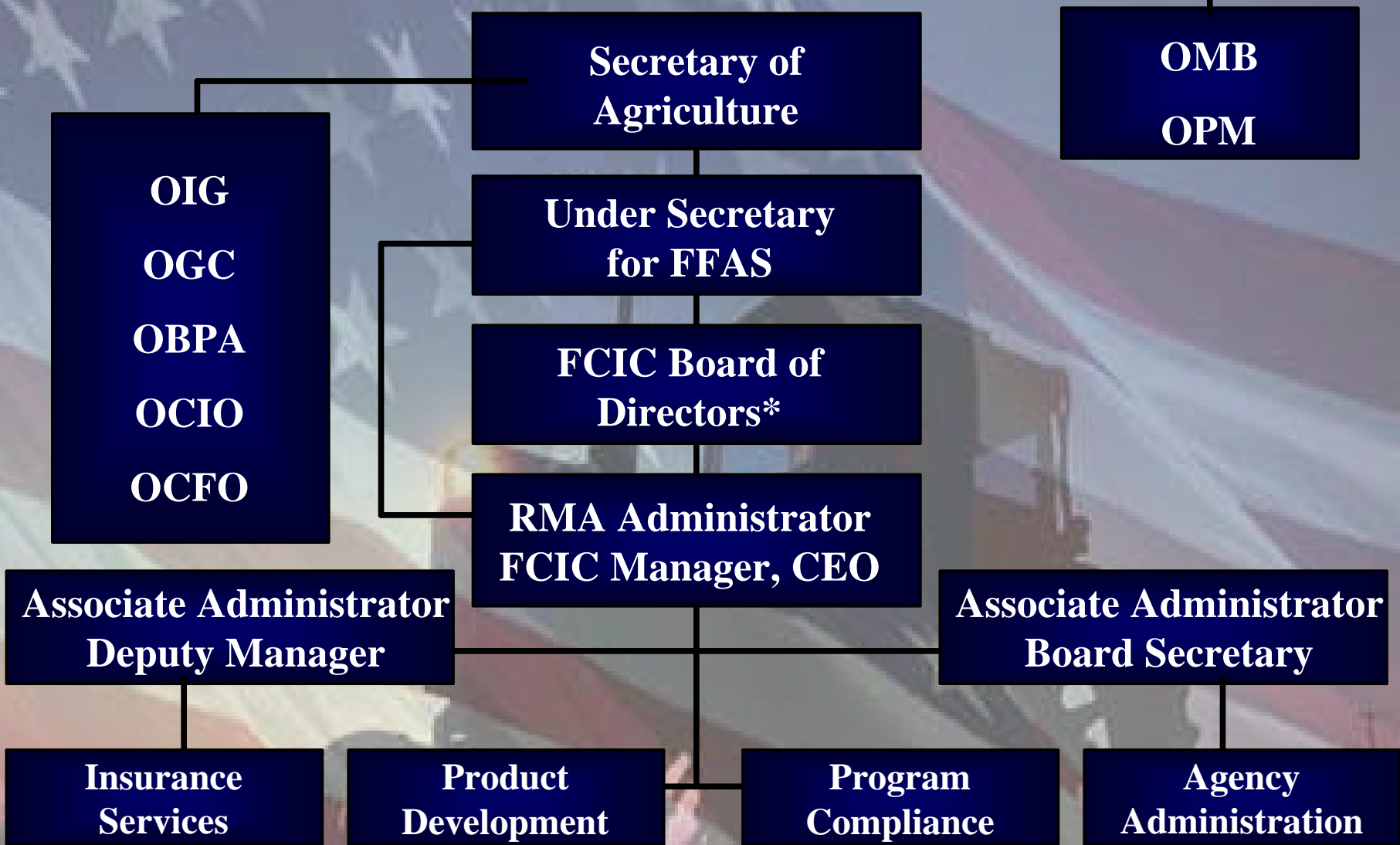
RMA Strategic Goals

- ✓ **Widely available and effective risk management solutions**
- ✓ **Informed customers and stakeholders**
- ✓ **A fair and effective delivery system**
- ✓ **Program integrity**
- ✓ **Excellent service**

Risk Management Agency

Key Effectiveness Measures





- 10 members, 6 outside. Appointed by the Secretary, 4 year terms
- Board has all program authority; part is delegated to the FCIC Manager

FCIC Insurance Products



Natural Risks



**Average
Yield**

**Expected
Price**

**Average
Revenue**

Insurance Guarantee

Agricultural Producer

Federal Crop Insurance Program Status

**\$40+ Billion
Coverage**

**218 Million
Acres**

**100+
Commodities**

22 Existing Crop Insurance Plans

Actual Production History (APH)	Group Risk Protection Income Protection (GRIP)
Adjusted Gross Revenue (AGR)	Income Protection (IP)
Adjusted Gross Revenue Lite (AGR-Lite)	Indexed Income Protection (IIP)
Aquaculture Dollar	Livestock Gross Margin (LGM)
Avocado Revenue Coverage	Livestock Risk Protection (LRP)
Crop Revenue Coverage (CRC)	Pecan Revenue
Dollar Amount of Insurance	Revenue Assurance (RA)
Fixed Dollar	Tobacco - Guaranteed Production
Grower Yield Certification (GYC)	Tobacco - Quota
Grower Yield Certification Span (GYC Span)	Tree Based Dollar Amount of Insurance
Group Risk Plan (GRP)	Yield Based Dollar Amount of Insurance

Program Size

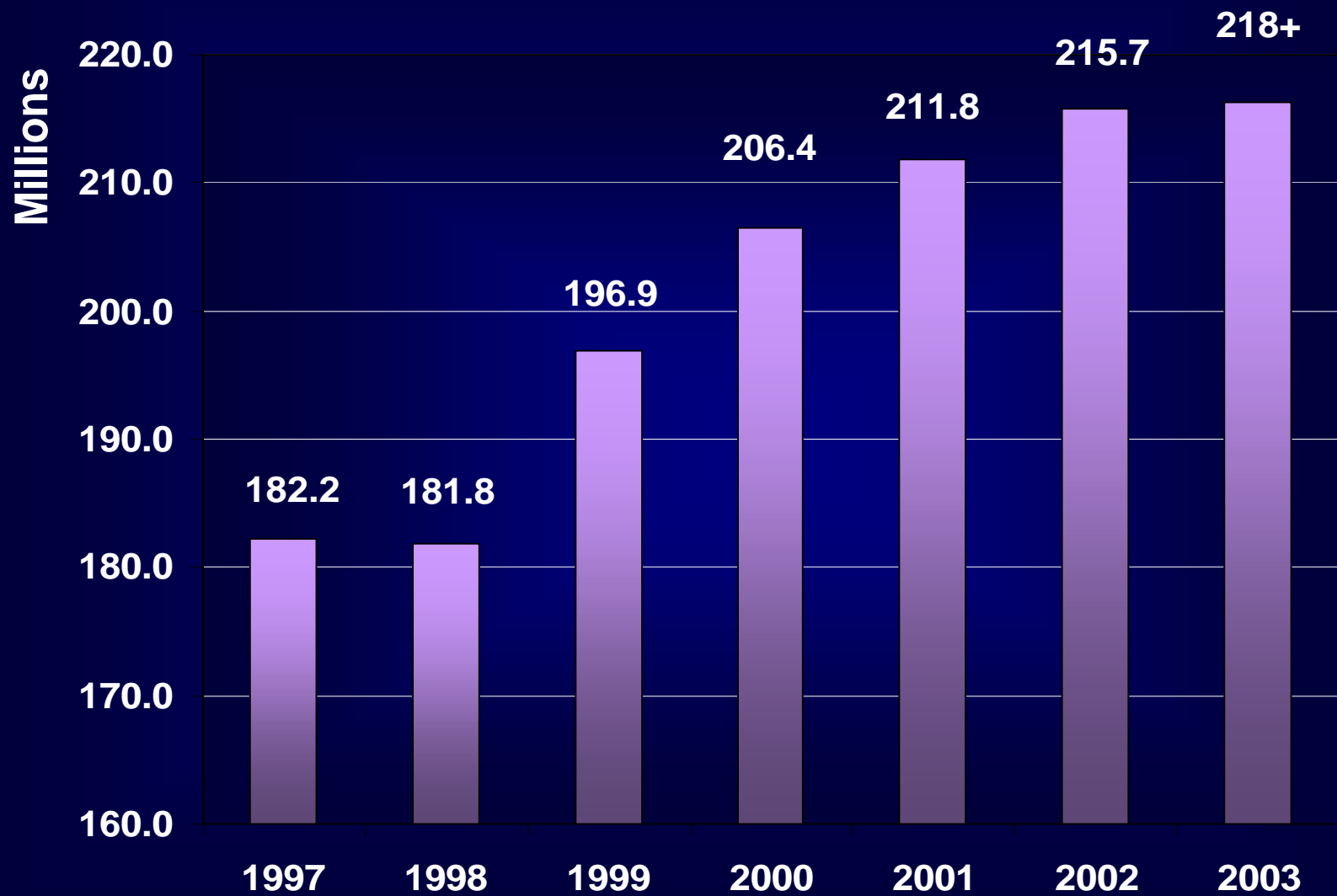
Insurance Coverage by Crop Nationwide

TOP TEN CROPS

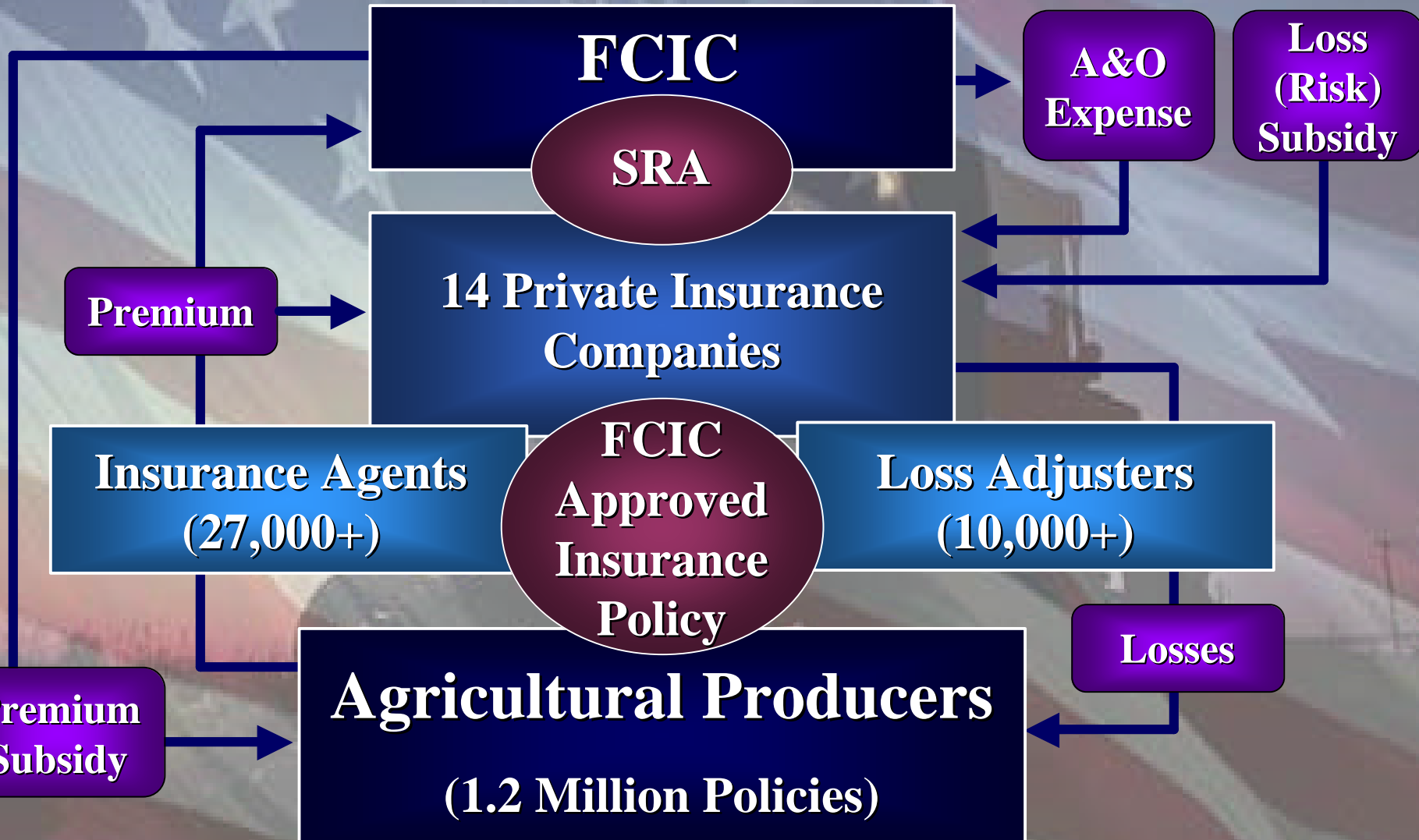
(\$ in Billions)

CORN	12
SOYBEANS	7
WHEAT	4
NURSERY	3
COTTON	2
CITRUS TREES	1
POTATOES	.9
TOBACCO	.8
CITRUS	.7
SUGAR BEETS	.6

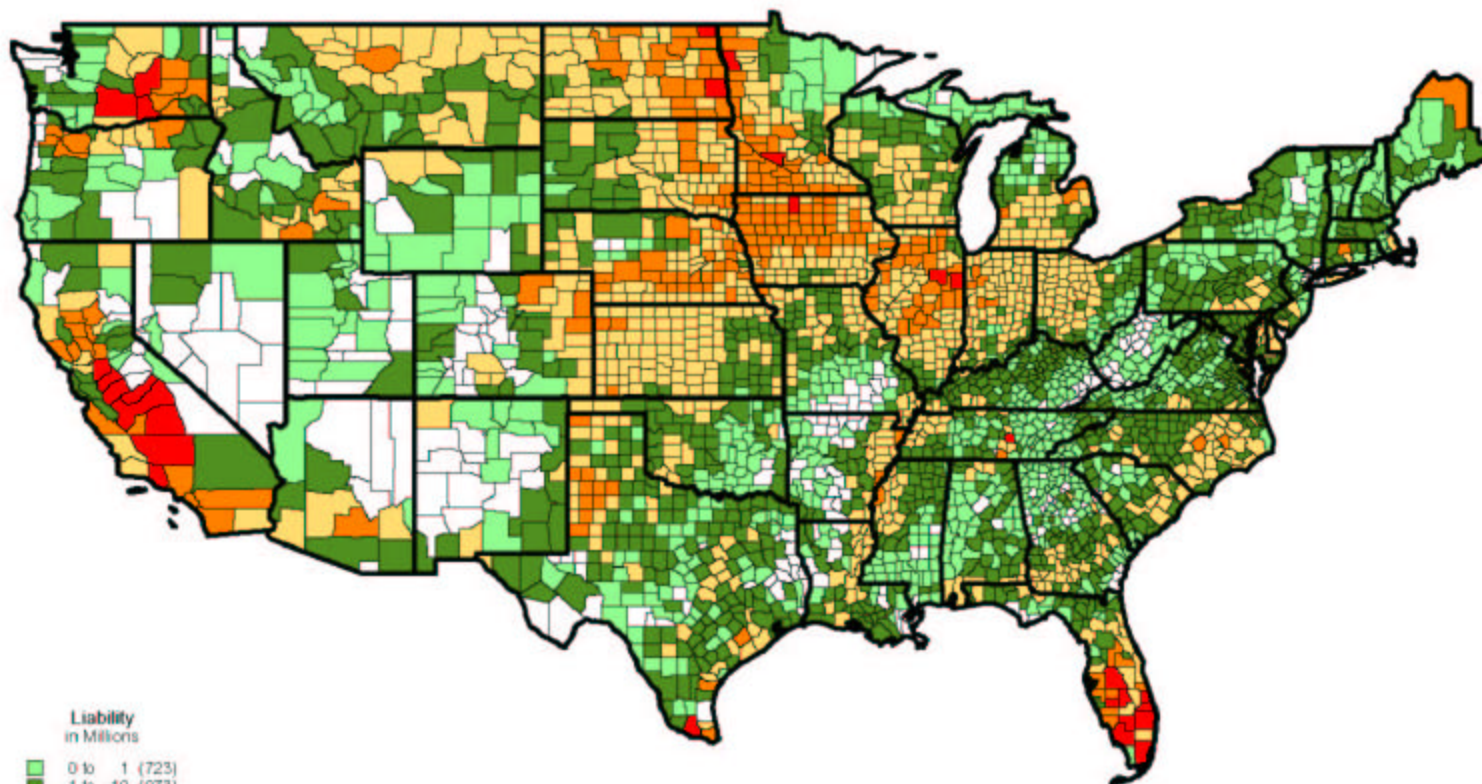
Acres Insured - All Products



Federal Crop Insurance Private Sector Delivery System



2003 Total Liability All Crops

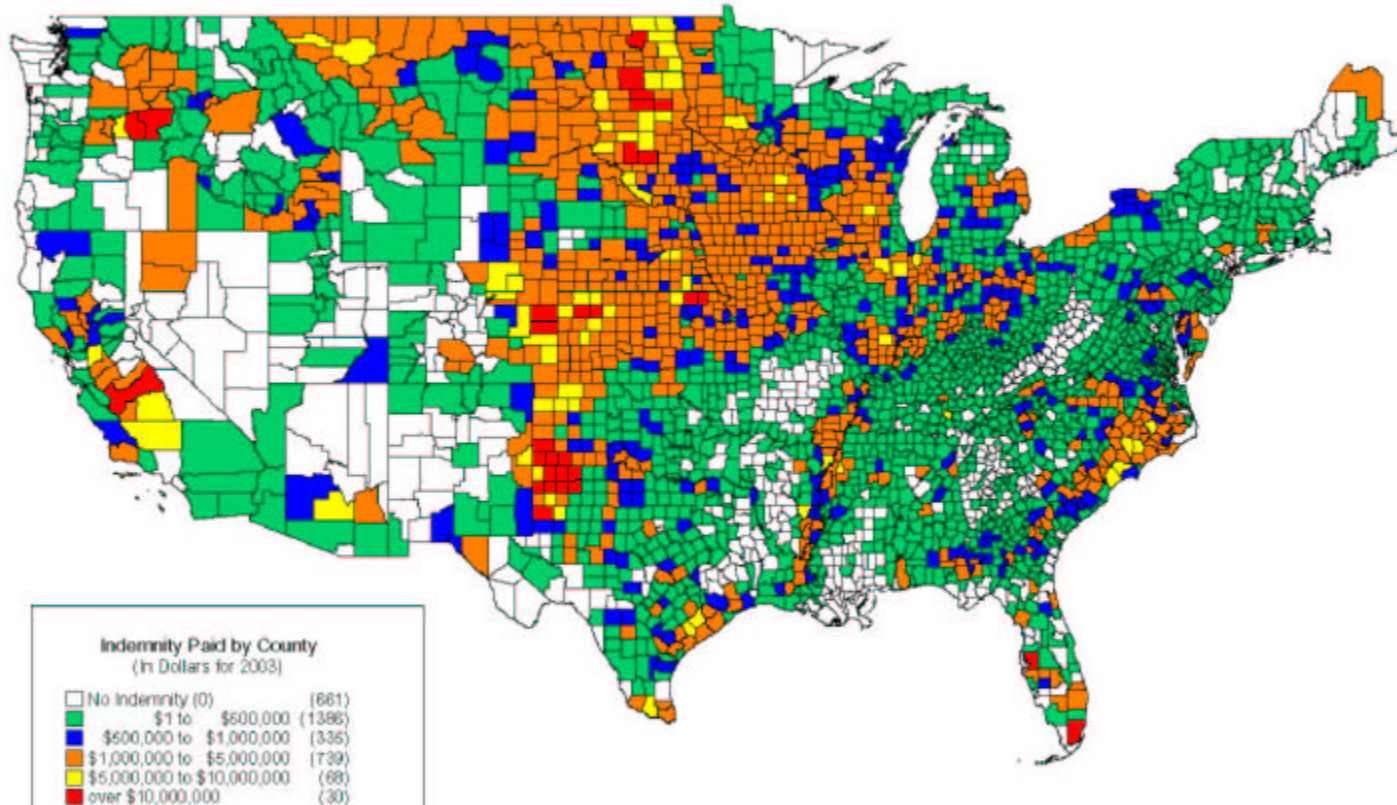


Liability
in Millions

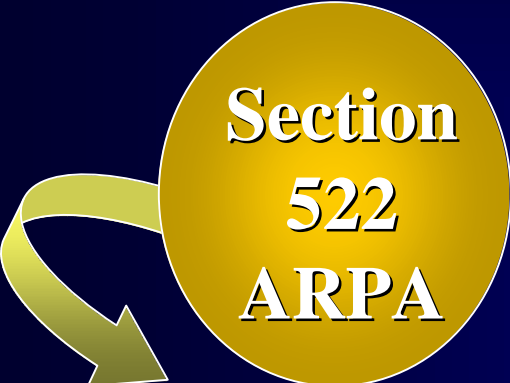
0 to 1	(723)
1 to 10	(973)
10 to 40	(850)
40 to 100	(229)
100 to 451	(29)



2003 RMA Crop Indemnities (As of 03/01/2004)



New Product Development Cycle



**Section
522
ARPA**

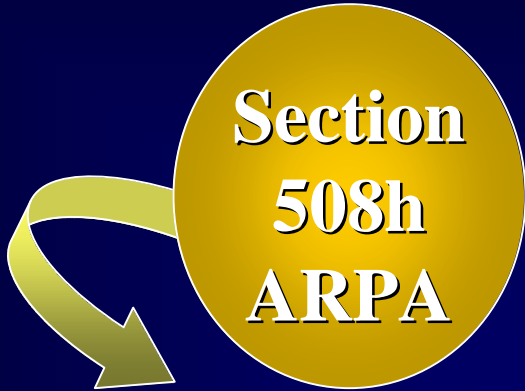
**FCIC Board contracts
with private sector entity
to develop product**

1 Year	1-1.5 Years	3-5 Years	1 Year	1.5 Years
Feasibility	Development	Pilot	Evaluation	Regulation
8	7	30	17	2



Concept to Full Implementation 7.5-10 Years

New Product Development Cycle



Private sector entity develops and proposes product to FCIC Board

?	4-6 Months	2-6 Months	1-4 Years	1.5 Years
Private Development	Consider Submission	Implement As Approved	Limited Availability	Regulation
?	6	2	8	

Submission to Full Implementation 3-6.5 Years

Other Risk Management Tools

- **ARPA provided authority and funding to develop other (non-insurance) risk management tools.**
- **Representative Projects under development:**
 - **Climate and Soil Risk Information System**
 - **Livestock Depopulation plan**
 - **Organic Price Index**
 - **Specialty Crop Weather Analysis/Risk Management**

Outreach and Education

- **RMA has nearly 100 separate initiatives that provide risk management education and outreach to:**
 - **Underserved states, producers/commodities**
 - **Limited resource and socially disadvantaged producers**
- **Conducted in cooperation with community based organizations, universities, CSREES and others**

Program Balance

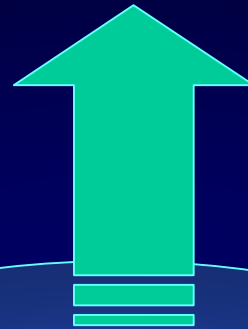
Fiscally Responsible

Actuarial Soundness

- Classification of Risks
- Rating/Pricing
- Underwriting

Program Integrity

- Fair Representation
- Fraud/Abuse Prevention
- Consistent Administration

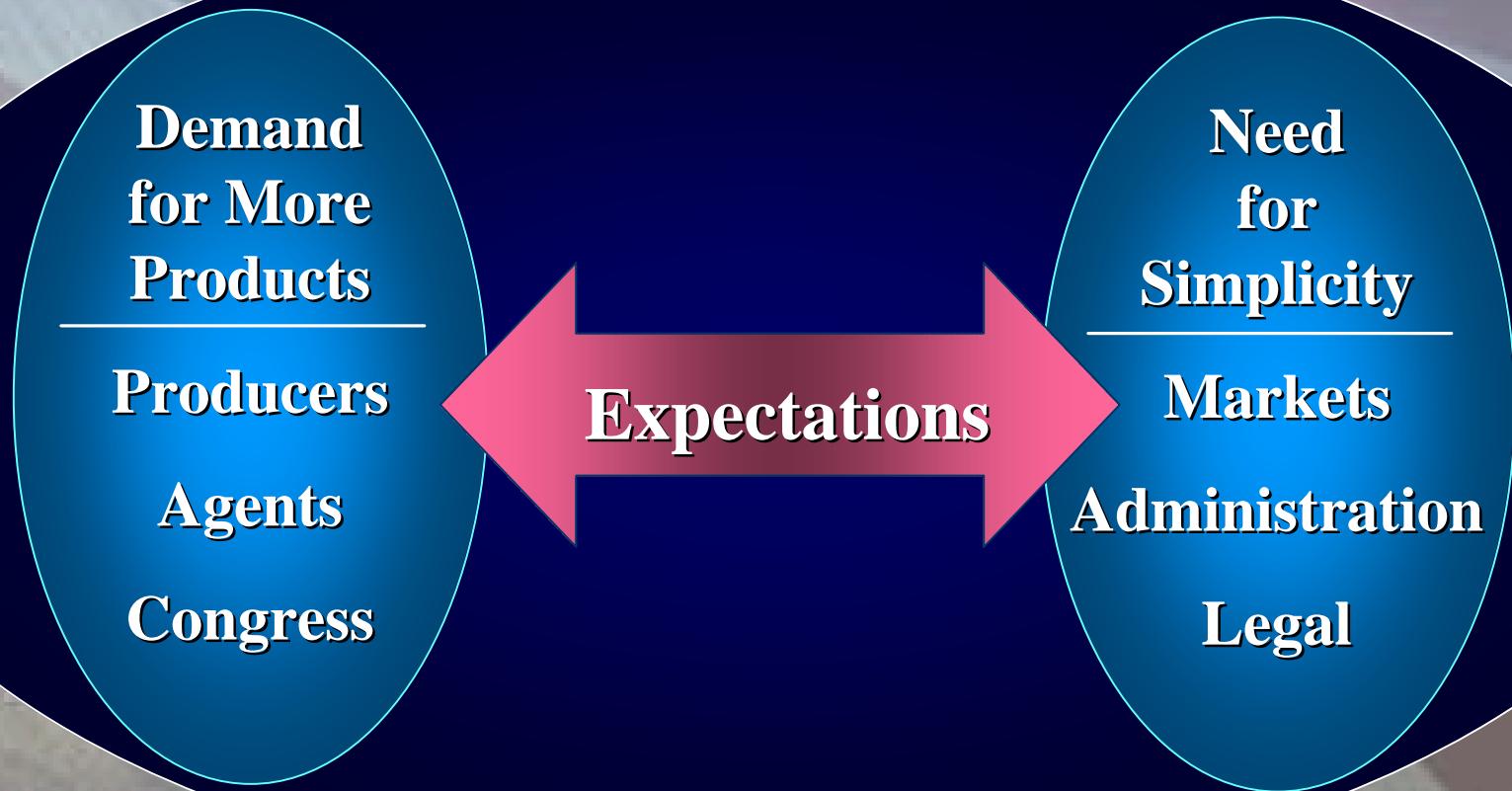


Market Responsive

- Commodities
- Risks
- Regions
- Producers
- Adaptation
- Expectations



Program Balance



Strategic Influences Affecting Crop Insurance

