



DATE: November 17, 2011

TO: Board of Directors
Federal Crop Insurance Corporation

FROM: William J. Murphy /s/
Manager

SUBJECT: Manager's Report
Exhibit No. 4064

United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Risk
Management
Agency

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This memorandum serves as the Manager's Report to the Federal Crop Insurance Corporation (FCIC) Board of Directors (Board) for the November 17, 2011 meeting.

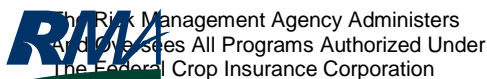
Product Management Update

Common Acreage Reporting Dates: The Acreage Crop Reporting Streamlining Initiative (ACRSI) Acreage Reporting Date Subteam has completed the initial implementation of common acreage reporting dates for most 2012 crop year spring crops. The remainder of the consolidated acreage reporting dates will be implemented for the 2013 crop year.

ACRSI Update: The ACRSI subteams continue to make progress towards providing streamlined and self-service solutions to producers for reporting program data. Agencies participating in the ACRSI include RMA, FSA, NRCS, and NASS. ACRSI objectives include providing producers options to report common data; standardizing data requirements across various farm programs; facilitating data sharing between farm programs; publishing the relevant data elements, definitions, and schema for government, public, and commercial industry consumption; and consolidating acreage reporting dates across commodities to the extent practical.

ACRSI business area recommendations and implementation considerations have been formulated to include: (1) Consolidation of ANSI state and county location identifiers, (2) Standardization of producer business types and attributes, (3) Designation of the Common Land Unit (CLU) as the standard GIS dataset used to identify land nationwide, and (4) Consolidation of production data elements and production evidence. The ACRSI Commodity Reporting Subteam is finalizing recommendations for a consolidated Commodity Validation Table. The Governance Sub-team has completed the procedures to maintain data standards for producer entity, production, and land location

Pasture, Rangeland and Forage Pilot (PRF) Update: Significant indemnity payments under the Rainfall Index and Vegetation Index programs in areas suffering from drought in 2011 have been made:



Rainfall index estimated results through the August/September Index Interval:

RI-PRF CY 2011 - U.S. SUMMARY BY INTERVAL (as of 10/31/2011)

Interval Name	Average Coverage Level	Net Acres Insured	Liability	Premium	Indemnity*	Loss Ratio
Jan - Feb	82.00%	4,274,799	\$66,653,845	\$16,215,874	\$21,960,074	1.35
Feb - Mar	83.00%	1,190,194	\$16,905,080	\$3,517,390	\$5,452,341	1.55
Mar - Apr	82.00%	4,191,467	\$63,922,431	\$14,778,401	\$39,073,662	2.64
Apr - May	84.00%	2,084,246	\$34,637,365	\$5,659,246	\$10,725,242	1.90
May - Jun	81.00%	4,314,855	\$62,442,392	\$10,621,540	\$29,692,092	2.80
Jun - Jul	83.00%	1,701,047	\$27,660,954	\$5,195,978	\$5,888,037	1.13
Jul - Aug	81.00%	3,679,341	\$58,448,148	\$13,102,907	\$30,077,500	2.30
Aug - Sep	83.00%	1,052,745	\$19,451,331	\$4,495,884	\$8,557,786	1.90
Total through Aug-Sep		22,488,693	\$350,121,546	\$73,587,220	\$151,426,734	2.06
Sep - Oct	81.00%	3,439,426	\$52,415,886	\$10,999,363	TBD	TBD
Oct - Nov	83.00%	872,383	\$18,175,257	\$4,157,543	TBD	TBD
Nov - Dec	82.00%	4,019,858	\$55,631,096	\$15,437,876	TBD	TBD
Total	81.92%	30,820,361	\$476,343,785	\$104,182,002	\$151,426,734	1.45

*Indemnity amounts shown are estimated. Index interval results have been released at this time.

Vegetation index estimated results through the July/August/September index interval:

VI-PRF CY 2011 - U.S. SUMMARY BY INTERVAL (as of 10/31/2011)

Interval Name*	Average Coverage Level	Net Acres Insured	Liability	Premium	Indemnity**	Loss Ratio
Jan - Mar	79.00%	188,281	\$1,529,358	\$192,230	\$0	0.00
Feb - Apr	86.00%	37,724	\$262,097	\$41,331	\$0	0.00
Mar - May	83.00%	43,392	\$364,148	\$51,168	\$14,474	0.28
Apr - Jun	81.00%	870,943	\$9,602,883	\$1,213,102	\$570,095	0.47
May - Jul	82.00%	220,487	\$2,948,052	\$369,777	\$351,515	0.95
Jun - Aug	80.00%	373,958	\$4,115,729	\$534,768	\$766,847	1.43
Jul - Sep	82.00%	1,364,716	\$13,645,598	\$2,235,710	\$2,427,694	1.09
Total through Jul-Sep		3,099,502	\$32,467,865	\$4,638,086	\$4,130,625	0.89
Aug - Oct	83.00%	320,351	\$2,880,266	\$511,308	TBD	TBD
Sep - Nov	85.00%	12,667	\$113,382	\$17,225	TBD	TBD
Oct - Dec	80.00%	109,880	\$895,075	\$138,159	TBD	TBD
Total	81.72%	3,542,400	\$36,356,588	\$5,304,778	\$4,130,625	0.78

*Not all intervals are offered in all states.

**All indemnity amounts shown are estimates.

Trend Yield Adjustment: On October 13, 2011, Trend-Adjusted APH yields for the 2012 crop year for corn and soybeans for specific counties in Colorado, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin were released. The Illinois Corn Marketing Board and integrated Financial Analytics and Research group submitted the Trend Adjusted Yield program under section 508(h) of the Act and it was approved by the Board of Directors on May 19, 2011.

Livestock Underwriting Capacity: Livestock underwriting capacity for fiscal year (FY) 2012 was released October 1, 2011. The Act allows \$20 million per year for all livestock expenses which includes

premium subsidy and administrative and operating subsidy. Livestock Gross Margin for Dairy used \$6.1 million in capacity the first sales period of the new fiscal year. RMA is monitoring underwriting capacity and will make adjustments between the livestock products as necessary. As funding is depleted for each insurance product, sales will cease for that product until funds become available again beginning with FY2013.

APH-Pistachio Crop Insurance: A new Federal crop insurance program for pistachios was approved by the FCIC Board of Directors in September, 2011 and program materials were released on October 28, 2011. Beginning with the 2012 crop year, insurance coverage will be available to pistachio growers in 21 counties in California, two counties in Arizona, and one in New Mexico. The APH-Pistachio Pilot Program is a two-year production-based policy featuring a new approach for addressing the issue of alternate bearing production. The sales closing date for this coverage is December 31, 2011 for the 2012 crop year.

Regulations:

Catastrophic Risk Protection Endorsement (CAT): The proposed rule public comment period ended on October 17, 2011. PASD is preparing responses to the public comments as part of the final rule process. The final rule updates language in the CAT Endorsement to be consistent with the 2011 Common Crop Insurance Policy Basic Provisions and the area plans of insurance.

Area Risk Protection Insurance: The proposed rule public comment period ended on September 21, 2011. PASD is preparing responses to the public comments as part of the final rule process. The final rule will replace the Group Risk Plan (GRP) provisions in CFR part 407, which includes the following GRP policy materials: Basic Provisions, Barley Crop Provisions, Corn Crop Provisions, Cotton Crop Provisions, Forage Crop Provisions, Peanut Crop Provisions, Sorghum Crop Provisions, Soybean Crop Provisions, and Wheat Crop Provisions, with a new Area Risk Protection Insurance (ARPI) Basic Provisions and ARPI Crop Provisions for each of these crops except Barley and Peanuts.

The new ARPI provisions will also replace the Group Risk Income Protection (GRIP) Basic Provisions, the GRIP Crop Provisions, and the GRIP-Harvest Revenue Option (GRIP-HRO). ARPI will offer producers a choice of Area Revenue Protection, Area Revenue Protection with the Harvest Price Exclusion, or Area Yield Protection, all within one Basic Provision and applicable Crop Provisions. This will reduce the amount of information producers must read to determine the best risk management tool for their operation and will improve the provisions to better meet the needs of producers. The final rule is targeted to be in effect for the 2013 crop year.

Fresh Market Tomato (Dollar Plan) Policy: The proposed rule is targeted to be published in the Federal Register the week of November 13th. The proposed rule eliminates the Minimum Value Option II and clarifies settlement of claim language. The final rule is targeted to be in effect for the 2013 crop year.

Onion Policy: The proposed rule public comment period ended on September 20, 2011. PASD is preparing responses to the public comments as part of the final rule process. The proposed rule provides coverage for processing onions, allows for expansion of the onion program to additional states and counties, and clarifies indemnity calculations. The final rule is targeted to be in effect for the 2013 crop year.

Pecan Revenue Policy: The proposed rule is expected to be published in the Federal Register the week of November 13th. The proposed rule revises the settlement of claims language, provides for optional units and other changes requested by pecan producers. The final rule is targeted to be in effect for the 2013 crop year.

Prune Policy: The proposed rule is targeted to be published in the Federal Register the end of November. The proposed rule revises the settlement claim language. The final rule is targeted to be in effect for the 2013 crop year.

REGIONAL OFFICES UPDATE

Iowa Heritage Maps

On October 13, the St. Paul RO senior staff met with Duane Sand, Public Policy Director for the Iowa Natural Heritage Foundation (INHF) at the St. Paul RO. Mr. Sand informed the RO about new flood information that will become available in Iowa in the near future. The Iowa Flood Center has begun a five year project using new technology to make flood risk maps for Iowa's interior rivers. In the 19 years leading up to the 2010 floods, Iowa had 19 presidential flood-related disaster declarations and between 2008 and 2010, Iowa experienced **two** 500-year floods. The first map will be released next month and will encompass southwest Iowa, including the Nishnabotna River, which threatened the town of Hamburg, IA this past summer. The new maps will use new Light Detection and Ranging technology known as LiDAR. The new maps will be web-based floodplain maps available to the public. The INHF goals are: to provide education on flood risks (including AIPs), secure educational and funding partners, and share information with other organizations impacted by Iowa floods.

Missouri River Flood Task Force

St. Paul RO Director, Dan Sobieck, presented an overview of levee repair impact on producer premiums during a meeting of the Missouri River Flood Task Force on October 20, in Denver, CO. Approximately 150 participants representing county, state, federal, tribal, and non-government organizations attended the meeting and identified work teams to address specific flood related issues. As a result of the meeting, the St. Paul RO Director and two Risk Management Specialists will participate in three Missouri River Flood Task Force Working Group meetings to address flood/levee repair and recovery. The mission of the Task Force is to complete initial repairs to public infrastructure by March 1, 2012, and conduct long-term recovery activities to address overall flood risk reduction strategies. U.S. Army Corps of Engineers is hosting a series of eight public meetings that are expected to attract hundreds of flooding victims from North Dakota to Missouri.

Flood & Levee Impact on Rates

The following Special Provision of Insurance Statement has been added to seven Iowa Counties to address land flooded due to breached levees. The statement affects all 11/30 crops in Fremont, Harrison, Mills, Monona, East & West Pottawattamie, Plymouth, and Woodbury Counties.

“Land flooded due to a breach in a levee resulting from prior year(s) flooding is insurable. The applicable rate will be assigned based on conditions of the levee and soils on the latter of the sales closing date or earliest planting date. If, by that date, the levee has not been repaired to prior specifications, or if damaged soil (if any) has not been restored to at least the same crop yield potential as prior to the flood event, the land will be classified as high risk and will have the highest rate classification in the county. However, if the levee has been repaired to

prior specifications and the soil has at least the same crop yield potential as before the flood, the land will be classified as shown on the current crop year Actuarial Map.”

The St. Paul RO continues to receive questions about the impact of Missouri River flood and levee repair on crop insurance rates. The following link provides photos taken in October showing current water levels and the broken levee near Hamburg, IA <http://flic.kr/s/aHsjwpoBAG>.

Cover Crops

Beginning with the 2011 crop year, the Springfield RO issued written agreements to insure a crop that follows a cover crop; provided the cover is terminated by May 15. Due to an exceedingly wet spring in the region, producers were often unable to terminate the cover crop in a timely manner. Twice the Springfield RO moved the deadline to accommodate this unusual planting season. As a result, a new cover crop Special Provisions of Insurance for the Midwest region will be used for the 2012 crop year. This provision is a collaborative effort between RMA, industry leaders and University Educators. A marketing campaign is planned to educate crop insurance companies and producers of this change.

Missouri River Flood Task Force

RMA is participating in a multi-agency task force composed of federal employees and elected officials (or designated representatives) of states and Tribes. The Missouri River Flood Task Force will provide a temporary forum for coordination, collaboration and cooperation among the federal officials and designated officers of state, local and Tribal governments within the states of Nebraska, Montana, Iowa, South Dakota, North Dakota, Wyoming, Kansas and Missouri.

The mission of the Task Force is to complete initial repairs by March 1, 2012, and to conduct long-term recovery activities in response to the Missouri River Basin flood of 2011 to address flood-plain management challenges and keep comprehensive flood risk reduction as a top priority.

The Task Force is chartered to seize the opportunity to shape the future of the flood plain, and to set conditions for success for all involved by streamlining governmental processes; accelerating necessary assessments, coordination, and permitting requirements; and by applying agile and critical thinking to the problem set. The task force is to solve common problems thru coordination, cooperation, collaboration and communication (4Cs). The MRFTF & working groups should not provide consensus opinions or specific recommendations for agency action. The Kick-off meeting was held October 21, with over 50 state, federal agencies, tribal organizations and interested parties present. Task force members are assigned work groups.

The work groups are: Agriculture, Floodplain Management, Infrastructure, Tribal Concerns, Regulatory/Policy, Hydropower, River Management and Communications. RMA has representation through the Topeka Regional Office and the St. Paul Regional Office on the Agriculture, River Management, and Levee Repair work groups. The next full Task Force meeting, will be in Kansas City on Monday, December 12.

North Dakota Crop and Harvest Conditions

North Dakota was the most weather impacted state in the Billings Regional Office Region. The State experienced a record amount of prevented planting claims this spring...around five and half million acres. It also experienced floods, hail, wind and early frost, which means farmers will harvest about half as much from some crops as they did last year.

Many farmers were lucky to get a crop planted due to wet conditions, and many who got their crops planted saw a below-average yield. The wheat crop in many parts of the state yielded half that of past years. Canola production is down forty three percent from 2010, and dry edible beans are

expected to be down fifty percent from last year, according to the North Dakota Department of Agriculture. Soybean and sugar beet growers essentially finished their harvests by October 31, while corn and sunflower harvest continue to advance toward completion. Eighty-eight percent of the corn grain crop had been harvested by Oct. 31, which is ahead of the five-year average pace of 44 percent. Due to the soggy growing conditions in the southeastern part of the state, the Minn-Dak Sugar Beet Cooperative in that area had some growers average less than 2 tons per acre and predicts that over a third of the acreage averaged below 10 tons per acre. Producers have been contacting crop insurance companies regarding claims. Sunflowers seem to have done well considering the planting and growing conditions. Fifty-nine percent of the sunflower crop has been harvested. Oilseed yields are averaging around 1,800 lbs. /acre. Growers are happy with the crop, and waiting to see where the markets lead them. As harvest is wrapping up in North Dakota ahead of normal schedules, the good news in the state is producers are receiving record or near-record prices for their crops. That's counter-cyclical to the more typical dive in prices as the crops come in. But a clear sign of the bullish demand that has been around for a year or more.

Loss Adjustment for Late Apple Harvest in the Pacific Northwest

Due to an unprecedented cool late spring, apple maturity in the Pacific Northwest was delayed. The 2011 apple harvest may be latest on record due to the cool spring. The Spokane Regional Office was advised that many growers may not be able to finish harvest before the calendar date for the End of the Insurance Period, of November 5, (Fuji variety November 10). Concerns were expressed that apples will remain on the trees beyond the EOIP requiring many field appraisals. Questions were also asked as to whether or not coverage will continue until the apples are harvested or appraised. Insurance companies were allowed via MGR-11-104 to authorize insured apple producer's additional time to harvest through November 20, on a case-by-case basis. During the extended harvest period, any subsequent and unavoidable loss of production due to insured causes of loss is considered an unavoidable loss resulting from the original insurable cause, e.g. cold, wet weather, delaying the timely harvest of the crop.

Washington Wine Grape Growers work with RMA on Vertically Integrated Producers Clarifications

The Spokane Regional Office and Product Management staff worked with Washington Wine Grape Growers, insurance companies and neighboring Regional Offices to clarify Crop Insurance Handbook procedures for vertically integrated producers and identified acceptable production records when disinterested third party records do not exist. RMA authorized additional acceptable records for growers with wineries that process their own grapes. Specifically, machine harvest records and/or weight tags are not allowable as a type of pick record, which would be an acceptable supporting record for wineries that insure and process their own grapes.

Oklahoma City Conservation District Meetings

The Oklahoma City RO participated in a series of annual Oklahoma Conservation District Meetings throughout Oklahoma in response to requests for information about crop insurance issues as they impact soil and water conservation approved practices. These meetings were held at; Langston University on November 1, Ft Cobb on November 2, Muskogee November 10, Woodward November 15, and Wilburton on November 17.

Live Meetings

Two live meetings to be held in Lubbock Texas on November 29, with National Sorghum Producers, and on December 6 for Plains Cotton Growers, Texas Corn Growers, crop insurance companies and agents, are under development and are being coordinated with the Topeka RO, NCIS and our Kansas

City office to review current policy and procedural provisions and address any number of water availability, diversion and acreage abandonment issues associated with current/continued drought conditions.

RISK MANAGEMENT EDUCATION DIVISION (RMED)

Education and Outreach

\$8,484,187 was funded for Risk Management Education and Outreach Partnerships and \$4,999,821 was funded for Crop Insurance Education.