A 2022 Review of the Farm Bill: Stakeholder Perspectives on Title XI Crop Insurance

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Chair Bustos, Ranking Member Austin Scott, and Members of the General Farm Commodities and Risk Management Subcommittee, thank you for the invitation and opportunity to testify today.

My name is Tom Haag. I am a fourth-generation family farmer in south-central Minnesota where my son and I grow more than 1,700 acres of corn and soybeans.

I currently serve as the First Vice President of the National Corn Growers Association (NCGA). Founded in 1957, we are a farmer-led trade association that works with our affiliated state associations to help protect and advance corn growers' interests. The NCGA mission is to create and increase opportunities for corn growers and our vision is to sustainably feed and fuel a growing world.

On behalf of the nearly 40,000 dues-paying corn farmers nationwide and more than 300,000 corn growers who contribute to corn promotion programs in their states, thank you for your public service and dedication to agriculture, rural America, and the farm economy.

This morning, I will focus on the importance of federal crop insurance to corn growers, highlight successes from the 2018 farm bill, and provide some early thoughts on the development of the next farm bill.

Importance and Use of Crop Insurance for Corn

Federal crop insurance is a major pillar of risk management for the vast majority of corn growers. Simply put, the public private partnership of crop insurance works and plays a significant role for agriculture in the wake of natural disasters.

Every year across the country, growers sit down with their lenders to strategize and make financial plans for the upcoming crop year. While we spend a good amount of time discussing the costs of inputs, crop rotations, and our marketing strategies, we also work through our coverage options under federal crop insurance coverage.

The role and responsibility of crop insurance agents in delivering the program is immense. We value the advice from our agents, who compete solely on service, as we purchase the policies and endorsements that best work for our farms and our risk profiles.

These individual farmer, lender, and agent conversations about risk management add up. According to the Risk Management Agency (RMA) Summary of Business, in 2021, corn farmers bought over 587,000 federal crop insurance policies, insuring over $52 billion in liabilities. Nationwide, these purchases meant that that there was much needed federal crop insurance coverage on over 83 million acres of corn, with an additional 10 million acres that had companion and endorsement policies. In my home state of Minnesota alone, last year there were over 42,000 corn policies sold covering more than 8 million acres of corn.

The bulk of corn growers purchase revenue protection, which protects against loss of revenue due to a production loss, change in price, or a combination of both. In 2021, revenue protection policies alone covered over 76 million acres of corn. Built into these policies is important coverage against prices rising at harvest time, which is critical coverage for farmers who forward sell their corn and other crops, as well as livestock producers who produce their own grain. As producers make decisions on their policies, they can choose to exclude harvest price protection. However, less than 600,00 acres of corn were covered under this type of exclusion last year. Yield protection policies, which protects against a production loss, covered an additional 4 million acres of corn in 2021.

Corn growers also have access to many endorsements and options including several area wide policies. In 2021, over 4.4 million acres had coverage through the Supplemental Coverage Option (SCO) and 3.5 million acres had coverage through the new Enhanced Coverage Option (ECO). The policies are optional endorsements where growers can pay for additional area-based coverage for a portion of their underlying crop insurance policy. While not at the scale of these revenue, yield, and area wide policies, corn growers also purchase margin protection policies, whole-farm revenue protection (WFRP) and the new hurricane insurance protection - wind index (HIP-WI).

Implementation of the 2018 Farm Bill

During development, passage, and implementation of the 2018 farm bill, NCGA's top priority has been to maintain support for a robust crop insurance program. Both the House and Senate Agriculture Committees were able to defeat attacks to the program and also found ways to strengthen federal crop insurance. Thank you for providing the certainty and predictability of this proven program.

Overall, implementation of the farm bill and the crop insurance title in particular has been fairly smooth. RMA continues to be a great partner with producers and commodity organizations. Agency leadership and staff have open lines of communication with stakeholders and regularly engage with producer groups.

A key provision in the crop insurance title is the allowance for an enterprise unit to include land across county lines and the creation of multicounty enterprise units. Corn growers advocated for these changes which enhanced program integrity and resulted in savings for the taxpayer and farmer. We were pleased that RMA immediately implemented these provisions.

Corn growers are also pleased with results stemming from increased coordination between USDA agencies. The 2018 farm bill allows for producers to have an annual election between the major commodity programs, Agriculture Risk Coverage and Price Loss Coverage. Starting in 2021, the annual election deadline for these Farm Service Agency (FSA) programs are now aligned with majority of crop insurance purchase deadlines for row crops. The unified decision deadline and sales closing date of March 15 each year helps ease implementation for USDA, crop insurance agents, and ultimately producers.

RMA has also continued to improve coordination and policies with the Natural Resources Conservation Service (NRCS). The crop insurance title specified that cover crops qualify as a good farming practice if the grower follows NRCS guidelines. This provision and successful implementation have resulted in decreased barriers, both real and perceived, for growers implementing this important conservation practice.

USDA should be commended for their efforts to further reduce the reporting burden on producers. Corn growers appreciate the agencies' efforts to allow farmers to submit additional information electronically, which may reduce the number and length of in-person visits to crop insurance agents and FSA county offices. For example, during implementation of the recent Emergency Relief Program, FSA was able to use crop insurance data that was previously submitted to the department in order to streamline applications for phase one of the program.

Unfortunately, data transfer and compatibility issues between USDA agencies continue to exist and can cause headaches and inequities for producers. NCGA supports the continuation of the Acreage and Crop Reporting Streamlining Initiative (ACRSI) and similar efforts to improve the farmer customer experience and create greater efficiency for multiple program delivery. The agencies are already working closer together and should continue to find additional ways to share common data, while maintaining strict producer confidentiality protections. For these efforts to be successful, USDA should also continue to work with external stakeholders including approved insurance providers, crop insurance agents, extension professionals, and producer groups.

Quality Losses and Hurricane Coverage

The 2018 farm bill included direction for RMA to research and develop new policies including coverage for quality losses and hurricane coverage. Under certain abnormal circumstances, weather related challenges can cause and exacerbate quality issues for corn and other commodities that result in market discounts. In extreme cases growers may be unable to sell their grain. Common quality loss issues during corn production and harvest range from mycotoxins, such as aflatoxin and vomitoxin, to low test weights. Historically, crop insurance could compound these issues by reducing a producer's actual production history (APH) despite the farmer having normal or average production in terms of yields, even if a crop insurance indemnity was not triggered.

RMA has developed and implemented the Quality Loss option (QL). Producers that chose the option are able to exclude the quality loss from an Actual Production History (APH) database. This option became available in 2021 and is offered at an actuarially sound premium rate. While the QL option has not solved many of the non-crop insurance issues that growers face when confronting quality losses, corn growers appreciate the option where it is available.

In 2020, RMA released the Hurricane Insurance Protection – Wind Index (HIP-WI). The policy covers a portion of the deductible of the underlying crop insurance policy when a county is within the area of sustained hurricane-force winds. HIP-WI provides coverage for 70 different crops, including corn, and is available in counties near the Gulf of Mexico, the Atlantic, and Hawaii.

In 2021, corn growers covered 1.5 million acres and $212 million in liabilities through the HIP-WI endorsement. In the same year, according to the RMA summary of business, there were $83.7 million in indemnities for all eligible crops. The top five largest indemnities by crop included cotton, rice, sugarcane, corn and soybeans. Corn growers are appreciative of the efforts by Congress and the RMA to expand federal crop insurance coverage to producers who experience these types of events.

Weather Related Disasters

Since the 2018 farm bill was signed into law, agriculture has faced difficulties with too much and too little rain, as well as multiple unique weather events. As Congress intended, crop insurance provides farm owners and operators the ability to plan for and respond to weather-related loses outside of their control. Given the size and geographic footprint of corn acreage in the United States, weather related yield losses are likely to impact at least some corn growers each year.

During this year's planting season, growers across the Northern Plains faced delays due to cold and wet weather. In some areas, corn growers were unable to access fields by the crop insurance final planting date. Under existing policies, producers who are unable to plant due to an insurable cause of loss may receive a prevented planting indemnity or receive a reduced insurance guarantee if they plant within the late planting period. Producers also have the flexibility to choose to plant a different crop with a later final planting date. Prevented planting is essential coverage during the critical planting season.

Despite these early challenges with wet weather, most producers were able to plant a crop. USDA's National Agricultural Statistics Service (NASS) latest report on June 30, 2022, estimates that 89.9 million acres of corn have been planted in the United States for 2022. This represents a much smaller reduction to corn acreage than previously forecast by USDA.

For many producers, drought continues to be a major cause of concern and loss. As of July 12, 2022, the U.S. Drought Monitor estimates that approximately 30% of corn production is within an area currently experiencing drought conditions. This includes 98% of corn in Colorado, 96% in Texas, 78% in Louisiana, 76% in Kentucky and 70% in Tennessee.

While many corn producing areas are currently experiencing some level of drought, there are notably areas of D3 extreme drought in Colorado, Nebraska, Kansas, and Iowa. Growers also face D4 exceptional drought in Kansas and Texas.

In 2021, U.S. growers planted 93.4 million acres of corn, which produced over 15.1 billion bushels with a value estimated at $82.3 billion. Widespread drought and intense heat impacted much of the corn belt during the growing season. Nationwide crop insurance indemnities to corn growers totaled $1.8 billion.

During the 2020 growing season, corn growers across Nebraska, Iowa, Illinois, and Indiana suffered major losses due to the devastating derecho. The storm and accompanying damaging winds hit millions of acres of highly productive crop land in August before corn harvest could begin. Overall crop insurance indemnities to corn growers totaled $2.6 billion for the year.

Corn production was also heavily impacted in 2019 by wet weather conditions during planting the season with flooding and excess moisture across the high plains and throughout the Missouri River Basin. The wet spring prevented many farmers from accessing flooded fields. Nationwide, 2019 set a record with over 19 million acres of cropland reported as prevented from being planted. This included over 11 million acres of corn that were reported as prevented from being planted. For 2019, nationwide crop insurance indemnities to corn growers, including prevent planting coverage, totaled $4 billion.

When widespread disasters like these strike, crop insurance companies are generally able to provide timely loss adjustments and to quickly process the bulk of indemnity payments. While individual corn growers are not made whole from their losses, crop insurance provides the tools and ability to recover and continue operating into the next crop year.

Corn growers also appreciate RMA’s responsiveness to producer concerns in the wake of disasters. For example, in 2021 RMA made permanent previous flexibility for producers with crop insurance to hay, graze or chop cover crops at any time and still receive 100% of the prevented planting payment. RMA updated this policy in part to support the use of cover crops, an increasingly important conservation practice if producers are unable to plant a row crop.

Crop Insurance Product Development
Corn growers understand and appreciate that in order to meet the growing list of challenges and demands of tomorrow, federal crop insurance policies must not be stagnant. NCGA policy on risk management clearly states that we, “support the development of new and innovative risk management products to provide a wide array of tools to help producers manage price and yield risks.”

NCGA and our affiliated states continue to lead and partner with other forward-thinking entities for the study and creation of new risk management tools. Whether through federal research and development or private development and approval of federal policies, NCGA and our state associations have been successful in developing policies that follow sound insurance principles and are actuarially appropriate. Examples of successful efforts include the widely adopted Trend-Adjusted Yield Endorsement and the recent endorsement for corn producers who split apply nitrogen.

Corn growers and producers of other commodities and specialty crops have all benefited from the ability for the Federal Crop Insurance Corporation Board to authorize and approve development of new products, endorsements, and options.

Future Farm Bill Recommendations

Corn growers appreciate the work by this Subcommittee and the full Committee to review implementation of the 2018 farm bill. Last week, corn growers from across the country were in Washington, DC as part of our "Corn Congress" summer fly in. Throughout the week, corn growers stressed with their Members of Congress the important role that the farm bill plays in their lives and rural America. Our number one priority for the farm bill is to protect crop insurance from harmful budget cuts and reforms.

The results from our recent nationwide survey of grower members and non-members provided key intelligence that backs up our policy stance. When asked, "which of the farm bill titles are the most important to you?" corn growers overwhelmingly chose the crop insurance title. In the survey work, growers also stressed that cuts to federal crop insurance, would negatively impact their farming operations.

As a grassroots and member driven association, NCGA and our state affiliates are continuing to do our homework so we can provide additional recommendations as the Committee turns its' attention to developing and negotiating the next farm bill. Our grower led Action Teams met last week and held discussions on USDA programs and policies as we continue to develop additional recommendations for accessible and defensible risk management tools.

In the ramp up to the farm bill, NCGA continues to engage in multiple broad-based coalitions on potential recommendations. As a steering committee member of the Food and Agriculture Climate Alliance (FACA), NCGA is involved in the FACA's farm bill working groups. This coalition work includes a working group focused on exploring proposals and limitations of potential climate policy in the crop insurance, commodity, and credit titles heading into the 2023 farm bill. NCGA also continues to be involved with the AGree Economic and Environmental Risk Coalition (E2 Coalition) that focuses on recommendations for agriculture data and reducing policy barriers to conservation practice adoption.

While crop insurance continues to be our top farm bill priority, NCGA is also focused on strengthening the producer safety net, supporting voluntary conservations programs, and bolstering the international market development programs. We look forward to sharing more specific NCGA policy priorities and coalition recommendations in the months ahead.

Closing
Hearings like today's are important opportunities for users of USDA programs to accurately explain and defend the programs to fellow growers, taxpayers, and other interests. We understand that the complexity of the farm economy and federal policies require constant education of members of Congress on the importance and structure of the safety net.

NCGA will continue to highlight lessons we have learned from the past, including when some groups and members have pushed the mistaken belief that crop insurance programs should be significantly reduced or reformed. We are grateful that leaders from the Agriculture Committees have stood up and prevented these previous attempts at harmful reductions to crop insurance.

In closing, NCGA recognizes the difficult task ahead for the Committee to develop the next farm bill. We understand that there will be continued budget challenges and varied approaches to confronting the many current issues impacting agriculture. We appreciate your consideration of our views regarding crop insurance programs and the need for producers to have access to effective and affordable risk management tools.

Tom Haag

First Vice President | Eden Valley, Minnesota

Tom Haag of Eden Valley, Minnesota, serves as first vice president of the Corn Board of the National Corn Growers Association, a farmer-led trade association with offices in St. Louis and Washington, D.C.

Haag is a fourth-generation family farmer in south-central Minnesota. Along with his son, Nathan, he grows more than 1,700 acres of corn and soybeans.

As NCGA First Vice President, Haag serves as the first vice president of the National Corn Growers Association Foundation and on the Finance Committee. He also serves as the Corn Board liaison to the Market Development Action Team and as the board liaison to the BNSF Railway Ag Business Council and the American Coalition for Ethanol.

He previously chaired the Governance Committee and served as the board liaison to the Consumer Engagement Action Team and Ethanol Action Team at the national level.

A graduate of NCGA's Advanced Leadership program, he chaired NCGA's Grower Services Action Team. He served on the Research and Business Development Action Team prior to his election to the Corn Board.

Haag is a past president of the Minnesota Corn Growers Association and previously served as an appointee to the Minnesota Trade Advisory Council at the state level.

Founded in 1957, the National Corn Growers Association represents more than 40,000 dues-paying corn growers and the interests of more than 300,000 farmers who contribute through corn checkoff programs in their states. NCGA and its 50 affiliated state associations and checkoff organizations work together to help protect and advance corn growers' interests.

10/01/2021

Truth in Testimony Disclosure Form

In accordance with Rule XI, clause 2(g)(5)* of the *Rules of the House of Representatives*, witnesses are asked to disclose the following information. Please complete this form electronically by filling in the provided blanks.

Committee: Agriculture

Subcommittee: General Farm Commodities and Risk Management

Hearing Date: 07/20/2022

Hearing Title :

A 2022 Review of the Farm Bill: Stakeholder Perspectives on Title XI Crop Insurance"

Witness Name: Tom Haag

Position/Title: First Vice President

Witness Type: ◎ Governmental ● Non-governmental

Are you representing yourself or an organization? ◎ Self ● Organization

If you are representing an organization, please list what entity or entities you are representing:

National Corn Growers Association (NCGA)

<u>FOR WITNESSES APPEARING IN A NON-GOVERNMENTAL CAPACITY</u>

Please complete the following fields. If necessary, attach additional sheet(s) to provide more information.

Are you a fiduciary—including, but not limited to, a director, officer, advisor, or resident agent—of any organization or entity that has an interest in the subject matter of the hearing? If so, please list the name of the organization(s) or entities.

National Corn Growers Association (NCGA)

Please list any federal grants or contracts (including subgrants or subcontracts) related to the hearing's subject matter that you, the organization(s) you represent, or entities for which you serve as a fiduciary have received in the past thirty-six months from the date of the hearing. Include the source and amount of each grant or contract.

Please list any contracts, grants, or payments originating with a foreign government and related to the hearing's subject that you, the organization(s) you represent, or entities for which you serve as a fiduciary have received in the past thirty-six months from the date of the hearing. Include the amount and country of origin of each contract or payment.

Please complete the following fields. If necessary, attach additional sheet(s) to provide more information.

☑ I have attached a written statement of proposed testimony.

☑ I have attached my curriculum vitae or biography.

*Rule XI, clause 2(g)(5), of the U.S. House of Representatives provides:

(5)(A) Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof.

(B) In the case of a witness appearing in a non-governmental capacity, a written statement of proposed testimony shall include— (i) a curriculum vitae; (ii) a disclosure of any Federal grants or contracts, or contracts, grants, or payments originating with a foreign government, received during the past 36 months by the witness or by an entity represented by the witness and related to the subject matter of the hearing; and (iii) a disclosure of whether the witness is a fiduciary (including, but not limited to, a director, officer, advisor, or resident agent) of any organization or entity that has an interest in the subject matter of the hearing.

(C) The disclosure referred to in subdivision (B)(iii) shall include— (i) the amount and source of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) related to the subject matter of the hearing; and (ii) the amount and country of origin of any payment or contract related to the subject matter of the hearing originating with a foreign government.

(D) Such statements, with appropriate redactions to protect the privacy or security of the witness, shall be made publicly available in electronic form 24 hours before the witness appears to the extent practicable, but not later than one day after the witness appears.