Testimony of Rob Tate
Crop Insurance Agent, Crop Revenue Consultants

On the topic of "A Hearing to Review the Efficacy of the Farm Safety Net" before the U.S. House of Representatives Agriculture Committee Subcommittee on General Farm Commodities and Risk Management

Chairwoman Bustos, Ranking Member Scott, Members of the Subcommittee, thank you for holding this hearing and for inviting me to testify.

My name is Rob Tate and I am a farmer, a crop insurance agent, and a crop revenue consultant — which means I work with fellow farmers to help them develop comprehensive risk management strategies for their farms.

I am also a new member of the Minnesota Corn Growers Association Board.

My wife, Kelly, is a full-time health care social worker, providing palliative care in our area so she has a very demanding job in addition to her helping on the farm.

Together, we raise two boys, Logan and Johnathan.

We live outside of Cannon Falls, which is a small town in southeastern Minnesota, about a half hour south of Saint Paul and about the same distance from the Mississippi River and the Wisconsin border.

We are represented in Congress by Rep. Angie Craig who I know had something to do with my being invited to testify today.

Thank you, Congresswoman Craig.

I actually grew up in Farmington, which is a suburb of the Twin Cities.

But, my grandparents owned and operated the family farm that my ancestors homesteaded generations ago.

I fell in love with the place and, at the age of 16, I actually planted and harvested my first corn crop by myself when my father was unable to help due to health issues.

Although I've worked as a lender in the Farm Credit System and now also work as an agent and crop revenue consultant, my family's first love is living and working on our fifth-generation family farm.

Our boys are in 4-H and they are excited to show steers and heifers at the county fair this year now that COVID restrictions have been relaxed.

So, we're all in on farming and life in a great rural community and I very much appreciate you holding this hearing on the value of the farm safety net because it is important to families like mine.

I'm going to largely defer to my fellow producers on the panel to discuss in more detail the importance of the Farm Bill's safety net provisions in order to focus my comments on Federal Crop Insurance.

As a crop revenue consultant, I do look at the whole financial picture of the farmers I help in terms of risk management, including Farm Bill programs, but I want to go a bit deeper into the weeds on crop insurance as an agent and as a former lender.

That said, I do want to emphasize that a strong Farm Bill safety net is extremely important as has been the ad hoc relief that you have provided farm families over the past several years to help mitigate the harsh impacts of trade disruption, the pandemic, and severe natural disasters affecting many regions of the country.

The Market Facilitation Program, the Coronavirus Food Assistance Program, the Wildfire and Hurricane Indemnity Program (WHIP) Plus, and the Pandemic Assistance for Producers may not have been perfect in their design or implementation, but I would not want to imagine what farm country would look like in Minnesota or elsewhere without the help. Farm Bills and crop insurance are not designed to handle all of that at once.

American agriculture had been in an economic ditch for about seven years before we started to reemerge earlier this year, thanks to rising global demand and higher commodity prices. It's a welcome relief.

Seven tough years is a lot to dig out from under and our doing so still hinges on global demand and prices continuing to improve and Mother Nature's cooperation, but there is a hopefulness in the countryside despite the growing concerns over the drought gripping many places, including parts of Minnesota.

With all of this as a backdrop, if I had an overarching theme in my testimony before you this morning, it is this: Federal Crop Insurance has been an absolute mainstay for rural Minnesota and farm families like mine.

If Washington does anything on farm policy, it should first, do no harm to crop insurance.

And, secondly, for producers, regions, or crops where the program is not working optimally, I would urge Congress and USDA to work to work with these producers to address those situations through the 508(h) private policy development and submission process, research and development, and pilot programs which are all authorized under statute.

Crop insurance is, hands down, the most highly regarded component of the farm safety net in the estimation of Minnesota farmers.

And the numbers speak for themselves.

In Minnesota, 97 percent of row crops are insured at an average coverage level of 78 percent.

84 percent of total Minnesota acreage is insured under Federal Crop Insurance.

We have about $8 billion in liability protection in force and have a loss ratio in the state of just 0.57, meaning we are paying more premium in comparison to the indemnities that we receive— but that is how insurance is supposed to work.

It's not about receiving a payment — although an indemnity is certainly appropriate if a farmer suffers a loss — but it is all about managing risk.

I know it sounds cliche because it's said so often, but farming is a very risky business — and the stakes just keep on getting higher and higher.

We long ago reached the point where crop insurance is not only vital to producers in recovering from a natural disaster, but it is just as essential in securing credit to plant a crop in the first place.

This is especially true for farmers who may not have a lot of capital, like me when I first started out as a beginning farmer in 1991.

The best way to help beginning farmers, socially disadvantaged farmers, or other producers who, like me in my early years, may not have a lot of capital at their disposal, is to help these producers manage their risk through Federal Crop Insurance.

And if the menu of policies available out there does not address a unique peril for a producer, a crop, or a region, let's encourage the development of effective policies to get the job done using the authorities under the Federal Crop Insurance Act to make it happen.

We are a heavily corn and soybean area in my part of the country, though we do have a good crop mix in Minnesota and certainly dairy and livestock, as well.

For years, livestock and dairy were underserved by Federal Crop Insurance — partly due to a legal limitation on their participation that Congress thankfully got rid of recently.

And, now, just a few short years later, about 35 percent of all milk marketed in the United States is insured under Federal Crop Insurance and the number of livestock crop insurance policies is climbing rapidly, with about 706,000 head of cattle insured under Livestock Risk Protection so far this year.

Livestock has really never had much in the way of a safety net and the Farm Bill safety net for dairy has been all over the board over the past 25 years and disappointing to many producers.

But, crop insurance has begun to flip the script. Now, livestock and dairy producers can buy effective crop insurance coverage and, by doing so, take greater control over their operations in terms of risk management.

These are two great precedents about what can be done for underserved producers and commodities using policy development authorities under the crop insurance act.

The successes in crop insurance have been a long time in the making.

From 1938 to 1980, the program barley limped along, and was often mothballed. There were even calls for its repeal.

But, a few events changed all of that and helped build the success story we have today.

First, in 1980, Congress turned the sales and servicing over to the private sector, to companies, agents, and adjustors to deliver insurance.

This has been huge.

Remember, the first thing a farmer will ask when he gets hit by a disaster is, when will I receive an indemnity to cover my losses?

The answer to that question under Federal Crop Insurance is usually within 30 days of a loss claim being finalized.

When a loss event occurs, the farmer calls the agent. Once the agent turns in the notice of loss an adjustor is sent to the field, an adjustment is made, and the loss claim is processed, all in accordance with the Risk Management Agency's Loss Adjustment Manual.

Now, compare this to the time it has taken producers to receive a payment under the WHIP Plus program.

I know that Chairman David Scott has expressed his concern with aspects of the WHIP Plus program and Ranking Member Austin Scott worked hard to secure disaster aid funding, only to be disappointed in its administration.

Producers certainly share a lot of the same frustration. They cannot count on an ad hoc disaster program being passed. They cannot secure credit on the possibility that it might be. Once passed, they cannot count on it being fully funded, nor can they control the details as it relates to their farming operation.

These shortcomings bring into relief the benefits of crop insurance where farmers pay a premium for certain protection that is tailored to their farms which they and their lenders can be confident in. The uncertainties and inequities of politics are removed.

Now, to be clear, my aim here is not to criticize the Farm Service Agency and the important work they do, including with respect to WHIP Plus.

They've had a lot of programs to carry out in addition to the Farm Bill and they've had strained conditions due to the pandemic.

But, the simple fact is that after a loss, Federal Crop Insurance has quickly delivering indemnities to producers down to a science — which is one of the reasons why crop insurance was called on to deliver the so-called "top up payments" under the WHIP Plus disaster program's prevented planting provisions.

A second cause for crop insurance's current success is smart, bipartisan legislation, both in 1994 and again in 2000, where Congress stepped in to increase the premium discount for farmers to encourage producers to participate in crop insurance — and at much higher coverage levels.

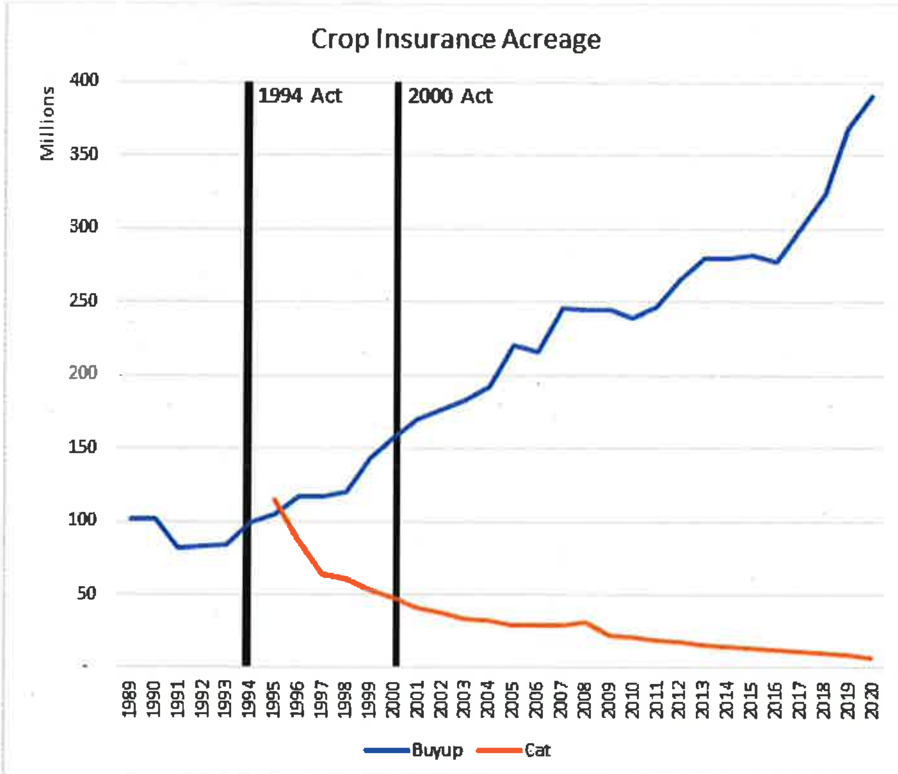
The legislation went a long way in achieving both objectives and, in addition to that, largely eliminated the need for ad hoc disaster for roughly a decade until the first WHIP program in 2017.

Some might find fault in crop insurance that WHIP and WHIP Plus became necessary, but this fails to take into account that the existence of property and casualty insurance for homes and businesses has not totally obviated the need for disaster relief when hurricanes, wildfires, and some other natural disasters of seemingly Biblical proportion have hit parts of the country, and seemingly with greater severity and frequency.

My strong policy preference is to continue to improve and expand crop insurance with the tools we have to optimize the program for all producers, but I also understand why the WHIP programs were needed and appreciate the fact that Congress and USDA worked to ensure that these programs complemented, rather than undermined crop, insurance.

And, finally, a third factor in crop insurance's success is Dr. Art Barnaby's development of revenue coverage for producers. That was a game changer and another example of private sector innovation to address a unique peril for farmers.

Again, these innovations have caused Federal Crop Insurance to take off over the last 41 years, as measured by any number of metrics, including acres insured, liability protection in force, and coverage levels, as the illustrations below indicate.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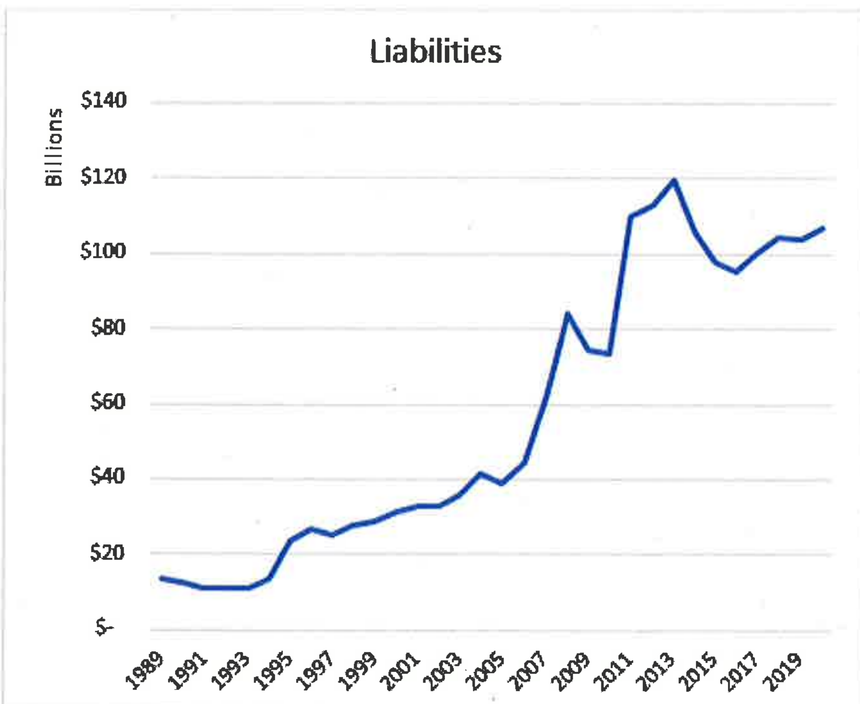
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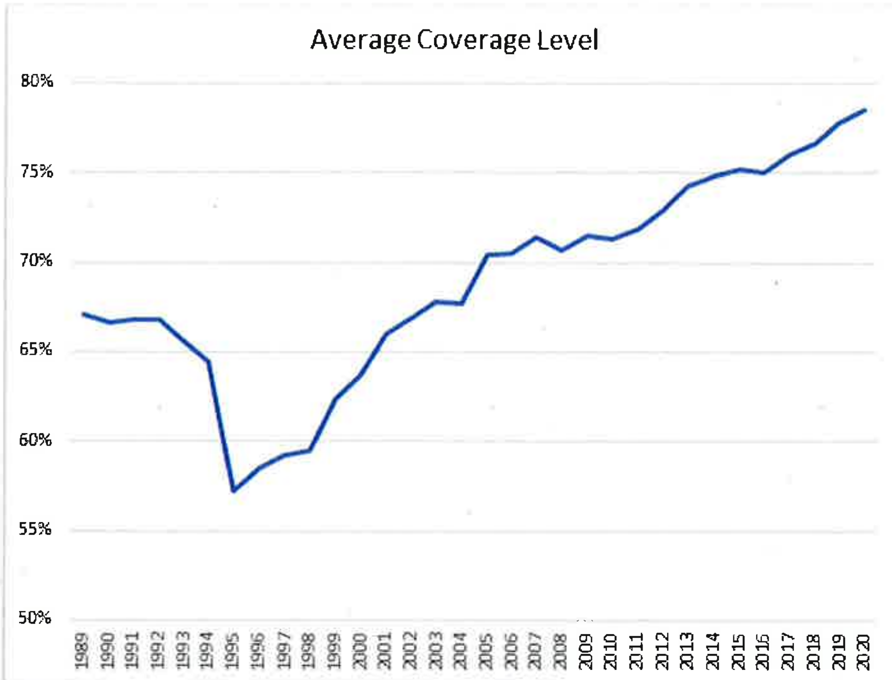

Actuarially, the program is also sound, with more premiums paid into the system than indemnities being paid out, as required by law.

Farmers having skin in the game is extremely important and Congress has done a good job of making certain that premium discounts are enough to encourage participation and the purchase of higher coverage levels but not so great as to encourage moral hazard.

However, one area where there may be room for improvement is on the issue of deductibles.

A farmer has a deductible on the face of his policy. For example, if the producer insures his crop at a 75 percent coverage level, he has to lose 25 percent of his crop before he begins to collect an indemnity on any losses beyond the 25 percent.

However, the farmer often has another, hidden deductible, when his actual production history (APH) — the amount he can insure based on past yields — lags behind what he can actually produce because it's not kept up with technological advances or because of severe, frequent weather anomalies that depress his APH and therefore what he is able to insure.

Trend adjusted yields and Yield Exclusion are a couple of examples where Congress, USDA's Risk Management Agency, and private sector development have worked to tackle the issue, but there is still some work to do as evidenced by Chairman David Scott's interest in establishing a standing disaster program to complement Federal Crop Insurance.

The Supplemental Coverage Option — which is essentially an area wide policy that can ride on top of individual yield protection — was authorized by Congress back in the 2014 Farm Bill to help in this situation but the program does not have much allure in Minnesota because our producers prefer buying coverage that is tailored to their specific farming operations. This is because their risks may not entirely align with the risks of an entire area.

In any case, while I do believe that the best thing we can do to help producers is make for certain they have a crop insurance policy that works for them, I appreciate the Chairman's interest in a standing disaster program as a bridge that complements, rather than undermines, crop insurance, and that does not result in lower crop insurance participation or coverage levels — and perhaps that even encourages greater participation and coverage.

Finally, there are a couple of things I would hope to steer you away from as policymakers.

The first is a number of proposals that have been offered in years past that would undo every success of Federal Crop Insurance and return the program to the days prior to 1980 when the program simply did not work for anyone: Proposals to cut premium discounts that would put crop insurance out of reach for farmers. Proposals to eliminate the Harvest Price Option which is basically replacement cost insurance for farmers, so farmers are indemnified for the true value of the crop they lose. Proposals to cut private sector delivery again when it was cut deeply back in 2011. Proposals to undermine producer confidentiality. Proposals to impose pay limits and AGI means testing on crop insurance under the mistaken notion that this might help small and mid-sized farmers. These are all really bad ideas. For example, the average size farm that I serve is 419 acres. If we drive good farmers out of crop insurance by imposing pay limits or AGI means testing, or otherwise cause them to reduce their participation, we adversely impact the risk pool, driving premiums up for producers left in the pool, including my small and mid-sized producers. That triggers even less participation and lower coverage levels. That's going backwards, not forward.

The second is avoiding the linkage of crop insurance with climate change initiatives. Even though agriculture accounts for a small percentage, only about 9 or 10 percent, of greenhouse gases, and agriculture already does a great deal to reduce carbon, through things like no till, the planting of cover crops, the use of methane digesters, and through biofuels, farmers are willing to do more to help sequester and reduce carbon if given the right tools. Voluntary, incentive-based approaches are what will motivate farmers, as we have seen under the conservation programs of the Farm Bill. This approach is the right track to go down to effectively sequester or reduce carbon. But, conditioning a producer's eligibility for crop insurance or the premiums they pay on participation or performance in greenhouse gas reduction efforts will not work, not because producers are not interested in helping but because agriculture is so diverse that what may work for some producers will not work for others. I appreciate that the Biden Administration has recognized this and called for voluntary, incentive-based efforts and that a number of Members of

Congress have looked to increased funding for conservation programs as the most effective means of recruiting innovative farmers to help in sequestering or reducing carbon.

I hope my testimony has been helpful and I look forward to answering any questions that you may have.

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Education: Bachelor of Science in Agriculture from University of Wisconsin River Falls, Major in Farm Management

Job Experience:

Crop Revenue Consultants (2005- Current)
Providing Comprehensive Risk Management Consulting to Farmers in SE MN
Crop Insurance Agent

Grimmes Financial(2005-Current)
Introducing Broker for R.J. O'brien

Self Employed Crop Farm (1991-Current)
Produce Corn & Soybeans

AgStar Financial Services (1997-2005)
Sr. Financial Services Officer
Solicit Loan, Insurance, Business Consulting Services

Organizational Experiences

Minnesota Corn Growers
Serving as a Board Member since 2021
Dakota Stanton Mutual Insurance
Serving as Board member and Secretary since 2009
Randolph FFA Alumni
St Marks Lutheran Church Trustee (2016-2019)
Minnesota Ag & Rural Leadership program class III
Goodhue County CO-OP Electric Board (2009-2015)
Stanton Township Treasurer (1998-2005)

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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: 06/23/2021

Hearing Title :

"A Hearing to Review the Efficacy of the Farm Safety Net"

Witness Name: Robert Tate

Position/Title: Crop Insurance Agent

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:

<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.

Crop Insurance Agent
Board Member Minnesota Corn Growers

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.

N/A

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.

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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.