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To whom it may concern:

This letter is written regarding the proposed rules/special provisions change regarding insurance policy attachment on High Plains crops. Specifically, this letter is written to provide comments on the following topic: Non-Irrigated Issues Plaguing Crop Insurance in Western Kansas, Western Nebraska and Eastern Colorado.

First, let me premise this letter by describing our operation so as to put into context our position on the proposed changes in crop insurance. We are a family based farm business operating in Rawlins and Cheyenne Counties in Kansas and Hitchcock County, Nebraska. We are 100% no-till and employ a site-specific fertilizer management plan on each individual acre that we operate. We grow corn, wheat, soybeans, grain sorghum, alfalfa and yellow peas on our operation and largely have eliminated the traditional practice of long summer fallow. We have spent significant resources over the years to develop our understanding of no-till, soils and cropping rotation management and how these different factors are interrelated. It is important to recognize that it is in the understanding of these relationships, along with new technologies, that are allowing us to plant crops on our farm that historically would never have been considered.

As we discussed this proposed rules change internally and among other producers in the area, we are left wondering “why” this change has been proposed. Specifically, has the proposed change come about due to the following reasons?

1. Large crop losses associated with the early 2000’s when extreme drought had a stranglehold on the area?
2. A large occurrence of crop losses incurred by poor producers as they try to push cropping intensity to compete with better producers that are driving land values and cash rents through increased profitability?
3. A large occurrence of producers who the RMA or insurance industry feel are “gaming” the system.

As I look through that list, all three topics most definitely have had a negative effect on the insurance industry and RMA as risk is assessed and payouts determined. Let’s look at these three topics and then move forward with some recommendations that will improve RMA and the insurance industries ability to better assess risk and liability in this area without making wholesale changes that will have significant detrimental impacts on the area by penalizing the best farmers as well as the rural communities served.

DROUGHT

The large crop losses associated with the early 2000's were largely driven by extreme drought and were widespread (well beyond that area defined by the proposed rules change). Droughts are part of life in American agriculture, but extended droughts like what we saw in the early 2000's occur only on 30-40 year time spans. Droughts pass and there is no doubt that RMA and the insurance industry has observed that in recent years, crop production levels have been well above insurance payout targets indicating that this drought, like others before it, has passed on.

PRODUCER DIFFERENCES

The 2000's have seen widespread adoption of no-till management practices which have been extremely beneficial in both increasing production and in mitigating negative environmental impacts (like soil erosion and chemical run-off). Like all "slow moving" technologies, adoption has generally been slow and as a consequence significant profit differences have arisen between adopting and non-adopting producers.

No-till management and increased cropping intensity have been the primary drivers leading to significant increases in land values and cash rents over the past five to ten years. No-till management allows us to increase our water use efficiency for each crop, which thus lets us increase cropping intensity to the point where in today's world; the most progressive farmers are getting one crop per year as opposed to the traditional one crop in two years. Most of these folks are successful because of the increased overall productivity and profitability associated with long, continuous no-till crop rotations.

No-till production is extremely management intensive and as such many producers have "fallen behind" and often find themselves struggling to keep up in an ever changing cash rent world. Often these producers push cropping intensity in an effort to compete without spending the necessary time and effort to put the management tools in place for success. A fundamental problem from an insurance perspective is ascertaining what the successful producers are accomplishing (as they have far less frequency of insurance claims, especially in "normal" years) relative to the less successful producers that most likely have a higher percentage of claims across all years.

GAMING THE SYSTEM

This is always a problem in the insurance world and agriculture is not immune from having individuals willing and able to take advantage of an important subsidized risk management tool that is available to all producers in the United States. It has been my observation that these folks do exist but are but a small minority of all producers. There are many producers beyond the "true gamers" who might fit into this category on paper, but knowing the individuals' personally would allow one to quickly come to the conclusion that they are not gaming the system but rather do not have the educational prowess, technical or business skills or possibly are cash flow constrained to the point where they are unable to enact an overall farm management system that seeks to minimize crop losses and enhance both short and long term profitability.

Where does this leave us in this discussion?

Drought, hail, high winds, freeze and other such weather events are unavoidable and insuring losses due to these uncontrollable events should be the number one focus and priority of the RMA and insurance companies. Improved soil structure, surface residue, macro pore space, and nutrient cycling associated with long term continuous no-till significantly minimizes the effects of drought as well as minimizes soil and carbon losses due to both wind and water erosion. Additionally, keeping soils covered with residue minimizes the destructive consequences of a heavy rainfall event as water droplets are broken up before they get to the soil, thus preventing

the “crusting” issue that plagues conventional tillage practices and largely drives replanting insurance claims. Thus, the tillage, or lack thereof, employed by producers likely has a much bigger impact on production risk than the specific crop rotation.

Consequences of this proposed rules change

The economic and environmental hardship that would be realized in this area as a result of this rules change would possibly be devastating and long lasting. This rules change would effectively reduce cropping intensity and force more reliance on long summer fallow periods. Economically, this would lead to the reduction of land value as well as property tax base for rural communities in the effected area. Environmentally, relying on less intensity and more summer fallow would again open up this area to significant soil losses through wind and water erosion as well as increase the likelihood of moving more chemicals through the soil into our water table as well as off the fields in the erosion process and into surface water systems. The proposed rules change would not deal with the underlying problems that drove this topic but rather would penalize all producers.

Most progressive producers (and the number of acres managed by these guys increase significantly each year) are not the drivers of this problem and in fact are the ones largely driving the increase in agricultural productivity and profitability which spills throughout the rural communities. These progressive producers are also the ones doing the most to prevent soil erosion and chemical leaching/run-off as well as are attempting to recover our soils after 50+ years of tillage operations that burned up soil organic matter (carbon) and largely led to the erosion and other problems inherent in tillage based systems.

Solutions

With all of that said, I do realize that there is still an underlying problem at hand which the RMA and insurance industry is trying to get on top of and this proposed rules change is one possible solution posed to mitigate this problem. Let’s look at some other options that will allow everyone to “win” as we move forward into the next decade of production agriculture.

1. Insurance rates/risks/policies need to be re-assessed based on separation of management type (tillage vs. no-till) within the broad spectrum of what has legally been defined as Best Management Practices (BMPs) in this area. In my opinion this would result in significant policy differences between producers who wish to farm the old way (with tillage) vs. those who practice no-till management, as well as better serve RMA by allowing for more accurate assessment of risk/premium. Then again, maybe existing BMP’s simply need more teeth in them.
2. In the same vein as solution one, perhaps putting into place an evaluation process that must be completed at the time of a reported loss that would serve to evaluate whether a best management practice approach was taken based on the assigned policy. For folks with habitual wide-scale losses (even in “good” years) perhaps it’s time to see more details of their management system. I am not suggesting the creation of a checklist of what “is or isn’t” appropriate for producing crops, but rather would seek to identify large discretions from acceptable BMP compliance.
3. The RMA has been able to adopt and integrate new technologies and farming practices in the past (for example, we have different policies for growing fallow wheat vs. continuous wheat.), therefore I would imagine that integrating more modern rotations into policy is not unfeasible. For example, growing corn on corn has a different yield goal than corn in wheat stubble and consequently is managed differently. As such, these two different corn

growing practices should carry different policies to reflect the differences in production and risk, as opposed to simply not allowing one of them (i.e., the second corn crop) to be insurable.

In summary, I would guess that successful producers will realize that more money is to be made with modern technology (notill management and increased cropping intensity) than would be possibly lost by occasional uninsured crop losses; therefore these producers will most likely simply reduce their participation in RMA based crop insurance. This will leave the door open for other insurance mechanisms to develop, that will be more than happy to include more successful producers (lower risk through technology utilization), leaving the RMA and traditional agriculture insurance companies largely with the higher risk pool of producers in the area. I don't know whether this is a desirable outcome or not (from either the producer or RMA's positions), however that is probably how things would evolve. I also believe that focusing on management type (tillage vs. notill) within insurance policy rather than focusing solely on crop rotation would move both the producer and RMA into the future more efficiently and successfully.

Thank you for your consideration of my comments,



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