

Office of the President

March 11, 2010

Ms. Rebecca Davis  
Director, Topeka Regional Office  
Risk Management Agency  
2641 SW Wanamaker  
Suite 201  
Topeka, KS 66614

RE: Non-Irrigated Issues Impacting Crop Insurance Coverage In  
Western Kansas, Western Nebraska and Eastern Colorado

Dear Ms. Davis;

Thank you for the opportunity to provide comment on RMAs concern about the practice of continuous cropping on non-irrigated acres in western Kansas and parts of Colorado and Nebraska. We're hopeful for the opportunity to continue to discuss this issue and to develop solutions for producers across the region.

First, however, we have some concerns with some of the data used as the basis for your claim that the practice is not viable and therefore not insurable. For example, your loss cost data considers the ten year period covering 1999 to 2008. It is our understanding that most in the crop insurance industry perceive that window as an unacceptable timeframe and prefer 25 year historical data sets for better analysis and review. The crop years in your analysis are a perfect example of the need for a longer period of review – during those years most of the area in question suffered from historic drought. In addition, many were unprepared for the dramatic commodity price spike during the 2008 crop year which resulted in significantly higher indemnity payments. Overall, we believe that in order to provide the best analysis of viability the data set should be expanded and rerun.

Second, we've seen no evidence directly connecting a second (or continuous) summer crop to the high loss cost ratios presented as the basis for your potential decision. In fact, our independent analysis of randomly selected counties indicates that loss costs were impacted as much by traditional year-by-year dry land cropping patterns as they are in a continuous cycle. The simple truth remains that years lacking in

rainfall tend to be challenging for all types of operations, resulting in increases in indemnity payments. Take 2009 as evidence of a year with improved moisture resulting in improved yields and improving loss cost ratios over nearly the entire region.

In an effort to best position our comments to RMA, Kansas Farm Bureau organized two opportunities for discussion and input by producers in the impacted areas. Nearly 100 individuals attended these sessions on February 25 in Goodland and Ulysses, Kansas. The participant's use of a continuous cropping practice was wide ranging, including rotations focused on each of the major crops identified in your data – corn, grain sorghum, cotton, soybeans and sunflowers.

As you might expect, the concept of simply canceling coverage for non-irrigated continuous crops was not well received. However, participants were willing to recognize differences when compared to a more traditional approach and to develop some consensus behind the following conclusions.

We believe that RMA should proceed in a manner that recognizes the dramatic changes that have occurred over the last 20 to 25 years in western Kansas agriculture. Cultural and cropping system changes are occurring. No-till practices, improved no-till equipment, coupled with newer, safer and more flexible crop chemicals are available that allow for more intensive rotations, and allow producers to plant into soil moisture, wherever it is, regardless of rotation. Research is showing the benefits of maintaining growing crops that can potentially increase soil tilth and water absorption, which also encourages more intensive rotations.

Economic factors such as the cost of machinery, time and investments in land often allow producers to better optimize total resources, proving that when soil moisture is present it simply may not make business sense to adopt a fallow rotation. Additionally, the shift to cash leases often results in a more intensive rotation, where tenants, bankers, and producers see real benefits to planting a crop even if yields are reduced by more intense practices.

Given these realities RMA must develop an approach that is flexible and responsive rather than simply reacting to data which we believe does not present a complete picture. We respectfully ask that you consider the following alternatives to the cancellation of coverage:

1. Adopting a go-slow approach to changes in products and coverages available, including a second look at the data, changing cultural practices, and economics of continuous cropping over a longer timeframe.

2. Placing additional emphasis on education and enforcement against those who intentionally abuse the system – to better identify and remove bad actors. Producers and agents at both sessions seemed willing to provide additional data and comply with stricter reporting to facilitate this option.
3. Create a dual APH for the second crop in reduced moisture counties based either on rotation (i.e., continuous v fallowed) or based on practice (i.e., no-till v conventional). This option would allow a continuation of coverage but potentially at different levels or at higher premiums.

Finally, we believe that no changes should be adopted for the 2011 crop year. Further we believe that more discussion between the agency and producer groups can and will result in solutions which facilitate continued coverage – we stand ready to participate in those discussions at your convenience.

Thank you for the opportunity to share our thoughts and concerns. We remain committed to an ongoing dialogue to seek solutions for producers across the region and stand ready to assist as you move ahead.

Respectfully,



Steve Baccus  
President

Cc: Honorable Sam Brownback, US Senator, Kansas  
Honorable Pat Roberts, US Senator, Kansas  
Honorable Jerry Moran, US Representative, First District, Kansas  
Honorable Collin Peterson, Chairman, House Agriculture Committee  
Mr. Alan Foutz, President, Colorado Farm Bureau  
Mr. Keith Olsen, President, Nebraska Farm Bureau