March 9, 2022

Chairman Dr. Seth Meyer
Federal Crop Insurance Corporation
United States Department of Agriculture
Jamie L. Whitten Building, Room 112-A
1400 Independence Avenue, SW
Washington, DC 20250

Board of Directors
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Dear Chairman Dr. Meyer and Federal Crop Insurance Corporation Board of Directors:

The U.S. Senate Committee on Agriculture, Nutrition, and Forestry, and the House Committee on Agriculture (Agriculture Committees) are responsible for Congressional oversight of U.S. Department of Agriculture (USDA) programs and policies that include, but are not limited to, USDA's income support, risk management, and voluntary conservation programs. For this reason, we have a great interest in the success and viability of the Risk Management Agency's (RMA) federal crop insurance program.

We appreciate the ability for the private sector to develop new proposed plans of insurance that address the risk management needs of crop and livestock producers through the 508(h) process. However, the need for an open line of communication between RMA and the Agriculture Committees has become increasingly necessary due to the ongoing effort to link crop insurance and conservation practices. [1] While the manner in which these efforts are being undertaken may conform to the bounds of the law, these efforts are required to be actuarially appropriate and must follow sound insurance principles. We are concerned that the intent of these efforts is to bypass Congressional input intentionally, contrary to the spirit of good governance. Specifically, we understand some private developers seek to create new plans of insurance with rating methodologies that explicitly consider conservation practices such as cover cropping or crop rotations. [2] This is concerning because, historically, similar efforts to link conservation and farm programs were subject to stakeholder engagement, analysis, hearings, markups, and amendments throughout the Farm Bill process.

Thus, as we begin deliberations on the upcoming 2023 Farm Bill, we respectfully request regular briefings on RMA efforts including, but not limited to, 508(h) and 522(b) plans of insurance under consideration by the Federal Crop Insurance Corporation (FCIC) board of directors (Board). To be included in the briefings, we would appreciate receiving information about the

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[1] *See* "The Case For Next Generation Crop Insurance." National Sustainable Agriculture Coalition. July 2021. National Sustainable Agriculture Coalition
[2] *See* "Direct checks could ignite cover crop surge; crop insurance may play role, too." Agripulse. December 2021.

description of the policy coverage and cause of loss; the manner in which losses are calculated and indemnified; the crops, livestock, and practices eligible for coverage; and any proposed changes to the good farming practice decisions and determinations.

The most recent effort to link insurance rating methodologies and conservation practices is far from transparent, and we have grown more concerned as new details have emerged. As such, we urge the Board to consider the intermediate and long-run policy implications of additional links between necessary crop insurance policies and voluntary conservation practices. Careful consideration should be given to the availability of peer-reviewed research, credible data, and evidence, as well as third-party verification to ensure these new ratemaking methodologies appropriately reflect the change in crop production risk, and that such changes in crop production risk are consistent both spatially and across crop years. For example, a recent study from The Ohio State University and the University of Illinois indicates there is a lack of clear peer-reviewed evidence that cover crops reduce risk.[3]

As we know you appreciate, the consequences of changing the rating methodology of policies without credible evidence of a change in crop production risk are many. Such a modification would effectively increase the premium subsidy by undercharging producers for their insurance coverage. This could result in the insufficient collection of the premiums by RMA necessary to cover any insurance indemnities due to producers. Development of such a policy could also induce moral hazard by incentivizing producers to adopt conservation practices that are not economically optimal or risk-reducing for their farm operation, i.e., inadequate cover crop adoption or insufficient time to manage the conservation practice may actually increase the crop production risk of the farm.

We acknowledge and accept the important role voluntary conservation practices play on working lands to improve soil, water, and air quality. To encourage the benefits these practices yield, the Agriculture Committees have established programs through various Farm Bills to provide nearly $6 billion annually in financial and technical assistance to farmers and ranchers to adopt new practices or improve existing conservation practices.[4] These programs are in addition to resources provided at the state and local levels that incentivize the adoption of additional conservation practices. Through the ongoing and ever-changing development of ecosystem credit markets, private markets are also working to allocate resources to increase conservation efforts on our working farmlands, grasslands, and forests. Combined, we believe these resources and programs are a sufficient means to facilitate the adoption of conservation practices in an economically optimal way. The extent to which additional financial and technical resources are needed, and the role taxpayer money should play in these efforts, requires thorough consideration and is certain to be a part of the 2023 Farm Bill process.

We look forward to engaging with RMA and the FCIC Board jointly to address the needs of agricultural producers. We look forward to discussing the timeline for establishing regular briefings for the Agricultural Committees and our staff. Please contact the Republican Chief Economist for the Senate Agriculture Committee, Dr. John Newton, at

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[3] *See* "Policy Budget for Cover Crops and the Lesson of Crop Insurance." FarmdocDaily. January 2022.
[4] *See* "CBO's July 2021 Baseline for Farm Programs." Congressional Budget Office. July 2021.

john_newton@ag.senate.gov and Trevor White of the Republican House Agriculture Committee at trevor.white@mail.house.gov to start the process.

Sincerely,

John Boozman
Ranking Member
U.S. Senate Committee on Agriculture, Nutrition, and Forestry

Glenn “GT” Thompson
Ranking Member
House Committee on Agriculture