



Q1 REPORT 2020

Quarterly Report
AACI in Action

AMERICAN ASSOCIATION OF CROP INSURERS



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The first quarter of 2020 has been a uniquely challenging time for our nation to say the least. Times like these profoundly demonstrate the importance of our incredible food system and all those hands who help make it possible. Although this system is being challenged in ways that most of us have not seen in our lifetime, we know the foundation of this system rests on the men and women who grow our food. For them, I am grateful.

As AACI president, Mike Davenport, has said in the past, our core customer is the American farmer and our mission is to support him or her. To that end, since the outbreak of the pandemic, AACI has been working alongside its partners in the agriculture industry and others along the economic supply chain to ensure timely action and consideration for our producers. We have implemented a regular call series with members of Congress and other experts to give us insight and analysis of the current economic and legislative environment and to keep us abreast with any new developments.

One bright spot for the first quarter was our annual convention. We had tremendous participation and engagement. We appreciate your efforts in making it a meaningful time to visit and learn from one another.

We will continue to look for ways to keep you informed as we navigate this new normal. Please reach out to us if you have any questions or concerns.

May God keep you and your families safe.

SCOTT GRAVES
President

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AACI Elects Board Members

The following individuals were selected to serve on AACI's Board of Directors for a two-year term.



Grant Adams
Producers Ag
Insurance



Michael Davenport
Rain & Hail
Insurance



Doug Jakway
NAU Country
Insurance



Benson Latham
Crop Risk
Services



Tim Weber
Great American
Insurance Group

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We have indeed helped farmers and ranchers manage a challenging year by processing claims and getting payments out the door quickly. It underscores why private-sector delivery is such an integral part of the program and it demonstrates that crop insurance works.

Michael Davenport, AACI Chairman

In 2019, farmers purchased
1.1 million crop insurance policies
that protected 380 million acres.

2020 AACI-NCIS

Annual Convention | February 16 – 19, 2020

AACI members gathered in Bonita Springs, Florida for the 2020 Crop Insurance Industry Annual Convention, where they heard from Members of Congress, Administration officials, and other industry professionals.

Rep. Glenn "GT" Thompson (R-PA-15) kicked off the general session with remarks that highlighted the launch of the Congressional Crop Insurance Caucus last July, which he co-chairs with Rep. Cheri Bustos (D-IL-17). He also reminded the audience how critical it is to quickly educate new Members of Congress on the importance of the crop insurance program.

Following his remarks, AACI presented Congressman Thompson and Congresswoman Bustos with the 'Champion of Crop Insurance' award to thank them for their hard work over the past year, though Congresswoman Bustos was unable to attend the convention. AACI also presented Ranking Member of the House Agriculture Committee Rep. Mike Conaway (R-TX-11) the "Distinguished Service Award" from the entire industry for his 16 years of dedication to protecting the federal crop insurance program.



Attendees then heard a number of panel discussions and presentations. The first included past and current staffers of the House Agriculture Committee, who provided insight on the steps taken to complete both the 2014 and 2018 farm bills and gave examples of how the Committee worked with industry stakeholders to ensure all necessary programs remained unharmed throughout the debate process. The second panel included six representatives from the industries of corn, cotton, soybeans, dairy, fruits & vegetables, and conservation who spoke about how crop insurance supports their industries.

USDA's Office of the Chief Economist (OCE) provided a summary of the agriculture economy following the unprecedented number of weather events in 2019 and an analysis of how that could impact commodity markets moving forward. In her remarks, the USDA official defended the formula used for payments under the Market Facilitation Program (MFP), noting USDA had very tight parameters for calculating trade damage. RMA Administrator Martin Barbre provided attendees with an update highlighting the significant number of claims filed in 2019 – the highest on record – and a summary of the actions RMA took to assist producers who experienced excessive moisture, such as the prevented plant 'top-up' payments. He also provided an overview of some of the new policies and products RMA is developing to address many of the problems experienced in 2018 and 2019.



A professor from Texas A&M University updated attendees on farm policy and finances as we look to the 2020 crop year. He explained some of the changes to Title I programs in the farm bill, such as ARC and PLC, where producers are now eligible to choose which program to enroll in on an annual basis. He then touched on the current trade situation and provided an in-depth analysis of the distribution of the administration's MFP payments, which he believes are accurate based on criteria set for each tranche. He added that the current state of the farm economy may warrant justification for a third round of MFP in 2020.

Political expert David Wasserman with the Cook Political Report provided attendees with his outlook for the upcoming 2020 election in November. When looking at the House, he explained that some of the toughest fights will be in the Democratic primaries, as more socialist candidates are being recruited to run against the few remaining moderate members. House Republicans are also looking to take back several seats in Trump-won districts that were narrowly lost in 2018. He then explained that the name at the top of the Democratic Presidential ticket will have a significant impact on individuals further down the ballot.

The convention closed with guest speaker Mike Eruzione, who served as the captain of the 1980 United States Olympic Hockey Team that defeated the heavily favored Soviet Union before going on to win the Gold Medal. Eruzione used his experiences to explain how important it is for individuals to work together to achieve a common goal regardless of their past. After speaking, Eruzione had a Q&A session with NAU President Jim Korin, during which the two discussed his time as a member of the 1980 team and how that experience impacted his life moving forward.





Convention Event

AACI PAC along with CGB PAC, CIPA PAC, and Rain and Hail Insurance Society hosted an event for Congressman Glenn "GT" Thompson (R-PA-15) to open the convention. More than 40 convention participants attended, and the event raised more than \$18,000. Rep. Thompson expressed gratitude and pledged to continue to build support for crop insurance on Capitol Hill.

< Congressman Glenn "GT" Thompson (R-PA-15)

AACI-PAC Depends on You

AACI Political Action Committee (AACI-PAC) provides an important avenue to relay AACI's message to Congress advocating the significance and value of the Federal Crop Insurance Program to America's farmers and ranchers. Your continued support is essential to AACI-PAC's efforts to maintain and improve crop insurance.

If you would like to make a contribution to AACI-PAC, please contact AACI-PAC Director Brittney Matousek (Brittney@aacinsurers.com), and she will send you a PAC Contribution form that can be filled out and mailed to our office at:

American Association of Crop Insurers
1201 Pennsylvania Ave, NW, Suite 800
Washington, DC 20004

OR

If you prefer to pay online, contributions to AACI-PAC can also be made on our website: <https://www.aacinsurers.com/members/donate>. The password to access the Members only section of the AACI website is **2018aaci**.

If you have any questions about online submissions, please contact Matt Valesko (msvalesko@wms-jen.com) or Brittney Matousek (Brittney@aacinsurers.com).

We appreciate your support of the AACI-PAC.



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I want to play offense rather sit back and play defense. You should lean in on these Members and let them know how important it is to sign up for this caucus. When the time comes to consider amendments, we need to make sure we crush those efforts.

Rep. "GT" Thompson (R-PA-15), Co-Chair of the Congressional Crop Insurance Caucus, on the need for growing the caucus and preparing to defend crop insurance against any negative legislative proposals.

RMA

Announcements

USDA Announces Details of Risk Management Programs for Hemp Producers



On February 6, USDA announced the availability of two programs to protect hemp producers' crops from natural disasters. The sign-up deadline for both was March 16, 2020. Growers must have a license to grow hemp and must comply with applicable state, tribal, or federal regulations or operate under a state or university research pilot.

The MPC policy, which is available to producers in select counties of 21 states, provides coverage against loss of yield because of insurable causes of loss for hemp grown for fiber, grain, and Cannabidiol (CBD) oil. MCPI Catastrophic (CAT) 50/55 coverage is available, as well as additional coverage up to 75/100.

Noninsured Crop Disaster Assistance Program (NAP) provides coverage against loss of yield due to an eligible disaster condition for hemp grown for fiber, grain, seed, or CBD. NAP basic 50/55 coverage is available at 55 percent of the average market price for crop losses that exceed 50 percent of expected production. Buy-up coverage is available in some cases up to 65/100. NAP is available nationwide.

USDA Offers New Crop Insurance Pilot Program for Nursery Crops in 2021

On February 20, RMA announced a new crop insurance pilot program called Nursery Value Select (NVS) for the 2021 crop year, which will be available in select counties in nine states (AL, CO, FL, MI, NJ, OR, TN, TX, and WA). The deadline to purchase NVS for AL, FL, NJ, and TX is May 1, 2020. The deadline for CO, MI, OR, TN and WA is September 1, 2020. The NVS program is based on the existing nursery crop insurance program with a few changes.

USDA Offers New Hurricane Insurance Endorsement for Crop Year 2020

On February 27, RMA announced a new crop insurance endorsement, the Hurricane Insurance Protection – Wind Index (HIP-WI). HIP-WI covers a portion of the deductible of the underlying crop insurance policy when a county, or county adjacent, is within the area of sustained hurricane-force winds. The coverage provided by HIP-WI can be combined with the Supplemental Coverage Option (SCO) and the Stacked Income Protection Plan (STAX) when acreage is also insured by a companion policy. HIP-WI provides coverage for 70 different crops and is available in counties in the vicinity of the Gulf of Mexico and the Atlantic, as well as Hawaii. The deadline to purchase HIP-WI coverage for the 2020 crop year is April 30, 2020.

USDA Working to Reduce Insurance Rates for Farmers Impacted by the 2019 Breached Levees

On March 12, RMA issued a reminder to farmers living in areas where levees breached in 2019 to review the impact those breaches may have on premium rates when considering crop insurance policy options for 2020. The deadline to update crop insurance policies or apply for coverage was March 16 for spring crops.

Additionally, RMA will consider premium rate adjustments for farmers in counties where levees have been temporarily or partially repaired before the Sales Closing Date or Earliest Planting Date if the repairs are certified by the U.S. Army Corps of Engineers (USACE) or, if applicable, by a state-licensed and registered engineer. RMA will adjust the premium rate according to the level of protection the levee repair provides as indicated in the certification.

Farmers in counties with levee breaches should contact their crop insurance agent for more information and to discuss options. The counties affected include:

- **Illinois** – Alexander, Madison and Randolph
- **Iowa** – Fremont, Mills and Pottawattamie
- **Kansas** – Atchison, Doniphan, Leavenworth and Wyandotte
- **Missouri** – Atchison, Boone, Buchanan, Callaway, Carroll, Chariton, Clark, Cole, Cooper, Franklin, Gasconade, Holt, Howard, Jackson, Lewis, Lincoln, Marion, Moniteau, Osage, Pike, Platte, Ray, Saline, St. Charles, St. Genevieve, St. Louis and Warren
- **Nebraska** – Nemaha and Otoe



AACI Responds to COVID-19

As the COVID-19 pandemic spread to the U.S., AACI signed on to two separate letters from the agriculture industry to get the attention of President Trump and every governor in the United States. The first letter was sent to the president on March 18 to address concerns regarding the availability of food and supplies in stores across America and explain how the agriculture community is prepared to answer the needs of American consumers. It also detailed the troubles farmers experienced during the 2019 growing season due to price uncertainties and weather-related events and asked the administration to strongly consider the impacts on the agricultural supply chain as they take steps to protect the nation from the ongoing pandemic.

The second letter sent on March 24 asked governors of each state to adopt the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency (CISA) guidance released on March 19 and designate workers in the food and agriculture supply chain as "Essential Critical Infrastructure Workers." The letter explained that providing this designation to these workers and facilities would allow them to continue to operate and provide necessary needs for the food and agriculture supply chain, regardless of local shelter-in-place orders.



COVID-19 and Agriculture

As Congress continues to consider various approaches to combat the ongoing pandemic and surrounding economic fallout, there have been several provisions related to agriculture that we wanted to flag for your attention. Provisions in the relief package that was signed into law on March 18 included \$500 million in food aid for pregnant women and mothers, \$250 million to deliver meal packages to seniors, and \$400 million for USDA to buy up commodities and distribute them to food banks. The bill also suspended work requirements for SNAP recipients and allowed states to use the funds to help families with kids who qualify for school meals.

The President signed a \$2.2 trillion stimulus package — The Coronavirus Aid, Relief, and Economic Security (CARES) Act — that included several significant provisions for agriculture. Most notably the bill provides \$14 billion to replenish the Commodity Credit Corporation (CCC), bringing the total borrowing authority to roughly \$23 billion. It also provides an additional \$9.5 billion to livestock, specialty crops, and local food systems to cover losses related directly to the COVID-19 pandemic. Although the industry is grateful for the assistance, the amounts provided are well below the Agency's ask of \$30 billion for CCC.

On April 17, USDA announced the Coronavirus Food Assistance Program (CFAP), a \$19 billion immediate relief program for the agriculture industry that is funded through the CARES Act, the Families First Coronavirus Response Act (FFCRA), and other USDA existing authorities. CFAP will provide \$16 billion in direct support based on actual losses for



agricultural producers and allow USDA to purchase \$3 billion in fresh produce, dairy and meat to provide to local food systems serving Americans in need.

The direct payments will include \$9.6 billion for livestock, including \$5.1 billion for cattle, \$2.9 billion for dairy, and \$1.6 billion for hogs. There will also be \$3.9 billion for row crops, \$2.1 billion for specialty crops, and \$500 million for other crops. The commodity purchases include \$100 million per month for fresh fruits and vegetables, \$100 million per month for dairy, and \$100 million per month in meat products. Sign up for CFAP is scheduled to begin in early May with payments expected in late May or early June, and we also anticipate additional details regarding the distribution of payments to be released in the coming days/weeks.



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