

## **DTN**

### **Farm Groups Express Concerns About Cuts: Saving Money in Crop Insurance Hurts 2012 Farm Bill April 13, 2010**

A spokesman for Agriculture Secretary Tom Vilsack said Monday that the Obama administration is willing to work with Congress on the budget challenges that might arise in creating the 2012 farm bill, because of potential budget savings from a proposed contract with crop-insurance companies.

A coalition of farm groups has urged Vilsack to stop the negotiations and let Congress handle the issue. Reacting to their letter, Justin DeJong, a Vilsack spokesman wrote in an email, "USDA remains open and willing to engage with the relevant congressional committees to achieve crop insurance reform in a way that addresses the baseline concerns expressed by the signatories of the letter."

In the letter sent Friday, the American Farm Bureau Federation, the National Milk Producers Federation and eight commodity groups said that the Congressional Budget Office assumed the negotiations would generate \$3.9 billion in savings over 10 years. However, the congressional agriculture committees would not get any credit for these savings in any budget reconciliation, because the negotiations are conducted by the executive branch.

"These reductions in the federal crop insurance program may undermine this component of the farm safety net and will sharply reduce the agriculture budget in the advent of a baseline budget farm bill," the groups wrote in their letter to USDA. "It would make a potential budget reconciliation process next year extremely difficult. We urge you to stay the ongoing (standard reinsurance agreement) renegotiations, reinstate the current SRA and allow Congress to address this issue legislatively in order to preserve the budget baseline."

Congress authorized the crop-insurance contract negotiations in the 2008 farm bill. USDA Risk Management Agency officials have said the companies could afford a cut, because payments to deliver insurance have risen, along with commodity prices from \$1.8 billion in 2006 to \$3.8 billion in 2009, and profits are beyond appropriate levels. The companies have said they are willing to make cuts, but that the administration's proposed cuts are too high.

In his proposed 2011 budget, President Barack Obama proposed an \$8 billion cut in payments to the crop insurance companies over 10 years, but RMA has since released a second proposal that would reduce the cuts to \$6.9 billion.

Both the crop insurance industry and congressional farm leaders said Monday they are concerned about the size of the proposed cuts, but none backed the farm groups' proposal that the negotiations be stopped.

"It is important to state that the industry is negotiating with RMA on the SRA and is not delaying the process," said former USDA chief economist Keith Collins in an email. Collins, now a consultant to National Crop Insurance Services, added, "Clearly, Congress authorized RMA to negotiate a new SRA, but it a reasonable question whether Congress had in mind the structural changes and the large cuts envisioned by RMA."

A spokeswoman for Senate Agriculture Committee Chairman Blanche Lincoln, D-Ark., said Lincoln believes the current draft of the agreement "goes too far" and "is also concerned about the adverse impact on the farm bill baseline, especially in the current budget environment."

A spokeswoman for Senate Agriculture Committee ranking member Saxby Chambliss, R-Ga., said that a group of senators wrote RMA Administrator Bill Murphy they are concerned "about the magnitude of proposed program cuts and a matter of putting the cart before the horse -- cutting the program before fully understanding program delivery costs."

House Agriculture Committee ranking member Frank Lucas, R-Okla., said, "It does not surprise me that USDA has continued down this path, given the administration's obvious priority to cut programs that provide our producers with a viable safety net. This issue is extremely important and I will continue to closely monitor it."