

# **Adequate Coverage for States and Underserved Producers**

Report to Congress in response to section 11108 of the  
Agriculture Improvement Act of 2018

## **I- Executive Summary:**

Federal crop insurance is an equal-opportunity critical component of the safety net for agricultural producers. In 2018 Federal crop insurance was utilized on 84 percent of U.S. acres for all commodities excluding hay, livestock, nursery, and pasture, range, and forage. The measurement of Federal crop insurance coverage is important for gauging where the risk management safety net could be strengthened or expanded.

In accordance with Section 11108 of the 2018 Farm Bill, the U.S. Department of Agriculture's (USDA) Risk Management Agency (RMA) conducted two separate analyses to determine where states or producer groups were underserved by the Federal crop insurance program. One analysis compared crop acreage reported to the RMA with crop acreage estimated by the USDA's National Agricultural Statistics Service (NASS) to measure if each state by crop was adequately served by crop insurance. A second analysis was done using 2017 Census of Agriculture responses to measure crop insurance participation among underserved producers.

RMA's analysis found a little over 100 state/crop participation rates that met the statutory definition of underserved, out of over a thousand state/crop participation rate comparisons. RMA analyzed crop insurance participation rates for Beginning, Veteran, Female, African American/Black, Asian American, Hispanic/Latino, American Indian/Native American, and Native Hawaiian and Other Pacific Islander farmers and ranchers, and found all groups participated in crop insurance at above 50% the rate of all producers.

Considering this analysis, RMA has provided an overview of actions taken to date, additional recommendations, and other policy options for Congress to consider.

## II- Introduction

RMA is providing this report to Congress in accordance with Section 11108 of the Agricultural Improvement Act of 2018, or 2018 Farm Bill.

Section 11108 modified Section 508(a)(7) of the Federal Crop Insurance Act (7 U.S.C. 1508(a)(7)) to read:

*(7) ADEQUATE COVERAGE FOR STATES AND UNDERSERVED PRODUCERS.—*

*(A) DEFINITIONS.—In this paragraph:*

*(i) ADEQUATELY SERVED.—The term “adequately served” means having a participation rate, by crop, that is at least 50 percent of the national average participation rate.*

*(ii) UNDERSERVED PRODUCER.—The term “underserved producer” means an individual (including a member of an Indian Tribe) that is—*

*(I) a beginning farmer or rancher;*

*(II) a veteran farmer or rancher; or*

*(III) a socially disadvantaged farmer or rancher.*

*(B) REVIEW.—Using resources and information available to the Board or the Secretary, the Board shall review the policies and plans of insurance that are offered by approved insurance providers under this subtitle, including policies and plans of insurance for underserved producers, to determine if each State is adequately served by the policies and plans of insurance.*

*(C) REPORT.—*

*(i) IN GENERAL.—Not later than 30 days after completion of the review under subparagraph (B), and not less frequently than once every 3 years thereafter, the Board shall make publicly available and submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report describing the results of the review.*

*(ii) RECOMMENDATIONS.—The report under clause (i) shall include recommendations to increase participation in States and among underserved producers that are not adequately served by the policies and plans of insurance, including any plans for administrative action or recommendations for Congressional action.*

Given the statutory definition of adequately served, RMA first calculated both a baseline percentage and specific percentage by state for the various crops nationwide. Those that fall below the 50% statutory cutoff are shown in Figure 1 below. Methodologies for determining “adequately served” and other metrics used in this report are outlined in the Appendix (Section V).

Figure 1. States and Crops Without Adequate Coverage

Commodity	50% of national participation	Insurance participation by state that is less than 50% of national participation level													
		CA	GA	IL	MA	MN	NJ	NM	OH	SC	TN	UT	WV	WI	
Apples	35%	34%	24%	23%	34%	17%	18%	2%	28%	20%	6%	27%	29%	29%	
Barley	31%	MD	MI	NY	PA	SD	VA	WI							
Blueberries	29%	AL	MS												
Buckwheat	18%	MN													
Corn		CA	MT	NV	OR	RI	UT	WA							
Combined	44%	31%	38%	15%	41%	33%	15%	32%							
Cucumbers	11%	FL	NC												
		3%	5%												
Dry Beans	44%	CA	ID	MT	TX	WA									
		42%	36%	42%	1%	40%									
Dry Peas	45%	OR													
		43%													
Flax	43%	SD													
		41%													
Forage Production	6%	CO	ID	ME	MI	NE	NY	OR	PA	UT	WA				
		1%	1%	5%	4%	1%	1%	1%	1%	2%	2%				
Fresh Beans Combined	18%	MN	NJ	OR	TX	WA									
		16%	7%	13%	13%	15%									
Green Peas	42%	IL													
		12%													
Grapes	26%	AR	CT	MD	MO	NE	NJ	NC	OH	VA					
		1%	1%	3%	1%	9%	1%	17%	9%	1%					
Mandarins / Tangerines	44%	FL													
		25%													
Mint	11%	OR													
		3%													
Oats	7%	AL	CA	CO	GA	ID	IL	KS	MO	OK	OR	TX	WA		
		6%	2%	4%	5%	6%	4%	3%	1%	3%	6%	5%	6%		
Onions	39%	NM													
		20%													
Peaches Combined	35%	CT	KY	LA	MA	OK	OR	TN	UT						
		17%	7%	4%	33%	14%	12%	29%	14%						
Pecans	18%	FL	OK												
		1%	3%												
Pistachios	34%	NM													
		31%													
Potatoes	36%	NJ													
		15%													
Sesame	50%	KS													
		7%													
Sorghum Combined	38%	GA													
		28%													
Sugar Beets	44%	CA													
		40%													
Tobacco Combined	49%	PA													
		1%													
Tomatoes Combined	41%	NJ	NY	SC	TN	VA									
		19%	17%	7%	36%	9%									
Triticale	14%	ID													
		5%													
Wheat	41%	AZ	CA	DE	FL	GA	IA	MD	NV	PA	WV				
		39%	28%	35%	13%	21%	21%	26%	21%	23%	33%				

The greatest frequency of low state participation rates for field crops was identified for oats, forage, and wheat. Several fruit crops including apples, grapes, and peaches were identified to have the most states with low participation rates. The participation for oats can appear to be low due to a significant amount of the NASS planted oat acreage being intended for purposes other than grain like cover crops. Forage production has a very low national participation rate and states with lower amounts of overall forage acres tended to have the lowest state participation rates. Low participation for perennial fruit crops could be the result of RMA limiting insurance offers to select counties in a state or to certain cropping practices where production experience demonstrates that insurance would be actuarially sound. Perennial crops can also have underwriting controls that limit insurance for new production areas with minimum age and production amount requirements that have to be met before acreage becomes insurable as opposed to annual crops that are insurable when the crop is planted.

In addition to states with low crop insurance participation there were also some state and crop combinations identified where Federal crop insurance is available, but no producers purchased such coverage. These combinations are stated in Figure 2.

Figure 2. States and Crops Where Insurance Coverage is Offered Without Any Insurance Participation

State	Commodity	NASS Acreage
Alaska	Potatoes	500
Arizona	Chili Peppers	1,100
Idaho	Flax	2,003
Maryland	Forage Production	40,000
Massachusetts	Grapes	173
Mississippi	Grapes	375
Montana	Camelina	792
New Jersey	Forage Production	9,000
Oregon	Mustard	1,066
South Carolina	Blueberries	750
Tennessee	Snap Beans	7,900

The most common states to have underserved crop seem to be in the west. However, these states also have some of the most diverse mixes of different insurable crops being produced. For example, California has over 50 different insurable crops.

To analyze the participation rate among underserved producers, RMA used producer responses to the 2017 NASS Census of Agriculture. RMA included all farms with gross sales over \$50,000 in our review. This was the best data set RMA could locate that would allow the comparison of demographic data on operators to see if they utilized crop insurance. This method allows RMA to look at participation on an operator basis, but not on an acreage basis. RMA is exploring other ways to collect data for future versions of this report. This methodology is further explored in Section V.

Figure 3 shows the crop insurance participation rate for each demographic group and the number of producers that identified as members of that demographic group with gross sales over \$50,000.

Figure 3. Crop Insurance Participation Rates for Different Demographic Groups

<b>Commodity:</b>	<b>All Crops</b>	
<b>Demographic Group</b>	<b>Participation Rate</b>	<b>Number of Producers</b>
All Producers	64%	439,060
Beginning Farmer	60%	92,842
Current or Former Military Service	62%	73,870
Female	59%	187,856
African American/Black	51%	2,261
Asian American	45%	4,545
Hispanic/Latino	50%	11,851
Native American/American Indian	43%	4,661
Native Hawaiian or Other Pacific Islander	38%	506

Attached to this report is Exhibit 1, which shows the information in Figure 3 on an individual crop basis for all crops included in the Census of Agriculture. It may be difficult to make valid inferences from Exhibit 1 because the Census of Agriculture asks producers about crop insurance participation at a farm level, instead of at a crop level. However, if a farm has access to crop insurance for one crop, it means they are participating in the program and are able to make decisions about whether they want to use crop insurance on other crops where it is available in their area.

Figure 4 below shows the participation rate for each demographic group compared to the participation rate for all producers. Figure 4 can be interpreted by saying that Beginning Farmers participate in crop insurance at 94% the rate of all producers. No demographic group participates in crop insurance at under 50% of the participation rate of all producers.

Figure 4. Crop Insurance Participation for Underserved Producers Compared to Participation Rates for All Producers

<b>Commodity:</b>	<b>All Crops</b>
<b>Demographic Group</b>	<b>Participation Rate compared to Participation Rate for All Producers</b>
Beginning Farmer	94%
Current or Former Military Service	98%
Female	93%
African American/Black	81%
Asian American	72%
Hispanic/Latino	78%
Native American/American Indian	67%
Native Hawaiian or Other Pacific Islander	59%

### III- Current Offerings and Outreach

In an effort to increase the availability of Federal crop insurance in underserved states, RMA has worked to expand the availability of existing multi-peril crop insurance policies across the country. Over the 2018, 2019, and 2020 crop years, RMA expanded insurance availability to 318 additional crop county combinations that would not have been available to producers responding to the 2017 NASS Census of Agriculture.

RMA's regional offices worked collaboratively with regional stakeholders and with the USDA's Farm Service Agency (FSA) to identify areas where expansion was needed and feasible to accomplish these expansions. These efforts will continue. Notably, RMA has emphasized expansion of perennial fruit programs in the mid-Atlantic and Northeast, which should lead to higher participation in those areas which are currently underserved as identified in Figure 1.

Additionally, RMA has worked to create and improve existing programs for areas and producers that are underserved. RMA's Pasture, Rangeland and Forage (PRF) insurance program, which allows producers who hay or graze land for livestock to purchase protection against rainfall shortages, is a popular and affordable program targeted towards livestock and hay producers. The program in particular has been popular with Native American tribes. PRF is currently undergoing its own program review and may have enhancements in the future. RMA has also done a recent overhaul of our Forage Production and Forage Seeding plans of insurance, in the hopes of improving producer participation in both programs.

Additionally, the Bipartisan Budget Act of 2018 removed the congressionally mandated \$20 million cap on insurance for livestock producers. This has allowed RMA to offer more coverage to livestock producers through existing programs like Whole Farm Revenue Protection, Livestock Gross Margin, and Livestock Risk Protection. It also made the new Dairy Revenue Protection insurance product feasible. This flexibility aids RMA in continuing to develop new products that serve livestock producers. The Federal Crop Insurance Corporation Board of Directors also recently approved enhancements to the Livestock Gross Margin and Livestock Revenue Protection plans of insurance, including providing those producers additional premium subsidy.

For vegetable producers, RMA has updated the record requirements for direct market producers under the Whole Farm Revenue Protection insurance policy for 2021. In 2020, there were 2,072 Whole Farm Revenue Protection insurance policies sold nationwide, covering over \$2.2 billion in liability. Whole Farm Revenue Protection is available for 124 different commodities. The 2021 changes were made with the intent of making that program more accessible to direct market vegetable producers who told RMA they did not keep the records previously required by the program. Along with these changes, RMA has designated a national Specialty Crops Coordinator per the instructions of the 2018 Farm Bill. This coordinator, along with regional specialty crops coordinators, has been tasked with identifying and addressing areas for specialty crop insurance expansion. As part of these efforts, RMA has introduced a new plan of insurance called Production and Revenue History (PRH). This policy will help specialty crop producers access revenue coverage for their crops, based on their production histories and historical prices received. The initial implementation of PRH insurance was for Strawberries in Florida. PRH will soon be implemented for fresh market tomatoes, fresh market sweet corn, and fresh market green bell peppers.

In addition to expanding and improving our products to meet the needs of underserved areas and groups, RMA has also emphasized education about our programs to underserved states and producer groups. Until the 2018 Farm Bill, RMA provided additional education and outreach in underserved states through cooperative agreements with State Departments of Agriculture, land grant universities, and other qualified entities. The funding for these agreements was shifted from RMA to the National Institute of Food and Agriculture (NIFA) as part of the 2018 Farm Bill. RMA now works with NIFA in an advisory role as they administer this funding. Starting in fiscal year 2021, RMA is reengaging in these education and outreach efforts by using funding associated with Section 522 of the Federal Crop Insurance Act to enter into cooperative education agreements.

RMA has also worked to help these producers with risk management through partnerships with other USDA agencies, including the Agricultural Marketing Service (AMS) and Natural Resources Conservation Service (NRCS). RMA partnered with AMS on a project to enhance market access for fruit and vegetable producers by defraying the costs of undergoing voluntary USDA Harmonized Good Agricultural Practices (GAP) audits. These food safety audits are an important aspect of any farm marketing plan and will mitigate financial risk by expanding the number of market options available to the farm. RMA partnered with NRCS to fund high tunnels for producers in underserved states, with an emphasis on urban agriculture. High tunnel systems allow crops to be planted several weeks earlier and later and eliminate considerable risk from weather and pests.

RMA also provides a specific set of benefits for Beginning Farmers and Ranchers (BFR) to make Federal crop insurance more accessible. Figure 3 and Figure 4 above show that of the underserved groups, BFR are among the most likely to participate in Federal crop insurance. Additionally, the 2018 Farm Bill extended these BFR benefits to Veteran Farmers and Ranchers (VFR). These benefits are listed below:

- Exemption from paying the administrative fee for catastrophic and additional coverage policies;
- Additional 10 percentage points of premium subsidy for additional coverage policies that have premium subsidy;
- Use of another person's production history for the specific acreage transferred to you that you were previously involved in the decision making or physical activities to produce the crop; and
- An increase in the substitute Yield Adjustment, which allows you to replace a low yield due to an insured cause of loss, from 60 to 80 percent of the applicable transitional yield (T-Yield).

The 2018 Farm Bill instructed USDA to create Beginning Farmer Rancher Coordinators for RMA, FSA, NRCS, and Rural Development (RD). These coordinators will develop goals and create plans to increase beginning farmer participation and access to programs while coordinating nationwide efforts on beginning farmers and ranchers. Each state coordinator will receive training and develop beginning farmer outreach plans for their state. Coordinators will help field employees to better reach and serve beginning farmers and ranchers and will also be available to assist beginning farmers and ranchers who need help navigating the variety of resources USDA has to offer. Additionally, the Farm Bill added Specialty Crop Liaisons to assist the Specialty Crop Coordinator in RMA. These positions will better help identify unique needs of specialty crops which are commonly underserved. RMA recommends using these positions as a centerpiece to target expansion to underserved crops and areas.

RMA has also started a contracted study to develop insurance programs for local foods. This research was a requirement in the 2018 Farm Bill. RMA will review any findings or recommendations to see how



our program can be more accessible to local food producers. RMA separately submitted a report on this topic to the committees as required.

RMA also plans to continue to expand the PRH plan of insurance and has been working through the specialty crop coordinators to identify specialty crops where PRH could be used as the basis for crops that currently do not have a specific policy.

## **IV- Recommendations and Other Options**

To increase program participation by socially disadvantaged Farmers and Ranchers, RMA is exploring ways to give socially disadvantaged Farmers and Ranchers access to the benefits, listed in Section III above, that are currently available to BFR and VFR. These would include exemption from administrative fees, additional premium subsidy, and an increase in the substitute Yield Adjustment. In addition, RMA is considering ways to give socially disadvantaged producers a way to adjust their historical yields to account for the historical impact of discriminatory lending practices on their operations.

Additionally, although agents are required to receive training on specialty crops and other topics relevant to underserved producers, there is not a major financial incentive involving underserved producers in most cases. Congress could also consider incentive options to agents to better market insurance options or to sell complex policies like Whole Farm Revenue Protection to these producers.

RMA is exploring what changes could be made administratively versus those that would require Congressional action.

Finally, the Fiscal Year 2022 President's Budget includes an increase of \$9 million in discretionary funds for RMA to hire staff devoted to underserved communities, enter into contracts and agreements to develop new products for consideration, and to expand risk management education and outreach efforts.

## **V- Appendix with Methodology:**

### **Adequate Crop Insurance Coverage for States**

#### **Methodology (based on acreage):**

Insurance availability is typically determined at the county level, and this presents a challenge when determining what will count as insurance availability at the State level. For simplicity, it's assumed that if one county has insurance then the State is said to have insurance. Crops that do not have access to crop insurance in a particular state are excluded. NASS does provide survey data at the county-level for the major field crops, but results are often limited. NASS only reports counties with more than 30 respondents and 25% of planted acres included, otherwise the county is aggregated to the county reporting district and state-level estimates. Therefore, aggregating RMA's state-level data with NASS state-level data provides the most available crop acreage data. There are still cases at even the state-level where NASS has too few respondents to publish the crop acreage for the state. NASS nationwide acreage estimates are unconstrained and include all the acreage for the crop in the United States.

Consideration was made between using NASS survey and NASS Census of Agriculture data. The Census of Agriculture is more comprehensive than NASS surveys, however, for row crops and vegetables only harvested acres are recorded. For crop that were hit by a natural disaster in 2017, the Census is a poor choice for establishing penetration rates. Also, the Census of Agriculture is only conducted every five years, with the last being in 2017.

For field crops and vegetables, the planted and harvested acreage is reported in NASS surveys. When NASS conducts acreage surveys, its conducting surveys in states that are major producing areas of the crop. For fruits and nuts, the NASS survey and census both provide bearing and non-bearing acres, but the census contains more useful state level acreage than surveys.

Even when using the NASS census or survey, there are certain crops that RMA may have a policy for that are not covered in the Census of Agriculture, such as clary sage. Additionally, NASS and RMA may classify crops differently, therefore, the crop classifications from one agency may need to be aggregated in order to be analogous with the classification from the other agency. For example, RMA has several different policies for tobacco based on the variety, while NASS only records "Tobacco" as the commodity.

For these reasons the primary NASS data source is the 2018 NASS survey. For field crops and vegetable crops the NASS planted acreage survey estimates were used. For fruit and nut crops the NASS bearing acres census estimates were used. Some crops don't have NASS planted acre estimates so the NASS harvested acreage estimates were used. These crops include mint, sugarcane, tobacco, and forage (alfalfa, alfalfa grass mixture).

RMA's Summary of Business acreage for the 2018 crop year was compared to the 2018 NASS survey acreage or 2017 census acreage. Comparison was first made with the nationwide totals by crop to establish the percentage of insurance participation by crop. This percentage was then multiplied by 50 percent to establish the adequately served baseline for each crop at the state level. Then the RMA summary of business acreage by crop for each state was compared to NASS state survey or census crop acreage to establish the insurance participation percentage by state and crop. These state/crop insurance participation percentages were then compared to the adequately served national/crop baseline percentages. Any state/crop insurance participation percentages below the national/crop baseline were then identified as not being adequately served. The states and crops without adequate coverage is displayed in Figure 1. Several states and crops were identified to having NASS acreage estimates with crop insurance available, but no acres were insured in 2018 and are displayed in Figure 2.

## RMA's Interaction with Underserved Producers

### **Methodology (based on numbers of producers):**

To measure how effectively Federal crop insurance is serving underserved producers, defined by Congress as beginning farmers and ranchers, veteran farmers and ranchers, and socially disadvantaged farmers and ranchers, RMA used the 2017 Census of Agriculture NASS to look at the percent of respondents who identify as beginning farmers and ranchers, veteran farmers and ranchers, or as a category considered socially disadvantaged, that say they use crop insurance.

Typically, RMA analyzes crop insurance participation by comparing total acres estimated by NASS to the acres reported to RMA by insured producers. However, RMA could not follow this technique for underserved producers, because of the lack of RMA data that contains demographic information. RMA does not keep demographic information on program participants. Data is shared between RMA and FSA containing some demographic information, but this data isn't as complete as the data available in the 2017 Census of Agriculture.

NASS provided RMA with Census information by crop, broken down by farm sales class, concerning crop insurance participation for farmers and ranchers that are classified as beginning, current or former servicemen, female, African American, Asian, Native American, Native Hawaiian or Other Pacific Islander, or Hispanic. NASS also provided RMA with the same dataset for all producers, to serve as a baseline. RMA analyzed farms with gross sales over \$50,000 in order to focus on participation rates for farm operations where farming is a primary source of income for the operator. This sales class was selected to capture a significant portion of intermediate farms that the Economic Research Service (ERS) defines as farms with less than \$350,000 in gross cash income and a principal operator whose primary occupation is farming. The \$50,000 sales class was also selected to provide a balanced comparison of family farm insurance participation without being overly weighted by residence farms that ERS defines as farms with less than \$350,000 in gross farm income and where the principal operator is either retired from farming or has a primary occupation other than farming. Overall, the \$50,000 sales class of farms account for 97% of farm sales nationwide according to NASS.

If producers provided an answer of more than zero to the 2017 Census of Agriculture question "How many acres in this operation were covered under any crop insurance policy in 2017?", they were included as crop insurance participants.

Due to the format of this question, RMA was able to identify if a producer's operation had some form of crop insurance but was unable to determine which specific crops produced under the farming operation were insured. This made it difficult to make inferences on an individual crop basis. However, RMA did perform this analysis, and this information is included in Exhibit 1.

If a producer had crop insurance on at least one crop, then they likely had access to a crop insurance agent and were able to make decisions about whether or not they wanted insurance for any other insurable crops they grew