



2012
YEAR OF THE
FARMER CO-OP

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June 13, 2012

The Honorable Debbie Stabenow
Chairwoman
Senate Committee on Agriculture,
Nutrition and Forestry
328A Senate Russell Building
Washington, DC 20510

The Honorable Pat Roberts
Ranking Member
Senate Committee on Agriculture,
Nutrition and Forestry
328A Senate Russell Building
Washington, DC 20510

Dear Chairwoman Stabenow and Ranking Member Roberts:

On behalf of the more than two million farmers and ranchers who belong to farmer cooperatives, the National Council of Farmer Cooperatives (NCFC) seeks your continued leadership to ensure American farmers and ranchers and the co-ops they own have the flexibility, resources, tools and technologies needed to meet the challenges of a growing world. Key to this is preserving the productive capacity of our farms by supporting a responsive and equitable safety net, including a strong crop insurance program.

Agriculture has been a bright spot in an otherwise dim economy over the past few years. And yet, the agricultural economy is highly cyclical. Extremely volatile weather and global markets result in equally volatile farm gate prices, yields, and costs of production. Today's robust prices for most agricultural commodities will not continue indefinitely; not maintaining an adequate safety net and sound risk management tools through the farm bill could prove, in time, penny wise and pound foolish.

Changes in this farm bill have resulted in crop insurance becoming the chief risk management tool for many farmers. NCFC's members often serve as part of the crop insurance delivery system. As such, we are particularly concerned about two amendments to the crop insurance provisions contained in S. 3240.

Amendment 2186, Sponsored by Senators Coburn and Durbin

The amendment offered by Senators Coburn and Durbin would impose a means test and limit crop insurance protection based on the results. This would create new barriers to participation for producers trying to obtain this risk management protection. It would also result in reduced crop insurance participation, reduced ability to obtain needed operating credit, and increased calls for ad hoc disaster assistance when disaster strikes.

This amendment fails to recognize that weather disasters can happen anywhere and everywhere—and affect all producers, regardless of size. Limiting producer eligibility for premium support through a means test discriminates against farms based on their size, the

value of their crops, and the amount of risk involved in the operation. If the goal of the program is to offer insurance as a risk management tool to all farmers, then a means test would not allow farmers equal opportunity to have affordable access to crop insurance.

Finally, the Coburn-Durbin amendment ignores the principle that sound insurance programs need high levels of participation to function efficiently and effectively. Insurance programs work best when losses are spread across as many participants as possible. Creating a disincentive for producers to purchase crop insurance would result in a higher risk pool of insured producers, higher loss ratios over time, and increased premium rates for those that remain in the program.

Amendment 2156, Sponsored by Senator Gillibrand

NCFC is concerned that the additional crop insurance funding cuts proposed by Senator Gillibrand would have a deleterious impact on producer's access to crop insurance coverage and on crop insurance delivery.

The bottom line is that this amendment would result in reduced service to farmers and ranchers. The partnership between crop insurance agents and farmers is an important one. Cuts as proposed by Senator Gillibrand could negatively impact the program through job loss and pressure for providers to pull out of high risk states or not offer coverage on high risk crops.

Additionally, the crop insurance industry has sustained over \$12 billion in cuts since 2008. Additional cuts to the crop insurance delivery system are unwarranted at this time, especially as crop insurance is becoming the cornerstone of risk management provided to producers in the farm bill.

In conclusion, NCFC believes that it is imperative to maintain a viable crop insurance program that keeps pace with what is happening on the ground—it is vitally important that farmers have access critical risk management insurance tools. As such, we are opposed to the amendments offered by Senators Coburn and Durbin and by Senator Gillibrand, and urge you to oppose them as well.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. F. Conner', with a stylized flourish at the end.

Charles F. Conner
President & CEO

cc: United State Senate