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Agents: Consider Farmer-Friendly SRA Alternatives

WASHINGTON (May 27, 2010)—In a Tuesday letter to U.S. farm organizations, crop insurance agents released an alternative to the massive crop insurance funding cuts—ranging from \$8.4 to \$6.9 billion—recently proposed by the U.S. Department of Agriculture.

“What has been missing from this negotiation is a focus on what benefits the farmer,” said Ronnie Holt, Chairman of the Crop Insurance Professionals Association (CIPA), the group of independent agents that wrote the letter.

“If the government wants to shrink crop insurance costs or restrain company profits, then the USDA should consider lowering the premiums that farmers pay,” he explained. The USDA, not crop insurance companies, set these rates.

“The effect of such a step would be to lower producer premiums while also lowering government costs,” Holt continued. “This is a straightforward means of achieving savings in delivery costs while helping the producer—the proverbial win-win-win for farmers, taxpayers, and the program.”

The USDA and crop insurers are currently negotiating the contract, or Standard Reinsurance Agreement (SRA), that will dictate the crop insurance program for the next five years. These negotiations have solely focused on cuts to insurers, which could harm future insurance offerings.

“Crop insurance agents want to be good stewards of taxpayer funds, but cuts shouldn’t cripple the program’s infrastructure, force service reductions, or harm farmers,” according to Holt. “Savings should help farmers, instead of being used as a piggy bank to fund pet projects.”

Holt, who noted that federal costs for crop insurance are already 35 percent lower than in 2008, doubts the USDA will embrace the idea of lowering insurance premiums.

An article in today’s *Congress Daily* noted the USDA has made more money than crop insurance companies on underwriting gains since 2005, averaging \$856 million per year. Any reduction in premiums would also reduce government profits.

If the USDA continues down the current SRA path of simply mining more money out of insurance providers, Holt said CIPA hopes, “cuts will be at a reasonable level, not above levels Congress has already rejected, and that savings will be reinvested to assist producers of all crops with improved APHs and enhanced policies.”

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To learn more about CIPA and to read its letter to the agricultural community, visit www.cipatoday.org.