

United States Senate

WASHINGTON, DC 20510-4305
February 5, 2010

The Honorable Tom Vilsack
U.S. Department of Agriculture
1400 Independence Avenue, Southwest
Washington, DC 20250

Dear Secretary Vilsack:

I write to voice concern about the recent draft of the Standard Reinsurance Agreement (SRA) proposed by the Risk Management Agency (RMA.) Crop insurance is a vital risk management tool for producers in Texas, and it must be preserved.

As you know, Congress trimmed the cost of the crop insurance program by \$5.6 billion in 2008. Based on the President's budget proposal released this week, I understand RMA proposes an additional \$8 billion reduction over the next ten years. Since the proposal mirrors reductions already enacted by Congress, producers in Texas are rightly concerned about the future of crop insurance delivery.


Specifically, I urge you to avoid promulgating an SRA that undermines the crop insurance budget baseline. Please consider the possibility that additional reductions could disrupt crop insurance delivery if farm prices decline dramatically. Recent analyses of crop insurance profit and loss by the Government Accountability Office and RMA indicate above-average crop prices in recent years are partly responsible for above-average crop insurance underwriting gains. It must not be overlooked that reductions driven by inflated crop prices could be devastating should prices fall—which is certain in our free market. As negotiations continue, please direct RMA relying solely on sound economic realities and without regard to competing resource needs.

Additionally, I urge you to ensure the SRA will not undermine crop insurance in states with highly variable weather patterns. Crop loss indemnities tend to occur more often where weather is unpredictable, such as the Texas plains and Gulf Coast, than in regions with milder climates. These regional discrepancies are priced into the crop insurance program, and I am concerned that substantial alteration of the SRA may disproportionately impact weather-sensitive regions.

Increasingly, crop insurance is prerequisite for farm and ranch operating credit. I am concerned that the initial draft SRA could undermine the availability of crop insurance, jeopardize financing for producers, and adversely impact rural jobs and economic activity. In short, crop insurance is an integral thread of the financial safety net for all of rural America.

I appreciate your consideration and look forward to hearing from you.

Sincerely,


JOHN CORNYN
United States Senator