

Primum Non Nocere



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Or as they say in the Latin, “First, do no harm.” I am not exactly sure when this President’s message will hit the street, but I know as we go to press that both House and Senate Ag Committees and their staffs have been working feverishly preparing Farm Bill options for the Joint Select Committee on Deficit Reduction. Our Congressional leadership and their staffs should be applauded for their efforts to reconcile the difficult choices we face as a nation, and the implications of these choices on U.S. agriculture. The past several weeks have seen a flurry of Farm Bill activity in preparation for the statutory deadlines facing the Joint Select Committee on Deficit Reduction. We have known this was coming, so in one sense, the flurry of activity and “Inside the Beltway” turbulence simply met expectations. The news at this stage is a fragilely negotiated reduction of approximately \$23 billion to Agriculture’s baseline. This will no doubt be old news by the time this issue of *TODAY* is published.

However, as we in the crop insurance industry attempt to understand these options, and respond to them, the fundamental maxim of medical ethics, “First, Do No Harm” should be our guiding metric. So, what exactly does one mean by “primim non nocere” in the context of crop insurance’s increasing role in agricultural policy? Throughout the 2011 crop season, we have reiterated time and time again the “Essential Strengths of Crop Insurance.” These twelve “essential strengths” define the attributes of the current crop insurance delivery system and include the following:

- 1) Producers share in program costs.
- 2) Producers take personal responsibility for their risk management choices.
- 3) Producers can individualize their risk management strategies.
- 4) Producers receive indemnities in a timely fashion.
- 5) The Crop Insurance Program is self-correcting and can be quickly adjusted.
- 6) Payments are not in excess of losses.
- 7) Protection can be used as collateral for loans.
- 8) Crop Insurance complements pre-harvest marketing strategies.
- 9) Producers are not subject to payment limitations.
- 10) Producers benefit from the efficiencies of private sector delivery.
- 11) Crop Insurance can be compatible with World Trade Organization requirements.
- 12) The Crop Insurance Industry has contributed significantly to deficit reduction.

These characteristics of the crop insurance industry have served us well, particularly during the 2011 season which has seen extensive early-season flooding in the Midwest and severe drought in the Southwest and sections of the Plains. In evaluating any proposal for deficit reduction or the Farm Bill, we

should simply ask the question, do these future proposals or components of the proposals deter the advances that the industry has made in the past 10 to 15 years? It is beyond the scope of this message to evaluate each and every proposal under consideration. The myriad and complexity of the various proposals coupled with the deluge of new farm program acronyms is somewhat overwhelming, particularly in light of the short timeframe in which these decisions may have to be made. But, the question on the table is simple and straightforward, can we readily build on our existing success?

Going forward, we should build upon our strengths. I would like to think that our future agricultural policies would be characterized by an adequate safety net that continues to emphasize crop insurance as the primary risk management vehicle for our farmers and ranchers. Moreover, that the future safety net would continue to emphasize competitive private sector delivery and eliminate redundancy among future farm support programs.

To be more specific, we can think of an agricultural safety net in which producers take an active and leading role in managing their business risks, which includes deliberate decisions to protect their assets from natural hazards and market risks. Producers would continue to participate financially in their crop insurance policies in the form of farmer-paid premiums. There would continue to be a shared responsibility among farmers, private insurance companies, and taxpayers to share losses.

In terms of the product mix, crop insurance coverages and policies should be widely and equitably available for most commodities. Program features and costs should be fair and actuarially justifiable across crops and regions. With respect to the private sector delivery system, incentivized sales and service, program compliance penalties, and risks borne by crop insurance companies have resulted in high levels of service and very low incidences of waste, fraud, and abuse. This should be continued and reinforced.

Lastly, the role of USDA/RMA should be to provide regulatory oversight and reinsurance to the industry and in addition, premium subsidy to the farmer. Provisions of the crop insurance policies and procedures, to the maximum extent possible, should be consistent with WTO in that they are minimally production and trade distorting. Farm programs should be designed to augment, not substitute for crop insurance. Eligibility for payments and the payments themselves should be triggered by actual losses. While there most likely will always be a role for government in providing some income support programs to production agriculture, every effort should be made to find ways to increase the role of the private sector to take advantage of the cost-effectiveness and service that comes with market competition.

To reiterate, "Primum Non Nocere" - First, Do No Harm - can and should be invoked when we consider the range of possible options confronting us in the debate over alternative deficit reduction proposals, and the resulting implications for farm policy and the essential role of crop insurance in these debates. As we have heard all summer throughout the press, and at the August Farm Bill hearings in Wichita, Kansas, held by Senators Stabenow of Michigan and Roberts of Kansas, farmers, in general, have expressed a clear preference for crop insurance as it is currently delivered by the private sector as the fundamental tool in meeting their risk management needs. Crop insurance should be the primary risk management tool for U.S. production agriculture. Farmers prefer crop insurance as it is serviced and delivered today. We would implore our agricultural leadership to not only maintain the program, but in addition, find the necessary resources to grow the program so that crop insurance continues to meet the needs of American agriculture.