



Tom Zacharias, NCIS President

# First Stop— Kansas City

Several NCIS staff, including yours truly, recently had the privilege and opportunity to be in the audience for a Town Hall meeting with newly confirmed Secretary of Agriculture Sonny Perdue. The Town Hall event was sponsored by the Agricultural Business Council of Kansas City. It was held on Friday, April 28, with a crowd of approximately 400 people on hand to welcome Secretary Perdue to Kansas City. The previous day, he visited U.S. Department of Agriculture (USDA) offices in the area.

## The Setting

As reported in the *Iowa Farmer Today*, (<http://bit.ly/2qATpAT>) Kansas City was the first official stop for the new USDA head. Along with agribusiness leaders from the area, Secretary Perdue was welcomed to the Town Hall session by Kansas Senator Jerry Moran and Missouri Lieutenant Governor Peter Kinder.

The meeting was held at the American Royal Complex. For those readers unfamiliar with Kansas City, the American Royal began in 1899 as the National Herford Show, the first nationwide show for the exposition and sale of purebred cattle. Over the years, The Royal added a horse show, youth educational programs, a rodeo and barbeque contest. All of these fundraising events allow The Royal to offer opportunities for scholarships, education and competition to youth and adults from around the country.

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Our newly appointed Secretary spoke briefly before he graciously welcomed questions from the audience. From his prepared remarks, I walked away with the following alliterative takeaways: First, the importance of our Oath to our constituents and those we serve. Second, the importance of our perseverance in overcoming the Obstacles that are before us. And lastly, the importance of Optimism.

## The Oath

The Secretary began his remarks by reflecting upon his recent confirmation process. He made special reference to his oath of office ceremony, where he was sworn in by Supreme Court Justice Clarence Thomas, a fellow Georgian. Perdue spoke of days gone by, when a handshake was a sufficient bond to secure an agreement. The newly confirmed Secretary also spoke of the obligation he felt during his swearing in, and has undertaken in his new position.

We, too, in crop insurance have taken an “oath” of sorts. We have promised to deliver risk management

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protection to the American farmer and rancher. As most folks in this industry know, relationships and trust are keys to a successful partnership. Farmers and ranchers depend on industry agents and adjusters to ensure that our policies provide adequate coverage for the risk involved and that losses will be paid accurately, fairly and in a timely fashion. This is the “oath” our industry has taken with American agriculture, and it is a privilege and opportunity to deliver the modern-day farm safety net alongside our partners in the USDA.

## Obstacles

Although not a major focus of his remarks, Secretary Perdue briefly touched on the obstacles we face in accomplishing the tasks we have before us. He did make mention of the proposed reductions in the President’s budget, but drew on his prior experience as governor in dealing with funding issues. There was a calm and sense of quiet confidence about him—a realization that obstacles can be overcome by hard work and commitment to the task at hand.

The crop insurance industry has faced its fair share of political and financial obstacles in recent years, as well. And like Secretary Perdue indicated, those obstacles required hard work and dedication to overcome. Several examples come to mind.

First, our industry responded admirably to the large volume of claims following the Midwest flooding in 2011, Southwest drought of 2011, historic drought of 2012 and price decline of 2014. These back-to-back-to-back difficult years could have been catastrophic for the industry, but its agents, claims adjusters and support staff performed beautifully and we emerged through these tough times with our customers’ appreciation and respect. Claims even continued to flow during the U.S. government shutdown in October 2013—a difficult period that solidified the value of private-sector delivery with our customers.

Another excellent example of the industry’s ability to rise to the challenge is illustrated by the decline in the improper payments rate as measured by the Office of Management and Budget (OMB). Reducing improper payments—a closely-watched standardized measure of waste and efficiency for all major federal spending programs—has been a long-term

goal for the industry and USDA. An improper payment occurs when funds go to the wrong recipient, when the correct recipient receives too little or too much or when the recipient uses funds in an improper manner. Many errors are simply rooted in data entry and reporting mistakes.

By 2015, crop insurance’s improper payment rate had fallen from 5.58 percent to 2.2 percent. And that measure was again lowered in 2016 to 2.02 percent—a massive improvement that puts crop insurance well below a government-wide average of 4.67 percent.

The 2014 Farm Bill brought with it wholesale policy changes and crop insurance emerged as the cornerstone of the modern-day safety net. It also brought with it sleepless nights for NCIS staff and other industry specialists, who worked hand-in-hand with USDA officials to handle technical minutia during implementation. This expertise and these relationships are certain to pay dividends as Congress begins work on the 2018 Farm Bill.

More recently, we faced an unexpected political attack during the last quarter of 2015, which, if successful, would have added financial pressure to the industry at a tenuous time. Thankfully, the industry was well organized and well equipped to mount a defense and reverse the political tide. Crop insurers came together for a common cause and mobilized not only Congressional champions, but also coalition partners, to stop efforts to make cuts to the program.

Although these are early days in the new Administration, we realize that we have taken an implicit Oath to serve those working in agriculture. In doing so, we also realize we will face many Obstacles in our path, but with Optimism and hard work, we can persevere.

## Optimism

Secretary Perdue acknowledged the rain and cloudy skies in the Kansas City area that day, and stated that above the clouds the sun was shining. Granted, there is a pretty big bank of clouds hanging over the farm economy these days. Farm income has dropped precipitously over the past several years. As a result of declining agricultural commodity prices, farmland real estate values and cash rents have also declined. Farm equipment sales have suffered, as well. Despite these conditions, Secretary Perdue still demonstrated a sense of optimism.

Along with Secretary Perdue, we in the crop insurance industry have much to be optimistic about. Industry returns for the past couple of years have reversed themselves since 2012. Crop insurance participation—as measured by acres insured, coverage levels and diversity of crop insurance policy offerings—remains historically high. We are optimistic that the farm economy will turn itself around—hopefully sooner rather than later for the hardworking farmers and ranchers across our nation. In the meantime, the role of the crop insurance industry is to be there as the backbone of the farm safety net.

Although these are early days in the new Administration, we realize that we have taken an implicit Oath to serve those working in agriculture. In doing so, we also realize we will face many Obstacles in our path, but with Optimism and hard work, we can persevere. Thank you, Secretary Perdue, for coming to Kansas City. We look forward to working with you!

This is the second issue of Today magazine for 2017 and we hope you enjoy reading it, and like its new and cleaner design. This issue contains one of our most important and best-read pieces, called Year in Review. This article looks back at the weather, markets, crop insurance results, farm economy and other data from 2016. While the weather cooperated for the most part, and crop insurance losses were lower than in previous years, the farm economy is still struggling as prices remain low and commodity stocks remain high. Also included in this issue is a recap of the 2017 Crop Insurance Industry Annual Convention and the announcement of the industry award winners who were honored at the convention. We hope you have a wonderful spring!