HEIDI HEITKAMP
NORTH DAKOTA
HART SENATE BUILDING 110
WASHINGTON, DC 20510
PH: 202-224-2043
FAX: 202-224-7776
TOLL FREE: 1-800-223-4457

http://www.heitkamp.senate.gov

United States Senate

WASHINGTON, DC 20510

COMMITTEES:
AGRICULTURE, NUTRITION AND FORESTRY
BANKING, HOUSING AND URBAN AFFAIRS
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
INDIAN AFFAIRS
SMALL BUSINESS AND ENTREPRENEURSHIP

October 31, 2016

The Honorable Tom Vilsack
Secretary
U.S. Department of Agriculture
1400 Independence Ave, SW
Washington, DC 20250

Dear Secretary Vilsack,

I write to follow up on a letter I sent last September related to the Agralytica report proposing changes to the payment factors for prevented planting crop insurance claims. In my letter, I urged the Risk Management Agency (RMA) to take a measured approach to any payment factors. Since then, we've continued to see low commodity prices and relatively high input costs. High input costs continue to represent a high percentage of farmers' expenses, and therefore, at a minimum, I encourage you to take this into account in your review of the prevented plan payment factors and make the appropriate adjustments. If no adjustments are made based on your review, I ask you delay implementing any changes until prices rebound.

As I noted in my previous letter, the Agralytica report recommends reducing payment factors to a number of commodities of which North Dakota is a significant producer, including dry beans, peas, canola, flaxseed, sunflowers, and corn. These commodities could see payment factors decrease anywhere from 10 to 20 percentage points, which in real dollars would significantly impact a farm's bottom line. To demonstrate these monetary effects, I have included [two] relatively conservative examples using 2016 RMA prevented plant data for corn and canola to illustrate the potential losses for North Dakota producers under Agralytica's recommendations.

For North Dakota, the mid-range average of prevented plant acres totals approximately one million acres. If we used this average for an example of a hypothetically wet spring in 2017, with 200,000 prevented plant acres for corn, we could expect under Agralytica's recommendations that farmers would lose a total of $6.95 million or $34.74 per acre. With the average corn actual production history (APH) of 120 bushels (bu) and insurance providing 75 percent coverage, producers get a guarantee of 90 bushels per acre. Under the reduced payment factors for corn, farmers would have prevented planting payments on only 45 bushels per acre, 9 bushels less than the current system. Operating under the price point of $3.86 per bushel, the payment on an acre would be reduced from $208.44 to $173.70 or $34.74. Conservatively, this represents a loss of at least $99.06 per acre using a North Dakota State University sample corn budget for northeast North Dakota.

If we use similar conditions for canola and sunflowers as the above example, with a combined 200,000 prevented plant acres at a price point of $.158 per pound (lbs) and an APH of 1500 lbs, North Dakota farmers would lose over $5.33 million in 2017. Under this scenario, with the payment factor of 45 percentage points for canola and sunflowers, farmers would lose $26.66 per acre in indemnities.

Prevented planting protection is a valuable tool for North Dakota farmers, and crop insurance policies must be designed in a way that mitigates the risks of our region, and prevented plant coverage is particularly important to our state which can experience wet seasons in short growing seasons. Prevented planting coverage plays a valuable role should a farm miss a planting window from excess moisture, which can be just as devastating to a family farm's bottom line as drought or mid-season flooding.

I believe reducing the payment factors for prevented plant at this time would add to the uncertainty facing our farmers who would have rather planted the crop in good conditions. Please feel free to contact Tyler Jameson in my office at tyler_jameson@heitkamp.senate.gov if I can provide any additional information.

Sincerely,

Heidi Heitkamp

Heidi Heitkamp
United States Senate