A Stewardship Endorsement for Crop Insurance

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Agenda

• Overview of Proposal
• Legal Basis
  – “Best Interest of Producers”
  – “Actuarially Sound”
• Potential Benefits
• Next Steps/Additional Research
Legal Basis

• Section 1523(d) of the Federal Crop Insurance Act:

The Board shall approve a policy or plan of insurance proposed under this subsection that involves a premium reduction if the Board determines that—

(i) the interests of producers are adequately protected within the pilot area;

(ii) rates of premium are actuarially appropriate, as determined by the Board.
**Best Interest of Producers**

**Corn Yield (bu/a) per Irrigated Acre (2010)**

<table>
<thead>
<tr>
<th>Method</th>
<th>Yield (bu/a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional</td>
<td>144</td>
</tr>
<tr>
<td>No-Till</td>
<td>179</td>
</tr>
</tbody>
</table>

*Source: USDA ERS ARMS*

**Average 2012 Corn Yields in Bushels per Acre for the Top Four Drought-Affected States (KS, NE, IA, IL)**

- **No Cover Crops Used**
  - 105.625
- **Cover Crops Used**
  - 122.375

*Source: USDA SARE & CTIC 2012 Cover Crops Survey*
Actuarially Sound

Percent of 2010 Corn Acres Receiving Indemnity Payments

- Conventional Tillage: 8.26%
- No-Till: 5.70%

What if everyone used no-till?

- 1.7 million fewer acres receiving indemnity payments
- $126.67 average per acre indemnity payment

$224.3 million savings from avoided indemnities

Source: USDA ERS ARMS
Panels: USDA ERS ARMS & FCIC
10 year average yield (proxy for APH):
150.5 bu/a

Proxy 75% coverage level:
112.85 bu/a

Source: USDA NASS
Potential Benefits

Soil Matters
For Water Quality
Potential Benefits

Yield (bu/a) and Water Application (1,000 gallons/year) on 2010 Corn Acres

- Conventional Tillage: 144 bu/a, 343 gallons/year
- No-Till: 179 bu/a, 232 gallons/year

Source: USDA ERS ARMS
Next Steps/Additional Research

• Program Design
  – What are the specific components that would make this pilot successful? How large of a reduction? Practice or outcome based?

• Partnerships
  – How can we ensure diverse perspectives are represented in this proposal?

• Additional Research
  – How can we model the difference that healthy soil makes for farmers’ bottom lines, especially considering climate change?
Thank you!

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Potential Benefits