2013 Explanatory Notes
Risk Management Agency

Contents

RISK MANAGEMENT AGENCY

Purpose Statement

The Risk Management Agency (RMA) was established under provisions of the Federal Agriculture Improvement and Reform Act of 1996 (1996 Act), P.L. 104-127, enacted April 4, 1996. This Act required that the Secretary establish within the Department an independent office responsible for supervision of the Federal Crop Insurance Corporation (FCIC), administration and oversight of programs authorized under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.), including delivery of program services through local offices of the Department, any pilot or other programs involving revenue insurance, risk management savings accounts, or the use of the futures market to manage risk and support farm income that may be established under the Federal Crop Insurance Act, as amended, or other law, and such other programs as the Secretary considers appropriate.

Over the past seven decades, Federal crop insurance has been the primary product provided by the FCIC/RMA and consists of various alternatives designed to improve the economic stability of agriculture. Recent legislative mandates have prompted significant program growth and the development of many large and complex new programs. RMA continuously strives to provide adequate risk protection for our Nation's agricultural producers and to identify and address concerns about Federal crop insurance.

RMA continues to evaluate risk management products, review and approve private sector products to be reinsured by FCIC, and ensure delivery of these products to agricultural producers. Risk management products can help producers protect themselves from yield risks, market risks, or both. Examples of more recent, new and innovative insurance tools are revenue insurance, forage, rangeland, specialty crops, and livestock pilots. Education, outreach, and non-insurance risk management assistance initiatives and tools further contribute to the producers' ability to protect their financial stability. Through the effective use of these tools, agricultural producers will have available a cost-effective means of managing their risk so that they are self-sustaining, repopulating, and economically thriving.

RMA employees are located at the Headquarters office in Washington, D.C., the National office in Kansas City, MO, ten Regional Offices (ROs), and six Regional Compliance Offices (RCOs). As of September 30, 2011, RMA had 481 full-time permanent employees with staff located throughout the Nation as follows: 75 in Washington, D.C.; 160 in Kansas City, MO; 150 in ROs; and 96 in RCOs.

Major RMA functional areas include: 1) Program Administration including the FCIC Board of Directors; 2) **Product Management**; 3) **Insurance Services** including ROs located in: Billings, Montana; Jackson, Mississippi; Oklahoma City, Oklahoma; Raleigh, North Carolina; Davis, California; St. Paul, Minnesota; Spokane, Washington; Springfield, Illinois; Topeka, Kansas; and Valdosta, Georgia; and 4) **Compliance** including RCOs located in: Dallas, Texas; Indianapolis, Indiana; Kansas City, Missouri; Raleigh, North Carolina; Davis, California; and St. Paul, Minnesota.

Office of Inspector General (OIG)/Government Accountability Office (GAO) Reports:

The following tables provide a list of RMA audits completed and in progress during 2011.

OIG/GAO AUDITS COMPLETED IN FISCAL YEAR 2011		
REPORT TITLE	**IDENTIFYING NUMBER**	**DATE ISSUED**
Citrus Crop Indemnity Payments Resulting from Hurricane Wilma in Florida: The objectives of this audit were to assess the impact of RMA's emergency loss adjustment procedures for citrus fruit claims; RMA's oversight of the approved insurance providers' (AIP) underwriting of 2006 citrus crop insurance policies; RMA's oversight of the AIP's processing of loss adjustments and citrus indemnity claims for Hurricane Wilma damaged citrus crops.	OIG 05099-29-AT	9/7/2011
NASS Establishment of Average Yields: The objectives of this audit were to assess whether the process that NASS uses to estimate county average production yields provides accurate and reliable information; and whether the data collected to make these estimates provides a reasonable basis for administering programs.	OIG 50601-15-KC	8/1/2011
USDA Payments for 2005 Citrus Canker Tree Losses: The objectives of this audit were to evaluate the adequacy of coordination and collaboration between APHIS and RMA with regard to citrus canker-related payments, and the adequacy of the agencies' management controls to ensure that payments to citrus growers for comparable losses from citrus canker were accurately calculated to avoid duplicate and overlapping payments.	OIG 50099-46-AT	3/23/2011
FCIC/RMA Financial Statements for Fiscal Years 2010 and 2009: The objective of this audit was to present the auditors' opinion on the RMA and Federal Crop Insurance Corporation principal financial statements for the fiscal years ended September 30, 2010, and 2009.	OIG 05401-19-FM	11/8/2010

OIG/GAO AUDITS IN PROGRESS DURING FISCAL YEAR 2011

REPORT TITLE	IDENTIFYING NUMBER	START DATE
Reduction of Inconsistent Yields: The objectives of this audit are to determine if RMA has adequate controls to ensure that inconsistent yields are detected, verified, and if necessary, reduced according to the requirements of the Crop Insurance Handbook.	OIG 05601-1-32	8/1/2011
Supplemental Revenue Assistance Payment Program: The objectives of this audit are to identify and assess whether: (1) the Department's Recovery Act related programs were timely and effectively implemented; (2) proper internal control procedures were established; (3) program participants met eligibility guidelines; (4) participants properly complied with program requirements; and (5) Farm Service Agency (FSA) established effective compliance operations. Specifically, assess FSA's controls over SURE Program eligibility, Recovery Act buy-in provisions, producers' compliance with subsequent insurance purchase requirements, and SURE Program payment processing with the use of RMA.	OIG 50703-1-31	5/20/2011
Crop Insurance Benefits: The objectives of this audit are to determine: (1) how effective are USDA's procedures and processes in detecting and preventing fraud, waste, and abuse in the federal crop insurance program to minimize its costs; (2) to what extent do eligibility standards – including income and benefit limitations – that apply to USDA farm subsidy programs also apply to the crop insurance program; (3) and what is the distribution of benefits to participants in the crop insurance program.	GAO 361259	2/2/2011
Federal Crop Insurance Program – Organic Crops: The objectives of this audit are to identify and assess: (1) RMA and AIP controls over underwriting and servicing policies, and adjusting claims for organically insured crops to ensure the propriety and accuracy of premiums and indemnity payments; (2) RMA and AIP controls over determining whether underwriting information supplied to RMA by AIP's and their agents was accurate; and (3) RMA and AIP controls over whether insured producers followed "good organic farming practices."	OIG 05601-6-KC	9/3/2010
Validity of New Producer Designations: The objectives of this audit are to assess the effectiveness of RMA and AIP controls for granting "new producer" designations and ensuring the propriety of actual production history yield determination for these insureds and conduct data analysis and field visits to review relevant documentation maintained by the AIPs and FSA county offices to determine whether any "new producer" status designations were improperly awarded.	OIG 05099-114-KC	1/5/2009
RMA's Implementation of the Approved Insurance Providers' Appendix IV/Quality Control Reviews: The objective of this audit is to assess the effectiveness of RMA's oversight activities over the AIPs' quality control reviews and of the AIPs' implemented quality control review processes, as prescribed by the SRA, in preventing or detecting program abuse, waste, and improper payments.	OIG 05016-1-KC	10/17/2007

RISK MANAGEMENT AGENCY

Available Funds and Staff Years
(Dollars in thousands)

Item	2010 Actual		2011 Actual		2012 Estimate		2013 Estimate	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Discretionary Appropriations....	$80,325	$501	$79,000	505	$74,900	505	$74,900	505
Rescission................................	-	-	-158	-	-	-	-	-
Transfers In..............................	-	-	-	-	-	-	-	-
Adjusted Appropriation.........	80,325	501	78,842	505	74,900	505	74,900	505
Total Available...............	80,325	501	78,842	505	74,900	505	74,900	505
Lapsing Balances.....................	-334	-	-620	-	-	-	-	-
Obligations...........................	79,991	501	78,222	505	74,900	505	74,900	505
Mandatory Appropriations........	4,547,119	-	6,620,372	-	3,488,849	-	9,442,433	-
Balance Available, SOY...........	552,113	-	558,000	-	561,000	-	561,000	-
Recoveries, Other (Net)............	2,448,884	-	3,147,953	-	7,611,801	-	4,043,090	-
Total Available.....................	7,548,116	-	10,326,325	-	11,661,650	-	14,046,523	-
Balance Available, EOY...........	-558,000	-	-561,000	-	-561,000	-	-561,000	-
Other Adjustments, Net............	-	-	-	-	-	-	75,000	
Obligations...........................	6,990,116	-	9,765,325	-	11,100,650	-	13,560,523	-
Total, RMA.......................	7,070,107	501	9,843,547	505	11,175,550	505	13,635,423	505

RISK MANAGEMENT AGENCY
ADMINISTRATIVE & OPERATING EXPENSE ACCOUNT

Permanent Positions by Grade and Staff Year Summary

Item	2010 Actual			2011 Actual			2012 Estimate			2013 Estimate		
	Wash. D.C.	Field	Total	Wash. D.C.	Field	Total	Wash. D.C.	Field	Total	Wash. D.C.	Field	Total
SES..................	4	1	5	4	1	5	4	1	5	4	1	5
SL....................	-	2	2	-	2	2	-	2	2	-	2	2
GS-15..............	11	4	15	8	7	15	8	7	15	8	7	15
GS-14..............	10	37	47	11	35	46	11	34	45	11	34	45
GS-13..............	29	149	178	27	146	173	27	145	172	27	145	172
GS-12..............	12	132	144	8	134	142	8	134	142	8	134	142
GS-11..............	1	33	34	2	14	16	2	17	19	2	17	19
GS-10..............	1	-	1	1	-	1	1	-	1	1	-	1
GS-9................	2	15	17	1	13	14	2	14	16	2	14	16
GS-8................	4	7	11	4	7	11	4	7	11	4	7	11
GS-7................	5	21	26	6	27	33	7	24	31	7	24	31
GS-6................	1	15	16	1	14	15	1	15	16	1	15	16
GS-5................	2	9	11	2	3	5	2	3	5	2	3	5
GS-4................	-	-	-	-	3	3	-	3	3	-	3	3
Total Perm. Positions........	82	425	507	75	406	481	77	406	483	77	406	483
Total, Perm. Full-Time Employment, EOY.............	82	425	507	75	406	481	77	406	483	77	406	483
Staff Year Est...	83	418	501	89	416	505	89	416	505	89	416	505

RISK MANAGEMENT AGENCY
ADMINISTRATIVE & OPERATING EXPENSE ACCOUNT

Size, Composition, and Annual Operating Costs of Vehicle Fleet

Fiscal Year	Number of Vehicles by Type *								Annual Operating Costs ($ in 000)
	Sedans and Station Wagons	Light Trucks, SUVs, and Vans		Medium Duty Vehicles	Ambu-lances	Buses	Heavy Duty Vehicles	Total Number of Vehicles	
		4x2	4x4						
2010	1	-	2	2	-	-	-	5	$38
Change	-	-	-	-	-	-	-	-	-
2011	1	-	2	2	-	-	-	5	38
Change	-1	-	+2	-1	-	-	-	-	-
2012	-	-	4	1	-	-	-	5	38
Change	-	-	-	-	-	-	-	-	+1
2013	-	-	4	1	-	-	-	5	39

* Numbers include vehicles owned by the agency and leased from commercial sources or GSA.

RISK MANAGEMENT AGENCY
ADMINISTRATIVE & OPERATING EXPENSE ACCOUNT

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Administrative and Operating Expenses:

For necessary expenses of the Risk Management Agency, $74,900,000: *Provided* , [That the funds made available under section 522(e) of the Federal Crop Insurance Act (7 U.S.C. 1522(e)) may be used for the Common Information Management System: *Provided further* ,] That not to exceed $1,000 shall be available for official reception and representation expenses, as authorized by 7 U.S.C. 1506(i).

The change in language deletes reference to the Common Information Management System (CIMS). Other authority exists to fund the CIMS project and this language is no longer necessary.

RISK MANAGEMENT AGENCY
ADMINISTRATIVE & OPERATING EXPENSE ACCOUNT

Lead-Off Tabular Statement

Appropriations Act, 2012	$74,900,000
Budget Estimate, 2013	74,900,000
Change from 2012 Appropriation	0

Summary of Increases and Decreases
(On basis of appropriation)
(Dollars in thousands)

Item of Change	2010 Actual	2011 Change	2012 Change	2013 Change	2013 Estimate
Discretionary Appropriations:					
Administrative and Operating Expenses	$80,325	-$1,435	-$3,990	-	$74,900
Total, Appropriation	80,325	-1,435	-3,990	-	74,900

RISK MANAGEMENT AGENCY
ADMINISTRATIVE & OPERATING EXPENSE ACCOUNT

Project Statement
(On basis of appropriations)
(Dollars in thousands)

Program	2010 Actual		2011 Actual		2012 Estimate		Change		2013 Estimate	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Discretionary Appropriations:										
Total Adjusted Approp.............	$80,325	501	$78,890	505	$74,900	505	-	-	$74,900	505
Rescissions and Transfers (Net).........................		-	110	-	-	-	-	-	-	-
Total Appropriation..................	80,325	501	79,000	505	74,900	505	-	-	74,900	505
Transfers In: Cong. Relations........................		-	-	-	-	-			-	-
Rescission....................................	-	-	-158	-	-	-	-	-	-	-
Total Available.........................	80,325	501	78,842	505	74,900	505	-	-	74,900	505
Transfers In: Cong. Relations........................	50		48							
Lapsing Balances.........................	-334	-	-620	-	-	-	-	-	-	-
Total Obligations......................	80,041	501	78,270	505	74,900	505	-	-	74,900	505

Project Statement
(On basis of obligations)
(Dollars in thousands)

Program	2010 Actual		2011 Actual		2012 Estimate		Change		2013 Estimate	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Discretionary Obligations:	$80,041	501	$78,270	505	$74,900	505	-	-	$74,900	505
Total Obligations......................	80,041	501	78,270	505	74,900	505	-	-	74,900	505
Lapsing Balances.........................	334	-	620	-	-	-	-	-	-	-
Total Available.........................	80,375	501	78,890	505	74,900	505	-	-	74,900	505
Transfers In.................................	-50	-	-48	-	-	-	-	-	-	-
Rescission....................................	-	-	158	-	-	-	-	-	-	-
Total Appropriation..................	80,325	501	79,000	505	74,900	505	-	-	74,900	505

RISK MANAGEMENT AGENCY

ADMINISTRATIVE & OPERATING EXPENSE ACCOUNT

Justification of Increases and Decreases

(1) A net change of $0 for administrative and operating costs and activities directed at achieving the RMA

(a) An increase of $213,000 for pay costs of 505 staff years.

This increase is necessary to fund a .5 percent pay increase beginning in January, 2013. RMA will absorb this increase in pay and will consequently reduce other discretionary activities of the Agency to offset the expense.

(b) A decrease of $213,000 to offset an increase in pay costs.

RMA will decrease other administrative expenses such as advisory services in order to absorb the .5 percent pay adjustment that begins in 2013.

RISK MANAGEMENT AGENCY
ADMINISTRATIVE & OPERATING EXPENSE ACCOUNT

Geographic Breakdown of Obligations and Staff Years
(Dollars in thousands)

State/Territory	2010 Actual		2011 Actual		2012 Estimate		2013 Estimate	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
California..................	$5,068	32	$3,472	30	$3,323	30	$3,323	30
Georgia......................	2,543	16	1,710	15	1,636	15	1,636	15
Illinois.......................	2,152	14	1,756	16	1,681	16	1,681	16
Indiana.......................	2,090	14	1,388	13	1,328	13	1,328	13
Kansas.......................	2,652	19	2,004	19	1,917	19	1,917	19
Minnesota..................	4,766	29	4,577	32	4,380	32	4,380	32
Mississippi................	2,337	16	1,685	16	1,613	16	1,613	16
Missouri....................	29,145	187	21,705	187	20,771	187	20,771	187
Montana....................	2,530	16	1,844	15	1,764	15	1,764	15
North Carolina...........	4,806	31	3,723	36	3,563	36	3,563	36
Oklahoma..................	2,217	15	1,634	11	1,563	11	1,563	11
Texas.........................	2,516	15	1,827	17	1,748	17	1,748	17
Virginia.....................	174	1	-	-	-	-	-	-
Washington...............	2,437	15	1,860	15	1,780	15	1,780	15
District of Columbia...	14,607	83	29,086	83	27,833	83	27,833	83
Obligations.............	80,041	501	78,270	505	74,900	505	74,900	505
Lapsing Balances.......	334	-	620	-	-	-	-	-
Total, Available......	80,375	501	78,890	505	74,900	505	74,900	505

RISK MANAGEMENT AGENCY
ADMINISTRATIVE & OPERATING EXPENSE ACCOUNT

Classification by Objects
(Dollars in thousands)

		2010 Actual	2011 Actual	2012 Estimate	2013 Estimate
Personnel Compensation:					
	Washington D.C.	$7,829	$8,294	$8,207	$8,237
	Field	36,943	36,733	36,586	36,723
11	Total personnel compensation	44,772	45,027	44,793	44,960
12	Personal benefits	11,411	12,242	12,094	12,140
13.0	Benefits for former personnel	10	5	5	5
	Total, personnel comp. and benefits	56,193	57,274	56,892	57,105
Other Objects:					
21.0	Travel and transportation of persons	2,041	1,275	1,275	1,275
22.0	Transportation of things	93	69	69	69
23.2	Rental payments to others	303	341	341	341
23.3	Communications, utilities, and misc. charges	1,062	938	938	938
24.0	Printing and reproduction	136	68	68	68
25.1	Advisory and assistance services	4,283	3,947	3,791	3,578
25.3	Other purchases of goods and services from Federal sources	774	1,038	1,038	1,038
25.4	Operation and maintenance of facilities	294	178	178	178
25.7	Operation and maintenance of equipment	14,504	12,808	9,940	9,940
25.8	Subsistence and support of persons	239	270	270	270
26.0	Supplies and materials	95	50	50	50
31.0	Equipment	24	14	50	50
	Total, Other Objects	23,848	20,996	18,008	17,795
99.9	Total, new obligations	80,041	78,270	74,900	74,900
Position Data:					
	Average Salary (dollars), ES Position	$156,181	$160,855	$161,000	$161,000
	Average Salary (dollars), GS Position	$86,512	$86,522	$87,000	$87,000
	Average Grade, GS Position	11.8	11.8	11.8	11.8

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION

STATUS OF PROGRAM

The primary responsibility of the Risk Management Agency (RMA) is to administer the Federal Crop Insurance Program in accordance with the 1938 Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) as amended. The Risk Management Agency was established in 1996 in the United States Department of Agriculture (USDA) to improve the economic stability of agriculture through a sound system of crop insurance and to provide the means for the research and experience that is helpful in devising and establishing such insurance. RMA's mission is to serve America's agricultural producers through effective, market-based risk management tools and solutions to strengthen the economic stability of agricultural producers and rural communities. RMA directly supports the achievement of USDA Strategic Goal 1: "Assist rural communities to create prosperity so they are self-sustaining, repopulating and economically thriving". RMA's 2011-2015 Strategic Plan is aligned with the USDA 2010-2015 Strategic Plan.

The Federal Crop Insurance Corporation (FCIC) is a wholly owned government corporation created February 16, 1938 (7 U.S.C. 1501.) The program was amended by Public Law (P.L.) 96-365, dated September 26, 1980, to provide for nationwide expansion of a comprehensive crop insurance plan. FCIC provides an actuarially sound risk management program that protects against agricultural production losses due to unavoidable causes such as, drought, excessive moisture, hail, wind, hurricane, tornado, lightning, and insects. In addition to these causes, revenue insurance programs are available under which producers of certain crops are protected against loss of revenue stemming from low prices, poor yields, or a combination of both. For some commodities like livestock, price coverage is also available that protects producers against price or margin decreases.

Federal crop insurance is available to producers through private insurance companies that market and service policies and also share in the risk. Thus, the program delivery is a joint effort between the Federal government and the private insurance industry. RMA continues to pursue initiatives to make higher levels of crop insurance protection more affordable and useful to producers, provide better protection to farmers experiencing multi-year losses, expand risk management education opportunities, stimulate development of new risk management products, and improve program integrity.

Current Activities:

Re-rating activities continue as RMA reviews the methodology for determining fair, equitable, and actuarially sound premium rates for crop insurance. This pactice is consistent with sound actuarial principles to assure the best estimate of premium dollars needed to pay future anticipated losses. For crop year 2012, RMA is phasing in rate revisions for corn and soybeans, and on average, adjustments result in overall rate decreases of around 7 percent and 9 percent, respectively. Crops anticipated for crop year 2013 implementation include wheat, cotton, rice, sorghum, potatoes, and apples.

The Acreage Crop Reporting Streamlining Initiative (ACRSI) is underway to simplify and standardize the acreage reporting process across various USDA programs. Representatives from the Risk Management Agency, Farm Service Agency, Natural Resources Conservation Service, and the National Agricultural Statistics Service are working together to develop a common framework for producers to report eligibility and participation information. This initiative will reduce the reporting burden on producers as well as the administrative and operating costs of the USDA. Common acreage reporting dates have been determined and will be implemented for most crop year 2012 spring crops. The remaining consolidated acreage reporting dates will be implemented for crop year 2013. Approved data standards will be published on the National Information Exchange Model (NIEM). As a result, the commercial agricultural industry can incorporate the data standards into products, allowing producers to participate in USDA programs directly from their farm management and precision agriculture systems. A single website is also being established as another option for producers to report the commodity information necessary to participate in USDA programs.

Livestock insurance products totaled over $19.9 million in FY 2011, approaching the $20 million available by law. Livestock Gross Margin for Dairy Cattle (LGM-Dairy) accounted for $16.2 million and was so popular that sales were terminated in April 2011 due to the mandated limitation on expenditures. Sales for Livestock Risk Protection for Lambs (LRP-Lamb) ended in September 2011. For FY 2012, over $14 million of the available funding had been used by the end of November 2011, with LGM-Dairy using $13.2 million. The remainder of the allocated funds will likely be used in the first quarter of calendar year 2012.

Camelina Crop Insurance - A new Federal crop insurance program for the energy crop Camelina was approved by the Board in September 2011 and is targeted for the 2012 crop year. The new program will be based on actual production history, and will be available in selected counties in Montana and North Dakota.

Selected Examples of Recent Progress:

The Improper Payment Rate reported in the 2011 Corrective Action Plan for the Federal crop insurance program was 4.72%. This error rate represents the weighted average of indemnity errors identified in the 2007, 2008, and 2009 crop year policy samples and decreased 1.23% from last year's action plan. The strategy for identifying and controlling the error rate includes identifying error trends and policy concerns and correcting them; however, no underlying policy or underwriting issues have been identified in the random samples to date.

Risk Management Education and Outreach Partnership Programs were implemented to increase awareness and service to small and limited resource farmers and ranchers and other underserved groups and areas. RMA partnered with qualified entities including Universities, not-for-profits, small businesses, producer organizations, community-based organizations, 1862, 1890, 1994 land grant colleges and universities, and Hispanic Serving Institutions (HSIs) to provide technical program assistance and risk management education on strategies associated with legal, production, marketing, human resources, and labor risks. Projects for FY 2011 totaled more than $9.6 million and provided education and outreach to producers including, but not limited to women, veterans, small limited resource farmers and ranchers, and other minority producers.

A Clean Audit Opinion was received by RMA and the Federal Crop Insurance Corporation for fiscal years 2010 and 2011, and was reported to the Office of Inspector General from independent auditors. This report contains an unqualified opinion on the financial statement as well as an assessment of RMA's internal controls over financial reporting and compliance with laws and regulations.

Federal Manager's Financial Integrity Act (FMFIA) compliance assures the effectiveness of operations, reliability of reporting, compliance with applicable laws and regulations, and safeguarding assets. RMA has conducted its assessment of internal controls and financial systems pursuant to FMFIA. Based on the results of this evaluation, RMA can provide reasonable assurance that the internal controls over the effectiveness and efficiency of operations and compliance with laws and regulations, as of September 2011, were operating effectively with no material weaknesses found in the design or operation of the internal controls.

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Federal Crop Insurance Corporation Fund:

For payments as authorized by section 516 of the Federal Crop Insurance Act (7 U.S.C. 1516), such sums as may be necessary, to remain available until expended.

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION (FCIC) FUND
Lead-Off Tabular Statement
FCIC - Current Law

Appropriations Act, 2012	$3,488,849,000
Budget Estimate, 2013	9,442,433,000
Change from 2012 Appropriation	+ 5,953,584,000

FCIC - Proposed Legislation

Budget Estimate, Current Law, 2013	$9,442,433,000
Change due to proposed legislation	-225,100,000
Net Request, President's 2013 Budget Request	9,217,333,000

Summary of Increases and Decreases - Current Law
(Dollars in thousands)

	2010 Actual	2011 Change	2012 Change	2013 Change	2013 Estimate
Mandatory Appropriations:					
Premium Subsidy	4,089,811	$511,089	-$1,170,551	$3,368,185	$6,798,534
Delivery Expense	1,567,145	-242,145	-1,325,000	+1,327,800	1,327,800
Underwriting Gain	1,167,759	-168,263	-999,496	+1,257,599	1,257,599
Federal Crop Insurance Act Initiatives	74,500	-7,000	-9,000		58,500
Other Authority Withdrawn	-2,352,096	+1,979,572	+372,524	-	-
Subtotal	4,547,119	+2,073,253	-3,131,523	+5,953,584	9,442,433
Total, Appropriation or Change	4,547,119	2,073,253	-3,131,523	5,953,584	9,442,433

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND
Project Statement
(On basis of appropriations)
(Dollars in thousands)

Program	2010 Actual Amount	2010 Actual Staff Years	2011 Actual Amount	2011 Actual Staff Years	2012 Estimate Amount	2012 Estimate Staff Years	Change Amount		Change Staff Years	2013 Estimate Amount	2013 Estimate Staff Years
Mandatory Appropriations:											
Premium Subsidy	$4,089,811	-	$4,600,900	-	$3,430,349	-	$3,368,185		-	$6,798,534	-
Delivery Expense	1,567,145	-	1,325,000	-	-	-	+1,327,800		-	1,327,800	-
Underwriting Gain	1,167,759	-	999,496	-	-	-	+1,257,599		-	1,257,599	-
Federal Crop Insurance Act Initiatives	74,500	-	67,500	-	58,500	-	-		-	58,500	-
Other Authority Withdrawn	-2,352,096	-	-372,524	-	-	-	-		-	-	-
Subtotal	4,547,119	-	6,620,372	-	3,488,849	-	+5,953,584		-	9,442,433	-
Total Appropriation	4,547,119	-	6,620,372	-	3,488,849	-	+5,953,584	(1)	-	9,442,433	-
Bal. Available, SOY	552,113	-	558,000	-	561,000	-	-		-	561,000	-
Recoveries, Other (Net)	2,448,884	-	3,147,953	-	7,611,801	-	-3,568,711		-	4,043,090	-
Total Available	7,548,116	-	10,326,325	-	11,661,650	-	2,384,873		-	14,046,523	-
Lapsing Balances	-	-	-	-	-	-	-		-	-	-
Bal. Available, EOY	-558,000	-	-561,000	-	-561,000	-	-		-	-561,000	-
Other Adjustments (Net)	-				-		-			75,000	
Total Obligations	6,990,116	-	9,765,325	-	11,100,650	-	2,384,873		-	13,560,523	-

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND
Project Statement
(On basis of obligations)
(Dollars in thousands)

Program	2010 Actual		2011 Actual		2012 Estimate		Change		2013 Estimate	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Mandatory Obligations:										
Indemnities	$3,117,521	-	$6,045,508	-	$11,022,150	-	-$200,526	-	$10,821,624	-
Delivery Expense	1,371,195	-	1,383,342	-	-	-	+1,327,800	-	1,327,800	-
Underwriting Gain/Loss	2,448,354	-	2,271,763	-	-	-	+1,257,599	-	1,257,599	-
Federal Crop Insurance Act Initiatives	53,046	-	64,712	-	58,500	-	-	-	58,500	-
Program Related IT	-	-	-	-	20,000	-	-	-	20,000	-
Good Performance Discount	-	-	-	-	-	-	+75,000	-	75,000	-
Subtotal	6,990,116	-	9,765,325	-	11,100,650	-	+2,459,873	-	13,560,523	-
Total Obligations	6,990,116	-	9,765,325	-	11,100,650	-	+2,459,873	-	13,560,523	-
Bal. Available, EOY	558,000	-	561,000	-	561,000	-	-	-	561,000	-
Total Available	7,548,116	-	10,326,325	-	11,661,650	-	+2,459,873	-	14,121,523	-
Bal. Available, SOY	-552,113	-	-558,000	-	-561,000	-	-	-	-561,000	-
Other Adjustments (Net)	-2,448,884	-	-3,147,953	-	-7,611,801	-	+3,493,711	-	-4,118,090	-
Total Appropriation	4,547,119	-	6,620,372	-	3,488,849	-	+5,953,584	-	9,442,433	-

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND
Justification of Increases and Decreases

(1) A budget increase of $5,953,584,000 is estimated for the Federal Crop Insurance Corporation (FCIC) Fund, ($3,488,849,000 available in 2012).

a) An increase of $3,368,185,000 for premium subsidy ($3,430,349,000 available in 2012).

The increase in premium subsidy stems from policy changes as mandated in The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill). The 2008 Farm Bill required FCIC to accelerate the collection of producer paid premium in 2012, resulting in what appears to be a large decrease in premium subsidy, followed by a large increase in premium subsidy in 2013. The increased collection in 2012 reduced the need for premium subsidy in the same year. This was a one-time change due to timing shifts; the increase in 2013 is a return to normal subsidy levels.

b) An increase of $1,327,800,000 for delivery expenses ($0 available in 2012).

Delivery expenses are administrative and operating reimbursements provided to approved insurance providers. They cover the cost of distributing risk management services and products to American producers and are based on a percentage of estimated total premium. The 2008 Farm Bill required RMA to delay payment of delivery expenses from 2012 to 2013. As a result, no delivery expenses will be paid in 2012 and the large increase for 2013 reflects the deferred delivery expenses..

c) An increase of $1,257,599,000 for underwriting gains ($0 available in 2012).

Underwriting gains are a reinsured company's share of net book premium that exceeds their share of net losses, or indemnities. The 2008 Farm Bill requires that RMA delay payment of underwriting gains from 2012 to 2013. As a result, no underwriting gains will bepaid in 2012 and the large increase for 2013 reflects the deffered underwriting gains.

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

Summary of Increases and Decreases - Proposed Legislation
(Dollars in thousands)

Item of Change	Current Law	Program Changes	President's Request
Federal Crop Insurance Corporation Fund……….	$9,442,433,000	-$225,100,000	$9,217,333,000

Explanation of Proposed Legislation:

The 2013 Budget maintains support for the policies recommended in the President's Plan for Economic Growth and Deficit Reduction, which includes four crop insurance proposals that will save an estimated $7.6 billion over 10 years. A savings of $225.1M is included in 2013 for one of the proposals that will lower producer premium subsidy two percentage points for policies where the government subsidizes more than 50 percent of the premium. This proposal is expected to save about $3.3 billion over 10 years.

Savings generated by the remaining three proposals will begin in 2014 and latter fiscal years due to timing differences. The proposals inclued programmatic changes that:

1. Establish a resonable rate of return to participating crop insurance companies. A USDA commissioned study found that when compared to other private companies, crop insurance companies rate of return on investment (ROI) should be around 12 percent, but that it is currently expected to be 14 percent. The Administration is propsing to lower the crop insurance companies' ROI to meet the 12 percent target. This proposal is expect to save about $1.2 billion over 10 years.

2. Reduce the reimbursement rate of administrative and operating expenses. The current cap on administrative expenses to be paid to participating crop insurance companies is based on the 2010 premiums, which were among the highest ever. A more appropriate level for the cap would be based on 2006 premiums, neutralizing the spike in commodity prices over the last four years, but not harming the delivery system. The Administration, therefore, proposes setting the cap at $0.9 billion adjusted annually for inflation. This proposal is expected to save about $2.9 billion over 10 years.

3. Reduce the premium rate on catastrophic coverage to better reflect historical performance. This proposal would require that USDA reset premium rates to more accurately reflect the performance of the catastrophic portfolio. The proposal is expected to save about $255 million over 10 years.

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

Geographic Breakdown of Obligations and Staff Years
(Dollars in thousands)

State/Territory	2010 Actual	2011 Actual	2012 Estimate	2013 Estimate
	Amount	Amount	Amount	Amount
Alabama	$23,389	$45,355	$82,692	$81,187
Alaska	33	65	118	116
Arizona	6,238	12,096	22,053	21,652
Arkansas	12,164	23,589	43,008	42,225
California	331,998	643,812	1,173,795	1,152,441
Colorado	93,260	180,849	329,724	323,725
Connecticut	10,362	20,095	36,636	35,970
Delaware	4,214	8,171	14,898	14,627
Florida	880,715	1,707,885	3,113,811	3,057,162
Georgia	35,802	69,428	126,581	124,278
Hawaii	12,727	24,680	44,996	44,177
Idaho	24,866	48,221	87,917	86,317
Illinois	55,103	106,855	194,818	191,274
Indiana	15,286	29,643	54,045	53,062
Iowa	5,482	10,630	19,381	19,028
Kansas	430,012	833,880	1,520,328	1,492,668
Kentucky	23,960	46,464	84,712	83,171
Louisiana	14,801	28,702	52,329	51,377
Maine	1,196	2,319	4,229	4,152
Maryland	24,106	46,746	85,227	83,677
Massachusetts	6,591	12,782	23,304	22,880
Michigan	60,827	117,957	215,058	211,146
Minnesota	18,216	35,324	64,403	63,232
Mississippi	10,292	19,958	36,387	35,725
Missouri	27,252	52,847	96,351	94,598
Montana	82,950	160,856	293,273	287,937
Nebraska	72,837	141,246	257,518	252,833
Nevada	3,412	6,617	12,064	11,844
New Hampshire	308	598	1,089	1,070
New Jersey	12,596	24,426	44,534	43,723
New Mexico	4,833	9,372	17,087	16,776
New York	13,612	26,396	48,125	47,249
North Carolina	53,098	102,967	187,729	184,314
North Dakota	17,717	34,358	62,641	61,501
Ohio	59,474	115,332	210,273	206,447
Oklahoma	133,075	258,060	470,494	461,935
Oregon	120,228	233,146	425,071	417,338
Pennsylvania	16,483	31,964	58,277	57,217
Rhode Island	3	5	10	10
South Carolina	26,544	51,473	93,846	92,139
South Dakota	77,590	150,462	274,322	269,332
Tennessee	37,133	72,008	131,284	128,895
Texas	141,769	274,918	501,230	492,111
Utah	3,505	6,796	12,391	12,165
Vermont	22	44	79	78
Virginia	24,588	47,681	86,931	85,350
Washington	44,722	86,725	158,116	155,239
West Virginia	426	826	1,506	1,479
Wisconsin	33,698	65,347	119,141	116,973
Wyoming	8,009	15,532	28,318	27,803
Subtotal, Indemnities a/	3,117,521	6,045,508	11,022,150	10,821,624
Undistributed b/	3,872,595	3,719,817	78,500	2,738,898
Obligations	6,990,116	9,765,325	11,100,650	13,560,523
Bal. Available, EOY/Other Adjustments (Net)	558,000	561,000	561,000	561,000
Total, Available	7,548,116	10,326,325	11,661,650	14,121,523

a/ Due to the inability to predict the location of losses, it is impossible to accurately estimate a State cost distribution. These estimates are based on prior year indemnities.
b/ Undistributed includes, Delivery Expenses, FCIA cost, Interest, Underwriting Gains/(Losses) and other expenses that cannot be distributed by State.

RISK MANAGEMENT AGENCY
FEDERAL CROP INSURANCE CORPORATION FUND

Classification by Objects
(Dollars in thousands)

		2010 Actual	2011 Actual	2012 Estimate	2013 Estimate
FCIC FUND:					
25.0	Delivery Expenses	$1,371,195	$1,383,342	-	$1,327,800
	Federal Crop Insurance Act Initiatives	53,046	64,712	58,500	58,500
	Underwriting Gain/Losses	2,448,354	2,271,763	-	1,257,599
	Program Related IT	-	-	20,000	20,000
	Good Performance Discount	-	-	-	75,000
42.0	Indemnities	3,117,521	6,045,508	11,022,150	10,821,624
99.9	Total, new obligations	6,990,116	9,765,325	11,100,650	13,560,523

RISK MANAGEMENT AGENCY

Summary of Budget and Performance
Statement of Department Goals and Objectives

The primary responsibility of the Risk Management Agency (RMA) is to administer the Federal Crop Insurance Program in accordance with the 1938 Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) as amended. The Risk Management Agency was established in 1996 within the United States Department of Agriculture (USDA) to improve the economic stability of agriculture and rural communities through a sound system of crop insurance and to provide the means for the research and experience that is helpful in devising and establishing crop insurance. The mission of the agency is serving America's agricultural producers through effective, market-based risk management tools and solutions to strengthen the economic stability of agricultural producers and rural communities. RMA provides an actuarially sound risk management program that protects against agricultural production losses due to unavoidable causes such as drought, excessive moisture, hail, wind, hurricane, tornado, lightning, and insects. In addition to these causes, revenue insurance programs are available under which producers of certain crops are protected against loss of revenue stemming from low prices, poor yields, or a combination of both. Federal crop insurance is available to producers through private insurance companies that market and service policies and also share in the risk. Thus, the program delivery is a joint effort between the Federal government and the private insurance industry.

RMA has four strategic goals in direct support of the achievement of USDA Strategic Goal #1: USDA will assist rural communities to create prosperity so they are self sustaining, re-populating, and economically thriving

<table>
<tr><th>USDA Strategic Goals</th><th>Agency Strategic Goals</th><th>Agency Objectives</th><th>Programs that Contribute</th><th>Key Outcome</th></tr>
<tr><td rowspan="2">Assist rural communities to create prosperity so they are self sustaining, re-populating and economically thriving.</td><td rowspan="2">Increase the availability and effectiveness of Federal crop insurance as a risk management tool while enhancing and protecting the soundness of the program.</td><td>Increase the value of risk protection provided to agricultural producers through the Federal Crop Insurance program.</td><td rowspan="2">Federal Crop Insurance</td><td rowspan="2">Key Outcome: Promote, support, and regulate sound risk management solutions to preserve and strengthen the economic stability of American agricultural producers and rural communities.</td></tr>
<tr><td>Increase the availability and market penetration for Pasture, Rangeland and Forage insurance products.</td></tr>
</table>

USDA Strategic Goal (cont.)	Agency Strategic Goals	Agency Objectives	Programs that Contribute	Key Outcome
	Ensure a fair and effective risk management product delivery system.	Increase the actual value of risk protection to agricultural producers in underserved states through FCIC sponsored crop insurance.	Federal Crop Insurance	Key Outcome: Promote, support, and regulate sound risk management solutions to preserve and strengthen the economic stability of American agricultural producers and rural communities.
		Ensure civil rights compliance within the agency and with the Approved Insurance Providers, their Agents and Loss Adjusters.		
		Improve reporting efficiencies and reduce reporting burdens on producers through implementation of the Acreage Crop Reporting Streamlining Initiative (ASCRI).		
	Education and Outreach to stakeholders to ensure access to risk management tools and products.	Continue providing risk management education and other tools for producers, especially for targeted states and outreach to beginning, small, and limited resource farmers and ranchers.	Federal Crop Insurance	Key Outcome: Promote, support, and regulate sound risk management solutions to preserve and strengthen the economic stability of American agricultural producers and rural communities.
	Safeguard the integrity of the Federal crop insurance program.	Ensure Approved Insurance Providers comply with all FCIC regulations.	Federal Crop Insurance	Key Outcome: Promote, support, and regulate sound risk management solutions to preserve and strengthen the economic stability of American agricultural producers and rural communities.
		Ensure large claims are valid and good farming practices are followed.		
		Reduce the rate of improper payments.		

RISK MANAGEMENT AGENCY

Strategic Goal Funding Matrix
(Dollars in thousands)

Program / Program Items	2010 Actual	2011 Actual	2012 Estimate	Change	2013 Estimate
Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, re-populating, and economically thriving					
Administrative and Operating Expenses.........	$80,041	$78,270	$74,900	-	$74,900
Staff Years..	501	505	505	-	505
Federal Crop Insurance Corporation Fund	6,990,116	9,765,325	11,100,650	+2,459,873	13,560,523
Total Costs, All Strategic Goals.....	7,070,157	9,843,595	11,175,550	+2,459,873	13,635,423
Total FTEs, All Strategic Goals.....	501	505	505	-	505

RISK MANAGEMENT AGENCY

Summary of Budget and Performance
Key Performance Outcomes and Measures

Key outcomes and performance measures under each of the USDA's strategic goals as outlined below:

USDA Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, re-populating, and economically thriving.

Key Outcome: Promote, support, and regulate sound risk management solutions to strengthen and preserve and strengthen the economic stability of American agricultural producers and rural communities.

Key Performance Measures: Annual normalized value of risk protection provided to agricultural producers through the Federal Crop Insurance program.

	Performance Measure	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Target	2013 Target
a.	Annual normalized value of risk protection provided to agricultural producers through the Federal Crop Insurance program.	$50,600,000	$51,600,000	$51,400,000	$55,000,000	$56,300,000	$54,400,000	$54,900,000
b.	Dollars (in thousands) *	$4,449,700	$8,072,681	$12,111,125	$7,070,157	$9,843,595	$11,175,550	$13,635,423

* represents total RMA obligations

RISK MANAGEMENT AGENCY

Full Cost by Department Strategic Goal
(Dollars in thousands)

Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, re-populating, and economically thriving

Program / Program Items	2010 Actual	2011 Actual	2012 Estimate	2013 Estimate
Administrative and Operating Expenses				
Administrative and Operating Expenses.................	$79,991	$78,222	$74,900	$74,900
Total Costs, Strategic Goal........................	79,991	78,222	74,900	74,900
Total Staff Years, Strategic Goal...............	501	505	505	505
Federal Crop Insurance Corporation Fund	6,990,116	9,765,325	11,100,650	13,560,523
Total Costs...	6,990,116	9,765,325	11,100,650	13,560,523
Total Staff Years, Strategic Goal...............	-	-	-	-
Total Costs, Strategic Goal........................	7,070,107	9,843,547	11,175,550	13,635,423
Total Staff Years, Strategic Goal...............	501	505	505	505
Performance Measure: Annual normalized value of risk protection provided to agricultural producers through the Federal Crop Insurance program.	55,000,000	56,300,000	54,400,000	54,900,000
Cost per measure (unit cost)................................	7,070,157	9,843,595	11,175,550	13,635,423
Total Costs, All Strategic Goals....	7,070,107	9,843,547	11,175,550	13,635,423
Total FTEs, All Strategic Goals....	501	505	505	505