

The Federal Agriculture Improvement and Reform Act of 1996 created a new independent Risk Management Agency (RMA). The 1996 Act also removed a requirement that producers obtain at least the catastrophic level of crop insurance to be eligible for most USDA farm programs and assigned responsibility for the non-insured assistance program to the Farm Service Agency.

RMA improves the economic stability of agriculture by offering producers a sound system of crop insurance. Federal crop insurance covers losses due to unavoidable causes such as drought, excessive moisture, hail, wind, frost, insects, and disease. Currently 62 major crops are insurable. Crop insurance is available from crop insurance agents. Insurance protection must be purchased prior to sales closing dates that vary by crop and region.

In addition to administering the multiple peril crop insurance program, RMA is responsible for coordinating an educational outreach program to help producers manage the financial risks inherent in the production and marketing of agricultural commodities. This cooperative effort involves the resources of the Cooperative State Research, Education and Extension Service, the Commodity Futures Trading Commission, and numerous private sector organizations.

Further, new risk management products will continue to be developed by RMA, in conjunction with the private sector and other Government agencies. For example, two popular revenue insurance programs, Income Protection and Crop Revenue Coverage (CRC), were fashioned in this manner. Income Protection pays producers when gross income is less than the level of income protection selected by the producer. CRC also pays for production losses below the yield guarantee at the higher of two prices determined at different times of the year. The programs are currently available on corn, wheat, soybeans, cotton, and grain sorghum in selected States.