“(17) The Secretary of Agriculture shall study and make recommendations to the Homeland Security Council, within 120 days of the date of this directive [by May 28, 2004], for the use of existing, and the creation of new, financial risk management tools encouraging self-protection for agriculture and food enterprises vulnerable to losses due to terrorism.”
The directive:
- recognizes that terrorism can impact any point in the food chain;
- may not directly harm farms, but could disrupt substantial links in agricultural supply and demand chain;
- could impact the price of food and the well-being of businesses and farms far removed from the point of attack.

The report:
- put forth several considerations which were provided to the Homeland Security Council; however,
  - Any recommendation for a stand alone, whole farm, net income, multi-year policy with retroactive premiums is problematic considering significant authority, moral hazard, actuarial and marketing problems
Section 1508(a)(1)—Authority to offer crop insurance;
- ... to qualify for coverage under a plan of insurance, the losses of the insured commodity must be due to drought, flood, or other natural disasters (as determined by the Secretary)

“any disaster must be naturally occurring”

What the report provided:
- substantial background information on the implications for agriculture of potential terrorists threats;
- overview of the structure and location of U.S. agriculture production and marketing operations;
- identifies various terrorist threats to the food chain;
- analyzes current financial protection strategies and potential new strategies and tools and;
- suggests a range of possible policy options.
HSPD-9
RMA

- The report made no specific recommendations
  - On-going study is required;
  - Non-farm agricultural sub-sectors require attention;
  - Existing statutory authorities are not sufficient;
  - USDA capacity for expanded obligations requires
    additional human resources and funding.

HSPD-9
RMA

- Quarantine—
  - Crop insurance can pay for crops that are destroyed pursuant to
    an order of a public official if the crop is infected or highly to be
    infected
  - Buffer zones are not covered [usually]
  - Phytosanitary agencies will sometimes impose quarantines on
    healthy plants to prevent the spread of disease and RMA can
    respond (Asiatic Citrus Canker)
  - Some discretionary authority--but for “how much and how
    long?”
  - Asiatic Citrus Canker coverage will not be provided after 2007
HSPD-9
RMA

- Problems with Quarantine:
  - to rate insurance the risk must be stable over time, known or predictable beforehand;
  - quarantine risks fluctuate wildly involving unknown pests and areas;
  - Rate increases are capped at 20% per year;
  - Actuarial soundness mandates will prohibit coverage.

Questions?

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