

**2020-2021 ERP Phase 2**  
**2022 ERP**

The ERP program is far superior to MPCl and FSA area programs, such as SCO/ECO/STAX and ARC, in terms of disaster assistance.

The area programs have two major flaws:

- (1) They are not “bankable.” A The farmer cannot use the area plan “guarantees” as part of his cash flow projection. The farmer cannot guarantee that he won’t have a disaster in years that the county average does not trigger.
- (2) The area plans do not effectively reduce the crop insurance deductible, no matter how well-intended the plans are. This is because the expected area yield is, in most cases, less than the individual farmer’s APH. If the farmer has 70% level of MPCl insurance, and 70-90% STAX, and he makes 71% of his APH—he will not have an MPCl claim. In most cases, the STAX will also not trigger, because the expected yield of STAX is normally much lower than the individual farmer’s APH.

In contrast, the ERP program, as implemented in Phase one of the 2020-2021 program, is almost perfect. It very effectively reduces the crop insurance deductible. For example, the ERP program changes the 75% level of insurance, to the 92.5% level, reducing the deductible from 25%, down to 7.5%.

At the 75% MPCl level, the phase one ERP program guarantees 92.595% of the farmer’s APH, less his NET crop insurance claim benefits. This means that if the farmer has any insurance claim whatsoever, he gets his insurance premium refunded, and his 92.5% guarantee is “real.” He gets all of it.

Phase Two is meant for farmers who did NOT have an insurance claim, but who are also adversely affected by the insurance deductible. The transition between Phase One and Phase Two should be totally seamless. The Phase One payments and the Phase Two payments should differ by exactly the difference in value of the farmer’s production

The phase One ERP payment is simply the difference between the ERP guarantee and the amount of the NET MPCl claim (the amount of the claim, plus the cost of insurance). To be equitable, the Phase Two ERP payment should be the ERP guarantee, minus the amount by which the farmer exceeded the NET MPCl guarantee.

**This is a very simple calculation: The amount by which the farmer exceeded the NET MPCl guarantee, is equal to the dollar value of the ERP guarantee, minus the dollar value of the price-adjusted production, plus the net insurance premium.**

**For 2020-2021 Phase Two ERP claims, the amount of the production can easily be found in the farmer’s MPCl Actual Production History (APH), as filed for the succeeding crop year. 2020 production will be contained in the 2021 APH; 2021 production will be in the 2022 APH.**

The dollar value of the farmer's production should be determined by using the price-adjustment procedure (if any) for the corresponding MPCI policy.

This would be totally seamless. A person who made just over his insurance guarantee would be treated just as fairly as the person who made just under his crop insurance guarantee.

There should be no reason whatsoever to try to introduce gross income records into the calculations. The farmer who is included in Phase Two should be treated no differently than the farmer with an MPCI loss.

The Phase One ERP program is the best-designed disaster assistance program ever conceived.

The program should be extended to cover the 2022 crop year. Legislation should mandate that FSA follows the exact rules as were used in 2020-2021 Phase One, and which are suggested above for 2020-2021 Phase Two.

The proposed rules governing Phase 2 of 2020-2021 ERP (released January 9 by FSA) are totally unworkable.

ERP Phase 2 for 2020 and 2021 is poorly designed, would be very difficult to implement, and completely misses the target of producers who desperately need help.

Instead of targeting 90-95% of the expected income (as in Phase One farmers), Phase 2 protects only 70% of the expected income. A farmer who exceeds his crop insurance guarantee, no matter by how little, will NOT have a Phase Two claim.

Phase 2 rules—ERP for people who exceeded their crop insurance guarantee—compare total gross commodity sales government payments for 2020 or 2021, with gross sales plus government of a one-year base period, either 2018 or 2019. The farmer is entitled to a Phase 2 payment ONLY if the 2020 or 2021 gross income falls below 70% of that of the arbitrary base period.

Of particular note, the gross income comparison is without regard to expenses, which can easily be 20% higher than that of the base period. Taking 20%-increased expenses into account, the farmer would have to suffer a 50% loss in order to qualify.

In Phase 1, the growers' payment was determined by a strict formula, using crop insurance guarantees as a baseline. Growers have rightly assumed that phase 2 would simply be an extension of phase 1, and they based income expectations on that.

Instead, FSA changed the threshold from 90% of the expected income from each crop, to 70% of all crops combined.

The new threshold is 70% of the baseline gross income of ONE YEAR, although the Phase 1 trigger was 90-95% of the approved APH.

The Approved APH, combined with current prices, is a very accurate measure of expected gross income. The APH is an adjusted average of 10 years' yields; Phase 2 procedure calls for an arbitrary one-year base period, which will in no way be representative of the farmers actual expected income.

Phase 2 was supposedly designed to adequately provide for producers who didn't qualify for Phase 1 payments. The Phase 2 farmers are the people who incurred the most expenses, including harvesting the crop. Despite incurring significantly higher expenses, in most cases, than Phase 1 farmers, these regulations actually REDUCE the Phase 2 income by 20-50%, compared to that of Phase 1 farmers.

The Phase 2 farmer who made 1% over the MPCI guarantee gets nothing. A phase 1 farmer who made 1% under the MPCI guarantee, got a payment equal to 20-25% of their expected income PLUS a refund of the crop insurance premium.

Please refer to attached actual examples of a farmer's ERP projections (1) equitably, and (2) with proposed FSA regulations. The farmer with MPCI insurance at the 75% level, who made 76% of his expected income, will gross \$290,000 less than the farmer with 0% of expected income. The farmer with 76% of expected income gets no ERP payment; the farmer with 0% of expected income gets boosted to 92.5% of expected income.

In addition to the huge inequities, the burden on FSA staff to administer this program is impossibly onerous.

FSA guidelines will supposedly dictate that this is a self-certification process, accomplished without help from FSA technicians. Without FSA help, this job cannot be done. With FSA help, the procedure will prove to be so onerous that FSA employees will retire, rather than take this on.

The FSA news release calls this process "Streamlined", compared to Phase One.

This is a ridiculous comparison. Phase 1 of ERP was actually administered with nothing but computer-generated RMA records, with absolutely no input from FSA staff. Phase 2 data would have to be completely provided by the farmer. FSA will have to interpret this data, or it will not be done, or it will be done completely erroneously.

If FSA will use Phase 1 rules with which to implement phase 2, in addition to being completely fair and equitable to the Phase 2 producers, RMA data would do all the work, rather than FSA technicians.

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## ERP--Farmer with 0 production vs Farmer with 76% production, under FSA proposed regulations

### Farmer with 0 production in 2021

Year	Crop	Prac	Unit	Unit Opt	Yield	MPCI Level	ERP Level	Acres	ERP Guar #	Produx #	Proj Price	Harv Price	Share	Expected income	MPCI Guar \$	Value of Produx	% of Base income	ERP # To Pay	Gross ERP \$	MPCI Indemnity	MPCI Premium	ERP \$ To Pay	Total Income
2021	COTTON	NI	0001-0001	EU	396	75%	92.5%	274.2	100,439	0	\$0.83	\$1.09	1.000	\$118,356	\$88,767	\$0	0.0%	100,439	\$109,479	\$88,767	\$6,414	\$27,126	
2021	COTTON	NI	0001-0002	EU	399	75%	92.5%	277.8	102,529	0	\$0.83	\$1.09	1.000	\$120,818	\$90,613	\$0	0.0%	102,529	\$111,757	\$90,613	\$10,701	\$31,844	
2021	COTTON	NI	0001-0003	EU	452	75%	92.5%	288.2	120,392	0	\$0.83	\$1.09	1.000	\$141,990	\$106,493	\$0	0.0%	120,392	\$131,227	\$106,493	\$8,035	\$32,769	
2021	COTTON	NI	0001-0004	EU	425	75%	92.5%	195.8	76,927	0	\$0.83	\$1.09	1.000	\$90,704	\$68,028	\$0	0.0%	76,927	\$83,850	\$68,028	\$5,314	\$21,136	
2021	COTTON	NI	0001-0005	EU	414	75%	92.5%	93.4	35,768	0	\$0.83	\$1.09	1.000	\$42,148	\$31,611	\$0	0.0%	35,768	\$38,987	\$31,611	\$2,140	\$9,516	
2021	COTTON	NI	0001-0006	EU	367	75%	92.5%	103.8	35,238	0	\$0.83	\$1.09	1.000	\$41,523	\$31,142	\$0	0.0%	35,238	\$38,409	\$31,142	\$3,653	\$10,920	
2021	COTTON	NI	0001-0007	EU	570	75%	92.5%	38.2	20,141	0	\$0.83	\$1.09	1.000	\$23,734	\$17,800	\$0	0.0%	20,141	\$21,954	\$17,800	\$1,888	\$6,041	
2021	COTTON	NI	0001-0008	EU	383	75%	92.5%	180.7	64,017	0	\$0.83	\$1.09	1.000	\$75,437	\$56,578	\$0	0.0%	64,017	\$69,779	\$56,578	\$6,480	\$19,681	
2021	COTTON	NI	0001-0009	EU	392	75%	92.5%	303.2	109,940	0	\$0.83	\$1.09	1.000	\$129,551	\$97,163	\$0	0.0%	109,940	\$119,835	\$97,163	\$11,297	\$33,968	
2021	COTTON	NI	0001-0010	EU	376	75%	92.5%	175.7	61,108	0	\$0.83	\$1.09	1.000	\$72,009	\$54,007	\$0	0.0%	61,108	\$66,608	\$54,007	\$2,988	\$15,589	
2021	COTTON	NI	0002-0000	EU	447	75%	92.5%	41.0	16,952	0	\$0.83	\$1.09	0.750	\$14,982	\$11,237	\$0	0.0%	16,952	\$13,858	\$11,237	\$782	\$3,404	
2021	COTTON	NI	0003-0000	EU	387	75%	92.5%	196.3	70,270	0	\$0.83	\$1.09	0.750	\$62,104	\$46,578	\$0	0.0%	70,270	\$57,446	\$46,578	\$4,649	\$15,517	
2021	COTTON	NI	0004-0001	EU	462	75%	92.5%	255.8	109,316	0	\$0.83	\$1.09	0.833	\$107,304	\$80,478	\$0	0.0%	109,316	\$99,256	\$80,478	\$10,198	\$28,976	
2021	COTTON	NI	0004-0002	EU	360	75%	92.5%	231.8	77,189	0	\$0.83	\$1.09	0.833	\$75,768	\$56,826	\$0	0.0%	77,189	\$70,085	\$56,826	\$6,639	\$19,898	
2021	COTTON	NI	0004-0003	EU	502	75%	92.5%	41.0	19,038	0	\$0.83	\$1.09	0.833	\$18,688	\$14,016	\$0	0.0%	19,038	\$17,286	\$14,016	\$1,304	\$4,574	
2021	COTTON	NI	0005-0000	EU	499	75%	92.5%	76.1	35,126	0	\$0.83	\$1.09	0.750	\$31,044	\$23,283	\$0	0.0%	35,126	\$28,716	\$23,283	\$1,659	\$7,092	
2021	COTTON	NI	0006-0001	EU	363	75%	92.5%	120.1	40,327	0	\$0.83	\$1.09	0.750	\$35,640	\$26,730	\$0	0.0%	40,327	\$32,967	\$26,730	\$1,935	\$8,172	
2021	COTTON	NI	0006-0002	EU	336	75%	92.5%	154.7	48,081	0	\$0.83	\$1.09	0.750	\$42,493	\$31,870	\$0	0.0%	48,081	\$39,306	\$31,870	\$2,884	\$10,320	
									1,142,798	0				\$1,244,292	\$933,219	\$0	0.0%	1,142,798	\$1,150,804	\$933,219	\$88,960	\$306,545	\$1,239,764

### Farmer with 76% production in 2021, FSA proposed regulations

Year	Crop	Prac	Unit	Unit Opt	Yield	MPCI Level	ERP Level	Acres	ERP Guar #	Produx #	Proj Price	Harv Price	Share	Expected income	MPCI Guar \$	Value of Produx	% of Base income	ERP # To Pay	Gross ERP \$	MPCI Indemnity	MPCI Premium	ERP \$ To Pay	Total Income
2021	COTTON	NI	0001-0001	EU	396	75%	92.5%	274.2	100,439	113,592	\$0.83	\$1.09	1.000	\$118,356	\$88,767	\$123,815	104.6%				\$6,414		
2021	COTTON	NI	0001-0002	EU	399	75%	92.5%	277.8	102,529	72,313	\$0.83	\$1.09	1.000	\$120,818	\$90,613	\$78,821	65.2%				\$10,701		
2021	COTTON	NI	0001-0003	EU	452	75%	92.5%	288.2	120,392	111,945	\$0.83	\$1.09	1.000	\$141,990	\$106,493	\$122,020	85.9%				\$8,035		
2021	COTTON	NI	0001-0004	EU	425	75%	92.5%	195.8	76,927	60,664	\$0.83	\$1.09	1.000	\$90,704	\$68,028	\$66,124	72.9%				\$5,314		
2021	COTTON	NI	0001-0005	EU	414	75%	92.5%	93.4	35,768	31,830	\$0.83	\$1.09	1.000	\$42,148	\$31,611	\$34,695	82.3%				\$2,140		
2021	COTTON	NI	0001-0006	EU	367	75%	92.5%	103.8	35,238	31,478	\$0.83	\$1.09	1.000	\$41,523	\$31,142	\$34,311	82.6%				\$3,653		
2021	COTTON	NI	0001-0007	EU	570	75%	92.5%	38.2	20,141	16,031	\$0.83	\$1.09	1.000	\$23,734	\$17,800	\$17,474	73.6%				\$1,888		
2021	COTTON	NI	0001-0008	EU	383	75%	92.5%	180.7	64,017	46,724	\$0.83	\$1.09	1.000	\$75,437	\$56,578	\$50,929	67.5%				\$6,480		
2021	COTTON	NI	0001-0009	EU	392	75%	92.5%	303.2	109,940	67,375	\$0.83	\$1.09	1.000	\$129,551	\$97,163	\$73,439	56.7%				\$11,297		
2021	COTTON	NI	0001-0010	EU	376	75%	92.5%	175.7	61,108	53,459	\$0.83	\$1.09	1.000	\$72,009	\$54,007	\$58,270	80.9%				\$2,988		
2021	COTTON	NI	0002-0000	EU	447	75%	92.5%	41.0	16,952	16,010	\$0.83	\$1.09	0.750	\$14,982	\$11,237	\$13,088	87.4%				\$782		
2021	COTTON	NI	0003-0000	EU	387	75%	92.5%	196.3	70,270	54,902	\$0.83	\$1.09	0.750	\$62,104	\$46,578	\$44,882	72.3%				\$4,649		
2021	COTTON	NI	0004-0001	EU	462	75%	92.5%	255.8	109,316	87,845	\$0.83	\$1.09	0.833	\$107,304	\$80,478	\$79,761	74.3%				\$10,198		
2021	COTTON	NI	0004-0002	EU	360	75%	92.5%	231.8	77,189	48,231	\$0.83	\$1.09	0.833	\$75,768	\$56,826	\$43,792	57.8%				\$6,639		
2021	COTTON	NI	0004-0003	EU	502	75%	92.5%	41.0	19,038	15,664	\$0.83	\$1.09	0.833	\$18,688	\$14,016	\$14,222	76.1%				\$1,304		
2021	COTTON	NI	0005-0000	EU	499	75%	92.5%	76.1	35,126	24,097	\$0.83	\$1.09	0.750	\$31,044	\$23,283	\$19,699	63.5%				\$1,659		
2021	COTTON	NI	0006-0001	EU	363	75%	92.5%	120.1	40,327	48,471	\$0.83	\$1.09	0.750	\$35,640	\$26,730	\$39,625	111.2%				\$1,935		
2021	COTTON	NI	0006-0002	EU	336	75%	92.5%	154.7	48,081	41,513	\$0.83	\$1.09	0.750	\$42,493	\$31,870	\$33,937	79.9%				\$2,884		
									1,142,798	942,144				\$1,244,292	\$933,219	\$948,905	76.3%	0	\$0	\$0	\$88,960	\$0	\$948,905

**76% producer shortage of Income, FSA proposed regulations:**

**\$290,860**

## Farmer with 76% production in 2021, equitable ERP regulations

Year	Crop	Prac	Unit	Unit Opt	Yield	MPCI Level	ERP Level	Acres	ERP Guar	Produx #	Proj Price	Harv Price	Share	Expected income	MPCI Guar \$	Value of Produx	% of Base income	ERP # To Pay	Gross ERP \$	MPCI Indemnity	MPCI Premium	ERP \$ To Pay	Total Income
2021	COTTON	NI	0001-0001	EU	396	75%	92.5%	274.2	100,439	113,592	\$0.83	\$1.09	1.000	\$118,356	\$88,767	\$123,815	104.6%	-13,153	(\$14,336)	\$6,414	(\$7,922)		
2021	COTTON	NI	0001-0002	EU	399	75%	92.5%	277.8	102,529	72,313	\$0.83	\$1.09	1.000	\$120,818	\$90,613	\$78,821	65.2%	30,216	\$32,935	\$10,701	\$43,636		
2021	COTTON	NI	0001-0003	EU	452	75%	92.5%	288.2	120,392	111,945	\$0.83	\$1.09	1.000	\$141,990	\$106,493	\$122,020	85.9%	8,447	\$9,207	\$8,035	\$17,242		
2021	COTTON	NI	0001-0004	EU	425	75%	92.5%	195.8	76,927	60,664	\$0.83	\$1.09	1.000	\$90,704	\$68,028	\$66,124	72.9%	16,263	\$17,727	\$5,314	\$23,041		
2021	COTTON	NI	0001-0005	EU	414	75%	92.5%	93.4	35,768	31,830	\$0.83	\$1.09	1.000	\$42,148	\$31,611	\$34,695	82.3%	3,938	\$4,292	\$2,140	\$6,432		
2021	COTTON	NI	0001-0006	EU	367	75%	92.5%	103.8	35,238	31,478	\$0.83	\$1.09	1.000	\$41,523	\$31,142	\$34,311	82.6%	3,760	\$4,098	\$3,653	\$7,751		
2021	COTTON	NI	0001-0007	EU	570	75%	92.5%	38.2	20,141	16,031	\$0.83	\$1.09	1.000	\$23,734	\$17,800	\$17,474	73.6%	4,110	\$4,480	\$1,888	\$6,368		
2021	COTTON	NI	0001-0008	EU	383	75%	92.5%	180.7	64,017	46,724	\$0.83	\$1.09	1.000	\$75,437	\$56,578	\$50,929	67.5%	17,293	\$18,850	\$6,480	\$25,330		
2021	COTTON	NI	0001-0009	EU	392	75%	92.5%	303.2	109,940	67,375	\$0.83	\$1.09	1.000	\$129,551	\$97,163	\$73,439	56.7%	42,565	\$46,396	\$11,297	\$57,693		
2021	COTTON	NI	0001-0010	EU	376	75%	92.5%	175.7	61,108	53,459	\$0.83	\$1.09	1.000	\$72,009	\$54,007	\$58,270	80.9%	7,649	\$8,338	\$2,988	\$11,326		
2021	COTTON	NI	0002-0000	EU	447	75%	92.5%	41.0	16,952	16,010	\$0.83	\$1.09	0.750	\$14,982	\$11,237	\$13,088	87.4%	942	\$770	\$782	\$1,552		
2021	COTTON	NI	0003-0000	EU	387	75%	92.5%	196.3	70,270	54,902	\$0.83	\$1.09	0.750	\$62,104	\$46,578	\$44,882	72.3%	15,368	\$12,564	\$4,649	\$17,213		
2021	COTTON	NI	0004-0001	EU	462	75%	92.5%	255.8	109,316	87,845	\$0.83	\$1.09	0.833	\$107,304	\$80,478	\$79,761	74.3%	21,471	\$19,495	\$10,198	\$29,693		
2021	COTTON	NI	0004-0002	EU	360	75%	92.5%	231.8	77,189	48,231	\$0.83	\$1.09	0.833	\$75,768	\$56,826	\$43,792	57.8%	28,958	\$26,293	\$6,639	\$32,932		
2021	COTTON	NI	0004-0003	EU	502	75%	92.5%	41.0	19,038	15,664	\$0.83	\$1.09	0.833	\$18,688	\$14,016	\$14,222	76.1%	3,374	\$3,064	\$1,304	\$4,368		
2021	COTTON	NI	0005-0000	EU	499	75%	92.5%	76.1	35,126	24,097	\$0.83	\$1.09	0.750	\$31,044	\$23,283	\$19,699	63.5%	11,029	\$9,016	\$1,659	\$10,675		
2021	COTTON	NI	0006-0001	EU	363	75%	92.5%	120.1	40,327	48,471	\$0.83	\$1.09	0.750	\$35,640	\$26,730	\$39,625	111.2%	-8,144	(\$6,658)	\$1,935	(\$4,723)		
2021	COTTON	NI	0006-0002	EU	336	75%	92.5%	154.7	48,081	41,513	\$0.83	\$1.09	0.750	\$42,493	\$31,870	\$33,937	79.9%	6,568	\$5,369	\$2,884	\$8,253		
									1,142,798	942,144				\$1,244,292	\$933,219	\$948,905	76.3%	200,654	\$201,900	\$88,960	\$290,860	\$1,239,765	