Crop Insurance for New and Specialty Crops

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I have sometimes thought that it might be well to establish an office of insurance for farms against damage that may occur to them from storms, blight, insects, etc. A small sum paid by a number would repair such losses and prevent much poverty and distress.
~ Benjamin Franklin, October 24, 1788

History

The idea of crop insurance is as old as the country, but it has become a reality only in this century. Today, the crop insurance program, which is administered by the Risk Management Agency (RMA), helps farmers survive the devastating effects of a crop failure. About two-thirds of the acreage planted to major U.S. crops is insured, and more than 76 crops are insurable. Crop insurance is widely available for most of the major commodities such as corn, wheat, soybeans, and cotton. Coverage is also available on a growing number of fruits, nuts, and vegetable crops.

The RMA is an Agency within United States Department of Agriculture (USDA) created in 1996 to operate and manage the Federal Crop Insurance Corporation (FCIC). The FCIC was founded in 1938.

RMA's role is to help farmers manage their business risks. RMA's mission is to strengthen the safety net for agricultural producers through sound risk management programs and education.

Congress first authorized federal crop insurance in the 1930s along with other initiatives to help agriculture recover from the combined effects of the Great Depression and the Dust Bowl. The FCIC was created in 1938 to carry out the program. Initially, the program was started as an experiment, and crop insurance activities were mostly limited to major crops in the main producing areas of the U.S. Crop insurance remained an experiment until passage of the Federal Crop Insurance Act of 1980.

The program experienced a major expansion effort with passage of the Act of 1980 to insure crops in counties where insurance programs were not previously offered, replacing free disaster coverage offered under Farm Bills created in the 1960s and 1970s. The Act of 1980 also provided for the introduction of reinsurance to the program, which has led to the total privatization of the delivery

About Sam Cameron

Sam began his career with the Federal Crop Insurance Corporation/Risk Management Agency after graduating from Kansas State University in 1975 with a B.S. in Agronomy/Natural Resource Management. He started working for the Agency as a Field Actuary in the Oklahoma City Field Actuarial Office. As a Field Actuary and Underwriter from 1975 until 1987 Sam established, reviewed, rated, underwrote and maintained crop insurance programs in 8 states; Missouri, Kansas, Colorado, Texas, Oklahoma, New Mexico, Arizona, and California.

In about 1981 Federal Crop Insurance began moving toward privatization through a program of reinsurance with private insurance companies. In 1987 he accepted a position with the Reinsurance Division of the Federal Crop Insurance Corporation (FCIC) in Washington D.C. During that time he was responsible for administering the terms and conditions of the Standard Reinsurance Agreement between FCIC and approximately 40 reinsured companies. He served as Acting Director of the Division in 1990.

In 1991 he took a position as a Hearing Officer with the National Appeals Division of the Agricultural Stabilization and Conservation Service (ASCS) in Washington D.C. As an ASCS Hearing Officer, he specialized in payment limitation program appeals hearing cases that typically involved million(s) of dollars in program payments.

In 1992, Sam returned to Oklahoma City and the FCIC to accept a position of Branch Chief for Program Services in the Oklahoma City Regional Office. He is currently serving as a Senior Risk Management Specialist for the Risk Management Agency where he is responsible leading a team of crop insurance specialists in evaluating crop insurance programs and experience, and effectuating policy and procedural changes to programs administered throughout Texas, Oklahoma, and New Mexico.

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and service of the crop insurance program. Today, crop insurance is operating in much the same way as the National Flood Insurance program in that policies are reinsured by the FCIC but all sold and serviced by agents and insurance companies of the private sector.

On a national scale, crop insurance is currently being sold and serviced by 17 insurance companies in conjunction with a network of 15,000 agents who provide front-line information on the latest programs available to producers. The effectiveness of this partnership is evident in that virtually all indemnities are paid within 30 days of a claim.

For the current crop year, the program is expected to provide an estimated $38 billion in risk protection through nearly 1.3 million policies covering more than 212 million acres. Almost 80 percent of the nation's insurable acreage of the major agricultural commodities is included in the program. Based on current production conditions, we are estimating that the program will provide about $4.1 billion in indemnity payments in 2002, mostly for production losses for the major commodities like wheat, cotton, grain sorghum, soybeans, corn, etc.

While we feel the program is doing a good job of providing protection to the major commodity crops, we realize there is still much work to be done in providing insurance coverage for producers of many of the specialty crops like fruits, vegetables, and herbs being farmed by growers like many of you here today.

Where We Are Today

Crop insurance has passed some historic milestones since the 1980s that have had a profound effect on forging and shaping the program to its current state; i.e. mandatory program participation as an eligibility requirement for other USDA benefits, substantial increases in producer premium subsidies, more comprehensive oversight and compliance responsibilities, etc. But perhaps the most profound change this program has made to date are the changes that have been brought on by passage of the Agricultural Risk Protection Act of 2000 (ARPA) that requires expanding crop insurance coverage to new and specialty crops, for producers like many of you here today.

ARPA has forever changed the face of crop insurance. First, RMA has transformed from a risk management program developer to a regulator, facilitator, and evaluator of new products and materials. Second, RMA's risk management programs are no longer confined to crop insurance. For example, livestock risk management programs are now available to producers for the first time in the history of crop insurance. Third, risk management education programs provide producers a wealth of information and support to enable them to better determine how to manage their risks. Fourth, and possibly even more significantly, within the next few years new and unique risk management opportunities will become available as new approaches to risk management are proposed and implemented.

These are challenging times for RMA. As we work toward establishing programs for specialty crops, we are finding traditional methods used to establish and maintain existing programs do not work with many of these crops. We depend on the commodity exchanges and well-defined markets to help establish consistent and accurate crop values for traditionally grown crops. Those types of markets do not exist for many specialty crops and establishing accurate market values for coverage and claim purposes can pose a problem.

In addition, because of the non-traditional markets that exist for many of these crops, production evidence necessary to establish accurate guarantees or coverage is not readily available in many cases. As a result, we have to apply new and nontraditional methods of insuring some of these crops like dollar amounts of insurance per acre, average gross sales per acre, adjusted gross revenue per acre, etc.

One of the primary reasons we are here today is to give you an overview of programs we currently have available and some of the programs we've been aggressively working on for implementation in the very near future.

Insured Crops

In Oklahoma, crop insurance is currently being offered on 15 different crops: barley, corn, cotton, dry beans, grain sorghum, nursery, oats, peaches, peanuts, potatoes, rice, rye, soybeans, sunflowers and wheat. Pecan insurance will be available in 2004.

From 1999 through 2001 the program paid indemnities to policyholders in the amounts of $65.7 million, $55.8 million, and $78.1 million, respectively, for a total pay out of nearly $200 million over this most recent three-year period.

Texas and New Mexico are also states that are serviced by our regional office and for comparison we offer insurance on 30 crops in Texas and 17 crops in New Mexico.

The crops we insure in Texas are: apples, barley, cabbage, citrus trees, corn, cotton, dry beans, grain sorghum, grapefruit, grapes, hybrid seed (corn and grain sorghum), nursery, oats, onions, oranges, peaches, peanuts, pecans, popcorn, potatoes, processing cucumbers, processing beans, rice, rye, soybeans, sugar beets, sugarcane, sunflowers and wheat.

The crops we insure in New Mexico are: apples, barley, chiles, corn, cotton (ELS and AUP), dry beans, grain sorghum, hybrid sorghum seed, nursery, onions, peanuts, pecans, potatoes, processing beans, soybeans and wheat.

Plans of Insurance

Crop insurance comes in a variety of forms. Not all of the plans of insurance currently in use are available everywhere or on every crop. Your crop insurance agent is your contact to find out what plans are available in your county. A list of active agents is on file at your local Farm Service Agency Office.

There are five main plans of insurance approved by RMA that are currently in wide use and those plans are structured to provide coverage under two basic coverage concepts, production based or revenue based plans of insurance. The production based plans are Multiple Peril Crop Insurance and the Group Risk Plan. The revenue based plans currently available and widely used are Crop Revenue Coverage, Revenue Assurance, Income Protection.

Production Based Plans

Multiple Peril Crop Insurance (MPCI) – MPCI is the oldest and most popular plan of insurance in use. MPCI policies are available for most insured crops and are individual yield-based policies, based on the producers' Actual Production History (APH) for the crop being insured. MPCI provides comprehensive protection against weather-related causes of loss such as drought, excessive moisture, hail, wind, frost, insects, and disease, and certain other unavoidable perils. Insureds may select a level of coverage of 50 to 85 percent of their average yield. Indemnities are paid at a price elected by the insured at the time the crop was planted. If the harvested production is less than the yield guarantee, the farmer is paid an indemnity based on the difference. Indemnities are calculated by multiplying this difference (loss in yield) by the insured price selected when crop insurance was planted.

Group Risk Plan (GRP) – GRP insurance is based on the county expected yield rather than individual farm yields. This affordable plan can be useful when a farmer's individual yield tends to tract the yield of the county. GRP does not require a notice of loss or crop damage from the insured as required with MPCI. When the county yield for the insured crop, as determined by National Agricultural Statistics Service (NASS), falls below the trigger level chosen by the insured, an indemnity is paid; therefore, payments are not based on the individual farmer's loss records.

Revenue Based Plans

Revenue products provide revenue guarantees instead of MPCI yield guarantees. Revenue policies protect a grower's loss of revenue resulting from low prices, low yields, or a combination of the two. These programs are increasing in popularity and were introduced only a few years ago but now comprise over 23 percent of all crop insurance liabilities.

Income Protection (IP) – IP is a revenue product that, based on the individual producer's APH, protects against a loss of income when prices and/or yields fall. The guarantee and the premium will be calculated using the springtime-generated price (projected price). An indemnity is due when the revenue to count (production to count X harvest price) is less than the amount of protection.

IP policies protect against reductions in gross income when either a crop's price or yield declines from early season expectations. Using corn as an example, a projected price, using the February average of the December Chicago Board of Trade (CBOT) corn contract and issued by RMA before crops are planted, is used to establish guaranteed revenue. The revenue guarantee equals the product of the producer's average yield multiplied by the projected price multiplied by the coverage level selected by the producer. Revenue shortfall is determined by using a harvest price, which is the November average of the same December contract and is issued by RMA about harvest time. The price at which the crop actually sells is not used to calculate a loss payment. A producer is paid for a loss when the actual and appraised yield multiplied by the harvest price falls below the revenue guarantee.

Crop Revenue Coverage (CRC) - This plan is the most widely used revenue protection plan currently available for corn, cotton, grain sorghum, rice, soybeans and wheat. This policy guarantees an amount of revenue (based on the individual producer's actual production history (APH) multiplied by commodity price) called the final guarantee. The coverage and exclusions of CRC are similar to those for the standard MPCI policy. This final guarantee is based on the greater of the springtime generated price (base price) or the harvest-time generated price (harvest price). While the guarantee may increase, the premium will not. Premium will be calculated using the base price. Since the protection of the producer revenue is the primary objective of CRC, it contains provisions addressing both yield and price risks. CRC covers revenue losses due to a low price, low yield, or any combination of the two. A loss is due when the calculated revenue (production to count multiplied by harvest price) is less than the final guarantee for the crop acreage.

Like the IP plan, CRC provides revenue protection based on price and yield expectations. CRC, however, pays for losses below the yield guarantee at the higher of the base price or the harvest price. For most corn, the base price is 95 or 100 percent of the February average daily settlement price of the Chicago Board Of Trade December corn futures contract and is issued by RMA before crops

are generally planted. The harvest price is 95 or 100 percent of the November average daily settlement for the same December contract and is issued by RMA about harvest time. The price at which the crop actually sells is not used to calculate a loss payment. Commodity exchanges, measurement periods, and contract months may vary for other crops.

The CRC guarantee equals the product of the producers average yield multiplied by the coverage level multiplied by (the higher of the base price or the harvest price).

On the average, CRC premiums are significantly higher than IP premiums. The higher cost is due in part to the higher price used to pay losses. In addition, IP coverage is based on all of a producers' acreage in a county, while CRC allows producers to subdivide their acreage into smaller units of insurance as defined in their policies.

Revenue Assurance (RA) – The coverage and exclusions for RA are similar to those for the standard MPCI policy. However, MPCI provides coverage for loss of production, whereas RA provides coverage to protect against loss of revenue caused by low prices or low yields or a combination of both. RA has a Fall Harvest Price Option available. This Option uses the greater of the fall harvest price (harvest-time generated price) or the projected harvest price (spring-time generated price) to determine the per-acre revenue guarantee. So, with the Option, RA works like CRC, without the Option, it works like IP. RA protects a producer's crop revenue when the crop revenue falls below the guaranteed revenue.

This plan is available for feed barley, canola/rapeseed, corn, soybeans, sunflowers and wheat in sixteen states (including Oklahoma). As indicated above, RA uses two prices, projected harvest price, and fall harvest price to measure price fluctuation. The projected harvest price establishes the revenue guarantee when the crop is planted and is used to calculate the premium (approved average yield) multiplied by (coverage level of 65 to 75 percent of expected revenue) multiplied by (projected county price). The fall harvest price establishes the crop value to count against the revenue guarantee. The fall harvest price is used to determine the value of production to subtract from the revenue guarantee. The difference is the indemnity. When the Harvest Price Option (HPO) is selected, the fall harvest price is used to re-compute the revenue guarantee when the fall harvest price option is higher than the projected harvest price. Indemnity payments are calculated when the harvested and appraised production and harvest price are determined.

Group Risk Income Protection (GRIP) – GRIP is the newest revenue product to come along. GRIP is based on the experience of the county rather than individual farms, so APH is not required for this program. A GRIP policy includes coverage against potential loss of revenue resulting from a significant reduction in the county yield or commodity price of a specific crop. When the county yield estimates are released, the county revenues (or payment revenues) will be calculated prior to April 16 of the following crop year. GRIP will pay a loss when the county revenue is less than the trigger revenue. Since this plan is based on county revenue and not individual revenue, the insured may have a loss in revenue on their farm and not receive a payment under GRIP.

Although similar in theory to the Group Risk Plan, this plan makes a payment only if the county revenue for the insured crop is less than the insured's trigger revenue. This plan is available for corn and soybeans in Illinois, Indiana, and Iowa.

Pilot Crop Programs

Pilot (experimental) insurance programs are implemented for a period of 1 - 4 crop years. During that time RMA monitors the effectiveness of the program and documents any problems that might have been encountered. At the end of the pilot period, an evaluation of the program is conducted and a recommendation is made to: 1) continue the pilot program, 2) expand and continue for a specified time, 3) convert the pilot to permanent program status, or 4) suspend the pilot.

Following are the 30 active pilot programs currently available along with the year they were introduced. The 24 pilot programs that include specialty crops are shown in bold print.

Adjusted Gross Revenue (AGR) – 1999
Florida Fruit Trees -1996
Apple Pilot Quality Option – 2001
Forage Seed - 2002
Avocados (Revenue plan) – 1998
Fresh Market Beans - 2002
Avocados (Individual Yield Plan) – 1999
Income Protection - 1996
Avocado/Mango Trees – 1998
Mint - 2002
Blueberries – 1995
Mustard - 1999
Cabbage – 1999
Onion Stage Removal Opt 2000
Cherry – 1999
Pecan (revenue plan) - 1998
Citrus Fruit (California - Dollar plan) – 2001
Processing Chile Peppers - 2000
Corn Rootworm Integrated Pest Mgt – 1998
Processing Cucumbers -2000
Coverage Enhancement Option – 2000

Rangeland (Group Risk Plan) - 1999
Crambe – 1999
Raspberry/Blackberry - 2002
Cultivated Clams – 2000
Strawberries - 2000
Cultivated Wild Rice – 1999
Sweet Potatoes - 1998
Dairy Options - 1998 Fiscal Year
Winter Squash (Pumpkins) - 1999

As a general rule, expansion of a pilot program during the pilot period is considered if such expansion will provide different program experience (such as different crop types or practices than the original pilot program) than may be gained from the original pilot program.

Additional Information on Currently Active Selected Pilot Programs

Blackberries/Raspberries – The blackberry/raspberry pilot program was implemented in select counties in California, Oregon, and Washington beginning in the 2002 crop year. Coverage is established as a fixed dollar amount of insurance that provides protection against declining value resulting from yield shortfalls. The maximum dollar amount of insurance is listed in the actuarial documents. Minimum age and production requirements may apply.

Blueberries – The blueberry pilot program was implemented in 1995 in select counties of Michigan, Mississippi, New Jersey, and North Carolina. Two Maine counties were added in 1997 and five North Carolina counties were added in 1999. Select counties in Alabama, Florida, Georgia and South Carolina and five additional counties in Maine were added to the pilot area in 2000. The insurance plan uses APH rules to establish guarantees. The number of policies earning premium increased 74 percent between 1995 and 2000.

The blueberry pilot program has been approved for conversion to a permanent crop insurance program beginning in the 2004 crop year. It continues to be available on a pilot program basis in 2003.

Cabbage – The pilot program for cabbage was approved for the 1999 crop year in select counties in Georgia, New York, North Carolina, Pennsylvania, and Virginia. Further expansion in the 2000 crop year provided coverage in counties in Alaska, Illinois, Florida, Michigan, Ohio, Oregon, South Carolina, Texas Washington, and Wisconsin. The insurance plan uses APH rules to establish insurance guarantees. One of the significant changes in the program was the incorporation of an acreage limitation statement that was added for the 2000 crop year.

This pilot program is scheduled for evaluation in 2002.

Chile Peppers – The chile pepper pilot program was introduced in the 2000 crop year in select counties in Arizona and New Mexico. Chile peppers in these areas are grown for harvest as processing peppers and a processing contract is required to establish insurability. The pilot program is based on a fixed dollar amount of insurance, providing coverage levels from 50 through 75 percent. There are four insurable chile varieties at this time: Long Green, Long Red, Cayenne, and Jalapeno.

Pecan Revenue – The pecan revenue pilot program was established beginning in the 1998 crop year for Georgia, Texas and New Mexico. The pilot program provides protection against unavoidable loss of pecan revenue within the framework of a 2-year coverage module. Producers are required to remain in the program for two crop years – at a consistent premium rate, coverage level, and guarantee. This provision was included in the design of the pilot program to accommodate the alternate-bearing tendency of pecans. Coverage, premium, and indemnities are calculated on an annual basis, however. The amount of insurance is based on the producer's individual average dollar revenue and the coverage level elected.

Processing Cucumbers - The processing cucumber pilot program was implemented in select counties in Michigan, North Carolina, Texas and South Carolina in the 2000 crop year. The fixed dollar plan of insurance provides protection against declining crop value resulting for yield and/or quality losses. The amount of insurance is based on the cost of growing processing cucumbers in each area, as determined by university cost or production budgets and published as part of the actuarial documents. A loss may occur when a grower's annual value for his processing cucumber crop is less than the amount of insurance selected.

GRP Rangeland Pilot – The GRP rangeland pilot program has been available in 12 Montana counties since 1999. The program resulted from requests made by ranchers, ranching associations, and the Intertribal Agriculture Council. Rangeland is generally defined as native pasture used for grazing livestock. The primary production peril for rangeland is drought and the program covers county-wide disasters based on the SRS county average yield, not individual operations. Montana has approximately 37 million acres of rangeland and the proposed pilot counties represent approximately 40 percent of this total. The RMA has a contractor researching the feasibility of a pasture and rangeland program that provides protection established on an individual producer basis rather than a group plan.

Strawberries – The strawberry pilot program was developed as a fixed dollar plan of insurance and was

implemented in the 2000 crop year. The pilot covers strawberries (fresh and processing) grown as annuals by experienced growers using appropriate cultural practices such as fumigation, rotation and mulch. The pilot program is available in select counties of California, Florida, Louisiana, and North Carolina. It is estimated that 17,300 acres of strawberries (33 percent of the national average) are grown in the pilot counties.

Sweet Potatoes - The sweet potato pilot program was released in the 1998 crop year in select counties of Alabama, California, Louisiana, North Carolina, and South Carolina. The insurance plan uses APH rules for developing insurance guarantees. Recently approved farm bill regulations include a provision to cover sweet potatoes while in storage but policy revisions to incorporate this type of coverage remain pending at this time. A producer listening-session has been concluded and a program evaluation was completed during the 2002 fiscal year. The program has experienced significant losses during the pilot period primarily due to adverse weather conditions and hurricanes.

Wild Rice – The wild rice pilot program was initiated in the 1999 crop year in select counties in California and Minnesota. The insurance plan uses APH rules for calculating insurance guarantees.

Winter Squash – The winter squash pilot program was implemented in 1999 in select counties of Connecticut, Massachusetts, New Jersey, and New York. Pumpkins were added as an insurable type in select counties of Alabama, New York, and Pennsylvania beginning in the 2000 crop year. The pilot is a dollar plan of insurance based on the cost of production. County Extension Service and university cost of production budgets are used to establish insurance guarantees.

An evaluation of the pilot program is scheduled for 2002 and recommended changes will be addressed at that time.

Livestock Pilot Programs – There are two different livestock pilot programs that have been approved for sale during the 2002 crop year: The Livestock Gross Margin (LGM) and the Livestock Risk Protection (LRP) programs. These pilot programs are the first of many anticipated livestock based policies. The first livestock plans focus on swine coverage in all counties in Iowa.

Because FCIC limits the amount of livestock insurance that may be reinsured each year, the RMA must review and monitor applications and policy information closely. The RMA reserves the authority to close sales of new and or carryover policies at any time during the sales season.

Livestock Gross Margin – The LGM program provides protection against the loss of gross margin (market value of livestock minus feed costs). The policy pays producers at the end of the six-month insurance period if the actual gross margin is less than the expected gross margin. Futures prices are used to determine both the actual and expected gross margins.

Livestock Risk Protection – The LRP pilot program protects producers against the risk of a decline in hog prices. Producers may choose insurance periods of 90, 120, 150, or 180 days. Unlike traditional crop insurance policies that have a single sales closing date each year, LRP is priced and available for sale continuously throughout the year. The LRP policy protects producers against declining hog prices if the price index specified in the policy drops below the producer's selected coverage price. Coverage levels range from approximately 70 to 95 percent of the daily hog prices.

Coverage may be activated at any time by applying for a Specific Coverage Endorsement (SCE). The SCE provides coverage for a group of hogs that reach target weight within one of the insurance periods specified above (90 – 180 days).

Adjusted Gross Revenue (AGR) Pilot Program – The AGR pilot program, implemented in the 1999 crop year, introduced the concept of establishing insurance coverage based upon prior years' IRS documents (Schedule F). The amount of insurance is calculated from the average of five (5) consecutive years' income tax records and expected revenue for the insurance year.

AGR provides protection against low revenue due to unavoidable natural disasters and market fluctuation that occur during the insurance year. The pilot program uses a producer's historical IRS Schedule F tax information and annual farm report as a basis to provide a level of guaranteed revenue for multiple agricultural commodities in one insurance product. It guarantees a percentage of your average gross farm revenue, including a small amount of livestock revenue, instead of insuring an individual crop.

AGR is now available in 17 states and 214 counties. About 550 policies were sold for crop year 2001. Although the RMA has received a number of congressional requests for 2002 crop year expansion, we do not plan further expansion until the current program and recent changes can be evaluated.

Development Projects for Pilot Programs for 2003

In addition to implementing the above-mentioned pilot programs RMA expects to initiate the following proposed program development projects for 2003:

Cost of Production – This program is designed to be a revenue program to cover the cost of producing the crop for 12 specified crops in select areas: soybeans corn, cotton, wheat, rice almonds, peaches, cranberries, apricots, nectarines, onions, and sugar cane.

Cut Flowers and Cut Cultivated Floral Greens – This

project is being conducted to research the best techniques for insuring cut flowers and cut cultivated floral greens.

Fresh Vegetables – This project is being conducted to research the potential for development of a risk management strategy to provide coverage for asparagus, broccoli, carrots, cauliflower, celery, garlic, globe artichoke, lettuce-head, lettuce-leaf, lettuce-romaine, and spinach.

Livestock Disease - The purpose of this project is to develop risk management tools for diseases for livestock and poultry producers.

Multiple Year Coverage – The purpose of this project is to develop a multi-year policy that would reduce waste, fraud, and abuse of crop insurance in certain geographic areas.

Pasture and Rangeland – The purpose of this project is to develop risk management tools to cover the production of pasture and rangeland forage - (A high priority project for program development).

Perennial Pathogen Destruction – The purpose of this project is to develop risk management tools to meet the needs of producers of perennial crops (crops grown on trees, vines, and bushes) whose crops are impacted by pathogens.

Quarantine Crop Insurance – The purpose of this project is to develop risk management tools to meet the needs of producers whose crops are impacted by quarantine regulations.

Revenue Coverage – The purpose of this project is to develop revenue-based risk management tools that are designed to enable producers to take maximum advantage of fluctuations in market process and thereby maximizing revenue realized from the sale of an agricultural commodity.

Value Enhanced Products – The purpose of this project is to develop risk management tools to address identity-preserved and other value-enhanced products including specialty grains, and/or to implement actions to ensure that risk management programs appropriately address the needs of producers (including the possible use of written agreements to modify program price elections on which indemnities and premiums are calculated).

Feasibility Studies for 2003

The following projects are expected to be initiated during 2003 and may be conducted as feasibility studies or research reports and may ultimately result in the development of a risk management tool for producers.

Christmas Tree Pilot Program – The purpose of this program is to conduct research on the feasibility of a pilot program to provide Christmas tree producers risk management tools.

Livestock Risk Management Tools – The purpose of this program is to study the feasibility of developing risk management tools for livestock producers (poultry [chicken broilers and layers], dairy, sheep, and lambs).

Melon Pilot Program – The purpose of this project is to conduct research and provide RMA a research report on the feasibility of the research and development of a pilot program to provide melon producers a risk management tool to address their needs, with consideration given to experience gained and comments received on the suspended watermelon pilot program.

Program Development Methodology for Small-Value Crops - The purpose of this project is to conduct research and develop a methodology for developing risk management tools economically and efficiently to address the specific needs of producers who grow small-value crops for which developmental costs are generally considered high in relation to the expected value of the crops (including the use of rates for one crop to rate another crop).

Research Report Sesame, Hybrid Sunflower Seed, Emmer and Spelt Crop Insurance Programs (Feasibility Study) - The purpose of this project is to conduct research and provide RMA a research report on the feasibility of a pilot program to provide sesame, hybrid sunflower seed, emmer, and spelt producers a risk management tool to address their needs.

Risk Management Crop Storage Options (Feasibility Study) - The purpose of this project is to determine the need and direction of research and potential development of an insurance product that provides protection for producer-owned apple, onion, sugar beet, and sweet potato crops during storage. This project was initiated in response to section 10001 of the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) that authorized insurance coverage for sweet potatoes beyond the time the insured crop is in the field.

Vegetable and Flower Seed Pilot Program (Feasibility Study) - The purpose of this project is to conduct research and provide RMA a research report on the feasibility of a pilot program to provide vegetable and flower seed producers a risk management tool to address their needs.

Feasibility Studies for 2004

Feasibility studies are tentatively planned to begin during 2004 for the following programs: 1) Greenhouse Vegetables, 2) Fresh Cucumbers, 3) Processing Carrots, 4) Radishes, 5) Herbs, 6) Bulbs, Corms, Tubers, and Rhizomes, 7) Olives, 8) Hazelnuts, 9) Cost of Production Programs for Additional Crops

Feasibility Studies for 2005

Feasibility studies are tentatively planned to begin during 2005 for the following programs: 1) Processing Broccoli, 2) Eggplant, 3) Brussels Sprouts, 4) Pod Peas

Farm Service Agency Non-insured Crop Disaster Assistance Program

In the absence of any viable insurance program to cover your operations or until one of these pilot or proposed programs become a reality, the Farm Service Agency (FSA) Non-Insured Crop Disaster Assistance Program (NAP) may be your only option for assistance at the current time.

The NAP provides financial assistance to eligible producers affected by natural disasters. This federally funded program covers non-insurable crop losses and planting prevented by disasters.

Eligible crops include commercial crops and other agricultural commodities produced for food (including livestock feed) or fiber for which the catastrophic level of crop insurance is unavailable.

Also eligible for NAP coverage are controlled-environment crops (mushroom and floriculture), specialty crops (honey and maple sap), and valued loss crops (aquaculture, Christmas trees, ginseng, ornamental nursery and turf-grass sod).

Producers should contact a crop insurance agent if they have questions regarding whether a crop is insurable in their county. For questions regarding whether a crop is eligible for NAP coverage contact the local FSA Office.

To apply for coverage producers must file a Form CCC-471, Application for Coverage, and pay the applicable service fees at the local FSA office. The application and service fees must be filed by the application closing date established by the FSA state committee.

The service fee is $100 per crop per county, or $300 per producer per county, not to exceed a total of $900 per producer for all counties.

Coverage Period

The coverage period for NAP may vary depending on whether you grow annual, perennial, or value loss crops.

The coverage period for annual crops begins the later of:

- 30 days after you apply for coverage and pay the applicable service fees; or
- The date your crop is planted, not to exceed the final planting date.

And ends the earlier of:

- The date you complete the crop harvest;
- The normal harvest date for the crop;
- The date the crop is abandoned; or
- The date you destroy the entire crop acreage.

The coverage period for perennial crops always begins 30 calendar days after the application closing date and ends the earlier of:

- 10 months from the application closing date;
- The date you complete the crop harvest
- The normal harvest date for the crop
- The date the crop is abandoned; or
- The date you destroy the entire crop acreage.

Please contact your local FSA office for more information on the coverage periods for perennial forage crops, controlled-environment crops, specialty crops, and value loss crops.

How much production must be lost to receive a NAP payment?

The natural disaster must have either:

- Reduced your expected unit production of the crop by more than 50 percent; or
- Prevented you from planting more than 35 percent of your intended crop acreage.

Expected production is the amount of the crop produced in the absence of a natural disaster. FSA compares expected production to actual production to determine the percentage of crop loss.

How much of your loss does NAP cover?

NAP covers the amount of loss greater than 50 percent of your expected production, based on your approved yield and reported acreage.

NAP payments are calculated by unit using the following information:

- Crop acreage;
- Approved yield;
- Net production;
- 55 percent of an average market price for the specific commodity, established by your FSA state committee; and
- A payment factor reflecting the decreasing cost incurred in the production cycle for the crop that is harvested, un-harvested, or prevented from being planted.

Conclusion

With that, I would like to conclude RMA's portion of this session and answer any questions. I hope that something that has been presented here will be of use to you and your farming operations now or in the very near future and extend my wish to all of you for a very beneficial and productive meeting for the remainder of your time here.