



United States Department of Agriculture
Risk Management Agency

April 2008

2008 COMMODITY INSURANCE FACT SHEET

Chile Peppers

Arizona

Crop Insured

Four types of chilies are insurable: Long Green New Mexican, Long Red New Mexican, Cayenne, and Jalapeno. Only peppers that will be planted to fulfill a written contract with a processor can be insured. The contract must specify the quantity (in delivered weight or planted acres) of chilies the processor agrees to buy and the base price the processor will pay the grower. In addition, producers applying for insurance must have experience growing chile peppers. The fields must be irrigated and not have been planted with peppers, tomatoes, beets, cucurbits, eggplant, or spinach for at least one year

Counties Available

Chile peppers are insurable in Cochise county.

Causes of Loss

Adverse weather conditions¹
Failure of irrigation water supply²
Fire³
Insects⁴
Plant disease⁴
Wildlife⁵

¹Natural perils such as hail, frost, freeze, wind, drought, and excess moisture.

²If caused by an insured peril during the insurance period.

³Unless weeds and undergrowth are not controlled or unmulched pruning debris is not removed.

⁴But not damage due to insufficient or improper application of control measures.

⁵Unless wildlife control measures have not been taken.

Insurance Period

Producers must apply for coverage with an insurance agent before January 31 to insure the peppers they plan to plant and harvest that year. Insurance attaches when the chile peppers are planted and ends at the earliest of:

- Total destruction of the crop
- Fulfillment of processor contract
- October 15 for New Mexican Long Green, Jalapeno and Cayenne chile peppers

- December 31 for New Mexican Long Red Chile Peppers

Important Dates

Sales Closing January 31
Final Planting
 Long Red New Mexican April 15
 Long Green New Mexican May 15
Acreage Report Due..... July 1
Premium Billing September 15

Definitions

Maximum Dollar Amount: \$1,380

Price used to calculate the claim of indemnity. The amount of insurance is progressive by vegetative stages as described below.

STAGE	Amount of Insurance	Stage Description
1	50%	For seeded acreage, until thinning.
2	75%	From thinning or transplanting to fruit set.
3	100%	From fruit set until harvest or end of insurance.

Coverage Levels and Premium Subsidies

Producers can select their own revenue guarantee from among seven fixed-dollar amounts of insurance determined by USDA. The levels of coverage offered are intended to enable Chile growers to recover a percentage of their out-of-pocket costs of producing the crop.

Catastrophic (CAT) coverage is fixed at 50 percent of average yield and 55 percent of the price election. CAT is 100 percent subsidized with no premium cost to you except for an administrative fee of \$100, regardless of the acreage.

Loss Example

The amount of loss that can be claimed is the difference between the amount of insurance and the value of production- to-count. An insured selects the 65-percent coverage level or \$897 per acre and has a contract on 60 acres, all the chile peppers from 50 acres were harvested but 10 acres were not. The appraised production on the unharvested acreage was 10,000 pounds and harvest production amounted to 100,000 pounds. To calculate the value of harvested chiles (Long Red), the allowable cost of picking and hauling is subtracted from the base contract price:

897	Selected coverage
<u>x 60</u>	Acres of production
\$53,820	Guarantee revenue
<u>x 1.00</u>	Stage 3 coverage percent
\$53,820	
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\$.66	Base price
<u>-\$.25</u>	Allowable cost of picking
\$.41	Value of harvested chiles
<u>x 100,000</u>	Number of pounds harvested
\$41,000	Value of harvested chiles
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10,000	Pounds of unharvested chiles
<u>x \$.66</u>	Base contract price
\$6,600	Value of unharvested chiles
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\$53,820	Guarantee revenue
- \$47,600	Value of harvested chiles + value of unharvested chiles
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\$6,220	Indemnity paid to insured

Where to Purchase Crop Insurance

All multi-peril crop insurance, including CAT coverage insurance policies are available from private insurance agents. A list of crop insurance agents is available on the RMA Web site at:

<http://www3.rma.usda.gov/tools/agents/>

Download Copies from the Web

Visit our online publications/fact sheets page at:
http://www.rma.usda.gov/fields/ca_rso/index.html

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