



United States Department of Agriculture  
Risk Management Agency

March 2008

## 2008 COMMODITY INSURANCE FACT SHEET

# Tropical Tree Pilot

## Hawaii - Banana

### Crop Insured

The crop insured will be all banana trees for which a premium rate is provided by the actuarial documents in which you have a share:

- Grown to produce a crop intended to be sold for human consumption;
- That, if the orchard is inspected and is considered acceptable by us;
- Provide evidence of at least four consecutive crop years of experience growing the crop excluding year set out;

**Tree age will be determined on December 31<sup>st</sup> according to the following table:**

Year	Months After Set Out
1	≤ 12
2	13 - 24
3	25 - 36
4	37+

### Causes of Loss

Adverse weather conditions<sup>1</sup>  
 Destruction of trees<sup>2</sup>  
 Disease<sup>3</sup>  
 Earthquake  
 Fire<sup>4</sup>  
 Insects<sup>3</sup>  
 Tsunami  
 Volcanic eruption  
 Wildlife<sup>5</sup>

<sup>1</sup>Natural perils such as frost, wind, drought, and excess moisture.

<sup>2</sup>If authorized by the insurance provider to contain the spread of disease.

<sup>3</sup>But not damage due to insufficient or improper application of control measures.

<sup>4</sup>Unless weeds and undergrowth are not controlled.

<sup>5</sup>Unless recommended wildlife control measures have not been taken.

### Counties Available

Tropical fruits are insurable in Hawaii, Kauai, Honolulu and Maui counties in Hawaii.

### Insurance Period

Insurance attaches January 1<sup>st</sup> for carryover policies and 30 days after we receive your application for new insureds, but no earlier than January 1<sup>st</sup>. The insurance period ends the earlier of December 31<sup>st</sup> of the crop year; or upon our determination of the total destruction of insured trees on the unit.

### Important Dates

Sales Closing .....December 31  
 Acreage Report Due .....February 15

### Coverage Levels and Premium Subsidies

Growers can select coverage level options ranging from 50 to 75 percent of the reference maximum price per tree or catastrophic coverage risk protection which offers a producer a 50-percent level of coverage, indemnified at 55 percent of the established price shown on the price addendum.

**Tree Reference Maximum Price** - Value used to calculate your premium and indemnity.

Growth Stage Year 1.....\$26 per tree  
 Growth Stage Year 2.....\$26 per tree

### Cost of Crop Insurance

The Agricultural Risk Protection Act of 2000 raised the subsidies for federal crop insurance premiums substantially. Higher coverage levels are subsidized at lower rates; USDA pays at least 50 percent of the premium. For more detailed information about amounts of coverage and premiums, please contact a crop insurance agent or the county Farm Service Agency office for an agent listing.

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## Loss Example

Farmer has 500 insured banana trees and 75-percent level of coverage. The reference price is \$25 per tree for growth stage year 2. Three hundred trees are dead after a hurricane.

### Step 1

500	Total insured trees.
<u>  x \$26</u>	Tree reference price at stage 2.
\$13,000	Value of insured trees.

### Step 2

300	Total dead trees.
<u>  x \$26</u>	Tree reference price at stage 2.
\$ 7,800	Value of dead trees.

### Step 3

$(7,800 \div 13,000) = 60$  percent damage  
 $(1.0 - .75) = 25$  percent deductible  
 $(60 \text{ percent} - 25 \text{ percent}) = 35$  percent loss  
**\$13,000 x 35 percent = \$4,550 indemnity**

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## 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/>

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