



United States Department of Agriculture
Risk Management Agency

January 2007

2007 COMMODITY INSURANCE FACT SHEET

Processing Chile Pepper Pilot New Mexico

Crop Insured

The crop insured will be all the chile peppers in the county which you have a share that are:

- planted to be harvested and processed for human consumption/use;
- grown under an irrigated practice;
- grown under and in accordance with requirements of a processor contract executed on or before the acreage reporting date and is not excluded from the processor contract at any time during the crop year;
- planted within the planting periods designated in the actuarial documents;
- grown by a person who, in at least one of the last 3 previous crop years, either grew chile peppers for commercial sale to a processor or managed a chile pepper farming operation that contracted with a processor.

Counties Available—Hidalgo, Luna

Causes of Loss

Adverse weather conditions

Earthquake

Failure of irrigation water supply¹

Fire

Insects²

Plant disease³

Volcanic eruption

Wildlife⁴

¹If caused by an insured peril during the insurance period. ²But not damage due to insufficient or improper application of pest control measures. ³But not damage due to insufficient or improper application of disease control measures. ⁴Unless control measures have not been taken.

Note: We will **not** insure against any loss of production due to bypassed acreage because of the breakdown or non-operation of equipment or facilities; or insured acreage that was not harvested first, and you and processor are one and the same. We will not insure against any loss of production due to the chile peppers not being timely harvested, unless such delay in harvesting is solely and directly due to an insured cause of loss; or your failure to follow the requirements contained in the processor contract.

Insurance Period

Insurance attaches when the crop is planted on or before the final planting date and ends the earlier of:

- total destruction of the chile pepper crop,
- abandonment of the chile peppers;
- the date you harvest sufficient production to fulfill your processor contract if the contract stipulates a specific amount of production to be delivered;
- final adjustment of a loss on the unit;
- final harvest;
- October 15 for New Mexican long green, jalapeno, and cayenne chile peppers; and
- December 31 for New Mexican long red chile peppers.

Reporting Requirements

Acreage Report—You must report to your insurance company all the acreage of chile peppers in the county in which you have a share, and provide a copy of all processor contracts on or before the acreage reporting date.

Notice of Loss—If you intend to claim an indemnity on any unit, you must give notice not later than 72 hours after the earliest of:

- the time you discontinue harvest of any acreage on the unit;
- the date harvest normally would start if any acreage on the unit will not be harvested;
- the calendar date for the end of the insurance period; and
- if the crop will not be harvested and you wish to destroy the crop, you must leave representative samples of the unharvested crop for our inspection. The samples must not be harvested or destroyed until the earlier of our inspection or 15 days after harvest of the balance of the unit is completed.

Important Dates

Sales Closing	January 31
Acreage Report Due.....	July 1
Premium Billing	December 1
Cancellation/Termination.....	January 31

Definitions

Amounts of Insurance—

You may select one coverage level and the corresponding amount of insurance designated in the actuarial documents for all chile peppers in the county.

- The amounts of insurance on each unit cannot exceed the value of the processor contract minus the allowable costs.
- Amounts of insurance per acre are progressive by stages as follows;
 - Stage 1 (seeded acreage, until thinning); 50 percent
 - Stage 2 (from thinning or transplanting to fruit set); 75 percent
 - Stage 3 (from fruit set until harvest or end of insurance); 100 percent
- Any acreage of chile peppers damaged in the first, second, or third stage to the extent that the majority of producers in the area would not normally further care for it must be destroyed prior to a claim being finalized. The amount of insurance payable for such acreage will be based on the stage the plants had achieved when the damage occurred.

Base Price—The price stipulated on the processor contract without regard to discounts or incentives that may apply.

Allowable Cost—The dollar amount per pound for harvesting and hauling that is shown in the special provisions.

Price Elections

Price elections will be posted on the RMA website at: <http://www3.rma.usda.gov/apps/pricesinquiry/>

Coverage Levels and Premium Subsidies

Coverage level options range from 50 to 75 percent of your average yield. For example, an average yield of 200 pounds per acre would result in a guarantee of 130 pounds per acre at the 65-percent coverage level. Crop insurance premiums are subsidized as shown in the following table. For example, if you select the 65-percent coverage level, your premium share would be 41 percent of the base premium:

Item	Percent					
Coverage Level	50	55	60	65	70	75
Premium Subsidy	67	64	64	59	59	55
Your Premium Share	33	36	36	41	41	45

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. There is, however, an administrative fee of \$100 per county, regardless of the acreage.

Loss Example

Example assumes: \$800 amount of insurance at the 65-percent coverage level, a \$14.00 base contract price, a \$.05 per pound allowable cost, and harvested production of 2,000 pounds per acre.

$$\begin{aligned}
 & 2,000 \text{ pounds per acre} \\
 & \times \$0.09 \text{ price received per pound less allowable} \\
 & \quad \text{costs } (\$0.14 \text{ per pound} - \$0.05) \\
 & = \$180.00 \text{ net value of production to count per acre}
 \end{aligned}$$

$$\begin{aligned}
 & \$800.00 \text{ amt/insurance per acre (65-percent} \\
 & \quad \text{coverage level)} \\
 & - \$180.00 \text{ net value of production to count per acre} \\
 & = \$620.00 \text{ loss per acre} \\
 & - \$ 24.00 \text{ premium per acre} \\
 & = \$596.00 \text{ indemnity per acre}
 \end{aligned}$$

Download Copies from the Web

Visit our online publications/fact sheets page at: http://www.rma.usda.gov/aboutrma/fields/ok_rso/

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's Target Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, SW, Washington, DC 20250-9410 or call (800) 795-3272 (voice) or (202) 720-5964 (TDD). USDA is an equal opportunity provider and employer.