



United States
Department of
Agriculture

Federal Crop
Insurance
Corporation

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TO: Board of Directors
Federal Crop Insurance Corporation

September 9, 2002

FROM: Ross J. Davidson, Jr. /s/ *Ross J. Davidson, Jr.*
Manager

SUBJECT: Board Memorandum No. 676
Docket No. CI-Pecan-Revenue-02-2
Conversion of the Pilot Pecan Revenue Crop Insurance Program to a
Permanent Insurance Program Effective for the 2004 and Succeeding Crop
Years

There is submitted for your consideration the subject docket authorizing or not authorizing the Federal Crop Insurance Corporation (FCIC) to convert the pilot Pecan Revenue crop insurance program to a permanent program effective for the 2004 and succeeding crop years in all areas where the crop is produced.

In order for FCIC to convert the pilot program to a permanent program it is necessary for the Board of Directors to approve Docket No. CI-Pecan-Revenue-02-2.

RESOLVED, That Docket No. CI-Pecan-Revenue-02-2, Exhibit No. 2127, authorizing the Federal Crop Insurance Corporation to convert the pilot Pecan Revenue crop insurance program to a permanent crop insurance program effective for the 2004 and succeeding crop years in all areas where the crop is produced and the risks are acceptable is hereby approved AND BE IT FURTHER RESOLVED, That the Board delegates authority to the Manager to approve final policy terms and procedural requirements.

OR

RESOLVED, That Docket No. CI-Pecan-Revenue-02-2, Exhibit No. 2127, is hereby disapproved.

"For Official Use Only" and "Secure Storage Required" Provisions Expired on: September 19, 2002

FCIC Docket No. CI-Pecan-Revenue-02-2
Conversion of the Pilot Pecan Revenue Crop Insurance Program to a Permanent Insurance Program – Effective for the 2004 and Succeeding Crop Years

Voted on by the Board of Directors on: September 19, 2002

Conversion of the Pilot Pecan Revenue Crop Insurance Program to a Permanent Insurance
Program Effective for the 2004 and Succeeding Crop Years

Docket No. CI-Pecan-Revenue-02-2

SUMMARY

If approved by the Board, this docket will authorize the Federal Crop Insurance Corporation to convert the pilot Pecan Revenue crop insurance program to a permanent insurance program effective for the 2004 and succeeding crop years in all areas where the crop is produced under the authority contained in section 523(a)(4) of the Federal Crop Insurance Act (7 U.S.C. 1523(a)(4)).

FOR FURTHER INFORMATION CONTACT:

Diana Moslak, (202) 720-2832

Conversion of the Pilot Pecan Revenue Crop Insurance Program to a
Permanent Insurance Program Effective for the 2004 and Succeeding Crop Years

Docket No. CI-Pecan-Revenue-02-2

A - INTRODUCTION

I. Purpose

If approved by the Board, this docket will provide the authority for the Federal Crop Insurance Corporation (FCIC) to convert the pilot Pecan Revenue crop insurance program to a permanent insurance program effective for the 2004 and succeeding crop years in all areas where the crop is produced in accordance with section 523(a)(4) of the Federal Crop Insurance Act (7 U.S.C. 1523(a)(4)) (Act).

II. Justification

The authority contained in this docket is needed for FCIC to convert the pilot Pecan Revenue crop insurance program to a permanent insurance program effective for the 2004 and succeeding crop years in all areas where the crop is produced. Historically the regulatory process to convert a pilot program to a permanent program has been approximately 18 to 24 months, thus the reason that permanent conversion is requested for crop year 2004. The sales closing date for pecans is November 20 and the contract change date is August 31. Requests for conversion of the program have come from producers in non-pilot program areas. Experience has been favorable since the pilot program was initiated in 1998. The average loss ratio through the 2001 crop year for all counties has been .30. The pilot Pecan Revenue crop insurance program will proceed through the regulatory process and is expected to become a permanent program effective for the 2004 and succeeding crop years.

III. Background Data on the Pilot Pecan Revenue Crop Insurance Program

The pilot Pecan Revenue crop insurance program was established in 1998 for three counties in Georgia—Dougherty, Lee, and Mitchell; one county in New Mexico—Dona Ana; and three counties in Texas—Culberson, El Paso, and Pecos.

The pecan program is a revenue program of insurance. It provides protection against unavoidable loss of pecan revenue due to standard causes of loss of yield as well as decline in market price.

The pecan policy is a continuous policy purchased in two-year coverage modules: i.e., producers are required to remain in the program for two crop years at the same premium rate, coverage level, and guarantee. This provision was included to compensate for the alternate-bearing tendency of pecans. Coverage, premiums, and indemnities are processed on a yearly basis.

The revenue guarantee is based on the producer's individual average dollar amount of gross sales for the crop years reported. Unit division is limited to a basic unit, defined as "all insurable acreage of pecans in the county in which you have a share on the date coverage begins for the crop year."

The participation rate (determined for each county by dividing the number of trees of bearing age by the total number of trees and multiplying by total acreage in the county) was derived using the 1997 Census of Agriculture. This was the only data available that provided pecan acreage numbers and not just pecan production by tons. It should be noted that in the counties of Lee and Mitchell, Georgia, the actual acres insured in some of the years exceeded the estimated total acreage. In these cases the participation rate was limited to 100 percent. The Census of Agriculture did not provide acreage or numbers of trees for Culberson County, Texas, so there are no participation figures for that county. Also, there have been no policies sold in Pecos County, Texas. The overall participation rate in all states and counties for the 1998 through 2001 crop years is 68 percent.

Loss experience has been favorable for the pecan program. The average loss ratio for the 1998 to 2001 crop years is .30. The highest loss ratio was in 2001: at .44. Loss ratios for the other years of the pilot are: 1998—.37, 1999—.13, 2000—.24. There have been no losses reported to date for 2002. The causes of loss for 1998 through 2001 were primarily from wind, drought, heat, and freeze.

The pilot Pecan Revenue crop insurance program evaluation found that producers in the pilot areas are very supportive of the program, indicating that it meets their needs and enables them to obtain financing from lending institutions. The Risk Management Agency's regional offices also support conversion. The pilot Pecan Revenue crop insurance program evaluation can be found in the attachments.

B - AUTHORIZATION

I. General

Authority to convert the pilot Pecan Revenue crop insurance program to a permanent program is contained in section 523(a)(4) of the Federal Crop Insurance Act (Act).

II. Program Description

The authority provided by this docket will enable FCIC to convert the pilot Pecan Revenue crop insurance program to a permanent insurance program effective for the 2004 and succeeding crop years in all areas where the crop is produced. The requested conversion will allow expanded coverage to additional areas and to a greater number of pecan producers.

III. Operating Provisions

Detailed operating provisions for implementing this program will be issued by Risk Management Agency (RMA) authorized personnel.

IV. Administration

If approved by the Board, the implementation of this program will be carried out by RMA in accordance with the provisions of the Act. The program will be reinsured and subsidized under the terms of the Standard Reinsurance Agreement with risk sharing to be designated in the revenue funds.

V. Effective Date

This docket will become effective upon signature by the Chairman of the Board.

VI. Classification

This program docket is for official use only.

VII. Availability of Funds

The availability of funds is discussed in the attached memorandum from the Chief Financial Officer of RMA.

VIII. For Official Use Only Designation

The "For Official Use Only" designation of this docket will terminate upon approval of this docket by the Board.

FINAL RESOLUTION

RESOLVED, That Docket No. CI-Pecan-Revenue-02-2, Exhibit No. 2127, authorizing the Federal Crop Insurance Corporation to convert the pilot Pecan Revenue crop insurance program to a permanent crop insurance program effective for the 2004 and succeeding crop years in all areas where the crop is produced and the risks are acceptable is hereby approved AND BE IT FURTHER RESOLVED, That the Board delegates authority to the Manager to approve final policy terms and procedural requirements.

Adopted by the Board of Directors on: September 19, 2002

/s/ Diana Moslak
Diana Moslak, Secretary
Federal Crop Insurance Corporation

[SEAL]

Approved by:

/s/ Keith Collins
Keith Collins
Chairman of the Board

9/23/02
Date