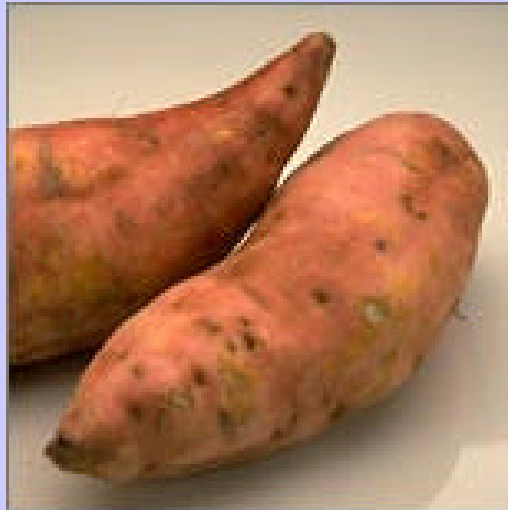

Sweetpotato Pilot Crop Insurance Program



October 29, 2003

Background

Sweetpotato Pilot Program

- Approved by Board for 1998 crop year
- APH based plan
- Insurable grades
 - California (Number 1, Medium, and Jumbo)
 - All other states (Jumbo, Extra Number 1, Number 1, Commercial, and Number 2)

Sweetpotato Pilot Counties

State

Counties

Alabama

Baldwin

California

Merced

Louisiana

Avoyelles, Morehouse & West Carroll

North Carolina

Columbus & Johnston

South Carolina

Horry

Loss Ratios

	1998	1999	2000	2001	2002	Wt Avg
Baldwin, AL	0.00	0.00	1.66	2.11	1.58	1.42
Avoyelles, LA	7.98	2.98	3.92	3.85	3.75	3.48
Morehouse, LA	0.00	1.00	1.50	1.54	1.77	1.29
W. Carroll, LA	0.36	0.16	2.10	0.92	3.32	1.48
Columbus, NC	4.70	8.76	8.11	8.08	8.64	8.20
Johnston, NC	2.45	8.63	4.54	4.16	5.36	5.38
Horry, SC	8.18	14.50	11.06	9.48	7.81	9.66
Merced, CA	0.00	0.00	0.00	0.00	0.00	0.00

1998 – 2002 Loss Frequencies: Sweetpotatoes vs All Other Crops

State	1998		1999		2000		2001		2002		Total	
	Loss Freq	+/- Comp	Loss Freq	+/- Comp	Loss Freq	+/- Comp	Loss Freq	+/- Comp	Loss Freq	+/- Comp	Loss Freq	+/- Comp
AL	0%	-39%	0%	-13%	17%	-32%	29%	7%	38%	-10%	21%	-13%
LA	47%	20%	40%	18%	63%	30%	54%	24%	68%	35%	55%	26%
NC	51%	12%	85%	43%	71%	53%	84%	64%	92%	43%	79%	45%
SC	67%	20%	96%	53%	88%	61%	82%	55%	80%	30%	83%	45%
Total	51%	15%	71%	36%	70%	44%	74%	49%	83%	40%	72%	39%

+/- Comp is difference from all other crops in same counties.

Loss Ratios: Columbus County, NC

	Sweetpotatoes	Soybeans	All APH Crops
Year	LR	LR	LR
1998	4.70	1.05	1.87
1999	8.76	0.72	1.25
2000	8.11	0.66	0.67
2001	8.08	0.74	0.94
2002	8.64	1.48	1.53
Avg	8.24	0.96	1.22

Loss Ratios: Horry County, SC

	Sweetpotatoes	Soybeans	All APH Crops
Year	LR	LR	LR
1998	8.18	0.39	1.87
1999	14.50	0.87	1.22
2000	11.06	0.75	0.72
2001	9.44	0.82	0.82
2002	7.81	1.62	1.80
Avg	10.08	1.00	1.25

Loss Ratios: Johnston County, NC

	Sweetpotatoes	Soybeans	All APH Crops
Year	LR	LR	LR
1998	2.45	0.65	0.88
1999	8.63	0.71	1.65
2000	4.54	0.18	0.21
2001	4.16	0.23	0.28
2002	5.36	2.15	2.81
Avg	5.39	0.78	1.11

Loss Ratios: Avoyelles County, LA

	Sweetpotatoes	Soybeans	All APH Crops
Year	LR	LR	LR
1998	7.98	0.92	1.11
1999	2.98	0.30	0.16
2000	3.92	0.37	0.35
2001	3.85	0.30	2.04
2002	3.75	0.69	1.27
Avg	3.84	0.56	1.05

Loss Ratios: Morehouse County, LA

	Sweetpotatoes	Soybeans	All APH Crops
Year	LR	LR	LR
1998	0.00	0.56	0.45
1999	1.00	0.44	1.01
2000	1.50	2.82	3.18
2001	1.54	0.35	2.97
2002	1.77	1.06	1.31
Avg	1.44	1.09	2.20

Loss Ratios: West Carroll County, LA

	Sweetpotatoes	Soybeans	All APH Crops
Year	LR	LR	LR
1998	0.36	0.16	0.67
1999	0.16	0.33	0.90
2000	2.10	1.63	1.34
2001	0.92	0.74	1.16
2002	3.32	0.68	0.79
Avg	1.49	0.76	0.97

Evaluation Results

- Excessively high loss ratios in North & South Carolina, which are not explained by weather.
- Significant increase in acres planted in the Carolinas during the pilot period
- Rates should be reviewed and adjusted as appropriate.
- Price elections are generally adequate

Evaluation Results (cont.)

- Policy terms, including underwriting and loss adjustment procedures need revision.
 - **Quality adjustment.**
 - **Redefine sweetpotatoes as totality of production**
 - **Introduce quality adjustment.**
 - **Better control destruction of un-harvested production.**

Evaluation Results (cont.)

- Depending on the type of producer, coverage should either be with or without storage.
- Sweetpotato crop provisions are poorly aligned with U.S. Grading Standards.
- Adjusters are assigned responsibilities that are inappropriate relative to grade & quality determinations, which can best be achieved by trained personnel under proper supervision.
- Quality is an important determinant of production-to-count, but quality is ill-defined & subjective.

Recommendations

Options:

- **Suspend the program beginning with the 2004 crop year in:**
 - All states.
 - North and South Carolina only.
- **Continue as is.**
- **Continue with strong safeguards while a replacement program is being designed.**

Possible Elements Of A New Program

Revise the program for 2005 (if possible) to:

- Insure storage for farmers who store.
- Base coverage on packout of #1's, if feasible.
- Revise rates, using producer-level data as practicable.
- Re-define the insured sweetpotato.
- Revise test-strip and un-harvested requirements.
- Require grade determinations to be made by Federal/State inspectors.
- Cover quality (possible option).