



United States  
Department of  
Agriculture

Federal Crop  
Insurance  
Corporation

1400 Independence  
Ave, SW  
Stop 0801  
Washington, DC  
20250-0801

TO: Board of Directors  
Federal Crop Insurance Corporation

FROM: Ross J. Davidson, Jr.  
Manager

SUBJECT: Board Memorandum No. 740  
Docket No. CI-SBSRO-03-01  
Sugar Beet Stage Removal Option Pilot (SBSROP) Plan of Insurance  
beginning with the 2004 Crop Year

There is submitted for your consideration the subject docket authorizing or not authorizing Sugar Beet Stage Removal Option Pilot Plan of insurance beginning with the 2004 crop year.

It is necessary for the Board of Directors to either approve or disapprove Docket No. CI-SBSRO-03-01 based on an evaluation of all experts and other reviews.

Sugar Beet Stage Removal Option Pilot (SBSROP) Plan of Insurance  
Beginning with the 2004 Crop Year  
Authorization for Approval or Disapproval  
Docket No.: CI-SBSRO-03-01

FINAL RESOLUTION

**RESOLVED, That Docket No. CI-SBSRO-03-01, Exhibit No. 2711, authorizing implementation of the Sugar beet stage removal option pilot with reinsurance, risk subsidy, and administrative and operating subsidy in amounts and under such terms and conditions as determined appropriate by the Manager beginning with the 2004 crop year and continuing through crop year 2009 in all current sugar beet county crop programs, except for those counties in California, Colorado, Nebraska, and three counties in Wyoming: (Goshen, Laramie, and Platte), as authorized under section 522(c) of the Federal Crop Insurance Act, is hereby approved. This will allow sufficient time to gather data and evaluate the pilot. AND BE IT FURTHER RESOLVED, That the Board delegates to the Manager the authority to make such technical policy changes as are necessary to make the policy legally sufficient and to resolve those problems with rating methodology and policy terms identified by the reviewers.**

Adopted by the Board of Directors on: 12/17/2003

/signed/  
Byron Anderson, Secretary  
Federal Crop Insurance Corporation

[SEAL]

Approved by:

Keith Collins /signed/  
Chairman of the Board

Date: December 17, 2003

Sugar Beet Stage Removal Option Pilot  
Beginning in the 2004 Crop Year  
Docket No. CI-SBSRO-03-01

SUMMARY

If approved by the Board of Directors, this docket will authorize implementation of the Sugar Beet Stage Removal Option Pilot for all states and counties eligible for the current sugar beet program, except for those counties in California, Colorado, Nebraska, and three counties in Wyoming: Goshen, Laramie, and Platte. The pilot would begin in the 2004 crop year and be authorized to continue through crop year 2009 to allow sufficient time to gather data and evaluate the pilot.

FOR FURTHER INFORMATION CONTACT:

Byron Anderson, (202) 690-2533

Sugar Beet Stage Removal Option Pilot  
Beginning in the 2004 Crop Year  
Authorization for Approval or Disapproval  
Docket No. CI-SBSRO-03-01

A – INTRODUCTION

I. Purpose

If approved by the Board of Directors, this docket will authorize implementation of the Sugar Beet Stage Removal Option Pilot for all states and counties eligible for the current sugar beet program, except for counties in California, Colorado, Nebraska, and three counties in Wyoming: Goshen, Laramie, and Platte. The pilot would begin in the 2004 crop year and be authorized to continue through crop year 2009 to allow sufficient time to gather data and evaluate the pilot.

II. Justification

Section 508 of the Federal Crop Insurance Act (Act) authorized the Federal Crop Insurance Corporation (FCIC) to provide reinsurance to provide insurance to protect against risk of loss or price decline at actuarially sound rates.

III. Background Data – Sugar Beet Stage Removal Option Pilot

On July 17, 2003, the Risk Management Agency (RMA) awarded a contract to Watts & Associates to conduct an independent review of the sugar beet program as part of its effort to assure that existing crop insurance programs are operating properly and are meeting the needs of producers. One of the findings of the review was that producers did not feel the current sugar beet program fully met their needs due to stage guarantees. Based on grower and sugar beet industry recommendations and contractor research, the contractor recommended the removal of stage guarantees should be tested by implementing a stage removal option pilot program. RMA accepted the recommendation to develop an option that would remove the stage guarantee for an additional premium. RMA received the Sugar Beet Stage Removal Option Pilot (SBSROP) deliverable as required under the contract on October 14, 2003 and the FCIC Board of Directors (Board) sent it for expert review on October 29, 2003.

Currently, the sugar beet policy has two stage guarantees: the stage 1 and the final stage. The first stage is from planting through June 30 for all states and counties except Arizona and select California counties where stage 1 ends the earlier of thinning or 90 days after planting. Stage 1 indemnities are based on 60 percent of the final stage production guarantee. The concept of stage guarantees originated in legislation prior to the 1980 Federal Crop Insurance Act, which limited any indemnity to the costs incurred to the point at which the claim was filed. This limitation of indemnity was accomplished by stage guarantees and was designed to reflect the costs not incurred, specifically harvest costs.

The option would attach to the existing Sugar Beet Crop Provisions. It would provide the producer the opportunity to buy coverage at the full guarantee and receive a full indemnity in the event of a total loss during the early stages of growth. The grower would pay an additional premium.

## B - AUTHORIZATION

### I. General

Authority to approve the Sugar Beet Stage Removal Option Pilot, with reinsurance, risk subsidy, and administrative and operating subsidy in amounts and under such terms and conditions determined appropriate by the Manager beginning with the 2004 crop year is contained in section 508 and 523(c) of the Act (7 U.S.C. 1508 and 1523(c)).

### II. Program Description

The authority provided by this docket will enable FCIC to implement the Sugar Beet Stage Removal Option Pilot beginning with the 2004 crop year in all states and counties in which FCIC offers the sugar beet crop insurance program, except for counties in California, Colorado, Nebraska, and southeastern Wyoming (Goshen, Laramie, and Platte counties). The option is attached to the Sugar Beet Crop Provisions and will remove the first stage guarantee. Under the option all indemnities will be calculated using the final stage guarantee in exchange for the additional premium designated in the actuarial documents.

### III. Operating Provisions

The operating provisions for implementing this program are the Sugar Beet Stage Removal Option Pilot, including policy provisions, actuarial documents, underwriting rules, and administrative procedures approved by the Board for RMA to administer.

### IV. Administration

If approved by the Board, this program may be offered under the Standard Reinsurance Agreement (SRA) by all insurance companies reinsured by FCIC and will be carried out in accordance with the provisions of the Act. The reinsurance will be provided in accordance with such terms and conditions determined appropriate by the Board.

### V. Effective Date

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

### VI. Classification

This program docket is for official use only.

### VII. Availability of Funds

There are no specific restrictions that would limit the approval of this option.

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.

"For Official Use Only" and "Secure Storage Required" Provisions Expired on: \_\_\_\_\_

FCIC Docket No. CI-SBSRO-03-01

Sugar Beet Stage Removal  
Option Pilot Beginning with  
the 2004 Crop Year

Voted on by the Board of Directors on: \_\_\_\_\_



FINAL RESOLUTION

Adopted by the Board of Directors on: \_\_\_\_\_

\_\_\_\_\_  
Byron Anderson, Secretary  
Federal Crop Insurance Corporation

[SEAL]

Approved by:

Keith Collins  
Chairman of the Board

Date