Sweetpotato Pilot Insurance Program

# Program Background and Overview

# PROGRAM BACKGROUND & OVERVIEW

## PREFACE

The Sweetpotato Pilot Insurance Program replaces all previously available, federally-sponsored sweetpotato crop insurance. Understanding the history of the program will benefit trainers, agents, adjusters, and producers by giving them a clear understanding of how the Sweetpotato Pilot Insurance Program was developed and what benefits it offers to the insured.

## HISTORY OF THE SWEEPOTATO INSURANCE PILOT PROGRAM

In 1998, sweetpotato producers in specific pilot areas added crop insurance to their options available for managing production risk. The 1998 pilot program allowed growers in eight pilot counties to insure production through the Actual Production History (APH) plan of insurance. Capital investment and operating expense per acre for sweetpotatoes are substantial and, therefore, a risk management tool available to control the risk of loss is warranted. Combining this investment per acre with limited margins common in agriculture exposes the typical sweetpotato producer to substantial risk.

Less than satisfactory experience with the original pilot insurance program encouraged Risk Management Agency (RMA) to introduce the first round of improvements in the 2003 crop year. Further evaluation uncovered deficiencies, prompting a development effort for a new pilot program for sweetpotatoes. The FCIC Board suggested RMA begin development of a new sweetpotato crop insurance program. The Board emphasized if performance of the existing pilot program did not improve in 2004, and if a new program could not be developed for pilot testing in 2005, termination of the program would be considered.

In October 2004, the FCIC Board approved the first component, known as the turnrow component, of the current Sweetpotato Pilot Insurance Program. This turnrow component is available for producers to insure from planting through harvest. This program includes substantial underwriting controls and gatekeeping methods along with new rates, all of which are designed to better align producer incentives and improve program experience.

## OVERVIEW OF THE SWEETPOTATO PILOT INSURANCE PROGRAM

The Sweetpotato Pilot Insurance Program is an Actual Production History (APH) policy. It is designed to insure producers against yield losses due to insurable causes, such as drought, excessive moisture, hail, wind, frost, insects, and disease. Producers select the coverage level (percentage of their average yield) they wish to insure; from 50% to 75%. They also select the percent of the predicted price they want to insure, from 55% to 100% of the crop price established annually by RMA. If a producer harvests less than the yield they insured, and due to an insured cause of loss, they are paid an indemnity based on the difference. Indemnities are calculated by multiplying the difference between the production guarantee and the production-to-count by the price election selected when the insurance was purchased.

The following list outlines additional features of the new sweetpotato program. These features are incorporated in conjunction with specific concepts from the original program.

- Only sweetpotatoes of the Beauregard variety, produced from certified seed, and planted for fresh market consumption will be insurable;
- Only those roots meeting the length, diameter, and weight requirements for the classifications of U.S. Extra No. 1, U.S. No. 1, U.S. No. 2, and Jumbo will count toward measured yields. Appearance and other quality attributes will not be considered;
- Scouting of the crop after planting by an agricultural expert will be mandatory;
- Only producers (qualified person) who have grown sweetpotatoes in at least three of the last five crop years will be eligible for insurance;
- Insurable acreage cannot exceed 110% of the largest number of acres in which the insured had a share and that were harvested in any of the most recent three years in which the insured planted sweetpotatoes;
- A minimum planting density (population) will be required. Losses due to inadequate planting densities will be treated as uninsurable losses;
- Coverage will be available on irrigated and non-irrigated acreage;
- Coverage levels from 50% for catastrophic (CAT) protection through 75% will be available;
- Optional units will not be insurable;

- The price election used to calculated indemnities for harvested production will be adjusted (to reflect cost savings) to arrive at a price for use in calculating indemnities for unharvested production;
- Land that is poorly suited for production of sweetpotatoes in the pilot area will be identified, mapped, and insurable only by written agreement; and
- The pilot program areas are within the following parishes/counties and states:
    - The Louisiana parishes of Acadia, Avoyelles, Evangeline, Franklin, Morehouse, Richland, St. Landry, and West Carroll;
    - The North Carolina counties of Columbus, Cumberland, Duplin, Nash, Edgecombe, Greene, Harnett, Johnston, Lenoir, Sampson, Wake, Wayne, and Wilson; and
    - The South Carolina county of Horry.