

MINUTES
OF THE
MEETING OF THE BOARD OF DIRECTORS
OF THE
FEDERAL CROP INSURANCE CORPORATION

A meeting of the Board of Directors (Board) of the Federal Crop Insurance Corporation (FCIC) was held on September 22, 2005, in Room G28C, 6501 Beacon Drive, Kansas City, MO. The public was invited to attend the open session portion of the meeting.

Meeting
September 22,
2005

The meeting was called to order at 9:00 a.m. CDT in open session.

Call to Order
Open Session
Recitation

Don Brittenham read the recitation to all members of the Board to advise the Board of its responsibilities in representing the interests of the FCIC and USDA. No issues were identified that would require recusal of any members of the Board for this meeting.

The Board then immediately went into executive session to discuss confidential matters with RMA staff and submitters.

The open session of the Board reconvened at 12:25 a.m. CDT.

The Chairman then requested Board members and guests to introduce themselves. Present were Keith Collins, Chief Economist, USDA and Chairperson; John Askew, Bill Classen, Tim Kelleher, Frank Jones, Mike Pickens and Luis Monterde constituting a statutory quorum; Ross Davidson, Manager, FCIC; Brent Doane, Secretary, FCIC; and Marty Wilson, Deputy Secretary, FCIC.

Present

Also present were Kim Arrigo, Don Brittenham, Office of the General Counsel (OGC); Amy Roeder, Ron Lundine, Virginia Guzman, Dave Fulk, Leiann Nelson, Lesley Schmidt, Tom Worth, Tim Witt, Pam Culver, William Bing, Robert Vollmert and Kent Lanclos of the Risk Management Agency (RMA); Mike O'Connell, Diane Bertelsen, Nicole Pitts, Clif Parks, AgriLogic; David Bossman, Peter Griffin, Applied Analytics; and Laurie Askew.

Dr. Collins then asked Ross Davidson, FCIC Manager for the Manager's Report. Mr. Davidson noting that the report was contained in materials distributed to each Board member, suggested that the reading of the report be dispensed. Hearing no objection, Dr. Collins agreed to dispense with a reading of the Manager's Report (Board Exhibit No. 2816).

Manager's Report

A motion was made and seconded to dispense with the reading of the Minutes and to approve the Minutes of the meeting of the Board held on August 5, 2005.

Dispense with
Reading –
Minutes

The motion carried. (Exhibit No. 2815)

The Chair offered the following resolution, which was seconded, for adoption:

RESOLVED, that pursuant to the information contained in Docket No. CI Reimbursement Request – Livestock Risk Protection - 05-02, Exhibit No. 2817, as well as other materials that were submitted to the Board for consideration and discussion on this matter, the Board hereby approves reimbursement of third year maintenance costs in the amount of \$304,955.60 for the Livestock Risk Protection Pilot Program as authorized under section 522(b) of the Federal Crop Insurance Act.

The Board voted to approve the resolution.

The Chair offered the following resolution, which was seconded, for adoption:

RESOLVED, that pursuant to the information contained in Docket No. CI Reimbursement Request – Livestock Gross Margin - 05-02, Exhibit No. 2818, as well as other materials that were submitted to the Board for consideration and discussion on this matter, the Board hereby approves reimbursement of third year maintenance costs in the amount of \$511,868.87 for the Livestock Gross Margin Pilot Program as authorized under section 522(b) of the Federal Crop Insurance Act.

The Board voted to approve the resolution.

The Chair offered the following resolution, which was seconded, for adoption:

RESOLVED, that pursuant to the information contained in Docket No. CI-Reimbursement Request – Adjusted Gross Revenue-Lite - 05-02, Exhibit No. 2819, as well as other materials that were submitted to the Board for consideration and discussion on this matter, the Board hereby approves reimbursement of second year maintenance costs in the amount of \$89,631.19 for the Adjusted Gross Revenue-Lite plan of insurance as authorized under section 522(b) of the Federal Crop Insurance Act.

The Board voted to approve the resolution.

The Chair offered the following resolution, which was seconded, for adoption:

RESOLVED, that pursuant to the information contained in Docket No. CI-Reimbursement Request – Group Risk Income Protection – Harvest Revenue Option - 05-02, Exhibit No. 2820, as well as other

Approved

Reimbursement
Request –
Livestock Risk
Protection

Approved

Reimbursement
Request –
Livestock Gross
Margin

Approved

Reimbursement
Request –
Adjusted Gross
Revenue Lite

Approved

Reimbursement
Request – GRIP-
HRO

materials that were submitted to the Board for consideration and discussion on this matter, the Board hereby approves reimbursement of first year maintenance costs in the amount of \$165,375 for the Group Risk Income Protection – Harvest Revenue Option as authorized under section 522(b) of the Federal Crop Insurance Act.

The Board voted to approve the resolution.

Approved

After voting on the last resolution dealing with reimbursement of maintenance costs, Chairman Collins commented that despite the issuance of two regulations regarding submission and reimbursement policies as well as the issuance of a Sense of the Board regarding reimbursements, there continues to be a struggle on the part of submitters to determine what to submit and the Board is struggling to determine what to approve. OGC advised that it would be best for the Manager and RMA to develop a set of procedures regarding this issue. Furthermore, it was advised that a Manager's Bulletin would not be appropriate due to the fact that any bulletin would have an expiration date. It followed that the Chairman, on behalf of the Board, asked the Manager to develop a set of procedures for the reimbursement process. Secondly, the Board determined that it would be helpful to the Board and the submitters that quarterly reimbursement requests or progress reports be submitted. Payments to submitters would not be made on a quarterly basis. Rather, the purpose of the reports is to allow the Board an opportunity to provide feedback to the submitters as to the adequacy and clarity of their submissions. OGC commented that such a request could be incorporated in the procedures to be drafted. Until such procedures are drafted, it was suggested by the Board that submitters begin voluntarily submitting the quarterly reports.

Reimbursement
Cost Procedures

Robert Vollmert provided the Board with a presentation on the proposed Florida Fruit Tree Pilot Program (FFT) with a recommendation that the Board approve the program subject to revisions.

Florida Fruit Tree
Pilot Program

The Chair offered the following resolution, which was seconded, for adoption:

RESOLVED, that pursuant to the information contained in Docket No. CI-Florida Fruit Tree Pilot Program-05-02, Exhibit No.2821, as well as other related materials that were submitted to the Board for consideration and discussion on this matter, the Board approves the new Florida Fruit Tree Pilot Program beginning with the 2007 crop year in 29 Florida counties, with reinsurance, risk subsidy, and administrative and operating subsidy in amounts and under such terms and conditions as determined appropriate by the Manager as authorized under section 523(a)(4)(b) of the Federal Crop

Insurance Act. 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. This Board approval is contingent upon the following terms:

1. The issues raised by the expert reviewers and RMA, as discussed by the Board, be resolved as determined by the Manager. If there are any impasses, the issues will be brought before the Board.

Before voting on the resolution, Dr. Collins noted that the resolution contained slightly different language than normal, which reflected concerns the Board had with this product including the rating methodology and provision of additional information by Agrilogic. It was also noted that these concerns could be resolved between Agrilogic and RMA.

The Board voted to approve the resolution.

Approved

After the resolution was approved, Dr. Collins commented that this product, once the concerns are addressed, will be a very good product, especially in light of the unsatisfactory performance of the current product and the rise in Asiatic Citrus Canker.

Ron Lundine provided the Board with a presentation on the Hawaii Tropical Fruit Pilot Program (HTF) with a recommendation that the Board approve the program.

Hawaii Tropical
Fruit Pilot
Program

Discussion amongst Board members centered on concern about the number of crops covered, the marketability of the products, the lack of empirical data and difficulties associated with estimating price and rates. Mr. Kelleher expressed his desire to see that RMA resources are used in the most effective means. It was further noted that by limiting coverage to the three (3) largest crops proposed in terms of acreage, ninety (90) percent of the acreage for the Hawaii fruit products proposed would still be insurable.

The Chair offered a motion approving the pilot program as recommended by RMA staff. Such motion was seconded. During discussion, Mr. Kelleher offered an amendment to the motion, which was seconded, to limit the program to the following products: coffee, banana and papaya.

Before voting on the amendment, the Board discussed that while not every product would be covered if the amendment passes, that it was a good start to coming up with a program to meet the needs of Hawaii's producers. Furthermore, Mr. Davidson expressed hope that at some point in time, AGR-Lite would be available to producers in Hawaii.

Amendment to
limit policy to
coffee, banana
and papaya

The Board voted to approve the amendment.

The Board voted upon the following resolution as amended:

RESOLVED, that pursuant to the information contained in Docket No. CI-Hawaii Tropical Fruit Pilot Program-05-02, Exhibit No. 2822, as well as other related materials that were submitted to the Board for consideration and discussion on this matter, the Board approves implementation of the Hawaii Tropical Fruit Pilot Program beginning with the 2007 crop year in the Hawaii counties of Hawaii, Honolulu, Kauai and Maui with reinsurance, risk subsidy, and administrative and operating subsidy in amounts and under such terms and conditions as determined appropriate by the Manager as authorized under section and 523(a)(4)(b) of the Federal Crop Insurance Act. 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. This Board approval is contingent upon the following terms:

1. The issues raised by the expert reviewers and RMA, as discussed by the Board, be resolved as determined by the Manager. If there are any impasses, the issues will be brought before the Board.
2. The Board will review this policy prior to the next crop year to determine whether it should be continued based upon marketability.
3. The policy be limited to coffee, banana and papaya.

The Board voted to approve the resolution.

Ron Lundine provided the Board with a presentation on the Hawaii Tropical Tree Pilot Program (HTT) with a recommendation that the Board approve the program.

As with HTF, discussion amongst Board members centered on concern about the large number of crops covered, the marketability of the program, the lack of empirical data and difficulties associated with estimating price and rates. Mr. Kelleher reaffirmed his desire to see that RMA resources are used in the most effective means. Mr. Monterde expressed his concern for the large variability in value for the different types of trees in addition to being uncomfortable in treating all trees the same, especially in light of differing lifecycles and diseases that adversely impact each tree. It was noted by the Board that a large amount of data existed for coffee and bananas, and that papaya would be a new product for which information could be obtained. As was the case with HTF program, by covering the three (3) largest products, over ninety (90) percent of the

Approved

Hawaii Tropical
Tree Pilot
Program

insurable acreage would be eligible for coverage. The Board noted that even if the program was limited, the Board could still come back and add more products in the future.

The Chair offered a motion approving the pilot program as recommended by RMA staff. Such motion was seconded. During discussion, Mr. Kelleher offered an amendment to the motion, which was seconded, to limit the program to the following products: coffee, banana and papaya.

Amendment to limit policy to coffee, banana and papaya

Before voting on the amendment, Mr. Davidson expressed again his hope that at some point in time, AGR-Lite would be available to producers in Hawaii.

The Board voted to approve the amendment.

The Board voted upon the following resolution as amended:

RESOLVED, that pursuant to the information contained in Docket No.CI-Hawaii Tropical Tree Pilot Program - 05 -02, Exhibit No. 2823, as well as other related materials that were submitted to the Board for consideration and discussion on this matter, the Board approves implementation of the Hawaii Tropical Tree Pilot Program beginning with the 2007 crop year in the Hawaii counties of Hawaii, Honolulu, Kauai and Maui with reinsurance, risk subsidy, and administrative and operating subsidy in amounts and under such terms and conditions as determined appropriate by the Manager as authorized under section 523(a)(4)(b) of the Federal Crop Insurance Act. 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.

This Board approval is contingent upon the following terms:

1. The issues raised by the expert reviewers and RMA, as discussed by the Board, be resolved as determined by the Manager. If there are any impasses, the issues will be brought before the Board.
2. The Board will review this policy prior to the next crop year to determine whether it should be continued based upon marketability.
3. The policy be limited to banana, coffee and papaya trees.

The Board voted to approve the resolution.

Approved

Pam Culver provided the Board with a presentation on proposed written agreement procedures which were designed to address inequities: (1) in the availability of optional units in the Basic

provisions and the Written Agreement Handbook raised by producers in the Northeastern states; and (2) caused by topographical or irrigation features. RMA recommended approval of the procedures.

Written
Agreement
Procedures

During the Board's discussion, the consensus was expressed that those producers, particularly in the Pacific Northwest, who are using an optional unit which is less than 320 acres be allowed to continue such use until such time as a change in operations occurs. RMA agreed with the suggestion by the Board. While a change in operations is generally considered to be the addition or subtraction of land, the term is defined in the written agreement.

The Chair offered the following resolution, which was seconded, for adoption:

RESOLVED, that pursuant to the information contained in Docket No. CI-Written Unit Agreements-05-01, Exhibit No. 2824, as well as other related materials that were submitted to the Board for consideration and discussion on this matter, the Board approves the following: Authorize the Manager to provide written unit agreements to address inequities, as described in the docket and discussed during the Board meeting: (1) in the availability of optional units in the Basic Provisions and Written Agreement Handbook raised by producers in the Northeastern states; and (2) caused by topographical or irrigation features, beginning with crops with a contract change date of November 30, 2005, AND BE IT FURTHER RESOLVED, That the Board delegates to the Manager the authority to approve the technical procedural and policy changes that may be necessary to implement the written unit agreement procedures and make them legally sufficient.

The Board voted to approve the resolution.

In closing, the Board was briefed regarding RMA preparations for Hurricane Rita as well as an update regarding Hurricane Katrina.

Approved

Chairman Collins then thanked the Board members and staff for their participation and efforts.

There being no further business to come before the Board the meeting adjourned at 1:00 p.m. to meet again in November 2005 in Washington DC.

September 22, 2005

/signed/
Brent Doane, Secretary
Federal Crop Insurance Corporation