

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 February 15, 2006, in Room 108-A of the Jamie L. Whitten Federal Office Building, Jefferson Drive, Washington, D.C. The public was invited to attend the open session portion of the meeting.

Meeting
February 15, 2006

The meeting was called to order at 1:05 pm in open session.

Call to Order
Open Session

The Chairman then requested Board members and guests to introduce themselves. Present were Keith Collins, Chief Economist USDA and Chairperson; JB Penn, Under Secretary Farm and Foreign Agricultural Services (FFAS); Floyd Gaibler, Deputy Under Secretary FFAS; John Askew; Bill Classen; Tim Kelleher; Frank Jones; Mike Pickens and Luis Monterde, constituting a statutory quorum; Eldon Gould, Manager, FCIC; Brent Doane, Secretary, FCIC.

Present

Also present were Jennifer Ehn, FFAS; David Grahn, Don Brittenham, and Kim Arrigo, Office of the General Counsel (OGC); Alan Ott, James Callan, Byron Anderson, Cindy Spoor, Eric Edgington, Tim Hoffmann, Leiann Nelson, Eric Henry, Tom Worth, Robert Vollmert, Velerie Edleman (phone) and Bridger Roy, Risk Management Agency (RMA); Sarah Tyree, AgriLogic; Jack Tank, AgRisk Inc.; David Bossman and Peter Griffin, Applied Analytics Group; Wayne Purcell and Deborah Marsh, Virginia Tech; Paul Lewis, Jay Wilson and Clank Willis, National Sheep Industry Improvement Center; Paul Rodgers and Margaret Hinson, American Sheep Industry Association; Brent Gattis, Olson, Frank, and Weeda; and Jim Robb, Livestock Marketing Information Center.

David Grahn 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.

Recitation

The Board immediately went into executive session to discuss confidential matters with RMA staff and submitters of section 508(h) of the Federal Crop Insurance Act (Act) products.

Executive Session

The open session of the Board reconvened at 3:30 pm.

Reconvene Public

Dr. Collins asked Eldon Gould, FCIC Manager for the Manager's Report. Mr. Gould, noting that the report was contained in materials distributed to each Board member, suggested that the reading of the report be dispensed. Mr. Gould commented specifically on RMA's activities with regard to Asiatic Citrus Canker (ACC) and the Army Corp of Engineers planned water releases on the Missouri River. Mr. Askew and Mr. Jones expressed appreciation to RMA for dealing with issues surrounding the Missouri river water releases and cotton module fires.

Hearing no objection, Dr. Collins agreed to dispense with a reading of the Manager's Report. (Board Exhibit No. 2836)

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 January 18, 2006.

The motion carried. (Exhibit No. 2835)

In addressing LRP Lamb, Dr. Collins commented that a productive discussion took place during the Executive Session between RMA and the submitter. Furthermore, Dr. Collins noted before offering a resolution on LRP Lamb, that such resolution will not only keep the submission process on track for LRP Lamb, but will also help to address concerns raised by the Board.

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

RESOLVED, the Board and the submitter of the Livestock Risk Protection Lamb Pilot Program agree to table this submission to permit the Risk Management Agency to study and evaluate the concept of econometric modeling for those commodities for which there is no established commodity market.

The Board voted to approve the resolution.

Tim Hoffman provided the Board with a presentation on Product User Fees which could now be charged by submitters for the following products: LRP, LGM and the Hybrid Seed Endorsement under section 522(b)(4)(C) of the Act.

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

RESOLVED, that pursuant to the information contained in Docket

Session

Manager's Report

Dispense with
Reading Minutes

Approved

LRP Lamb

Approved

Product
Maintenance
Fees

LRP User Fee

No. CI - LRP User Fee - 06-01, Exhibit No. 2838, as well as other materials that were submitted to the Board on this matter, the Board hereby approves a user fee as submitted on a per policy basis for the Livestock Risk Protection Pilot Program beginning with the 2007 reinsurance year, in accordance with section 522(b)(4)(D) of the Federal Crop Insurance Act. AND BE IT FURTHER RESOLVED, That the Board reserves the right to revisit this issue in the future to ensure that the fee remains reasonable and does not unnecessarily inhibit the use of the policy.

The Board voted to approve the resolution.

Approved

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

LGM User Fee

RESOLVED, that pursuant to the information contained in Docket No. CI - LGM User Fee - 06-01, Exhibit No. 2839, as well as other materials that were submitted to the Board on this matter, the Board hereby approves a user fee for the Livestock Gross Margin Pilot Program beginning with 2007 reinsurance year, in the amount as agreed to on a per policy basis per policy earning premium under the Livestock Gross Margin Pilot Program in accordance with section 522(b)(4)(D) of the Federal Crop Insurance Act, is hereby approved. AND BE IT FURTHER RESOLVED, That the Board reserves the right to revisit this issue in the future to ensure that the fee remains reasonable and does not unnecessarily inhibit the use of the policy.

The Board voted to approve the resolution.

Approved

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

Hybrid Seed Price
Endorsement
User Fee

RESOLVED, that pursuant to the information contained in Docket No. CI - Hybrid Seed Price Endorsement User Fee - 06-01, Exhibit No. 2840, as well as other materials that were submitted to the Board on this matter, the Board hereby disapproves Ag Risk's request for a user fee as submitted for the Hybrid Seed Price Endorsement beginning in the 2007 crop year in accordance with section 522(b)(4)(D)(ii) of the Federal Crop Insurance Act on the basis that, in accordance with 7 C.F.R. § 400.712(j)(4), it has determined the request is unreasonable in relation to maintenance costs associated with the Hybrid Seed Price Endorsement and would unnecessarily inhibit the use of the Hybrid Seed Price Endorsement by approved insurance providers, for the reasons provided to Ag Risk in Executive Session.

The Board voted to approve the resolution.

Approved

Bob Vollmert provided the Board with a presentation on the Fresh Market Bean Pilot Program. Mr. Vollmert noted in particular the high loss ratio of the program, the variability in performance amongst the states, and the aspect of direct marketing that occurs with fresh market beans.

Fresh Market
Bean Program

Noting that the members of the Board seemed divided as to whether or not the program should be continued. The Chair stated that he would begin by offering a resolution which would accept RMA's resolution to continue the program subject to changes made in the program.

The Chair offered the following resolution:

RESOLVED, that pursuant to the information contained in Docket No. CI – Fresh Market Bean Pilot Program - 06-01, Exhibit No. 2841, as well as other related materials that may have been submitted to the Board for consideration and discussion on this matter, the Board approves the continuation of the Pilot Fresh Market Bean Crop Insurance Program on a pilot basis through the 2008 crop year, 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 522(c) and 523(a)(4)(b) of the Federal Crop Insurance Act, is hereby approved. 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.

The motion was not seconded, and the Chair withdrew the resolution.

Resolution
Withdrawn

Before offering another resolution, the Chair noted that the evaluator of the program had recommend discontinuation and that the six year loss ratio of the program was 2.17.

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

RESOLVED, that pursuant to the information contained in Docket No. CI – Fresh Market Bean Pilot Program - 06-01, Exhibit No. 2841, as well as other related materials that were submitted to the Board for consideration and discussion on this matter, the Board disapproves the continuation of the Pilot Fresh Market Bean Crop Insurance Program on a pilot basis beginning with the 2007 crop year on the basis that the Board has been unable to make a determination that: (1) The proposed pilot complies with all

applicable provisions of the Federal Crop Insurance Act, (2) The interests of producers are adequately protected, (3) Premium rates are actuarially appropriate, and (4) That crop insurance program integrity will be protected.

Before voting, additional discussion by the Board focused on the desire of producers to have the program discontinued and the fact that any savings to RMA could be used as an offset to meet the PayGo requirements of other programs.

The Board voted to approve the resolution.

Approved

Bob Vollmert provided the Board with an updated on the Florida Fruit Tree Pilot Program and the impact of ACC. As a result of new procedures being adopted in Florida to deal with the spread of ACC, RMA was recommending that several changes be made to the policy.

Florida Fruit Tree Pilot Program

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

RESOLVED, that the Board delegates to the Manager of the Federal Crop Insurance Corporation the authority to make such changes to the Asiatic citrus canker coverage under the Florida Fruit Tree Pilot Program as necessary to respond to the spread of Asiatic citrus canker in the state of Florida.

The Board voted to approve the amendment.

Following the vote, additional comments were made regarding the difficult challenge for RMA of rating this product in light of the rapid spread of ACC. Furthermore, the Chair noted that the state of the science regarding detection and treatment for ACC may necessitate review by the Board of this product on a regular basis.

The next meeting will likely be in April and held in conjunction with a Board retreat.

Next Meeting

There being no further business to come before the Board the meeting adjourned at noon to meet again in April 2006.

Adjourn

February 15, 2006



Brent Doane, Secretary
Federal Crop Insurance Corporation