

**Proposed Revisions to
Crop Revenue Coverage
For Wheat**

Proposed Revisions

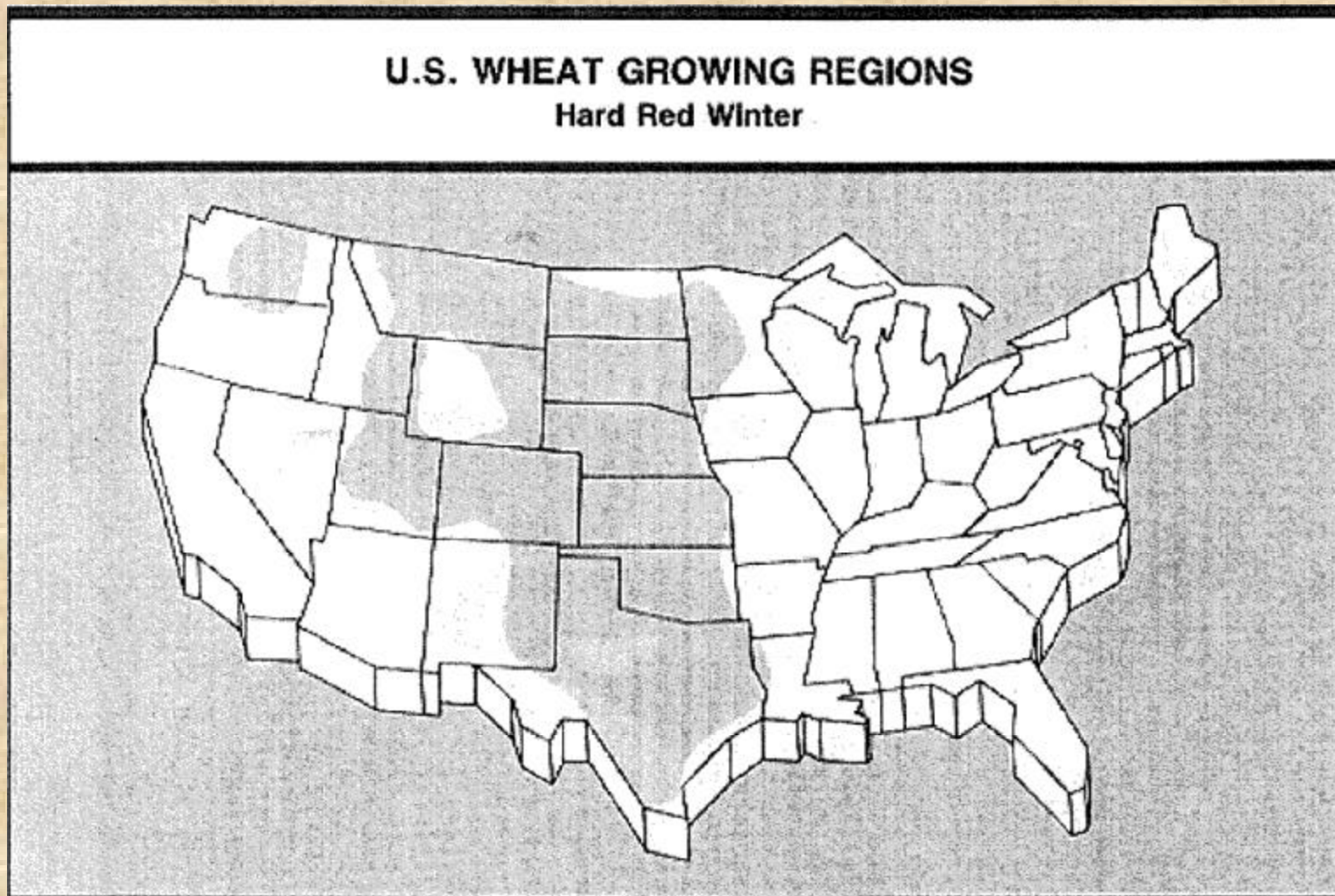
- Missouri Price Discovery
- Nevada Expansion
- Price Factor One Year Lag
- Base and Harvest Price Minimum Requirements
- Continuous Enterprise Units
- Enterprise Unit Loss Calculation

Missouri Winter Wheat

- The Board of Trade used to determine the Base and Harvest Prices for winter wheat in the state of Missouri will be the Chicago Board of Trade instead of the Kansas City Board of Trade.
- According to the Missouri Agricultural Statistics Service, 98% of the winter wheat grown in Missouri is of the soft red winter variety.

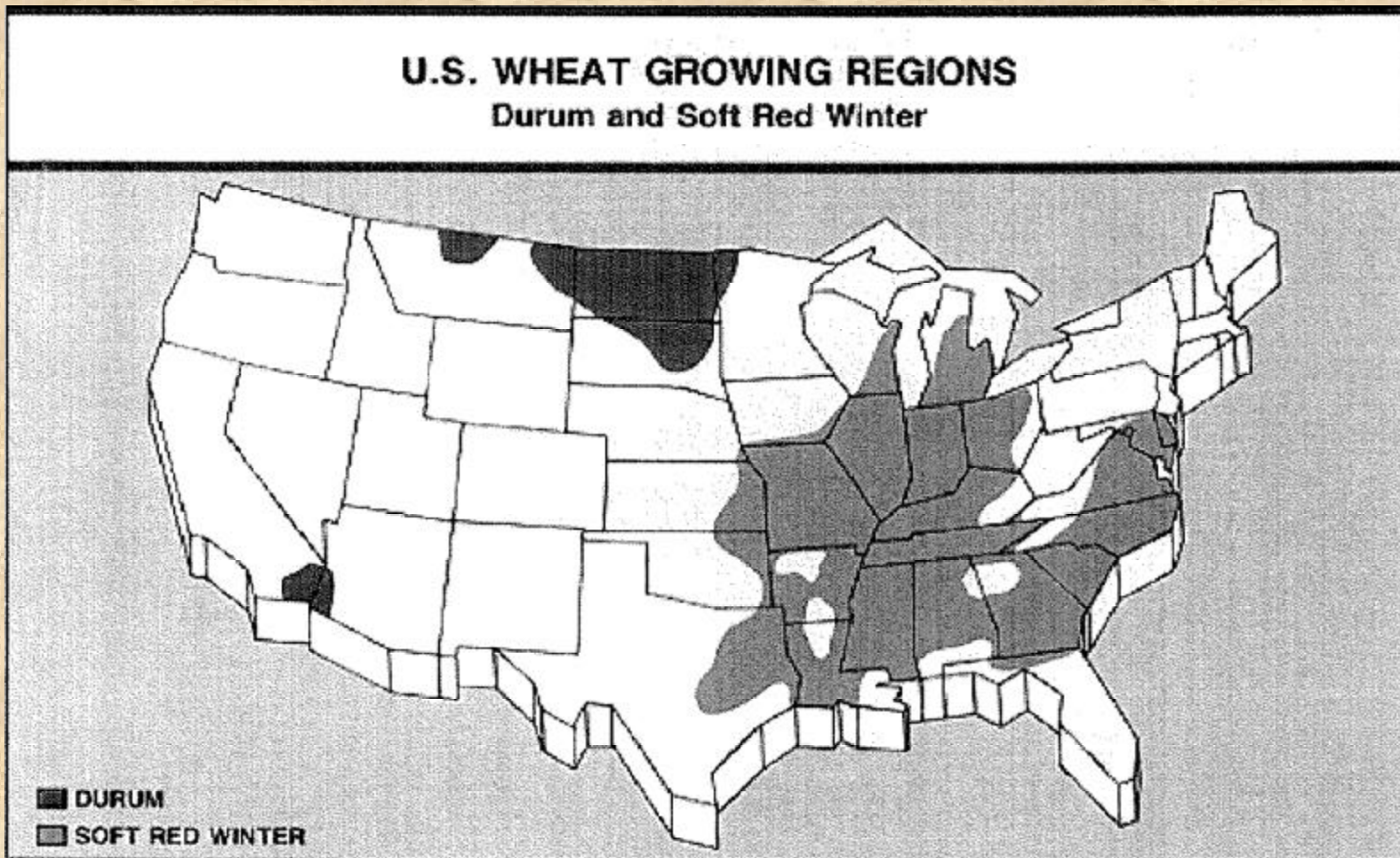
U.S. Hard Red Winter Wheat Area

From The National Association of Wheat Growers



U.S. Soft Red Winter Wheat Area

From The National Association of Wheat Growers



Missouri Winter Wheat

- According to the Missouri Agricultural Statistics Service, 98% of the winter wheat grown in Missouri is of the soft red winter variety.
- The Chicago Board of Trade wheat futures contract specifies soft red winter wheat, the Kansas City Board of Trade contract specifies hard red winter wheat.
- Since soft red winter wheat is predominant in Missouri, the Chicago Board of Trade should be used to determine the Base and Harvest Prices for winter wheat grown in Missouri.
- Changing the Board of Trade results in a projected increase in loss ratio of 1.16%.
- This revision will be effective for the 2003 crop year.

Expansion of CRC Coverage in Nevada

- Expand CRC coverage to irrigated wheat in Nevada.
- Nevada wheat farmers insure an average of 2,500 acres per year of irrigated wheat under MPCCI.
- MPCCI for irrigated wheat in Nevada has an historic loss ratio of 1.13 (1982 to 2000). RMA's target loss ratio is 1.075.
- Nevada irrigated wheat will use the Portland Grain Exchange for price discovery.
- This revision will be effective for the 2002 crop year.

One-Year Lag on Price Factors

- Price factors will have a one-year lag.
- Allows rates for CRC to be calculated one year earlier.
- Gives insurance companies more time to program and test rating software.
- Gives producers more time to consider risk management decisions.
- Has no impact on liability, only impacts premium.
- Results in a projected increase in loss ratio by approximately 0.06%
- This revision will be effective for the 2003 crop year.

Commodity Exchange Endorsement Revisions

- The Commodity Exchange Endorsement will be revised to include language stating that if the applicable futures contract for Base Price discovery does not meet open interest requirements, no CRC Coverage will be available for that crop.
- If the futures contract for Harvest Price discovery does not meet open interest requirements, the CRC Harvest Price will be the CRC Base Price.

Commodity Exchange Endorsement Revisions

- This revision prevents adverse selection due to market manipulation during a period of thinly traded markets.
- In the event that a Harvest Price cannot be determined, CRC will become a “yield “ policy with the CRC Base Price as the Harvest Price.
- This revision will be effective for the 2003 crop year.

Continuous Enterprise Units

- Enterprise Unit selection may remain in effect from year to year unless the company is notified otherwise prior to the Sales Closing Date.
- Decreases administrative burden by making Enterprise Unit selection continuous.
- Producers must select or discontinue Enterprise Units prior to the Sales Closing Date. This prevents adverse selection due to losses on individual Basic or Optional Units within the Enterprise.
- This revision will be effective for the 2003 crop year.

Table Enterprise Unit Loss Calculation Changes

- We wish to table the proposal to change the Enterprise Unit loss calculation.
- We request that RMA bring the companies that have developed crop insurance products together to find an industry consensus on the definition, philosophy, and implementation of Enterprise Units.

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2002 Crop Revenue Coverage
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Questions