



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

September 10, 2002

FROM: Ross J. Davidson, Jr. /s/ *Ross J. Davidson, Jr.*  
Manager

SUBJECT: Board Memorandum No. 675  
Docket No. CI-Pecan-Revenue-02-1  
Expansion of the Pilot Pecan Revenue Crop Insurance Program in Georgia  
Effective for the 2003 and Succeeding Crop Years

There is submitted for your consideration the subject docket authorizing or not authorizing the Federal Crop Insurance Corporation (FCIC) to expand the pilot Pecan Revenue crop insurance program into 79 additional counties in Georgia (see attachments 1 and 2) effective for the 2003 and succeeding crop years.

In order for FCIC to expand the pilot program in Georgia it is necessary for the Board of Directors to approve Docket No. CI-Pecan-Revenue-02-1.

**RESOLVED, That Docket No. CI-Pecan-Revenue-02-1, Exhibit No. 2126, authorizing the Federal Crop Insurance Corporation to expand the pilot Pecan Revenue crop insurance program into Appling, Atkinson, Bacon, Baker, Baldwin, Ben Hill, Berrien, Bibb, Bleckley, Brantly, Brooks, Bulloch, Burke, Calhoun, Camden, Candler, Clinch, Coffee, Colquitt, Cook, Crawford, Crisp, Decatur, Dodge, Dooly, Early, Emanuel, Evans, Grady, Hancock, Houston, Irwin, Jasper, Jeff Davis, Jefferson, Jenkins, Johnson, Lamar, Lanier, Laurens, Lowndes, McDuffie, Macon, Marion, Meriwether, Miller, Montgomery, Peach, Pierce, Pike, Pulaski, Putnam, Randolph, Richmond, Schley, Screven, Seminole, Spalding, Stewart, Sumter, Talbot, Tattnall, Taylor, Telfair, Terrell, Thomas, Tift, Toombs, Truetlen, Turner, Twiggs, Upson, Ware, Washington, Wayne, Webster, Wheeler, Wilcox and Worth counties, Georgia, effective for the 2003 and succeeding crop years, is hereby approved AND BE IT FURTHER RESOLVED, That the Board delegates authority to the Manager to approve final pilot program policy terms and procedural requirements.**

**OR**

**RESOLVED, That Docket No. CI-Pecan-Revenue-02-1, Exhibit No. 2126, is hereby disapproved.**

"For Official Use Only" and "Secure Storage Required" Provisions Expired on: September 19, 2002

FCIC Docket No. CI-Pecan-Revenue-02-1

Expansion of the Pilot Pecan Revenue Crop Insurance Program into 79 Additional Counties in Georgia – Effective for the 2003 and Succeeding Crop Years

Voted on by the Board of Directors on: September 19, 2002

Expansion of the Pilot Pecan Revenue Crop Insurance Program in Georgia  
Effective for the 2003 and Succeeding Crop Years  
Docket No. CI-Pecan-Revenue-02-1

SUMMARY

If approved by the Board, this docket will authorize the Federal Crop Insurance Corporation to expand the pilot Pecan Revenue crop insurance program into Appling, Atkinson, Bacon, Baker, Baldwin, Ben Hill, Berrien, Bibb, Bleckley, Brantly, Brooks, Bulloch, Burke, Calhoun, Camden, Candler, Clinch, Coffee, Colquitt, Cook, Crawford, Crisp, Decatur, Dodge, Dooly, Early, Emanuel, Evans, Grady, Hancock, Houston, Irwin, Jasper, Jeff Davis, Jefferson, Jenkins, Johnson, Lamar, Lanier, Laurens, Lowndes, McDuffie, Macon, Marion, Meriwether, Miller, Montgomery, Peach, Pierce, Pike, Pulaski, Putnam, Randolph, Richmond, Schley, Screven, Seminole, Spalding, Stewart, Sumter, Talbot, Tattnall, Taylor, Telfair, Terrell, Thomas, Tift, Toombs, Truetlen, Turner, Twiggs, Upson, Ware, Washington, Wayne, Webster, Wheeler, Wilcox and Worth counties, Georgia, effective for the 2003 and succeeding crop years, under the authority contained in section 523(a)(4) of the Federal Crop Insurance Act.

FOR FURTHER INFORMATION CONTACT:  
Diana Moslak, (202) 720-2832

Expansion of the Pilot Pecan Revenue Crop Insurance Program in Georgia  
Effective for the 2003 and Succeeding Crop Years

Docket No. CI-Pecan-Revenue-02-1

A - INTRODUCTION

I. Purpose

If approved by the Board, this docket will provide the authority for the Federal Crop Insurance Corporation (FCIC) to expand the pilot Pecan Revenue crop insurance program into Appling, Atkinson, Bacon, Baker, Baldwin, Ben Hill, Berrien, Bibb, Bleckley, Brantly, Brooks, Bulloch, Burke, Calhoun, Camden, Candler, Clinch, Coffee, Colquitt, Cook, Crawford, Crisp, Decatur, Dodge, Dooly, Early, Emanuel, Evans, Grady, Hancock, Houston, Irwin, Jasper, Jeff Davis, Jefferson, Jenkins, Johnson, Lamar, Lanier, Laurens, Lowndes, McDuffie, Macon, Marion, Meriwether, Miller, Montgomery, Peach, Pierce, Pike, Pulaski, Putnam, Randolph, Richmond, Schley, Screven, Seminole, Spalding, Stewart, Sumter, Talbot, Tattnall, Taylor, Telfair, Terrell, Thomas, Tift, Toombs, Truetlen, Turner, Twiggs, Upson, Ware, Washington, Wayne, Webster, Wheeler, Wilcox and Worth counties, Georgia, effective for the 2003 and succeeding crop years, in accordance with section 523(a)(4) of the Federal Crop Insurance Act (7 U.S.C. 1523(a)(4)) (Act).

II. Justification

The authority contained in this docket is needed for FCIC to expand the pilot Pecan Revenue crop insurance program in Georgia effective for the 2003 and succeeding crop years. Requests for expansion of the program have come from producers in non-pilot program areas. Experience has been favorable since the pilot program was initiated in 1998. The average loss ratio in Georgia through the 2001 crop year has been .50. The pilot Pecan Revenue crop insurance program expansion will provide coverage to an important segment of the agricultural economy.

Expanding the pilot Pecan Revenue crop insurance program is consistent with section 523(a)(4) of the Act, which provides in general that the Corporation may: 1) approve a pilot program under this section to be conducted on a regional, state, or national basis after considering the interests of affected producers and the interests of, and risks to, the Corporation; and 2) extend the time period for the pilot program for additional periods, as determined appropriate by the Corporation. With approval by the Board for conversion of the pilot Pecan Revenue crop insurance program to permanent status, and pending the time to complete the rule-making process, expansion of the current pilot program under this authority is reasonable and consistent with the Act.

### III. Background Data on the Pilot Pecan Revenue Crop Insurance Program

The Risk Management Agency (RMA) is currently seeking Board approval to convert the pilot Pecan Revenue crop insurance program to a permanent program effective for the 2004 and succeeding crop years. If the Board approves such conversion, the regulatory process will begin by publishing a proposed rule in the Federal Register for public comment. A final rule will then be published addressing public comment and making the pecan program a permanent RMA risk management product. Since this process may take from 18-24 months, it cannot be accomplished prior to the 2004 crop year, and most likely not until the 2005 crop year. RMA has received significant producer interest in expanding the pilot to approximately 79 additional counties in Georgia (see attachments 1 and 2) for the 2003 crop year.

RMA has received numerous requests from individual producers and grower associations inside and outside of the pilot area to expand coverage to other geographic areas in Georgia. RMA's regional office in Valdosta, Georgia, supports expansion into additional counties in Georgia, which currently has three counties participating in the pilot program—Dougherty, Lee, and Mitchell.

Although both improved and native varieties are produced in Georgia, this pilot program is available only for the improved varieties of pecans, not native varieties. Improved varieties are those that result from budding or grafting and native varieties result from seeds.

The pecan program is a revenue program of insurance. It provides protection against unavoidable loss of pecan revenue due to standard causes of loss of yield as well as decline in market price. The pecan policy is a continuous policy purchased in two-year coverage modules: i.e., producers are required to remain in the program for two crop years at the same premium rate, coverage level, and guarantee. This provision was included to compensate for the alternate-bearing tendency of pecans. Coverage, premiums, and indemnities are processed on a yearly basis.

The revenue guarantee is based on the producer's individual average dollar amount of gross sales for the crop years reported. Unit division is limited to a basic unit defined as "all insurable acreage of pecans in the county in which you have a share on the date coverage begins for the crop year."

The participation rate (determined for each county by dividing the number of trees of bearing age by the total number of trees and multiplying by total acreage in the county) was derived using the 1997 Census of Agriculture. This was the only data available that provided pecan acreage and not just pecan production by tons. It should be noted that in the counties of Lee and Mitchell, Georgia, the actual acres insured in some of the years exceeded the estimated total acreage. In these cases the participation rate was limited to 100 percent. The overall participation rate in Georgia for the 1998 through 2002 crop years is 69 percent.

Loss experience has been favorable for the pecan program in Georgia. The average loss ratio in Georgia for the 1998 to 2001 crop years is .50. The highest loss ratio was in 1998: at 1.05. Loss ratios for the other years of the pilot in Georgia are: 1999—.36, 2000—.20, and 2001—.39. There have been no losses reported to date for 2002. The causes of loss for 1998 through 2001 were primarily from wind, drought, heat, and freeze.

Using the Census of Agriculture data, the current pilot program provides coverage on approximately 28 percent of the total pecan acreage in Georgia. When adding the additional 79 counties the coverage potential rises to 97 percent of all pecan acreage in Georgia. Using this data it is estimated that at current levels of participation in the pilot counties that adding these counties will generate an additional potential premium of \$1.98 million and liability of \$20.39 million dollars. (See Attachment 4.)

The actual premium rates used in the pilot areas are based on long-term statistical analysis that RMA believes to be actuarially sound based on current experience.

## B - AUTHORIZATION

### I. General

Authority to expand the pilot Pecan Revenue crop insurance program is contained in section 523(a)(4) of the Federal Crop Insurance Act (7 U.S.C. 1523(a)(4)) (Act).

### II. Program Description

The authority provided by this docket will enable FCIC to expand the pilot Pecan Revenue crop insurance program into Appling, Atkinson, Bacon, Baker, Baldwin, Ben Hill, Berrien, Bibb, Bleckley, Brantly, Brooks, Bulloch, Burke, Calhoun, Camden, Candler, Clinch, Coffee, Colquitt, Cook, Crawford, Crisp, Decatur, Dodge, Dooly, Early, Emanuel, Evans, Grady, Hancock, Houston, Irwin, Jasper, Jeff Davis, Jefferson, Jenkins, Johnson, Lamar, Lanier, Laurens, Lowndes, McDuffie, Macon, Marion, Meriwether, Miller, Montgomery, Peach, Pierce, Pike, Pulaski, Putnam, Randolph, Richmond, Schley, Screven, Seminole, Spalding, Stewart, Sumter, Talbot, Tattnall, Taylor, Telfair, Terrell, Thomas, Tift, Toombs, Truetlen, Turner, Twiggs, Upson, Ware, Washington, Wayne, Webster, Wheeler, Wilcox and Worth counties, Georgia, effective for the 2003 and succeeding crop years. The requested expansion will allow coverage to additional areas and to a greater number of pecan producers.

### III. Operating Provisions

Detailed operating provisions for implementing this program will be issued by Risk Management Agency (RMA) authorized personnel.

### IV. Administration

If approved by the Board, the implementation of this program will be carried out by RMA in accordance with the provisions of the Act. The program will be reinsured and subsidized under the terms of the Standard Reinsurance Agreement with risk sharing to be designated in the non-revenue funds.

### V. Effective Date

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

### VI. Classification

This program docket is for official use only.

VII. Availability of Funds

The availability of funds is discussed in the attached memorandum from the Chief Financial Officer of RMA.

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.

FINAL RESOLUTION

RESOLVED, That given the Board has approved the pilot Pecan Revenue crop insurance program for conversion to a permanent program, Docket No. CI-Pecan-Revenue-02-1, Exhibit No. 2126, authorizing the Federal Crop Insurance Corporation to expand the pilot Pecan Revenue crop insurance program into Appling, Atkinson, Bacon, Baker, Baldwin, Ben Hill, Berrien, Bibb, Bleckley, Brantly, Brooks, Bulloch, Burke, Calhoun, Camden, Candler, Clinch, Coffee, Colquitt, Cook, Crawford, Crisp, Decatur, Dodge, Dooly, Early, Emanuel, Evans, Grady, Hancock, Houston, Irwin, Jasper, Jeff Davis, Jefferson, Jenkins, Johnson, Lamar, Lanier, Laurens, Lowndes, McDuffie, Macon, Marion, Meriwether, Miller, Montgomery, Peach, Pierce, Pike, Pulaski, Putnam, Randolph, Richmond, Schley, Screven, Seminole, Spalding, Stewart, Sumter, Talbot, Tattnall, Taylor, Telfair, Terrell, Thomas, Tift, Toombs, Truetlen, Turner, Twiggs, Upson, Ware, Washington, Wayne, Webster, Wheeler, Wilcox and Worth counties, Georgia, effective for the 2003 and succeeding crop years, is hereby approved AND BE IT FURTHER RESOLVED, That the Board delegates authority to the Manager to approve final pilot program policy terms and procedural requirements.

Adopted by the Board of Directors on: September 19, 2002

/s/ Diana Moslak  
Diana Moslak, Secretary  
Federal Crop Insurance Corporation

[SEAL]

Approved by:

/s/ Keith Collins  
Keith Collins  
Chairman of the Board

9/23/02  
Date