



United States
Department of
Agriculture

Federal Crop
Insurance
Corporation

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Stop 0801
Washington, DC
20250-0801

TO: Board of Directors
Federal Crop Insurance Corporation
June 14, 2001

FROM: Phyllis W. Honor /s/ Phyllis W. Honor
Acting Manager

SUBJECT: Board Memorandum No. 610
Docket No. CI-IP-MALTBAR-01-1
Pilot Income Protection - Barley Crop Insurance Program Malting Barley
Price and Quality Endorsement Revision

There is submitted for your consideration and approval the subject docket authorizing the Federal Crop Insurance Corporation (FCIC) to revise the pilot Income Protection - Barley Crop Insurance Program Malting Barley Price and Quality Endorsement effective for the 2002 through the 2005 crop years to provide coverage based on prices from contracts with businesses not otherwise associated with breweries.

Approval of this docket will expand the coverage available to malting barley producers who have malting barley price agreements that were not recognized under the previous Income Protection Malting Barley Price and Quality Endorsement.

In order for FCIC to proceed with the pilot Income Protection - Barley Crop Insurance Program Malting Barley Price and Quality Endorsement, it is necessary for the Board of Directors to approve Docket No. CI-IP-MALTBAR-01-1.

I recommend approval of Docket No. CI-IP-MALTBAR-01-1 through use of the following resolution:

RESOLVED, That Docket No. CI-IP-MALTBAR-01-1, Exhibit No. 2041, authorizing the Federal Crop Insurance Corporation to revise the pilot Income Protection – Barley Crop Insurance Program Malting Barley Price and Quality Endorsement to provide coverage based on prices from contracts with businesses not otherwise associated with breweries in those counties previously approved by the Board in Idaho, Minnesota, Montana, North Dakota, Oregon, South Dakota, and Washington effective for the 2002 through the 2005 crop years is hereby approved, AND BE IT FURTHER RESOLVED, That the Board delegates to the Manager the authority to make technical policy changes as are necessary to make the endorsement legally sufficient.

A motion was made and seconded to adopt the following resolution:

RESOLVED, That Docket No. CI-IP-MALTBAR-01-1, Exhibit No. 2041, authorizing the Federal Crop Insurance Corporation to revise the pilot Income Protection - Barley Crop Insurance Program Malting Barley Price and Quality Endorsement to provide coverage based on prices from contracts with businesses not otherwise associated with breweries in those counties previously approved by the Board in Idaho, Minnesota, Montana, North Dakota, Oregon, South Dakota, and Washington effective for the 2002 through the 2005 crop years is hereby approved, AND BE IT FURTHER RESOLVED, That the Board delegates to the Manager the authority to make technical policy changes as are necessary to make the endorsement legally sufficient.

A motion was made and seconded to amend Docket No. CI-IP-MALTBAR-01-1, Exhibit No. 2041, to limit the pilot program to one year, with an evaluation at the end of the year, and to cap the additional value price per bushel at \$1.25 in Option A of the Income Protection-Malting Barley Price and Quality Endorsement.

The amendment carried.

The motion to adopt the resolution contained in Docket No. CI-IP-MALTBAR-01-1, Exhibit No. 2041, as amended, carried. (Board Memorandum No. 610. Exhibit No. 2041.)

"For Official Use Only" and "Secure Storage Required" Provisions Expired on: _____

FCIC Docket No. CI-IP-MALTBAR-01-1

Pilot Income Protection -
Barley Crop Insurance
Program Malting Barley
Price and Quality
Endorsement Revision

Voted on by the Board of Directors on: 6/14/01

Pilot Income Protection - Barley Crop Insurance Program Malting Barley Price and Quality
Endorsement Revision
Docket No. CI-IP-MALTBAR-01-1

SUMMARY

If approved by the Board, this docket will authorize the Federal Crop Insurance Corporation to revise and implement the changes to the pilot Income Protection - Barley Crop Insurance Program Malting Barley Price and Quality Endorsement effective for the 2002 through the 2005 crop years under the authority contained in the Federal Crop Insurance Act.

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

Pilot Income Protection - Barley Crop Insurance Program Malting Barley Price and Quality
Endorsement Revision
Authorization for Approval
Docket No. CI-IP-MALTBAR-01-1

A - INTRODUCTION

I. Purpose

If approved by the Board, this docket will authorize the Federal Crop Insurance Corporation (FCIC) to revise the pilot Income Protection - Barley Crop Insurance Program Malting Barley Price and Quality Endorsement effective for the 2002 through the 2005 crop years to allow producers to obtain malting barley coverage based on pricing from non-brewery contracts. Revision of this pilot program will provide protection in accordance with the provisions of the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) (the Act).

II. Justification

The authority contained in this docket is needed for FCIC to revise the pilot Income Protection - Malting Barley Price and Quality Endorsement. Requests for endorsement modification have been received from barley producers, grain dealer associations and several state barley associations. Based on the additional coverage provided by the Option A modification, the RMA Actuarial Division has determined the Option A rate should be increased from 1.10 to 1.12.

III. Background Data on the Income Protection - Malting Barley Price and Quality Endorsement Modification

The Idaho Barley Commission requested that RMA modify the pilot Income Protection - Barley Crop Insurance Program Malting Barley Price and Quality Endorsement to expand the type of contract that can be used to establish coverage. The current endorsement allows coverage to be based on prices from contracts that are with a brewery or a business that is associated with a brewery. The requested modification will allow coverage to be based on prices from contracts with businesses other than those associated with breweries.

This modification is the result of several meetings between RMA and various barley producer association representatives. The barley producers also requested this change to be made to the actual production history (APH) permanent barley program. By implementing the endorsement change to the IP pilot program, the provision can be made available promptly and tested on a smaller scale. Several barley producer associations indicated they would promote this change to their members as a beneficial

risk management tool.

The pilot Income Protection - Barley Crop Insurance Program was developed and implemented by RMA for the 1999 crop year. The Income Protection - Malting Barley Price and Quality Endorsement is attached to the Income Protection Barley Crop Insurance Provisions. The Income Protection Barley program is available in most counties in Idaho, Minnesota, Montana, North Dakota, Oregon, South Dakota, and Washington.

The endorsement provides coverage for malting barley losses at a price greater than that offered under the Income Protection Barley crop insurance provisions and provides protection for production losses associated with quality. The Income Protection endorsement was initially developed from the APH Barley Price and Quality Endorsement. Option A of the endorsement covers malting barley production that is sold in the open market or contracted with a handler not associated with a brewery. Option B of the endorsement covers barley production that is covered by a contract with a brewery or a business that is associated with a brewery. The additional price available for malting barley under Option A for production not grown under a malting barley contract or price agreement executed by the acreage reporting date is the RMA approved price. The RMA approved price for the Income Protection and APH malting barley for the 2001 crop year is 70 cents. Under Option B the additional price is based on the producer's contract price.

An evaluation of the performance of the program changes will be made annually.

B - AUTHORIZATION

I. General

Legislative authority to implement the changes to the pilot Income Protection - Barley Crop Insurance Program Malting Barley Price and Quality Endorsement is contained in section 523 of the Act.

II. Program Description

The authority provided by this docket will enable FCIC to revise the pilot Income Protection - Barley Crop Insurance Program Malting Barley Price and Quality Endorsement effective for the 2002 through the 2005 crop years. The current endorsement allows coverage to be based on prices from contracts that are with a brewery or a business that is associated with a brewery. The requested modification will allow coverage to be based on prices from contracts with businesses other than those associated with breweries and will be offered in the counties previously approved by the Board in Idaho, Minnesota, Montana, North Dakota, Oregon, South Dakota, and Washington effective for the 2002 through the 2005 crop years.

III. Operating Provisions

Detailed operating provisions for the implementation of these program changes will be issued by Risk Management Agency (RMA) personnel.

IV. Administration

If approved by the Board, the revised pilot Income Protection - Barley Crop Insurance Program Malting Barley Price and Quality Endorsement will be reinsured and subsidized under the terms of the Standard Reinsurance Agreement with risk sharing to be designated in the revenue funds. This revised program may be offered by all insurance companies reinsured by FCIC and in accordance with the provisions of the Act.

V. Effective Date

This docket will become effective upon signature by the Acting 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.

RESOLUTION

RESOLVED, That Docket No. CI-IP-MALTBAR-01-1, Exhibit No. 2041, authorizing the Federal Crop Insurance Corporation to revise the pilot Income Protection - Barley Crop Insurance Program Malting Barley Price and Quality Endorsement to provide coverage based on prices from contracts with businesses not otherwise associated with breweries in those counties previously approved by the Board in Idaho, Minnesota, Montana, North Dakota, Oregon, South Dakota, and Washington effective for the 2002 through the 2005 crop years is hereby approved, AND BE IT FURTHER RESOLVED, That the Board delegates to the Manager the authority to make technical policy changes as are necessary to make the endorsement legally sufficient.

A motion was made and seconded to amend Docket No. CI-IP-MALTBAR-01-1, Exhibit No. 2041, to limit the pilot program to one year, with an evaluation at the end of the year, and to cap the additional value price per bushel at \$1.25 in Option A of the Income Protection-Malting Barley Price and Quality Endorsement.

The amendment carried.

The motion to adopt the resolution contained in Docket No. CI-IP-MALTBAR-01-1, Exhibit No. 2041, as amended, carried. (Board Memorandum No. 610. Exhibit No. 2041.)

Adopted by the Board of Directors on: 6/14/01

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

[SEAL]

Approved by:

/s/ Keith Collins
Keith Collins
Acting Chairman of the Board

6/21/01
Date