



United States  
Department of  
Agriculture

TO: Board of Directors  
Federal Crop Insurance Corporation

September 10, 2002

Federal Crop  
Insurance  
Corporation

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

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SUBJECT: Board Memorandum No. 674  
Docket No. CI-Livestock-Funding-02-1  
Allocation of Funding for Livestock Insurance Programs

There is submitted for your consideration the subject docket authorizing or not approving the authorization for the Administrator of the Risk Management Agency (RMA) to make original allocations of funding for livestock insurance programs at the start of each year or when livestock insurance plans are first authorized by the Board, to make additional allocations of funding during the year, and to rescind and reallocate unused allocations of funding specified in section 523(b) of the Federal Crop Insurance Act effective for the 2003 and subsequent fiscal years.

I recommend the Board of Directors approve Docket No. CI-Livestock-Funding-02-1 through use of the following resolution:

**RESOLVED, That Docket No. CI-Livestock-Funding-02-1, Exhibit No. 2125, authorizing the Administrator of the Risk Management Agency to make original allocations of funding for the livestock insurance programs at the start of each year or when livestock insurance plans are first authorized by the Board, to make additional allocations of funding during the year, and to rescind and reallocate unused allocations of funding, is hereby approved.**

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

FCIC Docket No. CI-Livestock-Funding-02-1

Authorization for Allocation  
of Funding for Livestock  
Insurance Programs -  
Beginning with FY 2003

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

Authorization for Allocation of Funding for Livestock Insurance Programs for FY 2003  
Docket No. CI-Livestock-Funding-02-1

SUMMARY

If approved by the Board, this docket will authorize allocation of funding for livestock insurance programs in amounts and under such terms and conditions determined appropriate by the Board as authorized under section 523(b)(10) of the Federal Crop Insurance Act effective for FY 2003 and succeeding years.

FOR FURTHER INFORMATION CONTACT:

Diana Moslak, (202) 720-2832

Authorization for Allocation of Funding for Livestock Insurance Programs for FY 2003  
Docket No. CI-Livestock-Funding-02-1

A - INTRODUCTION

I. Purpose

If approved by the Board, this docket will authorize allocation and reallocation of funding for livestock insurance programs effective for fiscal year (FY) 2003.

II. Justification

When the Board approved the Livestock Risk Protection (LRP) and Livestock Gross Margin (LGM) insurance plans for FY 2002, it allocated \$3,000,000 in funding for each product and held \$4,000,000 in reserve. New allocations will be needed for FY 2003, beginning on October 1, 2002.

The demand for funding in FY 2003 is uncertain. Although sales are likely to be stronger next year because both producers and reinsured companies will be more familiar with them, it is not unreasonable to expect that LRP and LGM will not need as much funding as was allocated in FY 2003. In addition, three new

livestock products are pending review before the Board, as is a multi-crop product with a possibly significant livestock coverage feature.

Because of the limited knowledge of the sales prospects of these six livestock products, it would seem that the most efficient manner for administering funding would be for the Board to authorize the Administrator of the Risk Management Agency (RMA) to make original allocations of funding at the start of each year or when products are first authorized, to make additional allocations during the year, and to rescind unused allocations.

### III. Background Data – Authorization for Funding Livestock Insurance Programs

Under section 523(b) of the Federal Crop Insurance Act (Act), the Federal Crop Insurance Corporation (FCIC) is authorized to offer livestock insurance on a pilot basis. Two programs were approved by the Board of Directors and implemented in July 2002. These programs are called LRP and LGM. Both cover swine producers in the state of Iowa.

Section 523(b)(10) of the Act limits the total annual costs that FCIC can incur for livestock programs. Since premium is expected to cover losses, the annual costs only include risk subsidy and administrative and operating subsidy. The total funding for costs specified in the Act are:

\$10,000,000 for each of FY 2001 and 2002;  
\$15,000,000 for FY 2003; and  
\$20,000,000 for FY 2004 and each subsequent FY.

When the Board approved LRP and LGM for FY 2002, it allocated \$3,000,000 in funding for each product and held \$4,000,000 in reserve. New allocations will be needed for FY 2003, beginning on October 1, 2002.

## B - AUTHORIZATION

### I. General

Authorization for allocation of funding for Livestock insurance programs effective for FY 2003 is contained in section 523(b)(10) of the Federal Crop Insurance Act (7 U.S.C. 1523(b)(10)).

### II. Program Description

The authority provided by this docket enables the Board to delegate authority to the Administrator of the Risk Management Agency (RMA) to make original allocations of funding for livestock insurance programs at the start of each year or when livestock insurance plans are first authorized by the Board, to make additional allocations during the year, and to rescind and reallocate unused allocations effective for FY 2003 and succeeding years.

The Federal Crop Insurance Corporation (FCIC) is authorized to offer livestock insurance on a pilot basis. Two programs were approved by the Board of Directors and implemented in July 2002. These programs are LRP and LGM. Both cover swine producers in the state of Iowa.

### III. Operating Provisions

The operating provisions for implementing this program are the pilot livestock insurance provisions contained in section 523(b) of the Act.

### IV. Administration

If approved by the Board, allocation of funding for livestock insurance programs will be carried out in accordance with the provisions of the Act. The Administrator of RMA will have the authority to make original allocations of funding livestock insurance programs at the start of each year or when livestock insurance plans are first authorized by the Board, to make additional allocations during the year, and to rescind and reallocate unused allocations.

### V. Effective Date

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

### VI. Classification

This program docket is for official use only.

VII. Availability of Funds

No budget report is required for this docket.

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 Docket No. CI-Livestock-Funding-02-1, Exhibit No. 2125, authorizing the Administrator of the Risk Management Agency to make original allocations of funding for the livestock insurance programs at the start of each year or when livestock insurance plans are first authorized by the Board, to make additional allocations of funding during the year, and to rescind and reallocate unused allocations of funding, is hereby approved.

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