

2002 Report to Congress

New and Specialty Crops

Risk Management Agency
U.S. Department of Agriculture



The Honorable Tom Harkin
Chairman
Committee on Agriculture,
Nutrition, and Forestry
United States Senate
731 Hart Senate Office Building
Washington, DC 20510-0605

Dear Mr. Chairman:

As required by Section 508(a)(6)(B) of the Federal Crop Insurance Act, as amended, the Risk Management Agency (RMA) is submitting the enclosed annual report on expanding crop insurance coverage to new and specialty crops.

The Agricultural Risk Protection Act of 2000 (ARPA) significantly changed the manner in which RMA conducts research and development of new risk management programs and is addressed in a separate section in this report. The Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) includes provisions that impact producers of specialty crops and is also addressed in a separate section in this report.

This year's annual report includes an update on projects initiated during FY 2001 and 2002 as well as project plans for FY 2003 through 2005. The details included in this report indicate the enormous amount of program research, development, and evaluation activity undertaken by RMA and its partners for new and specialty crop programs. This year's activity is summarized by the following key initiatives:

- planning and implementing more than 40 new projects during FY 2002 through contracts and partnerships with various public and private entities (including partnerships under a Request for Applications RMA announced July 1, 2002);
- overseeing and managing contracts and partnerships awarded during FY 2000 and 2001, including the review of deliverables from contractors and partners;
- implementing new and expanded risk management tools for producers;
- educating producers on risk management issues and opportunities; and
- training of RMA staff in the management of contracts and partnerships to facilitate the leveraging of resources for new and specialty crops research and development.

An Executive Summary at the front of the report highlights many of this year's accomplishments on behalf of new and specialty crops producers.

Sincerely,

Ross J. Davidson, Jr.
Administrator

Enclosure

The Honorable Larry Combest
Chairman
U.S. House Committee on Agriculture
1301 Longworth House Office Building
Washington, DC 20515

Dear Mr. Chairman:

As required by Section 508(a)(6)(B) of the Federal Crop Insurance Act, as amended, the Risk Management Agency (RMA) is submitting the enclosed annual report on expanding crop insurance coverage to new and specialty crops.

The Agricultural Risk Protection Act of 2000 (ARPA) significantly changed the manner in which RMA conducts research and development of new risk management programs and is addressed in a separate section in this report. The Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) includes provisions that impact producers of specialty crops and is also addressed in a separate section in this report.

This year's annual report includes an update on projects initiated during FY 2001 and 2002 as well as project plans for FY 2003 through 2005. The details included in this report indicate the enormous amount of program research, development, and evaluation activity undertaken by RMA and its partners for new and specialty crop programs. This year's activity is summarized by the following key initiatives:

- planning and implementing more than 40 new projects during FY 2002 through contracts and partnerships with various public and private entities (including partnerships under a Request for Applications RMA announced July 1, 2002);
- overseeing and managing contracts and partnerships awarded during FY 2000 and 2001, including the review of deliverables from contractors and partners;
- implementing new and expanded risk management tools for producers;
- educating producers on risk management issues and opportunities; and
- training of RMA staff in the management of contracts and partnerships to facilitate the leveraging of resources for new and specialty crops research and development.

An Executive Summary at the front of the report highlights many of this year's accomplishments on behalf of new and specialty crops producers.

Sincerely,

Ross J. Davidson, Jr.
Administrator

Enclosure

2002 Report to Congress: New and Specialty Crops Executive Summary

This *2002 Report to Congress: New and Specialty Crops* provides an overview of an exciting year of activity in the Risk Management Agency's (RMA) progress toward expanding crop insurance coverage under the Federal Crop Insurance Act (the Act) to new and specialty crops. This progress has been achieved on behalf of the Federal Crop Insurance Corporation (FCIC) and with the support of FCIC's and RMA's many partners. These partners include producers, producer groups, insurance providers who are reinsured by FCIC, contractors, partnership organizations, universities, other Federal agencies, State departments of agriculture and other State offices, Federal and State Congressional representatives, insurance industry trade associations and organizations, taxpayers, and others who have contributed to the substantial progress realized during this past year.

There was a time when, for many people involved with crop insurance, the term "producers" essentially included those who grew traditional crops. Today, because of the progress achieved in the research, development, and implementation of new risk management programs for specialty crops, the term has taken on a new meaning. Now the term goes beyond those who grow traditional crops, and even beyond those who grow what may be termed as non-traditional or specialty crops. Today the term is more universally understood to include those who farm the ocean or raise aquaculture in other controlled environments, those who raise livestock, ranchers, timber producers, beekeepers, and others with what are often considered more specialized agricultural endeavors.

As the faces of agriculture and crop insurance are changing, the manner in which RMA accomplishes its mission is perhaps changing even more. First, RMA has transformed itself from a risk management program developer to a regulator, facilitator, and evaluator of new products and materials. Second, RMA's risk management programs are no longer confined to crop insurance. For example, the Dairy Options Pilot Program offers dairy producers education concerning risk management opportunities outside the realm of crop insurance. Third, livestock insurance programs are now available to producers for the first time in the history of the Federal Crop Insurance program. Fourth, other risk management education programs provide producers a wealth of information and support to enable them to better determine how to manage their risks. Fifth, and possibly even more significantly, within the next few years new risk management tools will become available as new approaches to risk management are proposed and implemented. As indicated below, a significant number of new and innovative risk management solutions are under research and development to help America's diverse agricultural producers cope with the problems they face.

Many of these changes are taking place as a result of the June 2000 enactment of the Agricultural Risk Protection Act of 2000 (ARPA). Last year's *2001 Report to Congress: New and Specialty Crops* addressed the ARPA changes that have already impacted specialty crops producers and are expected to affect the development of future risk management programs for producers of new crops (not previously insured) and specialty crops. This year's report provides an update on the processes and projects initiated, and offers a more current look at what is on the horizon for agricultural risk management through RMA, FCIC, and our partners.

RMA and its partners have refined the processes utilized to conduct research and development of new programs through private and public organizations. The private sector product development system mandated by ARPA is fully implemented and has spurred a flurry of development. This is a serious and intense process that requires a much more significant amount of time, expertise, administrative support, Board of Directors support, and expense than is apparent on the surface. The efforts of those in the private and public sector who have helped and supported the process to make it work are to be commended and are indeed appreciated.

The results of these efforts to implement ARPA and other provisions of the Act are visible as risk management tools for producers that are currently being researched or studied, developed and reviewed, implemented and utilized by producers, and maintained and evaluated. This report provides information on a number of specific projects that are underway through the following major initiatives:

- overseeing and managing contracts and partnerships awarded during Fiscal Year (FY) 2000 and 2001, including coordinating and conducting the review of deliverables from contractors and partners;
- planning and implementing a number of projects through contracts and partnerships with various public and private entities; to include developing, announcing, and subsequently awarding projects submitted under a Request for Applications (RFA) for the research and development of new risk management tools for producers;
- implementing new and expanded risk management tools for producers;
- educating producers on risk management issues and opportunities; and
- training RMA staff in the management of contracts and partnerships to facilitate the leveraging of resources for new and specialty crops research and development.

Projects that are expected to offer significant potential to improve the risk management opportunities for producers of new and specialty crops are listed below. A number of other projects that will impact producers of new and specialty crops are addressed in this year's report and are in various stages of development, including the preparation for submission of proposals.

- Aquaculture Pilot Program Research and Development
- Biomass Feasibility Study
- Buckwheat Loss Appraisal Methods and Loss Adjustment Standards Handbook Modifications
- Cost of Production Pilot Program Development
- Cut Flowers and Cut Floral Greens Pilot Program Feasibility Study
- Direct Marketing of Perishable Agricultural Crops Feasibility Study
- Dollar Plan Research
- Evaluating the use of Satellite Remote Sensing for Crop Loss Adjustment
- Expanding Crop Insurance Coverage to Include Federal Agency Actions
- Forecasting the Occurrence of Potato Late Blight

- Fresh Vegetables Pilot Program Feasibility Study
- Hawaii Tropical Fruits and Trees Pilot Program Feasibility Study and Program Development
- Investigation of Producers' Management of Storage Problems for Onions
- Lawn Seed Pilot Program Feasibility Study
- Livestock Disease Risk Management Program Feasibility Study
- Livestock Risk Management Tools Feasibility
- Organics Feasibility Study
- Partnership Agreement Projects submitted under the RFA referenced above:
 - Determine the Feasibility of, and Develop a Financial Derivative Product Specifically Designed to Protect Against Season Average Price Uncertainty
 - Develop a Climate and Soil Hazard Information System that Enables Producers to Analyze Potential Risks to Crops and Livestock
 - Develop a Comprehensive Set of Decision Support Tools (InsuranceVision) Designed to Assist Producers in Selecting the Most Effective Risk Management Strategies
 - Develop Decision Aids and Tools to Assess Climate-Related Economic Risks in Peanut and Tomato Production Systems; and Develop a Decision Aid to Reduce Fertilizer use and Environmental Exposure in Potato Crops
 - Develop a Direct Marketing Strategies Selection Tool for Organic Producers
 - Develop an Insurance Product that Reduces Liability when Conducting Prescribed Fires on Private Forest Land
 - Develop an Internet-Based Burning Risk Advisory System using Biophysical Vegetation Models, Near Real-Time Weather, and Greenness Indices
 - Develop a Risk Management System Based on an Artificial Neural Network Designed to Utilize Short-Term Weather Data to Predict Frost and Reduce Risk for Horticultural Crop Producers, Especially Fruit Crops, in the Southeastern U.S.
 - Develop an Understanding of Food Chain Bioterrorism Threats, Implications on the Farming Sector, and Interim Solutions
 - Develop a Web-Based Software Tool for use by Potato Growers, Water Managers, and Risk Management Personnel to Reduce Exposure to Drought Risk in Potato Cropping Systems
 - Establish Ag Labor Cooperatives as Risk Management Tools for Limited-Resource and Small Family Farms in Florida and Mississippi
 - Evaluate the Feasibility of Weather Insurance for Noninsured and Specialty Crops and Development of a Web-Based Weather Risk Management Tool
 - Examine the Use of Weather Station Data to Create Yield Insurance for Underserved Agricultural Commodities
 - Research and Develop Apiculture (Beekeeping) Risk Management Options
 - Research and Develop Triticale Risk Management Options
- Pasture and Rangeland Program Feasibility Study and Program Development
- Perennial Pathogen Destruction Pilot Program Feasibility Study
- Pilot Program Evaluations for a number of new and specialty crops
- Product Portfolio Study
- Quality Review of Dry Bean and Sugar Beet Crop Insurance Policies
- Quality Review of Specialty Crop Policies (Almonds, Apples, Figs, and Pears)

- Quarantine Pilot Program Feasibility Study
- Revenue Coverage Plans Feasibility Study and Program Development
- Revenue Insurance for Cattle and Hog Producers
- Risk Management Stabilization Accounts
- Silage Sorghum Program Research and Development
- Specific Weather Peril Insurance Feasibility Study
- Studies of Specialty Crop Insurance Utilization, Needs, and Market Potential in California, Florida, New York, and Pennsylvania
- Tree, Vine, and Bush Replacement Program Feasibility Study
- Value Enhanced Products Research Report

In addition to the above projects, and other new projects discussed in this year's report, approximately 30 pilot risk management programs are currently being tested and evaluated for conversion to permanent programs. They too are listed in the report along with the year they were introduced. The conversion of these pilot programs to permanent program status and the research and development of the new initiatives undertaken by RMA and its private- and public-sector partners will greatly improve the risk management opportunities for producers of new and specialty crops.

This year's report contains the largest listing in FCIC's history of risk management programs in use by producers and new programs being researched, developed, and evaluated. It also verifies that agricultural risk management truly extends far beyond crop insurance, and that many new and exciting things are happening in the crop insurance and agricultural risk management field! Additional information about RMA and the Federal Crop Insurance program is available through RMA's home page at <http://www.rma.usda.gov/>.

Ross J. Davidson, Jr.
Administrator, RMA

CONTENTS

Letters of Transmittal from the Administrator.....	i-ii
Executive Summary.....	iii
INTRODUCTION	1
C Purpose.....	1
C Authority	1
C Action.....	1
SPECIALTY CROPS COORDINATOR.....	2
C Authority	2
C Action.....	2
ACTIVE PILOT RISK MANAGEMENT PROGRAMS FOR THE 2003 CROP YEAR. 3	3
THE AGRICULTURAL RISK PROTECTION ACT OF 2000 (ARPA).....	4
C Introduction and Background.....	4
C Update on Projects Initiated During FY 2001	6
C Projects Initiated During FY 2002.....	13
C New Pilot Programs Introduced Beginning the 2002 Crop Year	19
C Conversion and Expansion of the Pilot Millet Crop Insurance Program..	20
C Continuation and Conversion of the Pilot Blueberry Insurance Program .	21
C Expansion and Conversion of the Pecan Revenue Pilot Program.....	21
C Projects to be Initiated During FY 2003	22
PROGRAM EXPANSION PLANS BEYOND FY 2003	26
C Introduction	26
C Program Research and Development Plans for FY 2004	26
C Program Evaluation Plans for FY 2004	27
C Program Research and Development Plans for FY 2005	27
C Program Evaluation Plans for FY 2005	28
THE FARM SECURITY AND RURAL INVESTMENT ACT OF 2002	29
C Introduction and Background.....	29
C Risk Management Provisions Impacting Specialty Crop Producers	29
PUBLIC AWARENESS AND INPUT OF PRODUCERS AND ORGANIZATIONS... 31	31
C Internet Web Sites.....	31
C Risk Management Education.....	31
C RMA Community Outreach.....	33
C Consultations with Producers and Producer Groups	34
C Miscellaneous Activities	34
APPENDIX Ag Commodities Insured under 2003 Crop Insurance Programs	35

INTRODUCTION

Purpose

This report provides information on the expansion of crop insurance coverage to new and specialty crops that has occurred from December 2001 through September 2002, and expansion plans for FY 2003 and beyond. The report also identifies a number of other agricultural risk management initiatives and projects that are being planned, researched, and developed outside the realm of crop insurance, including other risk management tools for producers and risk management education and outreach programs.

Authority

Section 508(a)(6)(B) of the Federal Crop Insurance Act, as amended (the Act), provides that the Corporation shall annually report to Congress on the progress and expected timetable for expanding crop insurance coverage under the Act to new and specialty crops.

Action

In accordance with the above purpose and authority, the Risk Management Agency submits this report on behalf of the Federal Crop Insurance Corporation.

SPECIALTY CROPS COORDINATOR

Authority

Section 507(g) of the Act provides as follows:

"(g)(1) The Corporation shall establish a management-level position to be known as the Specialty Crops Coordinator.

(2) The Specialty Crops Coordinator shall have primary responsibility for addressing the needs of specialty crop producers, and for providing information and advice, in connection with the activities of the Corporation to improve and expand the insurance program for specialty crops.

In carrying out this paragraph, the Specialty Crops Coordinator shall act as the liaison of the Corporation with representatives of specialty crop producers and assist the Corporation with the knowledge, expertise, and familiarity of the producers with risk management and production issues pertaining to specialty crops.

(3) The Specialty Crops Coordinator shall use information collected from Corporation field office directors in States in which specialty crops have a significant economic effect and from other sources, including the extension service and colleges and universities."

Action

William C. (Bill) Jones has served as the Risk Management Agency's (RMA) Specialty Crops Coordinator since March 1996. His position is located in the Research and Evaluation Division under the Deputy Administrator for Research and Development. During his tenure as Specialty Crops Coordinator, the Agency achieved the largest expansion of pilot programs for new and specialty crops in its history. Thirteen new and specialty crop initiatives were introduced for the 1999 crop year, and eight new and specialty crop initiatives were introduced for the 2000 crop year. In addition, 11 pilot crop insurance programs were expanded during the 1999 and 2000 crop years.

With the enactment of ARPA and the subsequent research and development of new policies through public and private entities, the Specialty Crops Coordinator's efforts were directed toward facilitating the research and development of new policies through contracts, cooperative agreements, and partnerships. The Specialty Crops Coordinator participated in meetings; field visits; training sessions; speaking engagements; and other contacts with growers, grower association representatives, the insurance industry, Congressional representatives, and internal organizations. These efforts were made to communicate the Agency's new and specialty crops programs and gather information on needs and interests of producers. This report includes the most comprehensive listing of pilot risk management programs, planned research and development projects, and risk management education and outreach projects in Mr. Jones' tenure as Specialty Crops Coordinator for the Federal Crop Insurance Corporation (FCIC).

ACTIVE PILOT RISK MANAGEMENT PROGRAMS FOR THE 2003 CROP YEAR

Following are the 30 active pilot programs currently available by RMA and approved insurance providers, along with the plan of insurance as appropriate and the year they were introduced. The 24 pilot programs that include specialty crops are shown in **bold** print. This listing does not include private products submitted under section 508(h) of the Act. Details on these pilot programs can be found at the RMA web site: <http://www.rma.usda.gov/pilots/>.

Adjusted Gross Revenue (AGR plan of insurance) - 1999
Apple Pilot Quality Option - 2001
Avocados (Revenue plan) - 1998
Avocados (APH) - 1999
Avocado/Mango Trees (Tree Based Dollar Amt. of Ins.) - 1998
Blueberries (GYC)- 1995
Cabbage (GYC) - 1999
Cherry (Fixed Dollar) - 1999
Citrus Fruit [Navel Oranges] (Fixed Dollar) - 2001
Corn Rootworm Integrated Pest Management - 1998
Coverage Enhancement Option - 2000
Crambe (APH) - 1999
Cultivated Clams (Aquaculture Dollar) - 2000
Cultivated Wild Rice (GYC) - 1999
Dairy Options – FY 1998
Florida Fruit Trees (Tree Based Dollar Amt. of Ins.) - 1996
Forage Seed (APH) - 2002
Fresh Market Beans (Dollar Amt. of Ins.) - 2000
Income Protection plan of insurance (IP)- 1996
Mint (APH) - 2000
Mustard (APH) - 1999
Onion Pilot Stage Removal Option - 2000
Pecan (Pecan Revenue plan) - 1998
Processing Chile Peppers (Fixed Dollar) - 2000
Processing Cucumbers (Fixed Dollar) - 2000
Rangeland (Group Risk Plan) - 1999
Raspberry/Blackberry (Fixed Dollar) - 2002
Strawberries (Fixed Dollar) - 2000
Sweetpotatoes (APH) - 1998
Winter Squash [including pumpkins] (Dollar Amt. of Ins.) - 1999

Expansion of Pilot Programs. As a general rule, expansion of a pilot program during the pilot period is considered only if such expansion will provide different program experience (such as different crop types or practices than the original pilot program) than may be gained from the original pilot program.

Summary of Business. Summaries of the insurance experience of these pilot programs and other crop insurance programs can be found at the RMA web site <http://www.rma.usda.gov/data/>.

THE AGRICULTURAL RISK PROTECTION ACT OF 2000 (ARPA)

Introduction and Background

The Agricultural Risk Protection Act of 2000 (ARPA) was enacted (1) to strengthen the safety net for agricultural producers by providing (a) greater access to more affordable risk management tools and (b) improved protection from production and income loss, (2) to improve the efficiency and integrity of the Federal crop insurance program, and (3) for other purposes. This report concentrates on those activities most directly related to the research and development of risk management tools for new and specialty crops.

Section 131 of ARPA prohibited the research and development of any new policies by the Corporation for an agricultural commodity offered under the title. Section 131 also authorized the Corporation to enter into contracts and partnerships for research and development, and provided funding for the new contracts and partnerships. These provisions significantly changed the way RMA conducts its business.

Section 132 of ARPA authorized the Corporation to insure livestock for the first time in its history and defined livestock to include, but not be limited to, cattle, sheep, swine, goats, and poultry. Two pilot programs were approved beginning in 2002 under the provisions of section 508(h) of the Act. They are:

- **The Livestock Gross Margin (LGM) Pilot Program.** This program, submitted by Iowa Agricultural Insurance Innovations, provides coverage to swine producers from price risks for 6 months, and up to 15,000 hogs per period. The product protects the gross margin between the value of the hogs and the cost of corn and soybean meal. Prices are based on hog futures contracts and feed futures contracts. LGM protects producers if feed costs increase and/or hog prices decline, and is based on the coverage level selected by the producer, with coverage levels ranging from 85 to 100 percent. The LGM Pilot Program is available in all 99 counties in Iowa.
- **The Livestock Risk Protection (LRP) Pilot Program.** This program, submitted by the American Agri-Business Insurance Company, protects against a drop in hog prices. Swine can be insured for 90, 120, 150, or 180 days, and up to a total of 32,000 animals per year. Unlike traditional crop insurance policies that have a single sales closing date each year, LRP is priced and available for sale continuously throughout the year. The LRP policy protects producers against declining hog prices if the price index specified in the policy drops below the producer's selected coverage price. Coverage levels range from approximately 70 to 95 percent of the daily hog prices. The LRP Pilot Program is available in all 99 counties in Iowa.

Section 523(b)(10) of the FCI Act imposes limitations on expenditures associated with all livestock crop insurance programs – other than research and development costs covered by section 522. For FY 2002 the limitation was \$10 million. Note that Section 523(b)(10) does not provide any funding. Rather, it places a limit on the use of funds that must be obtained elsewhere. Effectively, these limits define FCIC's livestock underwriting capacity. In order to assure compliance with these limits, RMA allocated each of the approved programs specific dollar

amounts of underwriting capacity (\$3 million each), and created a tracking system that would allow it to shut off new sales if the limits were reached. Following is a report of the underwriting capacity allocated and used during FY 2002, as well as the unused remainder at the end of the year.

<u>Program</u>	<u>Underwriting Capacity</u>		
	<u>Allocated</u>	<u>Used</u> <u>Thousand \$</u>	<u>Remaining</u>
Livestock Risk Protection (LRP)	\$3,000	\$208	\$2,792
Livestock Gross Margin (LGM)	\$3,000	\$ 74	\$2,926
<u>Reserve</u>	<u>\$4,000</u>	<u>\$ 0</u>	<u>\$4,000</u>
Total	\$10,000	\$282	\$9,718

In addition to the above livestock risk management programs, RMA is exploring other livestock risk management possibilities as explained in the sections (1) Update on Projects Initiated During FY 2001, (2) Projects Initiated During FY 2002, and (3) Projects Expected to be Initiated During FY 2003.

Wild Salmon. Section 132 of ARPA amended section 523 of the Act to authorize the Corporation to include pilot programs providing insurance protection against losses involving wild salmon (after October 1, 2001). On February 13, 2001, RMA entered into an agreement with the Cooperative State Research, Education, and Extension Service (CSREES) and the University of Alaska, Fairbanks, Agricultural and Forestry Experiment Station to research the feasibility of developing a risk management strategy for wild sockeye salmon that addresses the economic needs of Bristol Bay fishermen. The feasibility study was completed and generally indicated that it is not feasible to develop a wild salmon crop insurance program for Bristol Bay. RMA is currently evaluating the potential for other risk management alternatives to mitigate the risks faced in the wild salmon industry.

RMA Activities Subsequent to the Enactment of ARPA. The first 2 years of ARPA were challenging for RMA. The Agency needed to quickly implement a number of provisions and to establish plans, procedures, guidelines, and processes to implement others in order to utilize available funding effectively. This took place while the Agency continued to maintain, evaluate, and modify existing permanent and pilot programs. RMA in particular emphasized:

- C Gathering information for the purpose of coordinating and expanding crop insurance coverage to new and specialty crops through contracts, cooperative agreements, partnerships, and other relationships with public and private entities;
- C Developing and maintaining a variety of organizational planning, reporting, and project management processes and documents;
- C Training in various aspects regarding contracting and partnering with other parties for the research and development of new risk management products for producers;
- C Consulting with producer groups before entering into a contract for research and development to increase participation in areas or for agricultural commodities that may be underserved by the Federal crop insurance program;

- C Coordinating and facilitating the development of various guidelines and processes for

- conducting the research and development of new risk management tools through contracts and agreements;
- C Developing, implementing, and managing a variety of contracts, contract task orders, cooperative agreements, and other vehicles used to conduct the research and development of new risk management tools through other public and private entities;
 - C Developing, providing input for, presenting, and reviewing a wide variety of presentations, correspondence, reports, and updates on plans, activities, and results regarding new program research and development;
 - C Reviewing a large number of deliverables and participating in a significant number of presentations provided to RMA by contractors and partners; and
 - C Initiating and participating in a large number of risk management education and outreach programs, with a priority for programs reaching producers of commodities not currently covered by crop insurance; specialty crops; underserved States, areas, and commodities; and small and limited-resource producers.

Procurement Sensitivity of Information Related to Contracts and Partnerships. Details on programs developed through contracts and agreements with other parties are subject to certain restrictions, including the release of potentially procurement-sensitive information. At some point during the developmental process, it is possible that a decision will be made not to proceed with initiating the proposed program(s). Instead, a decision may be made to gather more data for analysis, modify the proposed program, or discontinue efforts to develop the program. As an example, producer groups may determine that they are no longer interested in a program being developed or that they prefer a different approach than the one they originally recommended. Also, a private product may be developed and made generally available that would preclude RMA from continuing research and development efforts for a program covering the same risk.

Plans of Insurance Submitted under Section 508(h) of the Act. In addition to the programs listed in this report under research and development or under consideration for research and development through contracts and partnerships, private products are submitted to the Corporation under section 508(h) of the Act. Details on these "508(h)" products are subject to the confidentiality provisions of the Act.

Following is an update on the status of projects conducted through contracts and partnerships since ARPA was enacted. This update is based on information available in October 2002; the status of many projects will change considerably by the time the report is printed and released.

Update on Projects Initiated During FY 2001

Contracting and Partnership Vehicles: Various contracting and partnership vehicles were used to initiate approximately 30 new research and development projects during FY 2001.

Base Research and Development (R&D) Contract. Ten of the FY 2001 projects were initiated as task orders (TOs) under a base research and development contract awarded competitively to the following four contractors:

- AgriLogic, Inc., College Station, TX
- IGF Holdings, Inc., Des Moines, IA (contract is now with American Agrisurance)

- National Crop Insurance Services, Inc., Overland Park, KS
- Watts & Associates, Inc., Billings, MT

TOs describe RMA's work requirements for the research, development, implementation, and evaluation of new risk management programs.

Current status of FY 2001 projects awarded through the Base R&D Contract Pool. Following is a listing and status of the 10 research and development projects funded during FY 2001 that were awarded to contractors in the Base R&D Contract Pool.

- C *Cotton Boll Weevil Eradication Program Impact on Actual Production History (APH) Yields - Research Report* (Watts and Associates) - The purpose of this project is to analyze changes in cotton yields where measures have been taken to reduce boll weevils. The project is directed at the purpose of section 508(g)(5) of the Act requiring the Corporation to develop a methodology for adjusting the APH of a producer when specified conditions apply and crop yields are increased as a result of successful pest control efforts. The study was completed and indicated no APH yield changes should be made due to the Cotton Boll Weevil Eradication Program.
- C *Cut Flower Research Report* (National Crop Insurance Services) - The purpose of this project is to research the best techniques for insuring cut flowers and cut cultivated floral greens. The project promotes the purpose of section 522(c)(1)(C) of the Act as amended by ARPA; that is, to increase participation by producers of underserved agricultural commodities, including specialty crops. The final research report for this project was accepted September 10, 2002, and RMA is evaluating options to proceed with program development during FY 2003.
- C *Feasibility of Revenue Coverage Plans that Maximize Producer Revenue - Research Report* (Watts and Associates) - The purpose of this project is to investigate opportunities for new and improved revenue coverage plans. The project promotes the purpose of section 522(c)(8) of the Act requiring the Corporation to contract for research and development regarding one or more revenue coverage plans designed to enable producers to take maximum advantage of fluctuations in market prices and thereby maximize revenue realized from the sale of an agricultural commodity. The purpose of this task order is to conduct a feasibility study that will provide information for subsequent program development activity. The decision memorandum for proceeding with program development was approved and a task order for program development is expected to be awarded early in FY 2003.
- C *Fresh Vegetables - Research Report* (AgriLogic, Inc.) - The purpose of this project is to research the potential to develop a risk management strategy to provide coverage for asparagus, broccoli, carrots, cauliflower, celery, garlic, globe artichoke, lettuce-head, lettuce-leaf, lettuce-romaine, and spinach. The project promotes the purpose of section 522(c)(1)(C) of the Act as amended by ARPA; that is, to increase participation by producers of underserved agricultural commodities, including specialty crops. The research report is completed and RMA is deciding whether to proceed with a program development project that could be awarded early in FY 2003.

- C *Hawaii Tropical Fruits and Trees - Research Report* (AgriLogic, Inc.) - The purpose of this project is to research the best approaches to provide risk management strategies for the following crops defined under Hawaii Tropical Fruits and Trees: Bananas, Coffee, Guavas, Papaya, Pineapples, Mango, Lychee, Rambutan, and Atemoya (Moya). The project promotes the purpose of section 522(c)(1)(C) of the Act as amended by ARPA; that is, to increase participation by producers of underserved agricultural commodities, including specialty crops. The feasibility study is completed and a program development project was awarded September 26, 2002.
- C *Multiple Year Coverage - Research Report* (Watts and Associates) - The purpose of this project is to determine if a multi-year policy would reduce fraud, waste, and abuse of crop insurance in certain geographic areas. The project promotes the purpose of section 522(c)(7) of the Act requiring the Corporation to contract with a qualified person to determine whether offering policies that provide coverage for multiple years would reduce fraud, waste, and abuse by participants in the Federal crop insurance program. The feasibility study is completed and RMA expects to award a project for program development early in FY 2003.
- C *Pasture and Rangeland Program - Research Report* (AgriLogic, Inc.) - The purpose of this project is to investigate possibilities for risk management programs for pastures or rangeland for forage. The project promotes the purpose of section 522(c)(6) of the Act requiring the Corporation to establish as one of the highest research and development priorities of the Corporation the development of a pasture, range, and forage program. A decision memo was approved for proceeding with a program development project to be awarded early in FY 2003.
- C *Perennial Pathogen Research Report* (AgriLogic, Inc.) - The purpose of this project is to research the potential to develop a risk management strategy for tree, vine, and bush crop growers that are subject to perennial crop pathogens. The project promotes the purpose of section 522(c)(1)(C) of the Act as amended by ARPA; that is, to increase participation by producers of underserved agricultural commodities, including specialty crops. The research for this project is virtually completed and, depending upon RMA recommendations, a program development project could be awarded early in FY 2003.
- C *Quarantine Research and Program Design Report* (AgriLogic, Inc.) - The purpose of this project is to research the potential to develop a risk management tool for producers of crops subject to quarantine regulations. The project promotes the purpose of section 522(c)(1)(C) of the Act as amended by ARPA; that is, to increase participation by producers of underserved agricultural commodities, including specialty crops. Any quarantine risk management program will address underserved specialty crops that are neither currently insurable under the Federal crop insurance program nor generally insurable in the private sector, and will expand coverage for some crops, including specialty crops, currently insured but unprotected from quarantine risk. Work is continuing on this project and, depending upon RMA recommendation, a program development project could be awarded in FY 2003.

- C *Research and Development of a Cost of Production (COP) Insurance Program for Soybeans, Corn, Cotton, Wheat, Rice, Almonds, Peaches, Cranberries, Apricots, Nectarines, Onions, and Sugarcane* (AgriLogic, Inc.) - The purpose of this project is to research and deliver components of cost-of-production based revenue insurance programs for the 12 specified crops in select areas. The project promotes the purpose of section 522(c)(9) of the Act requiring the Corporation to enter into a contract for research and development regarding a cost-of-production policy. On October 22, 2002, the FCIC Board of Directors tabled a docket that would have authorized implementation of a Cotton Cost of Production Pilot Crop-Revenue plan of insurance pending resolution of issues raised by expert reviewers, Risk Management Agency, Office of the General Counsel, and the Board. Additional work remains to be completed before a program will be available to producers.

Current status of FY 2001 projects awarded through other vehicles.

Following is a listing and status of research and development projects funded during FY 2001 that were awarded through contract or partnership vehicles other than the Base R&D Contract Pool.

- C *Assess the Demand for Specific Weather Peril Insurance* (University of Georgia) - The purpose of this project is to research the feasibility to develop a general class of insurance products to protect against specific weather risks such as high or low precipitation or temperature. The project promotes the purpose of section 522(d)(1) of the Act as amended by ARPA; that is, to increase the availability of loss mitigation, financial, and other risk management tools for producers of agricultural commodities covered by section 196 of the Agricultural Market Transition Act (7 U.S.C. 7333), specialty crops, and underserved agricultural commodities. Work is continuing on this project.
- C *Avocado Pilot Rating Evaluation and Analysis* (GovWorks/Signal) - The purpose of this project is to evaluate a pilot crop insurance program as required under section 523(a)(5)(A) and (B) of the Act as amended by ARPA. The evaluation process is one of the key steps in the research and development process for a specialty crop pilot program consistent with section 522 (c)(1) and 523(a)(1) of the Act. Completion of this project is scheduled for January 31, 2003, at which time RMA will proceed with a determination on the disposition of the pilot program for the future.
- C *California Crop Insurance Utilization* (University of California) - The purpose of this project is to identify the potential market for specialty crop insurance and provide the data necessary to evaluate options for new or modified insurance programs to meet the needs of specialty crop producers. The project promotes the purpose of section 522(d)(1) of the Act as amended by ARPA; that is, to increase the availability of loss mitigation, financial, and other risk management tools for producers of agricultural commodities covered by section 196 of the Agricultural Market Transition Act (7 U.S.C. 7333), specialty crops, and underserved agricultural commodities. Through this partnership with researchers at the University of California, Davis, specialty crops producers were contacted to determine how crop insurance programs could be designed to better meet their needs. The results of the survey are being analyzed and are expected in the second quarter of FY 2003.
- C *Evaluate the Use of Satellite and Aircraft Remote Sensing for Crop Loss Adjustment*

- (Agricultural Research Service National Soil Tilth Laboratory) - The purpose of this project is to adopt the various remote sensing measures of yield to field-scale evaluations of crop yield and yield loss for the purposes of insurance adjustment. The project promotes the purposes of sections 522(d)(1), (2), and (3)(G) of the Act as amended by ARPA; that is, to increase the availability of loss mitigation, financial, and other risk management tools for producers, and to further increase economic and production stability. RMA expects a risk management tool to be developed to assist producers in receiving the most accurate loss adjustment possible to ensure that producers get all the benefits to which they are entitled. Work continues on this project.
- C *Florida Specialty Crops Survey* (University of Florida) - The purpose of this project is to identify the potential market for specialty crop insurance and provide the data necessary to evaluate options for new or modified insurance programs to meet the needs of specialty crop producers. The project promotes the purpose of section 522(d)(1) of the Act as amended by ARPA; that is, to increase the availability of loss mitigation, financial, and other risk management tools for producers of agricultural commodities covered by section 196 of the Agricultural Market Transition Act (7 U.S.C. 7333), specialty crops, and underserved agricultural commodities. Through this partnership with researchers at the University of Florida, specialty crops producers were contacted to determine how crop insurance programs could be designed to better meet their needs. The results of the survey are being analyzed and are expected in the second quarter of FY 2003.
- C *Forecasting the Occurrence of Potato Late Blight* (University of Idaho) - The purpose of this project is to develop a Potato Late Blight forecasting model for potatoes. The project promotes the purpose of section 522(d)(1) of the Act as amended by ARPA; that is, to increase the availability of loss mitigation, financial, and other risk management tools for producers of agricultural commodities covered by section 196 of the Agricultural Market Transition Act (7 U.S.C. 7333), specialty crops, and underserved agricultural commodities. Weather stations were calibrated in March and April 2002, and were deployed in nine commercial potato fields and one research plot location. Research plots were established at Bonners Ferry and Aberdeen, Idaho, and researchers are in the process of creating the predictive model, performing fungicide tests, and scouting fields.
- C *Income Protection Rating and Pricing Evaluation* (GovWorks/Signal) - The purpose of this project is to evaluate a pilot crop insurance program as required under section 523(a)(5)(A) and (B) of the Act as amended by ARPA. The evaluation process is one of the key steps in the research and development process for a pilot program consistent with section 523(a)(1) of the Act. Evaluation of the pilot and reporting on the recommendations are nearing completion.
- C *Investigation of Producers' Management of Storage Problems for Onions* (University of Idaho) - The purpose of this project is to research how producers can minimize losses to stored onions. The project promotes the purpose of section 522(d)(1) of the Act as amended by ARPA; that is, to increase the availability of loss mitigation, financial, and other risk management tools for producers of agricultural commodities covered by section 196 of the Agricultural Market Transition Act (7 U.S.C. 7333), specialty crops, and underserved agricultural commodities. Work is continuing on this project scheduled to be

completed in May 2005.

- C *National Risk Management Feasibility Program for Aquaculture* (Mississippi State University) - The purpose of this project is to conduct a large-scale and thorough investigation into the feasibility to develop and implement risk management programs for producers of selected aquaculture species (catfish, salmon, trout, and baitfish) in the United States, and to provide FCIC risk management products, policies, and related materials necessary to implement these programs. The project promotes the purpose of section 522(d)(1) of the Act as amended by ARPA; that is, to increase the availability of loss mitigation, financial, and other risk management tools for producers of agricultural commodities covered by section 196 of the Agricultural Market Transition Act (7 U.S.C. 7333), specialty crops, and underserved agricultural commodities. The partnership has conducted the first National Technical Exchange meeting. This meeting brought together a broad base of aquaculture experts, researchers, and State and National Association members from across the United States. Teams were organized to begin research into the four species identified in the partnership. Upcoming activities include listening sessions with producers and development of preliminary reports.
- C *New York Specialty Crops Survey* (Cornell University) - The purpose of this project is to identify the potential market for specialty crop insurance and provide the data necessary to evaluate options for new or modified insurance programs to meet the needs of specialty crop producers. The project promotes the purpose of section 522(d)(1) of the Act as amended by ARPA; that is, to increase the availability of loss mitigation, financial, and other risk management tools for producers of agricultural commodities covered by section 196 of the Agricultural Market Transition Act (7 U.S.C. 7333), specialty crops, and underserved agricultural commodities. Through this partnership with researchers at Cornell University, specialty crops producers were contacted to determine how crop insurance programs could be designed to better meet their needs. The results of the survey are being analyzed and are expected in the second quarter of FY 2003.
- C *Nursery Program Plant List Research, Updating, and Revisions* (DataScape, LLC) - The purpose of these projects was to update and expand the nursery-eligible plant list for the 2003 crop year, to review and revise winter storage requirements as needed, to address other nursery issues, and to update and enhance the nursery program software operating system. Work was completed on these projects. RMA updated the nursery program beginning the 2003 crop year, including updating the software from a 16-bit to a 32-bit application to improve efficiency.
- C *Organics Study* (USDA, Economic Research Service) - The purpose of this project is to study and provide recommendations on yields, risks, and related issues regarding crops grown for organic purposes. Work continues on this project.
- C *Pecan Pilot Evaluation Feedback and Issues Report* (GovWorks/Signal/North Carolina A&T) - The purpose of this project is to evaluate a pilot crop insurance program as required under section 523(a)(5)(A) and (B) of the Act as amended by ARPA. The evaluation process is one of the key steps in the research and development process for a specialty crop pilot program consistent with section 522 (c)(1) and 523(a)(1) of the Act.

Both the project and the final evaluation of this pilot program are complete. On September 19, 2002, the FCIC Board of Directors approved expansion into 79 additional counties in Georgia for the 2003 crop year and conversion of the pilot program to permanent status as soon as the regulatory process to convert the pilot program is complete (expected to be effective beginning the 2004 crop year).

- C *Pennsylvania Specialty Crops Survey* (Pennsylvania State University) - The purpose of this project is to identify the potential market for specialty crop insurance and provide the data necessary to evaluate options for new or modified insurance programs to meet the needs of specialty crop producers. The project promotes the purpose of section 522(d)(1) of the Act as amended by ARPA; that is, to increase the availability of loss mitigation, financial, and other risk management tools for producers of agricultural commodities covered by section 196 of the Agricultural Market Transition Act (7 U.S.C. 7333), specialty crops, and underserved agricultural commodities. Through this partnership with researchers at Penn State University, specialty crops producers were contacted to determine how crop insurance programs could be designed to better meet their needs. Results of the survey are being analyzed and are expected the second quarter of FY 2003.
- C *Performance-based Premium Rate Discount Report* (GovWorks/Sumaria) - The purpose of this project is to examine, develop, and evaluate the effect of good experience discounts on RMA program loss experience and producer participation. The project promotes the purpose of section 508(d)(3) of the Act; that is, to provide a performance- based premium discount for a producer of an agricultural commodity who has good insurance or production experience relative to other producers of that agricultural commodity in the same area. Work continues on this project.
- C *Production Input Expenditures Study for Existing RMA Policies* (University of California) - The purpose of this project is to develop a methodology for determining and updating production input expenditure data for certain crops, particularly specialty crops, to facilitate the research and development of new and modified risk management products for producers. The project promotes the purpose of section 522(d)(1) of the Act as amended by ARPA; that is, to increase the availability of loss mitigation, financial, and other risk management tools for producers of agricultural commodities covered by section 196 of the Agricultural Market Transition Act (7 U.S.C. 7333), specialty crops, and underserved agricultural commodities. The major use of the data will be to update crop budget information for current Dollar Plan crops. The study is scheduled for completion in August 2003.
- C *Revenue Insurance for Cattle and Hog Producers* (Iowa State University) - The purpose of this project is to research the feasibility to provide beef cattle and hog risk management tools and the relative desirability of these tools. The project promotes the purpose of section 523(b)(2) of the Act as amended by ARPA; that is, to evaluate the effectiveness of risk management tools for livestock producers, including the use of futures and options contracts and policies and plans of insurance that protect the interests of livestock producers and that provide livestock producers with reasonable protection from the financial risks of price or income fluctuations inherent in the production and marketing of livestock. Work continues on this project.

- C *Sweetpotato Pilot Evaluation Feedback and Issues Report* (GovWorks/North Carolina A&T) - The purpose of this project is to evaluate a pilot crop insurance program as required under section 523(a)(5)(A) and (B) of the Act as amended by ARPA. The evaluation process is one of the key steps in the research and development process for a specialty crop pilot program consistent with section 522 (c)(1) and 523(a)(1) of the Act. The feedback and issues report was completed and an evaluation contract is being awarded through GovWorks.

- C *Value Enhanced Products Research Report* (USDA, Economic Research Service) - The purpose of this project is to address identity-preserved and other value-enhanced products including specialty grains, and/or to recommend actions to ensure that risk management programs appropriately address the needs of producers (including the possible use of Written Agreements to modify price elections). Work continues on this project.

- C *Wild Salmon Feasibility Study* (CSREES/Univ. of Alaska, Fairbanks) - The purpose of this project was to research the feasibility to develop a risk management strategy for wild sockeye salmon that addresses the economic needs of Bristol Bay fishermen. The feasibility study was completed, and generally indicated that developing a wild salmon crop insurance program for Bristol Bay is not feasible. RMA is currently evaluating the potential for other risk management alternatives to mitigate the risks faced in the wild salmon industry.

Projects Initiated During FY 2002

Contracting and Partnership Vehicles: Various contracting and partnership vehicles were used to initiate approximately 40 new research and development projects during FY 2002. As in FY 2001, a number of projects were initiated through the Base Research and Development Contract pool. Other projects were initiated as partnerships or contracts through other procurement vehicles, one of which began as a Request for Applications (RFA) described below.

Product Portfolio Study: The FCIC Board of Directors (Board) in their September 19, 2002 meeting, authorized the FCIC Manager to take such action as necessary to enter into and execute contracts with certain expert reviewers or alternates in case the proposed persons are not available, to review the FCIC product portfolio. The objective of this review is to assist RMA and the Board in the design and implementation of a comprehensive review of the FCIC existing and anticipated product portfolio to help the Board ensure that:

- C Producers' needs are being adequately and appropriately addressed;
- C FCIC and insurance company involvement in the assumption of risks for such products meets overall program objectives, guidelines, and legal requirements; and
- C the pattern and pace of future product development are managed in a strategic framework that reflects public policy priorities expressed by Congress and the Secretary of Agriculture, producer needs, and agency and delivery system resource constraints.

FY 2002 Partnership Agreements for Objectives in Section 522(d)(3) of the FCI Act. On July 1,

2002, RMA published in the *Federal Register* a Request for Applications (RFA): Research Partnerships for Risk Management Development and Implementation announcing the availability of funds for partnership agreements that will fund risk management research and development activities. Priority is given to those activities addressing the need for risk management tools for producers of Noninsured Crop Disaster Assistance Program (NAP) crops, specialty crops, and underserved commodities. Awards, on a competitive basis, may be for a period of up to 2 years. The objectives of the partnerships as defined in section 522(d)(3)(A) through (E) and (G) of the FCI Act are to:

- C Enhance the notice and timeliness of notice of weather conditions that could negatively affect crop yields, quality, and final product use in order to allow producers to take preventive actions to increase end product profitability and marketability and to reduce the possibility of crop insurance claims;
- C Develop a multifaceted approach to pest management and fertilization to decrease inputs, decrease environmental exposure, and increase application efficiency;
- C Develop or improve techniques for planning, breeding, planting, growing, maintaining, harvesting, storing, shipping, and marketing that will address quality and quantity challenges associated with year-to-year and regional variations;
- C Clarify labor requirements and assist producers in complying with requirements to better meet the physically intense and time-compressed planting, tending, and harvesting requirements associated with the production of specialty crops and underserved agricultural commodities;
- C Provide assistance to State foresters or equivalent officials for the prescribed use of burning on private forest land for the prevention, control, and suppression of fire; and
- C Develop other risk management tools to further increase economic and production stability.

Listed below are the partners who were awarded projects under this RFA during FY 2002, followed by a brief description of the project.

- C AgriLogic, Inc.:
 - o Develop a comprehensive set of decision support tools (InsuranceVision) designed to assist producers in selecting the most effective risk management strategies.
 - o Develop an Internet-based burning risk advisory system using biophysical vegetation models, near real-time weather, and greenness indices.
 - o Generate the necessary data and information to analyze and evaluate risk management options for the apiculture industry and, if feasible, develop a risk management program.
 - o Generate the necessary data and information to analyze and evaluate risk management options for producers of triticale and, if feasible, develop a risk management program.
- C Board of Regents, University of Nebraska – Lincoln - Develop a climate and soil hazard information system that incorporates all components of agricultural landscapes with an array of climate analysis and forecast tools so producers will have the capability to analyze potential risks to crops and livestock.

- C Georgia Organics, Inc. - Compare and contrast direct marketing strategies for organic producers and develop a tool that can be used to select the best strategy in production areas to reduce income variation.
- C Iowa Department of Natural Resources Bureau of Forestry - If feasible, prevent, control, and suppress wildfires through the development of an insurance product that reduces the liability of private contractors and non-governmental organizations when conducting prescribed fires on private forest land.
- C Iowa State University - Examine the use of weather station data to create yield insurance for underserved commodities and, if feasible, develop a risk management program.
- C North-South Institute - Establish two agricultural labor cooperatives that can serve as operational risk management tools for limited-resource and small family farms in selected areas of Mississippi and Florida.
- C Rutgers, The State University of New Jersey - Evaluate the feasibility of weather insurance for noninsured and specialty crops and, if feasible, develop a web-based weather risk management tool.
- C Science Applications International Corporation - Develop an understanding of potential bioterrorist threats at different points in the food chain and the implications on the farming sector and, if feasible, provide interim solutions such as the development of an insurance program.
- C Texas Tech University - Determine the feasibility of and if feasible, develop a financial derivative product specifically designed to protect against the uncertainty of season-average prices.
- C University of Florida - Develop decision aids and tools to assess climate-related economic risks in peanut and tomato production systems; develop a wildfire risk forecast system; and develop a decision aid to reduce fertilizer use and environmental exposure in potato crops.
- C University of Georgia Research Foundation, Inc. - Develop a risk management system based on an Artificial Neural Network designed to utilize short-term weather data to predict frost and reduce risk for horticultural crop producers, especially fruit crops, in the southeastern U.S.
- C University of Idaho - Develop a web-based software tool that can be used by potato growers, water managers, and risk management personnel to reduce exposure to drought risk in potato cropping systems.

FY 2002 Program Development Projects

- C *Hawaii Tropical Fruits and Trees Pilot Program Development* - This project follows

research conducted as a result of a project awarded during FY 2001. The project was awarded to AgriLogic in September 2002.

- C *Nursery Program Plant List Research, Updating, and Revisions* - The purpose of these projects is to update and expand the nursery eligible plant list for the 2004 crop year, to review and revise winter storage requirements as needed, and to address other nursery issues. A contract was awarded to DataScape, LLC, which is currently entering plant and wholesale price data into the Eligible Plant List database.
- C *Silage Sorghum Pilot Program Research and Development* - The purpose of this project is to research and develop a silage sorghum pilot program for producers who grow a dual-purpose sorghum for harvest as silage. The project was awarded to Watts and Associates, Inc., September 16, 2002.

FY 2002 Feasibility Studies and Research Reports. The following projects were awarded during FY 2002, and are primarily conducted as feasibility studies or research reports.

- C *Biomass (Feasibility Study)* - The purpose of this project is to conduct a feasibility study of biomass issues affecting producers and crop insurance programs, and appropriate products to address identified needs. This project was awarded to National Crop Insurance Services on September 16, 2002, as a task order under the R&D Pool Contract.
- C *Buckwheat Loss Appraisal Methods and LASH Modifications* - The purpose of this project is to research and develop buckwheat loss adjustment appraisal methods and revisions to the Loss Adjustment Standards Handbooks for buckwheat. This project was awarded to American Agrisure September 5, 2002, as a task order under the R&D Pool Contract.
- C *Changes to the Pilot Fresh Market Snap Bean Crop Insurance Program (Internal)* - The purpose of this project was to obtain input from fresh market snap bean producers and producer groups in the pilot program States to determine the need and feasibility of either modifying the current crop insurance program or offering an alternative fresh market bean crop insurance program that would increase participation. Changes that were implemented for the 2002 crop year include:
 - Adding stage guarantee language for loss adjustment to be consistent with other Dollar Plans of insurance. The stage guarantee compensates the producer for crop losses based on the crop's stage of development as determined by the number of days after planting;
 - Adding new requirements to insurable acreage. The new requirements allow the insured the option to replant the damaged acreage and collect a replanting payment or not to replant and receive an indemnity based on the stage of growth the plant attained at the time of damage;
 - Removing the Spring Planting Period for Florida and modifying language to accommodate planting period differences among Florida, North Carolina, and Virginia;
 - Adding replanting payment provisions to allow for replanting payments in accordance

- with section 13 of the Common Crop Insurance Policy Basic Provisions; and
- Modifying the minimum value option provisions to allow for modifications to the minimum values in the Special Provisions of Insurance documents.

The Miami-Dade County program in Florida makes up approximately 87 percent of acreage in the pilot program. Policies sold have increased by approximately 20 percent each year from 2000 through 2002. Net acreage insured has increased approximately 64 percent for the 2002 crop year.

- C *Direct Marketing of Perishable Crops* - The purpose of this project is to conduct research and develop recommendations regarding the handling of direct marketing under existing crop insurance programs; and, if appropriate, the research and development of a pilot program to address the specific needs of producers who market their crops directly to the consumer. An FY 2002 GovWorks contract was awarded.
- C *Dry Bean Appraisals - Beans per Plant by Variety* - The purpose of this project is to study possibilities for improving dry bean appraisals for use in the crop insurance program. A contract is being awarded through GovWorks for FY 2002.
- C *Expanding Crop Insurance Coverage to Include Federal Agency Actions* - The purpose of this project is to study the feasibility of expanding eligibility for crop insurance under the FCI Act and noninsured crop assistance under the FAIR Act to agricultural producers experiencing disaster conditions caused primarily by Federal agency action restricting access to irrigation water, including any lack of access to an adequate supply of water caused by failure of the Secretary of the Interior to fulfill a contract in accordance with the Central Valley Project Improvement Act. RMA entered into an agreement with the Economic Research Service (ERS), USDA, on August 14, 2002, to conduct this study.
- C *Lawn Seed Pilot Program - Feasibility Study* - The purpose of this project is to conduct research and provide RMA a research report on the feasibility of a pilot program to provide lawn seed producers a risk management tool to address their needs. A contract is being awarded through GovWorks for FY 2002.
- C *Livestock Disease Risk Management Tools - Research Report* - The purpose of this project is to conduct research and provide RMA a research report providing basic supporting information to facilitate developing disease risk management tools for livestock and poultry producers. An Economy Act Agreement was awarded to the Animal and Plant Health Inspection Service (APHIS), USDA, and work is continuing on this project.
- C *Livestock Risk Management Tools - Feasibility Study* - The purpose of this project is to study the feasibility of developing risk management tools for livestock producers (poultry [chicken broilers and layers], dairy, sheep, and lambs.) This task order was awarded to Watts and Associates in September 2002.
- C *Risk Management Stabilization Accounts - Feasibility Study* - The purpose of this project is to conduct research and provide RMA a research report on the feasibility of a program to provide producers risk management stabilization accounts to enable them to manage or

mitigate production or income losses, with priority consideration for producers growing agricultural commodities for which no Federal crop insurance program is available. This project was awarded to the Economic Research Service (ERS), USDA late in FY 2002. ERS representatives met with RMA representatives on September 20, 2002, to discuss issues and approaches for this research.

- C *Tree, Vine, and Bush Replacement Program - Feasibility Study* - The purpose of this project is to conduct research and provide RMA a research report on the potential research and development of a tree, vine, and bush replacement program as an option for growers of grapes, citrus, tree fruit, nut, kiwi, blueberries, and other high-value, permanent crops. This task order was awarded to AgriLogic on September 26, 2002.

FY 2002 Pilot Program Evaluation Projects.

- C *Program Evaluations for the following Pilot Crop Insurance Programs:*
The purpose of these projects is to conduct evaluations or evaluation reports from the previous year's evaluation, on pilot crop insurance programs. RMA will then use this information and the recommendations to determine whether to modify the programs, convert the programs to permanent program status, or take other actions determined appropriate based on the results of each evaluation and subsequent report.
- *Avocado APH Evaluation* - This internal evaluation is expected to be completed early in FY 2003.
 - *Cherry Evaluation* - A contract was forwarded to GovWorks in August 2002, with award to be made for FY 2002.
 - *Crambe Evaluation* - Completion of this internal evaluation is expected early in FY 2003.
 - *Florida Fruit Tree (and Avocado/Mango Tree) Pilot Research and Modifications* - This task order was awarded to AgriLogic in September 2002.
 - *Mustard Evaluation (Internal)* - Completion of this internal evaluation is expected early in FY 2003.
 - *Pecans (Evaluation report from previous year's evaluation)* - This internal evaluation is complete. On September 19, 2002, the FCIC Board of Directors approved expansion into 79 additional counties in Georgia for the 2003 crop year and conversion of the pilot program to permanent status as soon as the regulatory process to convert the pilot program is complete (expected to be effective beginning the 2004 crop year).
 - *Rangeland GRP Evaluation* - This project was awarded to Watts and Associates, Inc. on September 23, 2002, as a task order under the R&D Pool Contract.
 - *Squash and Pumpkin Evaluation* - A contract is being awarded through GovWorks for FY 2002.
 - *Sweetpotato (Evaluation report from previous year's evaluation)* - A contract was forwarded to GovWorks September 19, 2002, and is being awarded for FY 2002.
 - *Wild Rice Evaluation* - A contract is being awarded through GovWorks for FY 2002.

FY 2002 Permanent Program Evaluation Projects.

- C *Quality Review of Dry Bean and Sugar Beet Crop Insurance Policies* - The purpose of this task order is to review the existing dry bean and sugar beet crop insurance policies to identify potential vulnerabilities and weaknesses to help limit exposure to fraud, waste and abuse. A contract was forwarded to GovWorks for award in FY 2002.

- C *Quality Review of Specialty Crop Policies* - The purpose of this task order is to review the existing almond, apple, fig, and pear crop insurance policies to identify potential vulnerabilities and weaknesses to help limit exposure to fraud, waste and abuse. A contract was forwarded to GovWorks for award in FY 2002.

New Pilot Programs Introduced Beginning the 2002 Crop Year

Effective beginning the 2002 crop year, RMA implemented a Pilot Raspberry/Blackberry Crop Insurance program and a Pilot Forage Seed (Alfalfa) Crop Insurance program. The following program participation information was taken from RMA's weekly Summary of Business report, as of September 30, 2002. Current information on the participation by producers in these and other programs can be obtained from the RMA web site under Participation Data, as indicated in the Public Awareness and Input of Producers and Organizations section at the end of this report.

The Pilot Raspberry/Blackberry Crop Insurance program was initiated in the following seven counties in California, Oregon, and Washington:

- California - Monterey and Santa Cruz Counties;
- Oregon - Clackamas, Marion, and Multnomah Counties;
- Washington - Clark and Cowlitz Counties.

Pilot Raspberry/Blackberry Crop Insurance program participation (2002 crop year):

Policies Sold	Policies Earning Premium	Units Earning Premium	Net Acres Insured	Liability	Premium	Loss Ratio
27	25	27	1,710	\$1,094,225	\$75,940	0.00

The Pilot Forage Seed (Alfalfa) Crop Insurance program was initiated in the following 10 counties in California, Idaho, Montana, Nevada, Oregon, Washington, and Wyoming:

- California - Kings County;
- Idaho - Owyhee County;
- Montana - Big Horn County;
- Nevada - Humboldt and Pershing Counties;

- Oregon - Malheur County;
- Washington - Grant and Walla Walla Counties;
- Wyoming - Big Horn and Park Counties.

Pilot Forage Seed (Alfalfa) Crop Insurance program participation (2002 crop year):

Policies Sold	Policies Earning Premium	Units Earning Premium	Net Acres Insured	Liability	Premium	Loss Ratio
106	62	172	10,394	\$5,174,196	\$385,589	0.00

Conversion and Expansion of the Pilot Millet Crop Insurance Program

Effective beginning the 2003 crop year, the Pilot Millet Crop Insurance Program is being converted to permanent program status and expanded from 5 counties to 55 counties in Colorado, Nebraska, North Dakota, and South Dakota.

The five original counties for the pilot program were Logan County, Colorado; Cheyenne and Deuel Counties, Nebraska; Dickey County, North Dakota; and Bennett County, South Dakota.

The 50 expansion counties for millet are:

Colorado: Adams, Arapahoe, Cheyenne, Denver, Elbert, Kiowa, Kit Carson, Lincoln, Morgan, Phillips, Sedgwick, Washington, Weld, and Yuma Counties;

Nebraska: Banner, Box Butte, Chase, Dawes, Garden, Keith, Kimball, Morrill, Perkins, Scotts Bluff, and Sheridan Counties;

North Dakota: Sargent County; and

South Dakota: Beadle, Corson, Day, Dewey, Faulk, Gregory, Haakon, Hand, Hughes, Hyde, Jackson, Jones, Lyman, Meade, Mellette, Pennington, Perkins, Shannon, Spink, Stanley, Sully, Todd, Tripp, and Ziebach Counties.

With conversion of the pilot program to permanent program status, producers in the above 55 counties will be able to insure their millet crop under the Millet Crop Insurance Program through the actuarial documents being made available for their county, provided the producers meet the policy eligibility requirements. Producers in counties other than the 55 insurable counties will now be able to insure their crop through a written agreement as a result of the permanent program status, provided the policy eligibility requirements are met. Producers are encouraged to contact their crop insurance agent for appropriate details.

RMA's Administrator provided a report on the operation of this pilot program to the Congressional Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate in July 2000. In that report, the RMA

Administrator indicated RMA's plan to expand the crop insurance program to include millet as a permanent insurance program. The evaluation, report, and recommendation with respect to implementing pilot programs on a national basis (essentially converting pilot programs to permanent programs and considering expansion into additional areas at that time) is required in section 523(a)(5) of the Act.

Continuation and Conversion of the Pilot Blueberry Insurance Program

On February 7, 2002, the FCIC Board of Directors voted to continue the Pilot Blueberry Crop Insurance program through the 2003 crop year and to convert the program to permanent status effective beginning the 2004 crop year. When the pilot program is converted to permanent status producers in counties without a program in place will be able to insure their crop through a written agreement, provided the policy eligibility requirements are met.

Expansion and Conversion of the Pecan Revenue Pilot Program

A Pecan Revenue Pilot program has been available in Dougherty, Lee, and Mitchell Counties, Georgia since 1998, with 102 policies in force and over \$7.9 million in liability in 2001. The program was evaluated during FY 2001 and 2002. On September 19, 2002, RMA provided a copy of the pilot program evaluation to the FCIC Board of Directors at their meeting in Kansas City, MO. In that meeting the Board approved conversion of the pilot program to permanent status for the 2004 crop year. Based on that decision, the Board then approved expansion of the pilot program into 79 additional counties in Georgia for the 2003 crop year. When the pilot program is converted to permanent status, producers in counties without a program in place will be able to insure their crop through a written agreement, provided the policy eligibility requirements are met.

The expansion counties for pecans in Georgia are 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.

Projects to be Initiated During FY 2003

FY 2003 Program Development Projects. RMA expects to initiate the following projects during FY 2003 as program development projects. The project titles and descriptions may change as the projects are developed. Additional details on these projects are available in a previous section identifying the feasibility studies for the FY referred to by project.

- C *Pasture and Rangeland* - The purpose of this project is to develop risk management tools to meet the needs of producers and ranchers. This project follows research conducted as a result of a project awarded during FY 2001. RMA is proceeding with a program development project to be awarded early in FY 2003. The pasture and rangeland program

being studied is expected to ultimately be widely available in all regions and to more adequately serve the needs of producers by its capability of being tailored to reflect the conditions and needs in local areas. The study indicates that a program using a computer model to compute plant growth is feasible and development will be started. This will not require ranchers to provide extensive records nor involve individual (on-farm) loss adjustment. Payments would be based off the results of the model from the inputs into the model.

- C *Evaluating Possible Changes to the Pilot Cultivated Clam Program* - The purpose of this internal project is to determine appropriate changes to the Pilot Cultivated Clam Program to meet producers' needs. Changes that are under consideration include:
 - Development of a Peak Inventory Endorsement to allow producers to more accurately insure their potential crop;
 - Development of a Replant Endorsement to provide coverage for nursery clams in Florida;
 - Offering proration of premium in conjunction with peak inventory changes through an insurance option; and
 - Changes and additions to policy definitions and insurability requirements.

- C *Livestock Disease* - The purpose of this project is to develop risk management tools for livestock and poultry producers. This project follows research conducted as a result of a project awarded during FY 2002.

- C *Multiple Year Coverage* - The purpose of this project is to develop risk management tools to reduce fraud, waste, and abuse of the crop insurance program. This project follows research conducted as a result of a project awarded during FY 2001.

- C *Nursery Program Plant List Research, Updating, and Revisions* - The purpose of these projects is to update and expand the nursery-eligible plant list for the 2005 crop year, to review and revise winter storage requirements as needed, and to address other nursery issues.

- C *Perennial Pathogen Destruction* - The purpose of this project is to develop risk management tools to meet the needs of producers of perennial crops (crops grown on trees, vines, and bushes) whose crops are impacted by pathogens. This project follows research conducted as a result of a project awarded during FY 2001.

- C *Quarantine Crop Insurance* - The purpose of this project is to develop risk management tools to meet the needs of producers whose crops are impacted by quarantines. This project follows research conducted as a result of a project awarded during FY 2001.

- C *Revenue Coverage* - The purpose of this project is to develop revenue-based risk management tools to meet the needs of producers. This project follows research conducted as a result of a project awarded during FY 2001.

- C *Value-Enhanced Products* - The purpose of this project is to develop risk management tools to address identity-preserved and other value-enhanced products including specialty grains, and/or to implement actions to ensure that risk management programs appropriately address the needs of producers. This project follows research conducted as a result of a project awarded during FY 2001.
- C *Vegetables* - The purpose of this project is to develop risk management tools to meet the needs of producers of fresh vegetables. This project follows research conducted as a result of a project awarded during FY 2001.

FY 2003 Feasibility Studies and other Research and Development Projects. The following projects are expected to be initiated during FY 2003, and may be conducted as feasibility studies or research reports, and may ultimately result in the development of a risk management tool for producers. The scope, title, and description of these projects may change during the project development, award, and implementation process.

- C *Christmas Tree Pilot Program (Feasibility Study)* - The purpose of this project is to conduct research and provide RMA a research report on the feasibility of a pilot program to provide Christmas tree producers a risk management tool to address their needs. Proposals for this project were received from the R&D Contract Pool and the task order is to be awarded early in FY 2003.
- C *Melon Pilot Program (Feasibility Study)* - The purpose of this project is to conduct research and provide RMA a research report on the feasibility of the research and development of a pilot program to provide melon producers a risk management tool to address their needs, with consideration given to experience gained and comments received on the suspended watermelon pilot program. A contract has been developed and is in the process of being awarded.
- C *Program Development Methodology for Small-Value Crops* - The purpose of this project is to conduct research and develop a methodology for developing risk management tools economically and efficiently to address the specific needs of producers who grow small-value crops for which developmental costs are generally considered high in relation to the expected value of the crops (including the use of rates for one crop to rate another crop).
- C *Research Report Sesame, Hybrid Sunflower Seed, Emmer and Spelt Crop Insurance Programs (Feasibility Study)* - The purpose of this project is to conduct research and provide RMA a research report on the feasibility of a pilot program to provide sesame, hybrid sunflower seed, emmer, and spelt producers a risk management tool to address their needs.
- C *Risk Management Crop Storage Options (Feasibility Study)* - The purpose of this project is to determine the need and direction of research and potential development of an insurance product that provides protection for producer-owned apple, onion, sugar beet, and sweetpotato crops during storage. This project was initiated in response to section 10001 of the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) that authorized insurance coverage for sweetpotatoes beyond the time the insured crop is in

the field.

- C *Vegetable and Flower Seed Pilot Program (Feasibility Study)* - The purpose of this project is to conduct research and provide RMA a research report on the feasibility of a pilot program to provide vegetable and flower seed producers a risk management tool to address their needs.

FY 2003 Program Evaluation Projects.

- C *Evaluation of Pilot Crop Insurance Programs.* The purpose of these projects is to conduct evaluations, or evaluation reports from the previous year's evaluation, on pilot crop insurance programs. RMA will then use this information and the recommendations to determine whether to modify the programs, convert the programs to permanent program status, or take other actions determined appropriate based on the results of each evaluation and subsequent report.

- Avocado Revenue
- Cabbage
- Coverage Enhancement Option
- Income Protection (Evaluation report from previous year's evaluation)
- Mint
- Onion Pilot Stage Removal Option
- Processing Chile Pepper
- Processing Cucumber
- Strawberry

FY 2003 Partnership Agreements for Objectives in Section 522(d)(3) of the FCI Act. The purpose of these projects is to carry out the objectives stated in Section 522(d)(3)(A) through (E) and (G) of the FCI Act as described earlier in the section Projects Initiated During FY 2002. Since this process is initiated by a Request for Applications, it is unknown what specific projects may be pursued. However, it is envisioned these projects will be consistent with the Product Portfolio Study initiated in FY 2002.

PROGRAM EXPANSION PLANS BEYOND FY 2003

Introduction

Program expansion consists of two distinct processes: (a) expanding existing (permanent or pilot) crop policies into new areas and (b) developing new crop programs or risk management strategies.

For the 2003 crop year, crop insurance is offered on 88 different agricultural commodities, as shown in the Appendix ¹. This represents more than 350 commodity types in RMA's database. The crops for which insurance is offered for the 2003 crop year represent approximately 88 percent of the commercial value of all crops grown in the United States (scoring a crop at 100 percent of the nationwide value for that crop if a program is available, regardless of the extent of its availability).

During the 2002 crop year, crop programs were offered for 38,454 county/crop combinations, plus approximately 3,000 county/crop programs for nursery insurance.

RMA is aggressively continuing its efforts toward new program research and expansion. Specific projects currently at the forefront of the schedule for new program development are listed below. Some projects depend on the studies or other work conducted during a previous fiscal year. There is no guarantee that the projects will be awarded, when they will be initiated, or that the contractor or partner who worked on the related project a previous fiscal year will be awarded the project. It is anticipated that a number of pilot programs under research and development during FY 2004 and 2005 will be implemented by RMA and its private sector partners as risk management programs for producers effective beginning the 2006 through 2009 crop years, pending feasibility studies, development activities, and related issues. While it is difficult to predict the specific crop year and locations for which a project or program may be initiated, RMA updates a number of reports, including this report, to identify the status of program development as the process moves forward.

Program Research and Development Plans for FY 2004

Feasibility studies are tentatively planned to begin during FY 2004 for the following programs:

- C Bulbs, Corms, Tubers, and Rhizomes
- C Cost of Production Programs for Additional Crops (depending upon the success of previous efforts)
- C Fresh Cucumbers

¹Crops can be counted in a number of different ways. The number reported here is based on an aggregated method for some crops such as grapes (with all varieties counted as one crop, except that the wine grape (grape) and table grape programs are counted separately). Likewise, nursery includes virtually thousands of insurable plant species, but is counted as one crop. However, types of citrus (for example, oranges, grapefruit, lemons) and stonefruit (that is, apricots, nectarines, and peaches) are each counted as a crop.

- C Greenhouse Vegetables
- C Hazelnuts
- C Herbs
- C Olives
- C Processing Carrots
- C Radishes

Program development projects are tentatively planned to begin during FY 2004 for the following programs:

- C Acts of Terrorism
- C Apiculture (Bees and Honey)
- C Biomass
- C Crop Storage Options
- C Direct Marketing of Perishable Agricultural Commodities
- C Expanding Crop Insurance Coverage to Include Federal Agency Actions
- C Lawn Seed
- C Livestock Risk Management Tools
- C Melons
- C Organics
- C Risk Management Stabilization Accounts
- C Sesame, Hybrid Sunflower Seed, Spelt, Emmer, and Minor Grains
- C Tree, Vine, and Bush Replacement Program
- C Triticale
- C Vegetable and Flower Seed

Program Evaluation Plans for FY 2004

RMA plans to conduct pilot program evaluations during FY 2004 for the following pilot programs:

- C Adjusted Gross Revenue (AGR)
- C Apple Quality Option
- C Citrus Dollar (Navel Oranges)
- C Cultivated Clams (possibly FY 2005, due to program changes being considered)
- C Fresh Market Beans (possibly FY 2005, due to program changes implemented for the 2002 crop year)

Program Research and Development Plans for FY 2005

Feasibility studies are tentatively planned to begin during FY 2005 for the following programs:

- C Brussels Sprouts
- C Eggplant
- C Pod Peas
- C Processing Broccoli

Program development projects are tentatively planned to begin during FY 2005 for the following

programs:

- C Chicory and Kiwifruit
- C Cost of Production Programs for Additional Crops (depending upon the success of previous efforts)
- C Fresh Cucumbers
- C Greenhouse Vegetables
- C Processing Carrots
- C Radishes
- C Specific Weather Peril Insurance

Program Evaluation Plans for FY 2005

RMA plans to conduct a pilot program evaluation during FY 2005 for the Raspberry/Blackberry Pilot Crop Insurance Program. Additional program evaluations are possible as a result of the Product Portfolio Study initiated during FY 2002 or as a result of other activities or requests.

THE FARM SECURITY AND RURAL INVESTMENT ACT OF 2002

Introduction and Background

The Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) was enacted in May 2002 and included provisions specific to crop insurance and risk management programs for specialty crop producers. Following are details on major provisions most directly related to the Federal Crop Insurance program and the Risk Management Agency.

Risk Management Provisions Impacting Specialty Crop Producers

Equal Crop Insurance Treatment of Potatoes and Sweetpotatoes. (Section 10001) - This section authorizes crop insurance coverage for sweetpotatoes to continue beyond the time the insured crop is in the field (essentially authorizing insurance of the crop while in storage). RMA is contracting for a study to determine the need and direction of research and potential development of an insurance product that provides protection for producer-owned apple, onion, sugar beet, and sweetpotato crops during storage. The feasibility study is to be awarded early in FY 2003.

Adjusted Gross Revenue Insurance Pilot Program Expansion. (Section 10004) - The Adjusted Gross Revenue (AGR) program is being expanded to eight counties each in California and Pennsylvania for the 2003 and following insurance years. California counties included in the expansion are Fresno, Kern, Riverside, San Diego, San Joaquin, San Luis Obispo, Tulare, and Ventura. Pennsylvania counties included in the expansion are Crawford, Columbia, Erie, Fayette, Lancaster, Schuylkill, Westmoreland, and York. The AGR pilot program, which was significantly changed in 2001, will now be available in 18 States and 230 counties. AGR protects the revenue derived from the sale of various agricultural commodities under one policy, and includes crops for which a Federal crop insurance program is not otherwise available.

Sense of Congress on Expansion of Crop Insurance Coverage. (Section 10005) - This provision states Congress' intent that the Federal Crop Insurance Corporation should address the needs of producers by expanding pilot programs and coverage under the Federal Crop Insurance Act, in general, but specifically including crop revenue insurance for producers of pecans in the State of Georgia. A Pecan Revenue Pilot program has been available in Dougherty, Lee, and Mitchell Counties, Georgia since 1998, with 102 policies in force and over \$7.9 million in liability in 2001. The program was evaluated during FY 2001 and 2002. On September 19, 2002, the FCIC Board of Directors approved expansion of the pilot program into 79 additional counties in Georgia for the 2003 crop year and conversion of the pilot program to permanent status for the 2004 crop year. The expansion counties are identified at the end of the section on FY 2002.

Report on Specialty Crop Insurance. (Section 10006) - This provision requires the Secretary of Agriculture to submit to the House and Senate Ag Committees not later than 180 days after the date of enactment of the Act (not later than November 9, 2002), a report that describes (1) the progress made by the FCIC in research and development of innovative risk management products to include cost of production (COP) insurance for specialty crops, with special attention to 31 named crops; and (2) the progress made by the FCIC in increasing the use of FCIC's risk management products by producers of specialty crops, by small- and moderate-sized farms, and in areas that are underserved. The requirement for the submission of this new one-time report is

different from the requirement for the annual report submitted herein. RMA is preparing the one-time report for submission to Congress.

Although 21 of the 31 named crops are currently insured (8 are pilot programs), they are not covered by a program specifically designed as COP insurance. Six of the remaining 10 named crops are at the forefront of the Corporation's research and development priorities, with projects underway or planned for awarding during FY 2003. (However, there is no guarantee that a COP program is what the producers are interested in or that such a program is feasible.) A seventh crop, eggplant, is tentatively planned for study during FY 2005.

Three named crops (wild blueberries, carrots, and mushrooms) remain. RMA plans to assess the interest in a wild blueberry program before entering into a contract or partnership; carrots were studied during FY 2001 and are not likely to be recommended to proceed to the development stage; and mushrooms have not been moved higher on the priority list due to insufficient interest in a program by the mushroom industry.

A COP insurance concept is currently being researched and developed by AgriLogic, Inc., one of the contractors in the FCIC's research and development pool of contractors under an umbrella contract implemented in 2001. Cotton is the first of 12 crops to be researched and developed by AgriLogic under their contract task order. All 12 crops are currently insured under other crop insurance models, making some of the program development activities easier than would be the case for previously uninsured crops. In the research and development of previously uninsured crops, new issues and problems are likely to surface, generally making the process significantly more difficult. Specialty crops included in the 12 crops currently being researched and developed by AgriLogic are almonds, apricots, cranberries, nectarines, onions, and peaches. On October 22, 2002, the FCIC Board of Directors tabled a docket that would have authorized implementation of a Cotton Cost of Production Pilot Crop-Revenue plan of insurance pending resolution of issues raised by expert reviewers, Risk Management Agency, Office of the General Counsel, and the Board. Additional work remains to be completed before a program will be available to producers.

Study of Feasibility of Producer Indemnification from Government-caused Disasters. (Section 10108) - This provision requires the Secretary of Agriculture to study the feasibility of expanding eligibility for crop insurance under the FCI Act and noninsured crop assistance under the FAIR Act to agricultural producers experiencing disaster conditions caused primarily by Federal agency action restricting access to irrigation water, including any lack of access to an adequate supply of water caused by failure by the Secretary of the Interior to fulfill a contract in accordance with the Central Valley Project Improvement Act. The Secretary is to submit to the House and Senate Ag Committees a report that describes the results of the study, including any recommendations. On August 14, 2002, RMA entered into an agreement with the Economic Research Service (ERS) to conduct this study. The ERS agreement calls for a draft written report to be presented to RMA followed by a final written report due to RMA 1 month after ERS receipt of comments on the draft report. The final written report will be the basis for RMA's submission to Congress through the Secretary.

PUBLIC AWARENESS AND INPUT OF PRODUCERS AND ORGANIZATIONS

Internet Web Sites

RMA's Internet home page is devoted to making it easier for producers and other customers to access crop insurance data and materials related to the Agency's work. As the web site is subject to change, web site location references below are likewise subject to change. A vast amount of information exists on RMA's web site, and interested parties are encouraged to explore and utilize the available information. The following is a sample of the information provided via the web site at <http://www.rma.usda.gov>.

Actuarial Information

Agent Locator

Events/Calendar

Crop Policies

Crop Weather

Participation Data

Pilot Programs

Feasibility studies (Under Pilot Programs/Archives)

Publications, including:

- FCIC Board Briefs and Manager's reports
- Summary of Business reports (Under Participation Data)
- County Crop Program Listings (Under Participation Data)
- Manager's Bulletins
- Research and Development Bulletins

In some cases, the contractors and partners working on the specific program research, development, and evaluation projects maintain updated information on their projects through their web sites. As a general rule, the organization that was awarded the project is listed in this report.

Risk Management Education

FY 2001 Risk Management Education activities. RMA established a number of risk management education programs for specialty crop producers during FY 2001 through partnership agreements with State departments of agriculture, universities, and grower organizations. These programs, authorized in sections 522(d) and (e) of the Federal Crop Insurance Act, essentially provided planning, organization, and delivery of risk management education and information to specialty crop producers in a number of States. Topics included survival strategies, risk management opportunities for alternative crops, risk analysis and decision support skills to help producers manage risks inherent in agriculture, and other general agricultural risk management issues and opportunities.

FY 2002 Risk Management Education Projects. For FY 2002, RMA expanded its educational efforts directed to specialty crop producers. The Agency announced the availability of funds for risk management education partnerships, with a priority for programs reaching producers of commodities not currently covered by crop insurance, specialty crops, and underserved commodities. In response to this announcement, RMA received 101 applications requesting \$5.6 million to help RMA deliver risk management education to producers. An evaluation panel selected the 72 most meritorious proposals, and RMA will use approximately \$3.7 million to fund

these projects. Many of the funded partnerships will specifically target specialty crop producers during FY 2002. Some of the projects build on risk management education efforts for specialty crops from FY 2001. These projects are authorized by sections 522(d) and (e) of the Federal Crop Insurance Act. The FY 2002 Risk Management Education projects listed in this report in general include risk management education programs for small and limited-resource farmers, livestock and specialty crop producers, underserved producers including minority operators, and other socially disadvantaged operators. These producer education and information sessions and publications address a number of specific topics that are categorized under two general themes below.

C Availability and usage of risk management opportunities and tools:

- Aquaculture processing, direct sales, and marketing techniques
- Contract production
- Crop insurance and non-insured disaster assistance program (NAP)
- Crop production and harvest timing strategies to manage risk
- Enterprise budgets and market analysis usage to reduce risk through the production of alternative specialty crops
- Enterprise diversification
- Futures markets
- Information on specific risk management tools to best fit producers' needs, how the tools operate, and where to obtain them
- Localized risk management decision analysis using computers and other risk management decision-analysis tools
- Marketing specialty crop and aquaculture products to institutional buyers to mitigate risk
- Optimal crop-mix decisions

C General risk management education and information topics and issues:

- Agribusiness management
- Agronomic, economic, and regulatory information regarding canola and wild rice production practices
- Economic concepts (introductory training)
- Estate planning
- Farm enterprise evolution and individual expertise enhancement in a time of dynamic change in agriculture
- Farm food safety risks (understanding and managing those risks)
- Forestry issues
- Garden center management for nurserymen and growers
- Global risks
- Greenhouse tomato production, disease and pest control, economic risks, marketing risk, and environmental considerations
- Landscape design and management
- Marketing risk (general topics)
- National retail risks
- Nursery and landscape industry alternative production, marketing risk, financial risk,

- and health and safety risk
- Organic production transition through knowledge and exposure to agricultural research and statistics
- Sunflower irrigation information and training
- Value-added agriculture related products
- Wholesale marketing risks

Targeted areas for these programs include Alabama, Arizona, Arkansas, California, Connecticut, Florida, Georgia, High Plains States, Iowa, Kentucky, Louisiana, Maryland, Midwest States, Minnesota, Mississippi, Missouri, Nevada, North Carolina, Northeastern States, Oklahoma, Oregon, Puerto Rico, South Carolina, Southeastern States, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, and other States adjacent to those above.

In addition, RMA administered two other educational programs that benefited specialty crop producers during FY 2002. The first was authorized in ARPA as an amendment to section 524(a)(2) of the Act. This program establishes crop insurance education and information programs in States in which crop insurance participation has been historically low. Most of these 15 States have a relatively high percentage of specialty crop production. Currently, RMA is implementing this program by establishing partnerships with State departments of agriculture, universities, and others in underserved States.

Another RMA program to benefit specialty crop producers in the 15 underserved States is the Agricultural Management Assistance (AMA) program. RMA administers this program in collaboration with Natural Resources Conservation Service and Agricultural Marketing Service. RMA's contribution to AMA is through assistance to producers in the purchase of Adjusted Gross Revenue (AGR) insurance, a product particularly well suited for diversified specialty crop producers. It guarantees a revenue level for the whole farm, and rewards more diversified farmers with higher coverage levels and smaller insurance premiums.

The FCIC Board of Directors authorized expansion of the AGR program into eight counties each in California and Pennsylvania for the 2003 and subsequent crop years. California counties included in the expansion are Fresno, Kern, Riverside, San Diego, San Joaquin, San Luis Obispo, Tulare, and Ventura. Pennsylvania counties included in the expansion are Crawford, Columbia, Erie, Fayette, Lancaster, Schuylkill, Westmoreland, and York. Introduced into 36 counties in 5 States in 1999, the program is now available in 230 counties in 18 States.

RMA Community Outreach

The RMA is funding 46 outreach projects for FY 2002 totaling over \$3 million in approximately 30 States. Through these partnership projects, women, limited-resource, and other traditionally underserved agricultural producers will receive program technical assistance and training on the availability and use of risk management tools to improve their economic viability. Partners include 1890, 1994, and 1862 land-grant universities; Hispanic Serving Institutions (HSIs); and community-based and other State organizations serving women, limited-resource, and other traditionally underserved farmers and ranchers.

Consultations with Producers and Producer Groups

To encourage wide participation and input from producers and other outside organizations, RMA seeks their input through consultation memos sent to major organizations and producers who may be impacted by the program under consideration. In addition, contractors and partners hold listening sessions with producers, producer groups, and insurance company representatives as a program is being studied, as recommendations are being developed, and again when alternatives are being considered. RMA Regional Offices also serve as a local contact point for such activities to ensure that local issues, concerns, and differences are considered. With the new emphasis on research and development of programs through contracts and partnerships, producers and producer groups are encouraged to participate in listening sessions and other forums that provide them the opportunity to become involved in the process. In some cases, the contractors and partners working on the projects maintain updated information on their projects through their web sites.

In its rule-making process, RMA staff often contact grower groups when making changes to programs. National, State, and regional grower groups, crop associations, and councils are contacted as program issues are raised and as programs are being researched, developed, or modified. These groups are very helpful in obtaining producer input from various areas of the country regarding crop program changes and relaying them to RMA for consideration. In the conversion of pilot programs to permanent program status, grower groups are included in the evaluation of the program. In addition, grower groups often serve as the catalyst for change by advising RMA at the local or national level of concerns with the programs that affect them. RMA is also conducting four projects to identify the potential market for specialty crop insurance and to provide the data necessary to evaluate options for new or modified insurance programs to meet the needs of specialty crop producers. Through these partnerships with researchers at Cornell University, Pennsylvania State University, the University of California at Davis, and the University of Florida, specialty crops producers were contacted to determine how crop insurance programs could be designed to better meet their needs. The results of these contacts are being analyzed and are expected in the second quarter of FY 2003.

Miscellaneous Activities

RMA representatives have participated in meetings; field visits; training sessions; speaking engagements; and other activities with growers, grower association representatives, the insurance industry, Congressional representatives, and other public and private organizations to inform those individuals and organizations about [the Agency's new](#) and specialty crops programs and to gather information on the needs and interests of producers. Public awareness of agricultural risk management has also been increased significantly by the efforts of representatives of Congress, the crop insurance industry, contractors and partnership entities conducting projects for RMA, other government agencies, academia, the media, and the agriculture industry in general.

APPENDIX
AG COMMODITIES INSURED UNDER 2003 CROP INSURANCE PROGRAMS

Almonds		Livestock (Swine)* ** (LGM, LRP)
Apples		Macadamia Nuts
Avocado (Revenue*, APH*)		Macadamia Trees
Avocado Trees (Florida)*		Mango Trees (Florida)*
Barley (APH, IP*)		Millet
Blackberries*		Mint*
Blueberries*		Mustard*
Cabbage*		Nursery
Canola		Navel Oranges (Citrus \$)*
Cherry (Dollar)*		Oats
Chile Peppers*		Onions
Citrus		Peaches
C	Grapefruit	Peanuts (APH, GRP)
C	Lemons	Pears
C	Limes	Pecan Revenue*
C	Mandarins	Peppers
C	Murcotts	Plums
C	Oranges	Popcorn
C	Tangelos	Potatoes
C	Tangerines	Processing Cucumbers*
Citrus Tree (Texas)		Prunes
Clams*		Raisins
Corn (APH, CRC**, GRIP**, GRP, IP*, RA**)		Rangeland (GRP)*
Cotton (APH, CRC**, GRP, IP*)		Rapeseed
Crambe*		Raspberries*
Cranberries		Rice (APH, CRC**)
Cultivated Wild Rice*		Rye
Dry Beans		Safflower
Dry Peas		Soybeans (APH, CRC**, GRIP**, GRP, IP*, RA**)
ELS Cotton		Stonefruit
Figs		C
Flax		C
Florida Fruit Tree*		C
Forage (APH, GRP)		California Apricots
Forage Seed (Alfalfa)*		California Nectarines
Forage Seeding		California Peaches
Fresh Market Beans*		Strawberries*
Fresh Market Sweet Corn		Sugar Beets
Fresh Market Tomatoes		Sugarcane
Grain Sorghum (APH, CRC**, GRP, IP*)		Sunflowers
Grapes		Sweet Corn for Canning
Green Beans for Canning		Sweetpotatoes*
Green Peas		Table Grapes
Hybrid Corn Seed		Tobacco
<u>Hybrid Grain Sorghum Seed</u>		Tomatoes (Canning and Processing)
		Walnuts
		Wheat (APH, CRC**, GRP, IP*, RA**)
		Winter Squash*

* Crops/crop programs which are currently insured under pilot programs of limited scope and duration.

** Crops/crop programs which were submitted and approved under section 508(h) of the FCI Act.

APH = Actual Production History; CRC = Crop Revenue Coverage; GRIP = Group Risk Income Protection; GRP = Group Risk Plan; IP = Income Protection; RA = Revenue Assurance; LGM=Livestock Gross Margin; LRP=Livestock Risk Protection

(**Bold print = 62 specialty crops/63 specialty crop-plan combinations**); (88 total crops/114 total crop-plan combinations).