

SUSTAINABLE AGRICULTURE & FOOD SYSTEMS FUNDERS

Presented by Risk Management Agency
(RMA), USDA

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Risk Management Agency (RMA)

- Established in 1938 with the passing of the Agricultural Adjustment Act
- Sales and services are provided through private insurance companies
- Provides crop insurance coverage with premium subsidies to protect against perils of adverse weather, disease, insects, wildlife, earthquake, volcanic eruption, and failure of irrigation supply (from insurable cause)
- Education, Research, and Outreach

Risk Management Agency (RMA)

■ Outreach

- Enable producers to make informed risk management decisions
- Traditionally under-served producers

■ Education

- Establish crop insurance education and information programs
- Targeted states and specialty crops

■ Research

- Tools/products that can service farmers that may not be currently available

PRODUCT DEVELOPMENT

■ Methods

- RMA may contract with private entities to develop new and revised insurance plans
- RMA may make revisions to existing insurance plans as routine maintenance of its programs
- Private entities can submit products they develop under Section 508(h) of the Act

Product Gaps

Largest Crops Without a Product

Crop	Value	Crop	Value	Crop	Value
Garden Plants	\$2.43b	Broccoli ¹	\$605m	G'house Veggies ¹	\$217m
Lettuce ¹	\$2.09b	Catfish ¹	\$493m	Fresh Cukes ⁴	\$214m
Mush-rooms ²	\$920m	Canta-loupes	\$373m	Fresh Spinach	\$213m
Sod ²	\$801m	Water-melons ³	\$346m	X-Mas Trees ¹	\$183m
Cut Flowers	\$634m	Fresh C'flower ¹	\$268m	Fresh Asparagus ¹	\$161m
Fresh Carrots	\$632m	Celery ¹	\$257m	Garlic	\$148m

¹Under consideration; ²No interest; ³Withdrawn; ⁴Proc. Cuke Withdrawn



Insuring Producers Who Direct Market Crop Production

2006 Crop Insurance Programs with Coverage For Direct Marketing

■ Regulatory Crops (15)

Pears
Texas Citrus Fruit
Arizona-California Citrus
Guaranteed Production Fresh Market Tomatoes
Fresh Market Sweet Corn (Proposed Rule)
Macadamia Nuts
Prunes
Onions
Table Grapes
Peaches
Plums
Apples
Stonefruit
Blueberries
Pecan Revenue

■ Pilot Crops (7)

California Avocados
Florida Avocados
Cabbage
California Citrus Dollar
Cherries
Strawberries
Adjusted Gross Revenue (AGR)

● 508(h) Products

AGR-Lite

Experience and Direct Marketing Defined

- **Experience** - From 2001-2005 these crops have a combined cumulative loss ratio of .73.
- **Direct marketing** - Sale of the insured crop directly to consumers without the intervention of an intermediary such as a wholesaler, retailer, packer, processor, shipper or buyer. Examples of direct marketing include selling through an on-farm or roadside stand, farmer's market, and permitting the general public to enter the field for the purpose of picking all or a portion of the crop.

Advantages

- Provides coverage for producers, including small and limited resource farmers by:
 - Acknowledging current and local market trends/needs.
 - Provides coverage when all or some of the acreage is harvested for sale directly to consumers.

Challenges to Insuring Direct Marketed Production

■ Inability to Effectively Use Producer Records

- Difficulty in verification of sales records.
- No uniform standard for record keeping requirements.

Control Mechanisms to Address Challenges

- Policies Require 10 – 15 day notice of loss when any production will be sold by direct market.
- Requires crop appraisals before any of the crop can be harvested and sold by direct market.
- Failure to do the above results in no less than guarantee being assessed to the acreage/unit (e.g. no indemnity payable).

Summary

- Many Crop Policies Contain Provisions for Direct Marketed Crops.
- RMA Has Insured Direct Marketed Crops for 8-10 Years.
- RMA Has Received Minimal Negative Feedback from Insureds, Insurance Providers or Others with Regard to Insuring Direct Marketed Production.

THANK YOU

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- See RMA website at www.rma.usda.gov
- For Product Submissions [508(h)] go to www.rma.usda.gov/regs/archive.html/ identified in General Administrative Regulations under Final Rule (Aug. 2, 2005)
- List of RMA Partners with Organic Outreach, Education and Research for Non-Insurance Tools:
www.rma.usda.gov/aboutrma/agreements/archive.html
- RMA Publications can be found at:
<http://www.rma.usda.gov/pubs/rme/fctsht.html>
 - [About the Risk Management Agency Fact Sheet](#)
 - [Organic Farming Practices Fact Sheet](#)
 - [Adjusted Gross Revenue \(AGR\), AGR-Lite Fact Sheet](#)