



# Federal Crop Insurance for Specialty Crops: Background and Legislative Proposals

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## Summary

The federal crop insurance program provides farmers with risk management tools to address crop yield and/or revenue losses on their farms. Farmers can purchase subsidized policies that pay an indemnity when their production or revenue falls below a guaranteed level.

Historically, the federal crop insurance program primarily has covered traditional farm program crops such as wheat, corn, and soybeans. However, the crop insurance program has expanded in recent decades, and policies are available now for a wide range of commodities, including specialty crops such as fruits and vegetables. In 2009, specialty crop policies covered more than 7 million acres, which was roughly one-half to three-quarters of specialty crop area, depending on how total area is calculated. In total, crop insurance is available for over 80 specialty crops, making the program the primary financial safety net for specialty crop producers.

The federal crop insurance program is permanently authorized by the Federal Crop Insurance Act, as amended (7 U.S.C. 1501 et seq.). The U.S. Department of Agriculture's (USDA's) Risk Management Agency (RMA) operates the Federal Crop Insurance Corporation (FCIC), which is the funding mechanism for the program. Insurance policies are sold and completely serviced through approved private insurance companies. The insurance companies' losses are reinsured by USDA, and their administrative and operating costs are reimbursed by the federal government.

Federal crop insurance policies for specialty crops (and other crops as well) are generally either yield-based or revenue-based. For most yield-based policies, a producer can receive an indemnity if there is a yield loss relative to the farmer's "normal" (historical) yield. Insurable causes of loss include drought, excess precipitation, hail, frost, freeze, fire (if due to natural causes), and insects and disease. Revenue-based policies protect against crop revenue loss resulting from declines in yield, price, or both. Nursery crop producers can be protected against loss of an "asset" due to weather damage (but not price loss). Also relevant for specialty crop producers is whole-farm insurance, which protects against losses in whole farm revenue rather than just for an individual crop. An endorsement is available in some areas for protecting against loss due to quarantine.

While additional policies have been introduced in the last 10 years, producers and some Members of Congress would like to enhance crop insurance for specialty crop producers. In the 112<sup>th</sup> Congress, several legislative proposals have been introduced. The Local Farms, Food, and Jobs Act of 2011 (H.R. 3286/S. 1773) would enhance whole farm insurance and insurance for organic crops. The Rural Economic Farm and Ranch Sustainability and Hunger (REFRESH) Act of 2011 (S. 1658 and H.R. 3111) would also enhance whole farm insurance. The Specialty Crop Insurance Act of 2011 (S. 1905) would support the development of new policies.

In the 112<sup>th</sup> Congress, specialty crop provisions in these and other proposals have been included in the Senate-passed farm bill (S. 3240) and the House committee-passed farm bill (H.R. 6083). The bills require USDA to conduct more research on higher coverage levels for whole farm revenue insurance and study insurance for food safety and contamination-related losses. A provision would revise the value of crop insurance for all organic crops to reflect prices of organic (not conventional) crops. For crops not insurable with crop insurance, additional coverage would become available under the existing Noninsured Crop Assistance Program (NAP). Finally, a provision in S. 3240 would subsidize the purchase of existing private-sector index-based weather insurance, which protects against specific weather events and not actual loss.

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## Introduction

The federal crop insurance program provides producers with risk management tools to address crop yield and/or revenue losses on their farms. Farmers can purchase subsidized policies that pay an indemnity when their production or revenue falls below a guaranteed level.

The crop insurance program has expanded in recent decades, and policies are available now for a wide range of commodities, including crops covered by federal farm programs (e.g., wheat and corn) as well as specialty crops such as fruits and vegetables. While additional policies have been introduced in the last 10 years, producers and some Members of Congress would like to enhance crop insurance for specialty crop producers. Several legislative proposals have been introduced in the 112<sup>th</sup> Congress, including provisions in the Senate-passed farm bill (S. 3240) and the House Agriculture Committee-reported farm bill (H.R. 6083).

This report describes the federal crop insurance program for specialty and organic crops.<sup>1</sup> In 2009, specialty crop policies covered more than 7 million acres, which was roughly one-half to three-quarters of specialty crop area, depending on how total area is calculated. In total, crop insurance is available for over 80 specialty crops.<sup>2</sup>

## Crop Insurance Program Authority and Operation

The federal crop insurance program is permanently authorized by the Federal Crop Insurance Act, as amended (7 U.S.C. 1501 et seq.). It is periodically modified, most recently in the 2008 farm bill (P.L. 110-246). Congress chose to revise the legislation in the 2008 farm bill to achieve budget savings and to supplement crop insurance with a permanent disaster payment program.

The U.S. Department of Agriculture's (USDA's) Risk Management Agency (RMA) operates the Federal Crop Insurance Corporation (FCIC), which is the funding mechanism for the program. Management is vested in a board of directors, subject to the general supervision of the Secretary of Agriculture. Insurance policies are sold and completely serviced through approved private insurance companies. Independent insurance agents are paid sales commissions by the companies. The insurance companies' losses are reinsured by USDA, and their administrative and operating costs are reimbursed by the federal government.

In purchasing a policy, a producer growing an insurable crop selects a level of coverage and pays a portion of the premium, which increases as the level of coverage rises. The remainder of the premium is covered by the federal government (about 60% of total premium, on average, is paid by the government).<sup>3</sup> In the case of catastrophic coverage, the government pays the full premium.

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<sup>1</sup> Additional information on the federal crop insurance program in general is available in CRS Report R40532, *Federal Crop Insurance: Background and Issues*.

<sup>2</sup> Specialty crops include fruits and vegetables, tree nuts, dried fruits, and horticulture and nursery crops (including floriculture). This definition was most recently modified in the 2008 farm bill (P.L. 110-246). For more information on specialty crops and federal programs, see CRS Report R42771, *Fruits, Vegetables, and Other Specialty Crops: Selected Federal Programs*.

<sup>3</sup> In practice, the crop insurance company bills the farmer for the producer's portion of the premium (i.e., excluding the government subsidized portion). The company then sends the entire producer-paid premium to RMA. When a producer files a claim and the company pays an indemnity, RMA reimburses the company in full for the loss. At the end of the (continued...)

(For more information, see the section below on “Crop Insurance Premiums and Subsidies.”) In the absence of subsidies, farmer participation in the crop insurance program would be substantially lower. A major benefit for producers is the timely payment for crop losses (about 30 days after the farmer signs the claim form).

The availability of crop insurance for a particular crop in a particular region is an administrative decision made by USDA. The decision is made on a crop-by-crop and county-by-county basis, based on farmer demand for coverage and the level of risk associated with the crop in the region, among other factors. In areas where a policy is not available, farmers may request that RMA expand the program to their county. The process usually starts with a pilot program in order for RMA to gain experience and test the program components before it becomes more widely available. Alternatively, a policy can be reviewed and later discontinued if it fails to perform at an acceptable level (e.g., low participation or high losses). RMA also regularly responds to requests from commodity organizations or industry representatives for enhancements to existing coverage, such as adding revenue coverage.

## **Crop Insurance History and Coverage**

Congress first authorized federal crop insurance as an experiment to address the effects of the Great Depression and crop losses seen in the Dust Bowl. In 1938, the FCIC was created to carry out the program, which focused on major crops like wheat in major producing regions. During the same era, farm programs were established to support crop prices and boost farm income for producers of so-called program crops, including wheat, corn, and cotton. The availability of federal crop insurance remained limited until passage of the Federal Crop Insurance Act of 1980 (P.L. 96-365), which expanded crop insurance to many more crops and regions of the country. Congress again enhanced the crop insurance program, including greater subsidy levels, in 1994 and in 2000 in order to encourage greater participation. The changes also expanded the role of the private sector in developing new products that would help farmers manage their risks. Today, many banks, when making operating loans, require that farmers purchase crop insurance.<sup>4</sup>

By 1999, insurance policies covered 52 specialty crops with planned testing on another 9, according to a government report.<sup>5</sup> These 61 crops reportedly accounted for a majority of value for specialty crops, but coverage on about 300 additional crops remained unavailable. The report concluded that progress on expansion was slow because USDA follows a deliberate and involved process (taking up to five years) to assess risk and set premiums to ensure that programs are actuarially sound, meaning that total premiums including subsidies cover indemnities. (USDA is required by law to achieve actuarial soundness.) Expansion continued over the subsequent decade. By 2011, insurance was available for more than 80 specialty crops in counties considered

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reinsurance year, there is an annual settlement whereby the company’s proportion of any underwriting gain or loss is determined and paid.

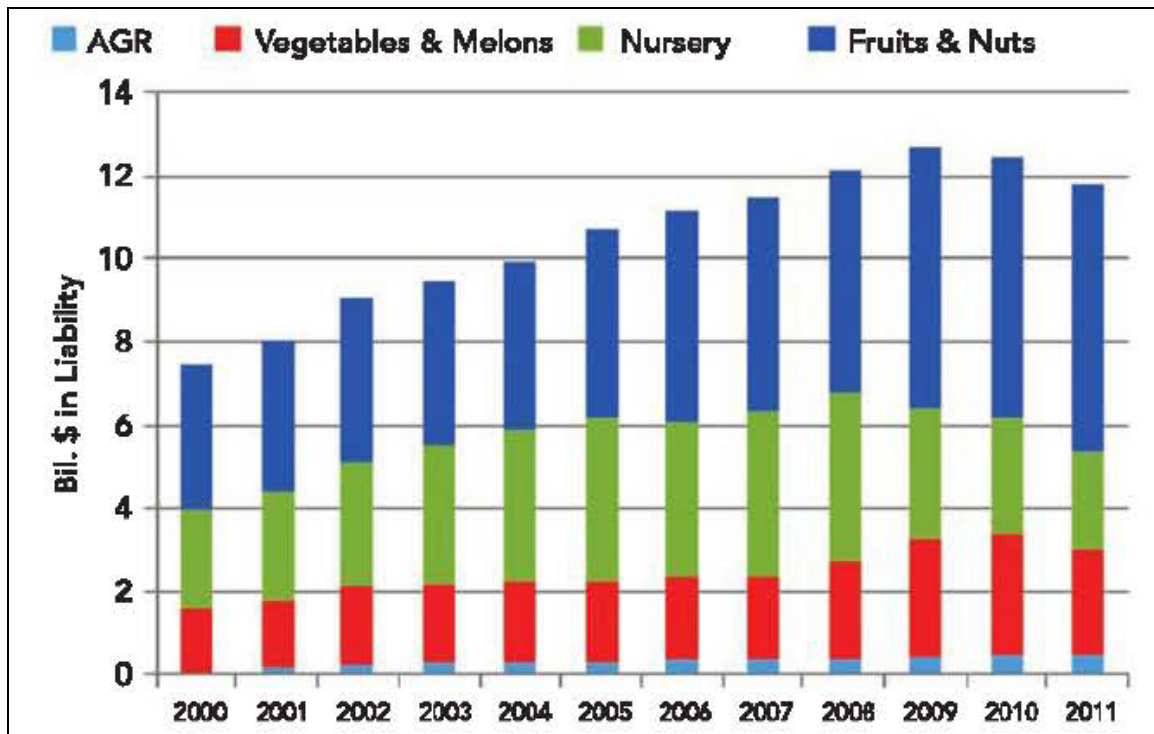
<sup>4</sup> For more on the history of federal crop insurance, see <http://www.rma.usda.gov/aboutrma/what/history.html>. Law citations are the Federal Crop Insurance Act of 1980 (P.L. 96-365), the Federal Crop Insurance Reform Act of 1994 (P.L. 103-354), and the Agriculture Risk Protection Act (ARPA) of 2000 (P.L. 106-224).

<sup>5</sup> U.S. General Accounting Office, *Crop Insurance: USDA’s Progress in Expanding Insurance for Specialty Crops*, GAO/RCED-99-67, April 1999, <http://www.gao.gov/archive/1999/rc99067.pdf>.

to be major growing areas. Crops include avocados, blueberries, grapes, citrus, onions, pumpkins, and tomatoes, among others.<sup>6</sup>

Another measure of program growth is the total liability, which is the estimated value of the insured portion of the crop (**Figure 1**). Insured liability of the specialty crops rose from less than \$8 billion in 2000 to nearly \$13 billion in 2009, reflecting increased production and participation. Liability declined some in recent years, primarily because of reduced nursery insurance following the severe recession that adversely affected the housing market and demand for nursery products.<sup>7</sup>

**Figure 1. Insured Liability of Specialty Crops**



**Source:** Keith Collins, “Crop Insurance & Specialty Crops,” *Crop Insurance Today*, August 2012, pp. 35-40, using data from USDA/RMA.

When crop insurance is not available, USDA’s noninsured crop disaster assistance program (NAP) provides catastrophic coverage (i.e., indemnifying for yield losses greater than 50%) if

<sup>6</sup> A list and maps showing availability by county are available at <http://www.rma.usda.gov/data/cropprograms.html>. Specialty crops with policies include almonds, apples, avocados, bananas, blueberries, cabbage, chili peppers, 19 policies on various citrus, coffee, cranberries, dry beans, dry peas, figs, fresh market beans, fresh market sweet corn, fresh market tomatoes, grapes, green peas, macadamia nuts, mint, mustard, nursery, olives, onions, papaya, pears, pecans, peppers, pistachios, popcorn, potatoes, processing beans, pumpkins, raisins, 10 policies on stone fruit (cherries, fresh apricots, fresh freestone peaches, fresh nectarines, peaches, plums, processing apricots, processing cling peaches, processing freestone peaches, prunes), strawberries, sweet corn, sweet potatoes, table grapes, tomatoes, 13 types of fruit and nut trees, and walnuts. Crops without policies (and with acreage reported by USDA) include the following: artichokes, asparagus, blackberries, boysenberries, broccoli, cantaloupes, carrots, cauliflower, celery, cucumbers, dates, garlic, guavas, hazelnuts, honeydews, kiwi fruit, lettuce, raspberries, spinach, squash, tart cherries, and watermelons.

<sup>7</sup> Keith Collins, “Crop Insurance & Specialty Crops,” *Crop Insurance Today*, August 2012, pp. 35-40, <http://www.ag-risk.org/NCIS/PUBS/Today/2012/Articles/August/SpecialtyCrops-Final.pdf>.

purchased by the producer. NAP applicants pay an administrative fee (currently \$250 per crop); no premiums are required. NAP is administered by the Farm Service Agency, separately from crop insurance.<sup>8</sup>

## **Development of New Insurance Policies**

Producer interest in policy availability often starts at the local level and is channeled through RMA's regional offices. In general, for a viable policy, a crop must have established cultivars, defined farming practices, developed markets, and known perils. Significant producer interest (demand for the policy) also is critical for success.

The Federal Crop Insurance Act provides two methods for developing new crop insurance programs: (1) internal products developed under contract, and (2) external products submitted through procedures in Section 508(h) of the Federal Crop Insurance Act. Once developed, products undergo a rigorous approval process, which can take up to a year to complete. An independent external panel of experts reviews potential policy and actuarial weakness and suggests improvements. The revised product is submitted to the FCIC board of directors for approval. Once approved, the product is typically implemented as a pilot program in a limited area to test for effectiveness while limiting financial exposure. Pilot programs typically operate for four years but may be extended for additional testing if needed. Eventually the board either converts the pilot to a regular program or terminates it.

Sometimes product development is suspended. For example, in recent years, RMA began investigating a product called "Named Peril Weather Insurance," which would allow producers to insure against specific weather events. However, the agency suspended its work until it can be shown that private industry, which offers weather-based products, is not meeting the needs of specialty crop producers. Under law, RMA is not allowed to conduct pilot programs if insurance against the risk is generally available from private companies without public involvement.

## **Types of Policies for Specialty Crops**

Several types of federal crop insurance policies are available for specialty crops.

- For most yield-based policies, a producer can receive an indemnity if there is a yield loss relative to the farmer's "normal" (historical) yield. Insurable causes of loss include drought, excess precipitation, hail, frost, freeze, fire (if due to natural causes), and insects and disease.<sup>9</sup>
- Revenue-based policies protect against crop revenue loss resulting from declines in yield, price, or both.

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<sup>8</sup> Additional information on NAP is available at [http://www.fsa.usda.gov/Internet/FSA\\_File/nap\\_august\\_2011.pdf](http://www.fsa.usda.gov/Internet/FSA_File/nap_august_2011.pdf).

<sup>9</sup> An indemnity is not paid if crop loss is caused by insufficient or improper applications of pest or disease control measures. For some crops such as California and Arizona navel oranges and California avocados, RMA has a Quarantine Endorsement Pilot Program (QEPP) that, for an additional premium, provides insurance protection when a quarantine affects all or part of the insured crop. For more information, see <http://www.rma.usda.gov/policies/2011/11-qe.pdf> and <http://www.rma.usda.gov/handbooks/24000/2011/24250.pdf>.

- Whole-farm insurance protects against losses in whole farm revenue rather than just for an individual crop.
- An endorsement is available in some areas for protecting against loss due to quarantine established to control a specific pest that requires destruction of insured crops.

## **Yield-Based Insurance**

Actual production history (APH) and dollar plans are the two major types of yield-based policies for specialty crops. When purchasing an APH policy, a producer is assigned (1) a “normal” crop yield based on the producer’s actual production history, and (2) a price for the commodity based on estimated market conditions. The producer can then select a percentage of his normal yield to be insured and a percentage of the price he wishes to receive when crop losses exceed the selected loss threshold.<sup>10</sup>

The most basic level of insurance is called catastrophic (CAT) coverage. The premium is completely subsidized by the federal government. The farmer pays an administrative fee (\$300 per crop per county), and in return can receive a payment on losses in excess of 50% of normal yield, equal to 55% of the estimated market price of the crop (called 50/55 coverage). Coverage levels that are higher than CAT are called “buy-up” or “additional” coverage. For an additional premium paid by the producer, and partially subsidized by the government, a producer can “buy up” the 50/55 catastrophic coverage to any equivalent level of coverage between 50/100 and 75/100 (i.e., up to 75% of “normal” crop yield and receive 100% of the estimated market price). In limited areas, production can be insured up to the 85/100 level of coverage. APH policies are popular for a wide variety of specialty crops, including apples, stone fruits, and some citrus fruits.<sup>11</sup>

The dollar plan provides protection against declining value due to damage that causes a yield shortfall. The policy guarantees a dollar amount of coverage and not a level of production, with the amount of insurance based on the cost of growing a crop in a specific area. A loss occurs when the annual crop value is less than the amount of insurance. The maximum dollar amount of insurance is stated on the actuarial document. The insured may select a percentage of the maximum dollar amount equal to CAT (catastrophic level of coverage), or additional coverage levels. Dollar plan insurance is popular for nursery crops and citrus. In general, crops are insurable only in certain states and certain counties within those states.

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<sup>10</sup> A detailed explanation of crop insurance with examples is available in USDA, Risk Management Agency, *Crop Insurance Option for Vegetable Growers*, October 2008, [http://www.rma.usda.gov/pubs/2011/vegetable\\_growers.pdf](http://www.rma.usda.gov/pubs/2011/vegetable_growers.pdf).

<sup>11</sup> One of the newest programs is for pistachios (2012) in 21 counties in California, two counties in Arizona, and one in New Mexico. The APH-Pistachio Pilot Program is a two-year production-based policy that addresses the crop’s alternate-bearing production pattern. Additional information on insurance for perennial crops and related issues is in *Report to Congress: Perennial Crops, Pecans, and the Federal Crop Insurance Program*, USDA, Federal Crop Insurance Corporation, Washington, DC, July 2, 2009, <http://www.rma.usda.gov/pubs/2009/perennialcrops.pdf>.



**Specialty Crop Insurance Examples:  
Actual Production History (APH) and Dollar Plan**

**Actual Production History (APH) Policy for Citrus Fruit**

A claim can be filed whenever production falls short of the guarantee selected by the insured. The indemnity is determined by multiplying the production shortfall by the pre-selected price. The following example is based on an actual production history (APH) yield of 600 cartons per acre, 50% coverage level, and a selected price of \$5.55 per carton.

600	Cartons per acre average yield (APH yield)
<u>x 0.50</u>	Selected coverage level percentage
300	Cartons per acre guarantee
<u>- 200</u>	Cartons per acre actually produced
100	Cartons per acre loss
<u>x \$5.55</u>	Price Election
<b>\$555</b>	<b>Gross indemnity per acre</b>

**Source:** USDA Fact sheet, "Citrus--Actual Production History," June 2012, [http://www.rma.usda.gov/fields/ca\\_rso/2012/azcitrus.pdf](http://www.rma.usda.gov/fields/ca_rso/2012/azcitrus.pdf).

**Dollar Plan for Nursery**

The dollar plan provides protection against declining value due to damage that causes a yield shortfall.

\$100,000	Plant inventory value
<u>x 0.65</u>	Selected coverage level percentage
\$65,000	Unit amount of insurance
In the event of a loss:	
\$100,000	Field market value before loss
<u>-\$50,000</u>	Field market value after loss
\$50,000	Value of loss
<u>-\$35,000</u>	Deductible (1.0 - coverage level) X inventory = (1 - .65) X \$100,000 = \$35,000
<b>\$15,000</b>	<b>Indemnity</b>

**Source:** USDA Fact Sheet, "Nursery Commodity Insurance," April 2009, <http://www.rma.usda.gov/pubs/rme/nursery.pdf>.

Nursery crop insurance is available in all states, but the eligible business enterprise must derive at least 50% of its gross income from the wholesale marketing of plants. The nursery program is an asset-based form of insurance that insures against declines in asset values rather than insuring a percentage of average historical yield or revenue.<sup>12</sup> More than 20,000 plants are listed as insurable, and coverage is available for either field-grown or container products.<sup>13</sup> The American

<sup>12</sup> The insured causes of loss include adverse weather but not price declines. For more information on the nursery program, see <http://www.rma.usda.gov/pubs/rme/nursery.pdf>. For additional background, see New York State Crop Insurance Education, "Nursery Crop Insurance," April 2012, <http://www.agriculture.ny.gov/AP/slides/2012-13-NYS-Nursery-Crop-Insurance.pdf>.

<sup>13</sup> Nursery insurance covers all field-grown and container nursery plants that are on the eligible plant list (specifying more than 20,000 plants) and meet other requirements including appropriate growing medium and production practices. (continued...)

Nursery and Landscape Association has said that the nursery industry considers the federal crop insurance program to be a valuable component of risk management practices. According to the association, incremental program enhancements have been made in recent years, including the use of a grower's wholesale price list for the basis of coverage. However, they also contend that the program is challenged by the extreme diversity and unique situations found in the industry because production practices are less uniform than for major field crops.

## Revenue-Based Insurance

Revenue insurance is widely available for farm program crops (e.g., wheat and corn). For specialty crops, designing revenue products is challenging because the commodities often lack a centralized price discovery mechanism such as a futures exchange for developing price projections prior to planting and actual harvest-time prices needed to determine the insurance guarantee and potential grower indemnity.

### Specialty Crop Insurance Example: Actual Revenue History (ARH) for California Navel Oranges

ARH protects against losses from low yields, low prices, low quality, or any combination of these events. Coverage is based on the farmer's own net revenue history and the farmer's choice of coverage level and payment factor (which reduces the premium cost and potential indemnity). The crop's revenue is determined after harvest at the point of first delivery.

\$3,200	Per acre approved revenue
x 0.75	Selected coverage level percentage
x 1.0	Selected payment factor (ranges from 0.67 to 1.0 to reduce premium cost to producer)
\$2,400	Per acre amount of insurance
400	Cartons
x 5.00	Per carton net price
\$2,000	Per acre revenue to count
\$2,400	Per acre amount of insurance
- \$2,000	Per acre revenue to count (actual revenue)
\$400	Difference
x 1.0	Payment factor
<b>\$400</b>	<b>Indemnity per acre</b>

**Source:** USDA Fact Sheet, "Actual Revenue History-Navels," March 2012, [http://www.rma.usda.gov/fields/ca\\_rso/2012/caarhnavels.pdf](http://www.rma.usda.gov/fields/ca_rso/2012/caarhnavels.pdf).

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More information is available in USDA, Risk Management Agency, *Crop Insurance for Nurseries*, Washington, DC, October 2008, <http://www.rma.usda.gov/pubs/2011/nursery.pdf>; and James B. Johnson and John Hewlett, *Nursery Crop Insurance in Wyoming*, University of Wyoming, Agricultural Marketing Policy Paper No. 15, September 2006, <http://www.ampc.montana.edu/policypaper/policy15.pdf>.

To address these data challenges, a plan called actual revenue history (ARH) has been implemented on a pilot basis for a few crops such as navel oranges and cherries. Rather than insuring historical yields, the policy insures historical revenues using historical prices. This approach assumes that historical prices provide a reasonable estimate of expected prices (the assumption is less tenable with storable crops where stock carryover from the previous year can affect current market-year prices). In its November 2010 report to Congress, the Risk Management Agency indicated that developing revenue coverage for additional specialty crops remains a high priority.

## Whole Farm Insurance

Adjusted Gross Revenue (AGR) and AGR-Lite policies insure revenue of the entire farm rather than an individual crop. AGR first appeared in 1999 to protect against production or market losses. Compared with AGR, AGR-Lite has higher levels of coverage available for producers who have multiple commodities. The plan uses a producer's five-year historical farm average revenue as reported on the Internal Revenue Service (IRS) tax return form (Schedule F or equivalent forms) and an annual farm report as a base to provide a level of guaranteed revenue for the insurance period (a one-year period corresponding with the producer's IRS tax period). Coverage levels range from 65% to 80% of historical revenue.<sup>14</sup>

### Specialty Crop Insurance: Whole Farm Insurance Example

Adjusted Gross Revenue (AGR) and Adjusted Gross Revenue-Lite (AGR-Lite) are whole-farm, revenue-protection plans of insurance. Compared with AGR, AGR-Lite has higher coverages available for producers who have multiple commodities.

\$100,000 Approved adjusted gross revenue  
x 0.80 Selected coverage level percentage  
\$80,000 Amount of insurance

In the event of a loss:

\$80,000 Amount of insurance  
~~-\$70,000~~ Revenue to count (actual revenue)  
\$10,000 Revenue to count  
x 0.75 Selected payment rate  
**\$7,500 Indemnity**

**Source:** USDA Fact Sheet, "Adjusted Gross Revenue-Lite," November 2010, <http://www.rma.usda.gov/pubs/rme/agr-lite.pdf>.

In general, the AGR products are designed to protect producers with specialty crops and/or commodities not covered by individual policies. Historically, though, whole-farm insurance has seen limited participation. With individual crop insurance policies already providing significant protection for many producers, combined sales of AGR and AGR-Lite were less than 1,000 policies in 2011, a small fraction of the 2 million crop insurance policies sold. Also, observers say

<sup>14</sup> For more information, see USDA fact sheet at <http://www.rma.usda.gov/pubs/rme/agr-lite.pdf>.

the AGR products are complicated in terms of compiling the information needed to consider purchasing the insurance and making the application. Others also have noted that for such a policy to be widely adopted, coverage levels need to be substantially higher than individual crop insurance policies (i.e., higher than the current 80% level) in order to provide an amount of risk protection equivalent to that afforded by individual crop policies. A delay in indemnity payment also has been cited by producers as a drawback to those policies.

## **Quarantine Endorsement**

A quarantine endorsement is available for California avocado and citrus, whereby producers may purchase additional coverage to insure against losses associated with a quarantine established by USDA or the California Department of Food and Agriculture. The quarantine would be established to control a specific pest that requires the destruction of insured crops or plants on when the insured crop is growing, or does not permit the insured crop to be harvested, sold, or transported or otherwise restricts its movement from the farm.<sup>15</sup>

## **Insured Acreage and Participation Rates**

In its report to Congress on specialty crop insurance, FCIC identified more than 7 million acres of specialty crops that were enrolled in federal crop insurance in 2009, or an average participation rate of 75% for the 34 crops shown in **Table 1**. (If all specialty crop acreage is included in total crop area (i.e., not just insurable crops), the insured share of total crop acreage is equal to 53%.)<sup>16</sup> This compares with a participation rate of 83% for major program crops (i.e., those under farm commodity price and income support programs).<sup>17</sup>

Insured acreage as a share of crop acreage is relatively high in major specialty crop states, including California (71% of total crop area), Florida (91%), and Washington (68%). Acreage participation for pulse crops (e.g., dry peas, dry beans) is high in the major growing states in the Northern Plains, including Minnesota (84%), Montana (83%), North Dakota (96%), and South Dakota (79%). Other states with specialty crop production (and their participation rates) include Michigan (73%), New York (70%), and Oregon (52%). The USDA report contains detailed acreage data by crop and state, along with maps showing crop insurance participation.

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<sup>15</sup> USDA/Risk Management Agency, *Quarantine Endorsement Pilot Program for California Avocado and Citrus*, Commodity Insurance Fact Sheet, March 2012, [http://www.rma.usda.gov/fields/ca\\_rso/2012/caquarantine.pdf](http://www.rma.usda.gov/fields/ca_rso/2012/caquarantine.pdf).

<sup>16</sup> The calculation is 7.25 million acres insured divided by 13.77 million acres. The denominator is from USDA's 2007 *Census of Agriculture*, Specialty Crops, Volume 2, Subject Series, Part 8; it includes acreage for nursery and floriculture not included in the RMA figure for insured acres. [http://www.agcensus.usda.gov/Publications/2007/Online\\_Highlights/Specialty\\_Crops/speccrop.pdf](http://www.agcensus.usda.gov/Publications/2007/Online_Highlights/Specialty_Crops/speccrop.pdf).

<sup>17</sup> *Report to Congress: Specialty Crop Report*, USDA, Federal Crop Insurance Corporation, Washington, DC, November 2010, p. 14, <http://www.rma.usda.gov/pubs/2010/specialtycrop.pdf>.

**Table I. Specialty Crop Insurance: Participation Rate and Liability, 2009**

Selected crop	Insured acres	Total acres	Participation rate	Liability (\$)
<b>Total</b>	<b>7,252,820</b>	<b>9,661,557</b>	<b>75%</b>	<b>8,954,543,672</b>
Raisins	249,160	249,160	100%	136,735,740
Prunes	61,752	64,000	96%	76,737,020
Citrus fruit	786,286	857,041	92%	777,554,804
Table grapes	84,691	97,000	87%	197,015,733
Dry beans	1,276,208	1,501,511	85%	429,497,134
Dry peas	999,132	1,171,000	85%	204,663,983
Cranberries	31,616	38,500	82%	147,889,706
Tomatoes	326,893	409,250	80%	677,197,421
Macadamia nuts	11,837	15,000	79%	22,686,079
Potatoes	834,062	1,065,350	78%	1,061,826,089
Citrus trees	21,144	27,300	77%	1,358,916,773
Green peas	172,786	224,380	77%	65,429,637
Plums	21,795	29,500	74%	29,838,870
Nectarines	23,009	32,300	71%	25,983,541
Almonds	478,380	680,000	70%	935,087,199
Peaches	84,354	122,609	69%	125,084,666
Apples	236,756	348,200	68%	694,494,268
Grapes	567,492	838,310	68%	796,391,315
Figs	6,002	9,400	64%	3,674,407
Pears	35,104	56,000	63%	63,255,712
Cherries	49,384	81,910	60%	279,906,372
Apricots	7,141	12,380	58%	11,464,376
Pecans	156,973	279,450	56%	126,722,514
Sweet corn	319,746	577,795	55%	152,196,648
Blueberries	44,055	81,536	54%	91,719,749
Avocados	37,781	72,500	52%	65,087,114
Onions	80,040	160,971	50%	139,283,810
Processing beans	102,542	209,324	49%	44,595,759
Walnuts	110,071	223,000	49%	159,823,397
Peppers	9,204	19,000	48%	31,911,660
Pumpkins	6,188	13,100	47%	3,489,526
Tropical fruit	3,784	8,780	43%	975,117
Chile peppers	3,771	15,800	24%	2,009,452
Cabbage	13,681	70,200	19%	15,398,081

**Source:** Columns 1-3 from “Report to Congress: Specialty Crop Report,” USDA, Federal Crop Insurance Corporation, November 2010, <http://www.rma.usda.gov/pubs/2010/specialtycrop.pdf>. Column 4 from USDA, Risk Management Agency summary of business reports and data.

**Note:** Not included in total is liability for nursery products at \$3.2 billion (acreage not applicable).

## Crop Insurance Premiums and Subsidies

For crop insurance policies, the premium increases as the level of insurable yield and price coverage rise. For “catastrophic” coverage (i.e., yield loss greater than 50%), the premium is 100% subsidized by the federal government. As stated earlier, the farmer pays an administrative fee for CAT coverage (\$300 per crop per county), and in return can receive an indemnity on losses in excess of 50% of normal yield, equal to 55% of the estimated market price of the crop (called 50/55 coverage). For protection from greater financial losses, producers can select “buy-up” coverage. The subsidy for these policies ranges from 67% to 38%.<sup>18</sup>

Unlike other forms of insurance, the premium for crop insurance reflects only costs associated with policy risk and does not include company costs for selling and servicing the policies. These are covered by administrative and operating (A&O) reimbursements paid by the government to insurance companies.

The lower level of acreage participation for specialty crops relative to program crops (described in the previous section) is reflected in aggregate and relative levels of producer subsidies for crop insurance premiums. For an aggregate comparison, producer subsidies for federal crop insurance premiums in 2011 totaled \$438 million for specialty crops and \$6.9 billion for program crops (i.e., those covered by farm commodity programs). The combined total was \$7.3 billion.<sup>19</sup>

A relative comparison can be made by contrasting the share of crop insurance subsidies of each crop category with its share of total crop value. The specialty crop share of premium subsidies was 6% while its share of total crop value was 31%. In contrast, the premium subsidy share for program crops was 94% of the total while its share of total crop value was 69%.<sup>20</sup> Another way to view the same data is to calculate a ratio of premium subsidies to crop value for each of the two categories. The ratio is 0.7% for specialty crops, and 5.1% for program crops. These figures illustrate that, relative to total crop value, specialty crops in general are subsidized at lower levels than program crops.

Factors affecting the difference between program and specialty crops in subsidy amounts include acreage participation and crop insurance availability. (The premium subsidy rates are the same for all crops.) Another important factor is the level of coverage purchased, which is significantly lower for specialty crops, particularly fruits and nuts. In 2011, for example, acreage with

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<sup>18</sup> The subsidy ranges from 67% for 50% yield coverage of (i.e., yield loss must greater than 50%, and more than 55% of expected market price) and to 38% for yield coverage of 80% (i.e., yield loss must greater than 20%).

<sup>19</sup> Crop insurance premium subsidies totaling \$148 million for other items such as forage, pasture, and tobacco are excluded here because they are not eligible for commodity program subsidies. The list of specialty crops employed here is the same as the one used for the 2007 Census of Agriculture. These commodities include fruits, tree nuts, berries, vegetables, potatoes, melons, pulse crops, nursery, greenhouse, floriculture, and other specialty crops. Crop insurance premium subsidy data from this section have been summarized from USDA/RMA data published at <http://www.rma.usda.gov/data/sob.html>.

<sup>20</sup> Total crop value in 2011 for these two broad categories is estimated at \$196 billion, based on a CRS compilation of various USDA data. Specialty crops account for \$61 billion or 31% of the total, and program crops account for \$135 billion or 69% of the total. The estimates are based on estimates of 2011 cash receipts of major program crops, fruits, nuts, vegetables, and melons by USDA’s Economic Research Service, 2011 estimates of crop value for other program crops by USDA/National Agricultural Statistics Service, and an estimate of horticulture crop value from Table 37 in the 2007 Census of Agriculture, [http://www.agcensus.usda.gov/Publications/2007/Full\\_Report/Volume\\_1,\\_Chapter\\_1\\_US/st99\\_1\\_037\\_037.pdf](http://www.agcensus.usda.gov/Publications/2007/Full_Report/Volume_1,_Chapter_1_US/st99_1_037_037.pdf).

coverage above the catastrophic level (i.e., 50% deductible) was 59% for specialty crops compared with 89% for program crops. Higher coverage levels purchased by farmers correspond with higher premiums (and associated premium subsidies).

## Insurance for Organic Crops

USDA reports that over 80 crop varieties were insured either as certified or transitional organic under crop insurance in recent years, with annual area rising from 210,393 acres in 2004 to 565,195 acres in 2009. The department estimates organic crop insurance participation at nearly 35%.<sup>21</sup>

Prior to 2000, when the Agricultural Risk Protection Act (ARPA) was enacted, crop insurance for organic production was available only by written agreement.<sup>22</sup> Under a written agreement, a producer could receive an individual determination of coverage for specific crops in specific counties. Each situation was evaluated separately based on a farmer's organic cropping practices. ARPA allowed organic production to be considered under the terms and conditions of all crop policies available at that time. By 2004, RMA modified the basic provisions such that organic producers were eligible for standard crop insurance policies and were not required to obtain a written agreement.<sup>23</sup>

For organic crops, federal crop insurance is available for (1) certified organic acreage, (2) transitional acreage (acreage on which organic farming practices are being followed but does not yet qualify to be designated as certified organic acreage), and (3) buffer zone acreage (used to minimize the possibility of unintended contact by prohibited substances).<sup>24</sup> To insure certified organic acreage, a producer must have a current organic plan and written certification from a certifying agent. For transitional acreage, a producer needs written documentation from a certifying agent showing that an organic plan is in effect (acreage without documentation can be insured under conventional farming practices). Separate yield history (4-10 years of data) is maintained for conventional, transitional, and certified organic acreage. Importantly, indemnities are made only where planned controls or practices were not effective.

In general, FCIC charges an additional 5% surcharge on total premium for insuring organic crops to cover additional risk associated with organic farming practices. However, premium adjustments are reviewed annually, and can be eliminated based on the accumulated insurance experience. For the 2011 crop year, no additional charge was required for the following organic crops: figs, Florida citrus fruit, Florida fruit trees, macadamia trees, nursery, pears, peppers, prunes, Texas citrus trees, and Texas citrus fruit.

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<sup>21</sup> Ibid., p. 8. Also, organic acreage under insurance is summarized by state and crop on pages 20-24.

<sup>22</sup> Organic agriculture can include all types of commodities, including grains, fruits and vegetables, and animal products.

<sup>23</sup> For a detailed report on insurance for organic crops, see *Organic Crops and the Federal Crop Insurance Program*, USDA, Federal Crop Insurance Corporation, Washington, DC, January 28, 2010, <http://www.rma.usda.gov/pubs/2010/organics.pdf>. The report was required by the 2008 farm bill (P.L. 110-246).

<sup>24</sup> *Risk Management Agency Fact Sheet—Organic Farming Practices*, Program Aid 1912, USDA Risk Management Agency, Washington, DC, January 2011, <http://www.rma.usda.gov/pubs/rme/organics.pdf>. Additional information is available at <http://www.rma.usda.gov/news/currentissues/organics/>.

A number of plans of insurance do not contain an additional 5% surcharge for organic production because they do not distinguish between organic and conventional production practices. These include AGR, AGR-Lite, Group Risk Plan (which uses county loss experience as the basis for determining loss), and Group Risk Income Protection (which makes an indemnity when average county revenue is below the guarantee level).

Separately from premium charges, for most organic crops, the price elections and price data used for establishing guarantee levels and indemnities are the same as for crops grown under conventional practices. Organic producers have criticized such pricing for not representing the higher value of their commodities. In response, in 2011, USDA began using separate organic price elections and price data for organically produced cotton, corn, soybeans, and processing tomatoes.

## **Insurance Issues for Specialty Crops**

While adoption of federal insurance policies for specialty crops has increased substantially in recent decades, USDA and the industry continue to face a number of issues when developing and making available new insurance policies for specialty crops currently not covered.<sup>25</sup> These issues are not new and are generally difficult to address, as they stem from the basic structure of the industry. (Issues with whole farm insurance and organic insurance are covered in previous sections.)

First, the fact that specialty crop acreage for individual crops is small affects the potential marketability of a policy. A small market reduces sales incentive for companies selling insurance while contributing to higher per-unit costs for developing the product, training staff, modifying computer programs, and other activities.

Small acreage also results in low market volume or the establishment of production contracts between producers and buyers. As a result, in the absence of a well-developed cash market, such “thin market” conditions make it difficult to observe and forecast market prices, which affects RMA’s ability to set the appropriate level of price guarantees.

Setting price guarantees correctly is critical for encouraging participation, actuarial soundness of the program, and overall market dynamics for the crop. If the insurance is priced (rated) too high, producers who tend to have few losses might decide against purchasing insurance, leaving only high-risk farmers in the pool (called “adverse selection”).<sup>26</sup> If the insurance is priced too low, premiums may not cover expected indemnities, potentially inflating the federal cost of the program. An additional concern is that artificially low premiums might encourage additional crop production, resulting in weak market prices and negative financial returns for producers.

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<sup>25</sup> This section is summarized in part from Keith Collins, “Crop Insurance & Specialty Crops,” *Crop Insurance Today*, August 2012, <http://www.ag-risk.org/NCISPUBS/Today/2012/Articles/August/SpecialtyCrops-Final.pdf>.

<sup>26</sup> Adverse selection occurs when producers purchase insurance if they expect indemnities to exceed the premium, or do not purchase insurance if they expect indemnities to be less than the premium. Moral hazard is another typical issue for all forms of insurance. It occurs when an insured producer alters his or her behavior to increase the chances of collecting an indemnity. An insurance deductible, whereby the initial loss is paid by the insured, is often employed to reduce costs associated with moral hazard.



Another challenge for specialty crops is the multitude of crop varieties and production practices. Compared with field crops, specialty crops tend to have a wider variety of farming practices that depend on the crop variety, adding complexity to the policy and its development cost. For example, a vegetable crop may need to be grown on raised beds or use plastic, or require specific crop rotations. Understanding how these factors affect potential yields is required for determining what practices can be insured and for developing and establishing underwriting standards. Variation across crops and by variety within crop types also complicates the loss adjustment process (i.e., assessing the effect of weather on crop production).

## Legislative Proposals

Several bills introduced in the 112<sup>th</sup> Congress are designed to enhance crop insurance for specialty crops and address some of the insurance issues facing producers. Given the inherent difficulties (described above) associated with providing crop insurance for specialty crops, they are designed primarily to enhance the product development process in order to cover more commodities or expand and improve whole farm insurance and organic insurance for producers.

Specific proposals include the following.

- **The Local Farms, Food, and Jobs Act of 2011 (H.R. 3286/S. 1773)** was introduced by Representative Pingree and Senator Brown. The bill would require the Federal Crop Insurance Corporation to offer a whole-farm revenue risk plan in all states and counties. Producers would qualify for an indemnity if actual gross farm revenue is below 85% of the average gross farm revenue of the producer (currently limited to 80%). Producers of any type of agricultural commodity would be eligible. In addition, coverage is to include the value of any packing, packaging, labeling, washing or other on-farm activities needed to facilitate sale of the commodity. In addition, like S. 1905 below, the bill would remove the prohibition of FCIC conducting its own insurance product research.

The bill also contains a section on organic crops. Premium surcharges would be eliminated on insurance policies for organic crops, and FCIC would be required to offer insurance at actual price levels received by growers for all organic crops produced in compliance with standards issued by USDA. Finally, FCIC would be required to submit an annual report to Congress summarizing the varieties of organic crops insured, progress on implementing the required price changes, development of new insurance products relevant to organic producers, and any recommended changes to improve insurance coverage for organic producers.

- **The Specialty Crop Insurance Act of 2011 (S. 1905)** by Senator Gillibrand would waive the 50% cap imposed on the proportion that FCIC can pay in advance to applicants for research and development of new insurance plans. The waiver is meant to support the development of specialty crop plans of insurance for coverage in regions or crops that are considered underserved by the FCIC and when the applicant does not have sufficient financial resources to fund the development of the concept. In addition, the bill would allow FCIC to conduct its own research and development on existing or new policies.
- **The Rural Economic Farm and Ranch Sustainability and Hunger (REFRESH) Act of 2011 (S. 1658 and H.R. 3111)** by Senator Lugar and

Representative Stutzman proposes comprehensive changes to current U.S. farm policy. Among the provisions is an expansion of whole-farm insurance. FCIC is instructed to extend whole farm insurance (as part of a pilot program) to all counties, subject to a rating as determined by FCIC. Currently, USDA offers whole farm revenue insurance in selected states. In addition, the bill would remove the prohibition of FCIC conducting its own insurance product research.

As part of the ongoing debate over the omnibus farm bill, several of these insurance provisions for specialty crops have been included in the Senate-passed farm bill (S. 3240) and the House committee-reported farm bill (H.R. 6083). Selected provisions in both bills with potential benefit for specialty crop producers would

- require USDA to (1) conduct more research on whole farm revenue insurance with higher coverage levels than currently available, and (2) conduct a study on insuring specialty crop producers for food safety and contamination-related loss;
- enhance the Noninsured Crop Assistance Program (NAP), which offers catastrophic coverage for crops not insurable under the crop insurance program, by making available additional coverage at 50% to 65% of established yield and 100% of average price;
- allow producers to purchase a second crop insurance policy called “Supplemental Coverage Option” or SCO, which is designed to cover part of the deductible under the producer’s underlying policy; SCO is intended for crops, including specialty crops, that have sufficient data needed for policy development and implementation;
- revise the value of crop insurance for all organic crops to reflect prices of organic (not conventional) crops (specific provision in S. 3240); and
- subsidize the purchase of existing private-sector index-based weather insurance, which insures against specific weather events and not actual loss (S. 3240 only).

These and other provisions in the House committee-reported and Senate-passed farm bills that would affect crop insurance (and disaster assistance) for specialty crops are summarized in **Table 2**.

**Table 2. Crop Insurance and Disaster-Related Provisions for Specialty Crops in a 2012 Farm Bill**

Current Law/Policy	Senate-Passed Farm Bill (S. 3240)	House Agric. Comm. Bill (H.R. 6083)
<p>Permanently authorized by the Federal Crop Insurance Act, the federal crop insurance program makes available subsidized crop insurance to producers who purchase a policy to protect against individual farm losses in yield, crop revenue, or whole farm revenue. [7 U.S.C. 1501 et seq.]</p>	<p>Retains current program and makes available to crop producers (including specialty crop producers if data are available) an additional policy called Supplemental Coverage Option (SCO) to cover part of the deductible under the producer's underlying policy. SCO is an area-wide (e.g., county) yield or revenue loss policy, whereby an indemnity is paid on area losses greater than 10% of normal level and not more than the deductible level (e.g., 25%) selected by the producer in the underlying individual policy. Premium subsidized at 70%. Coverage to begin no later than the 2013 crop year. [Sec. 11001]</p>	<p>SCO provision is similar to the Senate bill. [Sec. 11003]</p>
<p>Requires FCIC to improve coverage for organic crops by signing contracts to develop improved policies as well as a procedure to offer higher price elections. Requires annual report to Congress. [U.S.C. 1522(c)(10)]</p>	<p>Deletes provision and requires FCIC to offer price elections for all organic crops by 2015 that reflect prices of organic (not conventional) crops. FCIC must submit an annual report to Congress on crop insurance for organic crops. [Sec. 11021]</p>	<p>Extends 2008 farm bill provision (without specific new provisions) to improve organic crop insurance. [Sec. 11021]</p>
<p>FCIC shall not conduct any pilot program that provides insurance protection against a risk if a policy is generally available from private companies. [7 U.S.C. 1523(a)]</p>	<p>FCIC may conduct a pilot program to provide financial assistance for producers of underserved crops and livestock (including specialty crops) to purchase an index-based weather insurance product from a qualified private insurance company. The subsidy shall not exceed 60% of the estimated premium amount. Unlike FCIC policies, the private insurance companies would maintain exclusive rights to rate and manage the policies. Provides mandatory funds of \$10 million per year for FY2013 through FY2017. [Sec. 11024]</p>	<p>No comparable provision.</p>
<p>Under Sections 522 and 523 of the Federal Crop Insurance Act, FCIC may enter into contracts to carry out research and development for new crop insurance policies (but may not conduct research itself). FCIC shall establish as one of the highest research priorities the development of a pasture, range, and forage program. It shall provide a payment to an applicant for research and development costs. FCIC may approve up to 50% of the projected total research and development costs to be paid in advance to an applicant. [7 U.S.C. 1522(c)]</p>	<p>Allows FCIC to conduct research and development activities to maintain or improve existing policies or develop new policies. Highest research priorities become policies that increase participation by producers of underserved agricultural commodities, including sweet sorghum, sorghum for biomass, specialty crops, sugarcane, and dedicated energy crops [Sec. 11022]</p> <p>FCIC shall review any policy developed under Section 522(c) or any pilot program developed under Section 523 and submit the policy or program to the Board if it finds that the policy or program will likely result in a viable and marketable policy and would provide coverage in a significantly improved form. [Sec. 11007]</p> <p>For cost reimbursement, the 50% limitation may be waived and, upon request of the submitter, an additional 25% advance payment may be made. [Sec. 11015]</p>	<p>Same as current law (i.e., does not provide authority for FCIC to conduct research itself) but revises high priority research topics as specified in Senate bill. [Sec. 11020]</p> <p>Identical to the Senate bill. [Sec. 11010]</p> <p>No comparable provision.</p>

<b>Current Law/Policy</b>	<b>Senate-Passed Farm Bill (S. 3240)</b>	<b>House Agric. Comm. Bill (H.R. 6083)</b>
	FCIC is required to contract for studies on the feasibility of insuring specialty crop producers for food safety and contamination-related losses <b>[Sec. 11017]</b>	Identical to the Senate bill. <b>[Sec. 11021]</b>
Adjusted Gross Revenue (AGR) and AGR-Lite policies insure revenue of the entire farm rather than an individual crop. Both use a producer's five-year historical farm average revenue as reported on the Internal Revenue Service (IRS) tax return form (Schedule F or equivalent forms). Coverage levels range from 65% to 80% of historical revenue. <b>[7 U.S.C. 1523]</b>	FCIC is to conduct activities or enter into contracts to develop a whole farm risk management insurance plan (with liability up to \$1.5 million) that pays an indemnity if gross farm revenue is below 85% (compared with 80% currently). Coverage may include value of packing, packaging or other on-farm activities. FCIC may provide diversification-based discounts for producers with diversified operations. <b>[Sec. 11016]</b>	Identical to the Senate bill, except maximum liability is \$1.0 million. <b>[Sec. 11021]</b>
The Standard Reinsurance Agreement (SRA) between FCIC and private companies defines expense reimbursements and risk-sharing by the government, including the terms under which the government provides subsidies and reinsurance (i.e., insurance for insurance companies) on eligible crop insurance contracts sold or reinsured by insurance companies. FCIC may renegotiate the SRA once every 5 years. <b>[7 U.S.C. 1508(k)]</b>	Any savings generated from a renegotiated SRA must be used for programs administered by the Risk Management Agency. <b>[Sec. 11010]</b>	Same as Senate bill. <b>[Sec. 11012]</b> Also directs FCIC to make an additional annual expense reimbursement of \$41 million (for reinsurance years 2011 through 2015) to insurance companies selling policies for crops not eligible for benefits (i.e., specialty crops) under federal commodity price and income support programs. <b>[Sec. 11011]</b>
<b>Noninsured Crop Assistance Program (NAP)</b>		
The Noninsured Crop Assistance Program (NAP) has permanent authority under Section 196 of the Federal Agriculture Improvement and Reform Act of 1996, and receives such sums as necessary in mandatory funding. Growers of crops not insurable under the crop insurance program are eligible for NAP. A payment is made to an eligible producer whose actual production is less than 50% of the established (historical) yield for the crop. The payment rate is 55% of the average market price. Producers pay a fee of \$250 per crop per county, or a maximum of \$750 per producer per county, not to exceed \$1,875 per producer. <b>[7 U.S.C. 7333]</b>	Through FY2017, makes available additional coverage for NAP at 50% to 65% of established yield and 100% of average market price. Premium for additional coverage is 5.25% times the product of the selected coverage level and value of production (acreage times yield times average market price). The premium for additional coverage is reduced by 50% for limited resource, beginning, and socially disadvantaged farmers.  For producers with fruit crop losses in 2012, payments associated with additional coverage are made retroactively (minus premium fees) in counties declared a disaster due to freeze or frost.  Eliminates NAP for crops/grasses used for grazing (to reduce overlap with livestock disaster programs in Title I—Commodity Programs), ferns, and tropical fish.  Increases base NAP fee to \$260 per crop per county, or \$780 per producer per county, not to exceed \$1,950 per producer. <b>[Sec. 12204]</b>	Similar to Senate bill except as indicated below. <b>[Sec. 11024]</b>  No comparable provision.  No comparable provision.  No comparable provision.

Current Law/Policy	Senate-Passed Farm Bill (S. 3240)	House Agric. Comm. Bill (H.R. 6083)
<b>Tree Assistance Program (TAP)</b>		
Beginning in 2008, five new disaster programs were authorized for disasters occurring on or before 9/30/11. [7 U.S.C. 1531] One of the five is the Tree Assistance Program (TAP), which provided payments to eligible orchardists and nursery growers to cover 70% of the cost of replanting trees or nursery stock and 50% of the cost of pruning/removal following a natural disaster. Maximum TAP payments set at \$100,000 per person per year.	Four programs including TAP are reauthorized with mandatory funding from the Commodity Credit Corporation for FY2012 through FY2017. TAP payment rate for replanting is reduced from 70% to 65%. [Sec. 1501]	Same as the Senate bill except maximum payment limit is increased to \$125,000. [Sec. 1501]

**Source:** CRS Report R42552, *The 2012 Farm Bill: A Comparison of Senate-Passed S. 3240 and the House Agriculture Committee's H.R. 6083 with Current Law.*

**Notes:** FCIC is the Federal Crop Insurance Corporation, which is the funding mechanism for the federal crop insurance program. USDA's Risk Management Agency (RMA) administers the program. USDA's Farm Service Agency administers the Noninsured Crop Assistance Program (NAP) and the Tree Assistance Program (TAP).

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