



United States Department of Agriculture
Risk Management Agency

April 2010

2010 COMMODITY INSURANCE FACT SHEET

Chile Peppers

Arizona

Crop Insured

Four types of chiles are insurable: Long Green New Mexican, Long Red New Mexican, Cayenne, and Jalapeno. Only peppers that will be planted to fulfill a written contract with a processor can be insured. The contract must specify the quantity (in delivered weight or planted acres) of chilies the processor agrees to buy and the base price the processor will pay the grower. In addition, producers applying for insurance must have experience growing chile peppers. The fields must be irrigated and not have been planted with peppers, tomatoes, beets, cucurbits, eggplant, or spinach for at least one year

Counties Available

Chile peppers are insurable in Cochise county.

Causes of Loss

Adverse weather conditions¹
Failure of irrigation water supply²
Fire
Insects³
Plant disease³
Wildlife
Earthquake
Volcanic Eruption

¹Natural perils such as hail, frost, freeze, wind, drought, and excess moisture.

²If caused by an insured peril during the insurance period.

³But not damage due to insufficient or improper application of control measures.

Insurance Period

Producers must apply for coverage with an insurance agent before January 31 to insure the peppers they plan to plant and harvest that year. Insurance attaches when the chile peppers are planted and ends at the earliest of:

- Total destruction of the crop
- Fulfillment of processor contract
- **October 15** for New Mexican Long Green, Jalapeno and Cayenne Chile Peppers
- **December 31** for New Mexican Long Red Chile Peppers

Important Dates

Sales Closing January 31
Final Planting
Long Red New Mexican, Cayenne April 15
Long Green New Mexican, Jalapeno May 15
Acreage Report Due July 1
Premium Billing September 15

Coverage Levels

Producers can select their own revenue guarantee from among seven fixed-dollar amounts of insurance determined by USDA as shown in the table below.

Maximum Dollar Amount \$1130 X Coverage Level
=Amount of Insurance

FIXED DOLLAR AMOUNT OF INSURANCE						
CAT	.50	.55	.60	.65	.70	.75
\$311	\$565	\$622	\$678	\$735	\$791	\$847

The levels of coverage offered are intended to enable Chile growers to recover a percentage of their out-of-pocket costs of producing the crop.

Catastrophic (CAT) Coverage is fixed at 50 percent of average yield and 55 percent of the price election. CAT is 100 percent subsidized with no premium cost to you except for an administrative fee of \$300, regardless of the acreage.

The amount of insurance is progressive by vegetative stages as described below.

STAGE	Amount of Insurance	Stage Description
1	75%	For seeded acreage, until thinning.
2	85%	From thinning or transplanting to fruit set.
3	100%	From fruit set until harvest or end of insurance.

Loss Example

The amount of loss that can be claimed is the difference between the amount of insurance and the value of production- to-count. An insured selects \$847 amount of insurance at the 75-coverage level and has a contract on 60 acres. All the chile peppers from 50 acres were harvested but 10 acres were not. The appraised production on the unharvested acreage was 10,000 pounds and harvest production amounted to 100,000 pounds. To calculate the value of harvested chiles (Long Red), the allowable cost of picking and hauling is subtracted from the base contract price:

\$847	Insurance per acre
<u>x 60</u>	Acres of production
\$50,820	Guarantee revenue
<u>x 1.00</u>	Stage 3 coverage percent
\$50,820	
\$.66	Base contract price
<u>-\$.25</u>	Allowable cost of picking
\$.41	Value of harvested chiles
<u>x 100,000</u>	Number of pounds harvested
\$41,000	Value of harvested chiles
10,000	Pounds of unharvested chiles
<u>x \$.66</u>	Base contract price
\$6,600	Value of unharvested chiles
\$50,820	Guarantee revenue
- \$47,600	Value of harvested chiles + value of unharvested chiles
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\$3,220	Indemnity paid to insured

Where to Purchase Crop Insurance

All multi-peril crop insurance, including CAT coverage insurance policies are available from private insurance agents. A list of crop insurance agents is available on the RMA Web site at:

<http://www3.rma.usda.gov/tools/agents/>

Download Copies from the Web

Visit our online publications/fact sheets page at:
http://www.rma.usda.gov/fields/ca_rso/index.html

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