



United States Department of Agriculture
Risk Management Agency

March 2012

2012 COMMODITY INSURANCE FACT SHEET

Chile Peppers

Arizona

Crop Insured

Four types of chilies 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 you. In addition, you must have experience growing chile peppers. The fields must be irrigated and not have been planted with chile peppers, tomatoes, beets, cucurbits, eggplant, spinach, or beans in either of the 2 previous crop years or cotton the previous year.

Counties Available

Chile peppers are insurable in Cochise county.

Causes of Loss

Adverse weather conditions¹
Earthquake
Failure of irrigation water supply²
Fire³
Insects⁴
Plant disease⁴
Volcanic eruption
Wildlife⁵

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

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

³Unless weeds and undergrowth are not controlled or unmulched pruning debris is not removed.

⁴But not damage due to insufficient or improper application of control measures.

⁵Unless wildlife control measures have not been taken.

Insurance Period

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

- 1) Total destruction of the crop;

- 2) Fulfillment of processor contract;
- 3) **October 15** for New Mexican Long Green, Jalapeno and Cayenne Chile Peppers; or
- 4) **December 31** for New Mexican Long Red Chile Peppers

Coverage Levels and Premium Subsidies

You can select your own revenue guarantee from among seven fixed-dollar insurance amounts, determined by USDA as shown in the table below.

$$\text{Maximum Dollar Amount} \\ \$1260 \times \text{Coverage Level} = \text{Amount of Insurance}$$

FIXED DOLLAR AMOUNT OF INSURANCE							
Coverage Level	CAT	.50	.55	.60	.65	.70	.75
Guarantee	\$347	\$630	\$693	\$756	\$819	\$882	\$945

The coverage levels offered are intended to help you recover a percentage of your out-of-pocket costs.

Catastrophic Risk Protection (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.

Important Dates

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

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. Assume you select \$945 of insurance coverage at the 75-percent coverage level and have 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 chilies (Long Red), the allowable cost of picking and hauling is subtracted from the base contract price:

\$945	Insurance per acre
<u>x 60</u>	Acres of production
\$56,700	Guarantee revenue
<u>x 1.00</u>	Stage 3 coverage percent
\$56,700	
\$.66	Base contract price
<u>-\$.25</u>	Allowable cost of picking
\$.41	Value of harvested chilies
<u>x 100,000</u>	Number of pounds harvested
\$41,000	Value of harvested chilies
10,000	Pounds of unharvested chilies
<u>x \$.66</u>	Base contract price
\$6,600	Value of unharvested chilies
\$56,700	Guarantee revenue
- \$47,600	Value of harvested chilies + value of unharvested chilies
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\$9,100	Indemnity paid

Where to Buy Crop Insurance

All multi-peril crop insurance, including catastrophic 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/apps/agents/>

Regional Contact for RMA

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