



United States Department of Agriculture
Risk Management Agency

February 2006

2006 COMMODITY INSURANCE FACT SHEET

Onion (Quality Enhanced Coverage)

Idaho and Eastern Oregon Storage Type Onions

Basic Requirement

You **must** have a basic onion multiple peril crop insurance (MPCI) policy in force for this coverage to be in effect. This information is **specific** to **storage type onions** grown in the approved counties named below.

Counties Available

Idaho: Canyon, Owyhee, Payette, and Washington
Oregon: Malheur

Causes of Loss

Adverse weather conditions; fire; insects and plant disease (but not damage due to insufficient or improper application of control measures); wildlife; earthquake; volcanic eruption; or, failure of the irrigation water supply, if caused by an insured peril that occurs during the insurance period.

Basic Information

These items are discussed in more detail on the general onion crop insurance fact sheet:

Acreage Report	Administrative Fees
Catastrophic Coverage	Causes of Loss
Crop Insured	Insurance Period
Price Election	Production Guarantees

Important Dates

Sales Closing	February 1
Final Planting Date	April 20
Acreage Report Date.....	June 30
Cancellation & Termination Date	February 1

Quality Enhanced Coverage

Recognizes that grower receipts will likely be reduced when storage type onions fail to achieve the expected percentage of jumbo and larger sizes (jumbo+). The production to count is adjusted, based on the percentage of the onion crop which sizes jumbo and larger. For each percentage point below 80 percent, 0.6 percentage point of the total yield is determined to be production not to count. In other words, for each 5 percentage point reduction below 80 percent, 3 percent of the total yield is determined to be production not to count.

RMA has approved the following statement, which has been added to the special provisions of Canyon, Owyhee, Payette, and Washington Counties, Idaho, and Malheur County, Oregon:

"In lieu of the provisions in section 1 Definitions, 'Damaged onion production', the following shall apply only to onions having reached the final stage:

Damaged onion production - Storage type onion production that does not size at least 80 percent U.S. No. 1 jumbo or larger will be reduced 0.06 percent for each 0.1 not grading U.S. No. 1 jumbo or larger. (All percentage points of damage will be rounded to the nearest 0.1 percent)

Formula:

Production to count = [100 percent minus (80 percent minus actual % jumbo+) multiplied by 0.60] multiplied by yield

Example:

Production to count = [1 minus (0.800 minus 0.280 0 multiplied by 0.60) multiplied by 350 (cwt) = 240.8cwt."

Settlement of Claim

If the damage to onion production exceeds the percentage shown in the special provisions, no production will be counted for that unit unless such damaged production is sold. If sold, the hundredweight of production sold will be adjusted by dividing the price received for the damaged onion production by the price election and multiplying the resulting factor times the hundredweight sold.

Claim Example

Based on expected jumbo+ production of 80 percent:

533 cwt per acre APH

400 cwt per acre guarantee (75-percent guarantee)

426 cwt Jumbo + target (80-percent jumbo+)

Actual US No. 1 harvested = 350cwt

Actual percent jumbo + = 98 cwt per 350 cwt = 28 percent

Production

Colossal:	9 cwt
Jumbo:	89 cwt
Medium:	245 cwt
Small:	<u>7 cwt</u>
Total	350
Jumbo +	98

The insured has production of 350 cwt per acre, which is 50 cwt per acre below the production guarantee. In this example, the portion of the onions sizing jumbo and larger (jumbo+) is equal to 28 percent. Subtracting 28 percentage points from the expected 80 percent gives a difference of 52 percentage points. The resulting 52 is then multiplied by 0.6 to yield 31.2 percentage points. The grower's actual total yield, 350 cwt is multiplied by 0.312 (31.2 percent), resulting in 109.2 cwt. The 109.2 cwt is then entered into the loss calculation as follows:

"Quality Enhanced" Production Loss

400	cwt guarantee
<u>-350</u>	cwt harvested production
50	cwt production shortfall
<u>+109.2</u>	cwt quality reduction (Guarantee - deficiency = production)
159.2	cwt / acre deficiency (400 cwt - 159.2 = 240.8 cwt)
<u>x \$3.25</u>	Price election (Oregon spring planted yellows CY 2004)
\$560.38	Indemnity versus an indemnity of \$162.50 without quality enhancement

Production to count = (1 minus [0.800 minus 0.280] multiplied by 0.60) multiplied by 350 (cwt) = 240.8 cwt.

STRING CALCULATION

$(1 - [0.80 - 0.28] * 0.60) * 350 = 240.8 \text{ cwt}$

STEP BY STEP CALCULATIONS

$0.80 - 0.28 = 0.52$

$0.52 * 0.60 = 0.312$

$1 - 0.312 = 0.688$

$350 * 0.688 = 240.8$

Where to Purchase

All MPCI, including CAT coverage insurance policies, are available from private insurance agents. A list of crop insurance agents is available at all USDA service centers or at the RMA website: <http://www3.rma.usda.gov/tools/agents/companies/>

Regional Contact for RMA

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