



United States Department of Agriculture  
Risk Management Agency

December 2009

## 2010 COMMODITY INSURANCE FACT SHEET

# Onion (Quality Enhanced Coverage)

## Idaho and Eastern Oregon Storage Type Onions

### Basic Requirement

You **must** have a basic onion multi-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 and 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 eighty percent (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% minus (80% minus actual % Jumbo+) multiplied by 0.60] multiplied by yield

Example:

Production to count = [1 minus (0.800 minus 0.280 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 (cwt) 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 cwt 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 % Jumbo + = 98 cwt / 350 cwt = 28%

### 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<br>(guarantee - deficiency = production)                  |
| 159.2           | Cwt / acre deficiency<br>(400 cwt -159.2= 240.8 cwt)                            |
| <u>x \$3.90</u> | Price election<br>(spring planted yellows)                                      |
| <b>\$620.88</b> | Indemnity versus an indemnity of <b>\$195.00</b><br>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 on the RMA Web site: <http://www3.rma.usda.gov/tools/agents/>

## Regional Contact for RMA USDA/Risk Management Agency Spokane Regional Office

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