



**UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
PILOT PROCESSING CHILE PEPPER CROP PROVISIONS**

If a conflict exists among the policy provisions, the order of priority is as follows: (1) the Catastrophic Risk Protection Endorsement, if applicable; (2) the Special Provisions; (3) these Crop Provisions; and (4) the Basic Provisions, with (1) controlling (2), etc.

1. Definitions.

Allowable Cost - The dollar amount per pound for harvesting and hauling that is shown in the Special Provisions.

Base contract price - The price stipulated on the processor contract without regard to discounts or incentives that may apply.

Chile Peppers - Plants that are members of the *Solanaceae* (nightshade) family and belong to the *Capsicum* genus, including New Mexican, Cayenne, Jalapeno, and Wax peppers, but excluding Bell peppers.

Direct Marketing - Sale of the insured crop directly to consumers without the intervention of an intermediary such as a wholesaler, retailer, packer, processor, shipper, or buyer. Example of direct marketing includes selling through an on-farm or roadside stand, farmer's market, and permitting the general public to enter the field for the purpose of picking all or a portion of the crop.

Harvest - The removal of pods from the plant either by hand or machine.

Fruit set - The reproductive stage of the plant at which 30 percent of the plants have produced at least one pod that has reached a minimum of one half inch in length.

Plant stand - The number of live plants per acre after thinning but prior to the occurrence of an insurable cause of loss.

Pound - Sixteen (16) ounces avoirdupois.

Processor - Any business enterprise regularly engaged in processing chile peppers into products for human consumption/use, that possesses all licenses and permits for processing chile peppers required by the state in which it operates, and that possesses facilities, or has contractual access to such facilities, with enough equipment to accept and process the contracted chile peppers within a reasonable amount of time after harvest.

Processor contract - A written contract between the producer and the processor, containing at a minimum:

- (a) The producer's commitment to plant and grow chile peppers, and to deliver the chile pepper production to the processor;
- (b) The processor's commitment to purchase all the production from a specified number of acres or the specified quantity of production stated in the processor contract; and
- (c) A base contract price or formula for a price that will be paid to the producer for the production stated in the contract.

Thinning - A process to reduce emerged seedlings to groups of 1 to 3 seedlings every 10 - 12 inches.

2. Unit Division.

(a) For any processor contract that stipulates the amount of production to be delivered:

(1) In lieu of the definition contained in the Basic Provisions, a basic unit will consist of all acreage planted to the insured crop in the county that will be used to fulfill contracts with each processor. There will be no more than one basic unit for all production contracted with each processor contract.

(2) Provisions in the Basic Provisions that allow optional units by section, section equivalent, or FSA farm serial number and by irrigated and non-irrigated practices are not applicable. Optional units may only be established based on the types designated on the Special Provisions.

(b) For any processor contract that stipulates the number of acres to be planted, in addition to or instead of, establishing optional units by section, section equivalent or FSA farm serial number, optional units may be established based on the type designated on the Special Provisions.

3. Amounts of Insurance.

In addition to the requirements of section 3 of the Basic Provisions:

(a) You may select one coverage level and the corresponding amount of insurance designated in the actuarial documents for all chile peppers in the county insured under this policy.

(b) The production reporting requirements contained in section 3 of the Basic Provisions do not apply to chile peppers.

(c) The amounts of insurance on each unit cannot exceed the value of the processor contract minus the allowable costs.

(d) The amounts of insurance per acre are progressive by stages as follows:

Stage	Amount of Insurance	Description of Stage
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.

(e) Any acreage of chile peppers damaged in the first, second, or third stage to the extent that the majority

of producers in the area would not normally further care for it must be destroyed prior to a claim being finalized. The amount of insurance payable for such acreage will be based on the stage the plants had achieved when the damage occurred.

4. Contract Changes.

In accordance with section 4 of the Basic Provisions, the contract change date is November 30 preceding the cancellation date.

5. Cancellation and Termination Dates.

In accordance with section 2 of the Basic Provisions, the cancellation and termination dates are January 31.

6. Report of Acreage.

In addition to the provisions of section 6 of the Basic Provisions, you must provide a copy of all processor contracts to us on or before the acreage reporting date.

7. Annual Premium.

In lieu of the premium amount determinations contained in section 7 of the Basic Provisions, the annual premium amount for each type is determined by multiplying the third stage amount of insurance per acre by the premium rate for the type as established in the actuarial documents, by the insured acreage, by your share at the time coverage begins, and by any applicable premium adjustment factors contained in the actuarial documents.

8. Insured Crop.

In accordance with section 8 of the Basic Provisions, the crop insured will be all chile peppers in the county for which a premium rate is provided by the actuarial documents:

- (a) In which you have a share;
- (b) That are:
 - (1) Planted to be harvested and processed for human consumption/use.
 - (2) Grown under an irrigated practice.
 - (3) Grown by a person who in at least one of the three previous crop years:
 - (i) Grew chile peppers for commercial sale to a processor; or
 - (ii) Managed a chile pepper farming operation that contracted with a processor.
 - (4) Grown under and in accordance with the requirements of a processor contract executed before the acreage reporting date and is not excluded from the processor contract at any time during the crop year;
 - (i) Insured acreage is limited to the amount specified in the processor contract;
 - (ii) If a specific number of acres are not specified, all planted acres will be insured and our liability will be limited to the value of the contracted production minus allowable cost.
- (c) That is not:
 - (1) Interplanted with another crop;
 - (2) Planted into an established grass or legume; or
 - (3) Grown for direct marketing.
- (d) A chile pepper producer who is also a processor may establish an insurable interest, if the following requirements are met;

- (1) The processor must comply with these Crop Provisions;
- (2) Prior to the sales closing date, the Board of Directors or officers of the processor must execute and adopt a resolution that contains the same terms as an acceptable processor contract. Such resolution will be considered a processor contract under this policy; and
- (3) Our inspection reveals that the processing facilities comply with the definition of a processor contained in these Crop Provisions.

9. Insurable Acreage.

In addition to the provisions of section 9 of the Basic Provisions:

- (a) You must replant any acreage of chile peppers damaged before the final planting date whenever less than 50 percent of plant stand remains and it is practical to replant. In addition to the definition contained in the Basic Provisions, it will not be considered practical to replant unless production from the replanted acreage can be delivered under the terms of the chile pepper processor contract, or the processor agrees in writing that it will accept the production from the replanted acreage.
- (b) We will not insure any acreage on which:
 - (1) Chile peppers, tomatoes, beets, cucurbits, eggplant, spinach, or beans have been grown in either of the two previous crop years or cotton grown the previous year; or
 - (2) Chile peppers are not placed in rows far enough apart to permit mechanical cultivation unless otherwise provided by the Special Provisions.

10. Insurance Period.

In addition to the provisions of section 11 of the Basic Provisions regarding the end of the insurance period, insurance ceases at the earliest of:

- (a) The date you harvest sufficient production to fulfill your processor contract if the processor contract stipulates a specific amount of production to be delivered;
- (b) The following calendar date for the end of the insurance period:
 - (1) October 15 for New Mexican Long Green, Jalapeno, and Cayenne chile peppers; and
 - (2) December 31 for New Mexican Long Red chile peppers.

11. Causes of Loss.

- (a) In accordance with the provisions of section 12 of the Basic Provisions, insurance is provided only against the following causes of loss that occur during the insurance period:
 - (1) Adverse weather;
 - (2) Fire;
 - (3) Volcanic eruption;
 - (4) Earthquake;
 - (5) Wildlife;
 - (6) Insects and disease, but not damage due to insufficient or improper application of control measures;

- (7) Failure of the irrigation water supply, if due to a cause of loss listed in section 11 (a) (1) through (4) that occurs during the insurance period.
- (b) In addition to the causes of loss excluded by section 12 of the Basic Provisions, we will not insure against any loss of production due to:
 - (1) Bypassed acreage because of:
 - (i) The breakdown or non-operation of equipment or facilities; or
 - (ii) Insured acreage that was not harvested first, and
 - (iii) You and the processor are one and the same.
 - (2) The chile peppers not being timely harvested, unless such delay in harvesting is solely and directly due to an insured cause of loss; or
 - (3) Your failure to follow the requirements contained in the processor contract.

12. Duties In The Event of Damage or Loss.

In addition to the requirements contained in section 14 of the Basic Provisions, if you intend to claim an indemnity on any unit you also must give us notice not later than 72 hours after the earliest of:

- (a) The time you discontinue harvest of any acreage on the unit;
- (b) The date harvest normally would start if any acreage on the unit will not be harvested;
- (c) The calendar date for the end of the insurance period; and
- (d) If the crop will not be harvested and you wish to destroy the crop, you must leave representative samples of the unharvested crop for our inspection. The samples must be at least ten feet wide by the entire length of each field in the unit. The samples must not be harvested or destroyed until the earlier of our inspection or 15 days after harvest of the balance of the unit is completed. The amount of production to count for such acreage will be based on an appraisal from the representative sample at the normal harvest time.

13. Settlement of Claim.

- (a) We will determine your loss on a unit basis. In the event you are unable to provide separate acceptable production records, we will allocate any commingled production to such units in proportion to our liability on the harvested acreage for each unit. All production from any basic unit in excess of the amount under contract will be included as production to count if such production is applied to any other basic unit for which the contracted amount has not been fulfilled.
- (b) In the event of loss of production or damage to the insured crop covered by this policy, we will settle your claim by:
 - (1) Multiplying the insured acreage in each stage by the amount of insurance per acre for stage 3;
 - (2) Multiplying each result in section 13(b)(1) by the percentage for the applicable stage (see section 3(d));
 - (3) Total the results of section 13(b)(2);

- (4) Subtracting either of the following values from the result of section 13(b)(3);
 - (i) For other than catastrophic risk protection coverage, the total value of production to be counted (see section 13(c)); or
 - (ii) For catastrophic risk protection coverage, the result of multiplying the total value of production to be counted (see section 13(c)) by fifty-five percent; and
- (5) Multiplying the result of section 13 (b)(4) by your share.
- (6) For example:

You have a 100 percent share in 40 acres of long green chiles with the amount of insurance of \$735 per acre. The total value of your production to count is \$18,000. Your indemnity will be calculated as follows:

 - (i) 40 acres x \$735 = \$29,400 amount of insurance;
 - (ii) \$29,400 amount of insurance - \$18,000 production value = \$11,400 loss; and
 - (iii) \$11,400 x 100 percent share = \$11,400 indemnity payment.

- (c) The total value of production to count from all insurable acreage on the unit will include:
 - (1) Not less than the amount of insurance per acre for the stage for any acreage:
 - (i) That is abandoned;
 - (ii) Direct marketed;
 - (iii) Put to another use without our consent;
 - (iv) That is damaged solely by uninsured causes; or
 - (v) For which you fail to provide acceptable production records;
 - (2) The value of the following appraised production will not be less than the dollar amount obtained by multiplying the number of pounds of appraised chile peppers by the base contract price for:
 - (i) Potential production on any acreage that has not been harvested;
 - (ii) Unharvested mature chile peppers;
 - (iii) Production lost due to uninsured causes; and
 - (3) The total value of all harvested production from the insurable acreage will be the dollar amount obtained by subtracting the allowable cost contained in the Special Provisions from the base contract price received for each pound of chile peppers, and multiplying this result by the number of pounds of chile peppers harvested.

14. Late and Prevented Planting.

The late and prevented planting provisions in the Basic Provisions are not applicable.

15. Written Agreement.

The written agreement provisions in the Basic Provisions are not applicable.