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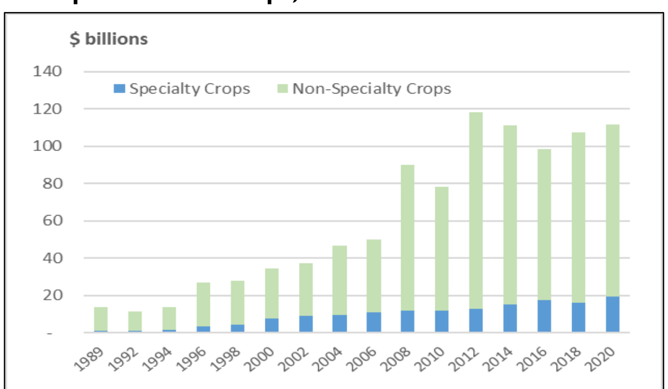
# Federal Crop Insurance: Fruits, Vegetables and Specialty Crops

For decades, Congress has sought to expand federal crop insurance coverage for fruits, vegetables, and other specialty crops—starting with changes enacted in the 1990s through farm bill legislation in the Agriculture Improvement Act of 2018 (P.L. 115-334), in addition to administrative efforts at the U.S. Department of Agriculture (USDA). These efforts expanded the scope of the Federal Crop Insurance Program (FCIP) and broadened policy coverage so that policies are now available for a wide range of commodities. Historically, FCIP has primarily covered traditional field crops (such as wheat, corn, and soybeans). Although specialty crops now account for a larger and growing proportion of farmers' insured liability, field crops continue to predominate (**Figure 1**).

## Federal Crop Insurance Coverage

FCIP provides farmers with risk management tools to address crop yield and/or revenue losses on their farms. Under the program, farmers can purchase subsidized policies that pay an indemnity when their production or revenue falls below a guaranteed level. The federal crop insurance program is permanently authorized by the Federal Crop Insurance Act, as amended (7 U.S.C. 1501 et seq.). USDA's Risk Management Agency (RMA) operates the Federal Crop Insurance Corporation (FCIC), which is the funding mechanism for the program. Insurance policies are sold and completely serviced through approved private insurance companies. The insurance companies' losses are reinsured by USDA, and their administrative and operating costs are reimbursed by the federal government.

**Figure 1. Total Insured Liability for Specialty Crops Compared to All Crops, 1989-2020**




**Source:** CRS using RMA *Summary of Business* data (accessed March 2022). Data include Whole Farm Revenue Protection policies. Other information is available from RMA's most recent annual Report to Congress, *Specialty Crops Report 2021*.

In purchasing a crop insurance policy, a producer selects a level of coverage (i.e., deductible) and pays a portion of the premium—or none of it in the case of catastrophic coverage—which increases as the level of coverage rises. The federal government pays the rest of the premium (62%, on average). Premium subsidies received by all U.S. agricultural producers totaled $6.3 billion in 2020. Total insurance protection (liability) for all federally insured crops (excluding livestock) was $114 billion in 2020.

## Specialty Crop Coverage

In statute, the term *specialty crops* refers to "fruits and vegetables, tree nuts, dried fruits, and horticulture and nursery crops (including floriculture)" (7 U.S.C. 1621 note). This definition covers roughly 400 agricultural commodities, including fresh and processed fruits and vegetables, tree nuts, nursery plants (such as trees, shrubs, flowering plants), herbs and spices, coffee and tea, and honey and maple syrup, according to USDA guidelines. Although various legislative and administrative changes have expanded federal crop insurance coverage for specialty crops, many crops still do not have crop-specific insurance policies. Currently, FCIP policies cover roughly 80 types of fruits, vegetables, tree nuts, and nursery crops.

Crops covered by individual FCIP plans include almonds, apples, avocados, bananas, blueberries, cabbage, chili peppers, citrus fruits and trees, coffee, cranberries, cucumbers, fresh and dried beans and peas, figs, fresh market beans, sweet corn, tomatoes, table grapes and raisins, macadamia nuts and trees, mint, mustard, nursery crops (in containers), olives, onions, papaya, pears, pecans, peppers, pistachios, popcorn, potatoes, processing beans, pumpkins, most fresh and processing stonefruit (cherries, apricots, freestone and cling peaches, nectarines, fresh and dried plums), strawberries, sweet corn, sweet potatoes, and walnuts. Apiaries are also covered. Participation is highest in the leading specialty crop producing states, such as California, Washington, Florida, Michigan New York, and Oregon. Participation rates in these states range from about 50% to 70%, with up to 90% participation in Florida.

Federal crop insurance policies for specialty crops (and other crops) are generally either yield-based or revenue-based. For most yield-based policies, a producer can receive an indemnity if there is a yield loss relative to the farmer's "normal" (historical) yield. Insurable causes of loss include drought, excess precipitation, hail, frost, freeze, fire (if due to natural causes), and insects and disease. Revenue-based policies protect against crop revenue loss resulting from declines in yield, price, or both. Nursery crop producers can be protected against plant damage or losses in value due to adverse weather, failure of irrigation water systems, fire, and wildlife. Additional background is available in CRS Report R45459, *Federal Crop Insurance: Specialty Crops*.

**Table 1** provides summary statistics of federal crop insurance coverage for specialty crops for 2018 through 2020. It provides total premium, premium subsidies, producer-paid premium, liabilities, indemnities (claim payments), and the number of policies earning premium. Whereas premium subsidies across all commodities totaled $6.2 billion, premium subsidies for specialty crops totaled $765 million in 2020, or about 63% of total premium (on average across all specialty crops). Producer-paid premiums are the total premium less premium subsidies.

Total liability, or the estimated value of the insured portion of the crop, is a useful measure of program growth. Compared with the late 1980s when specialty crop insured liabilities totaled less than $1 billion, insured liabilities totaled nearly $19.3 billion in 2020 (**Table 1**), reflecting increased production and participation. This amounted to 21% of the liability for all federally insured crops and livestock of $114 billion in 2020 (**Figure 1**).

**Table 1. Summary of Federal Crop Insurance Coverage, Specialty Crops (2018-2020)**

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| Total Premium ($millions) | $951 | $947 | $1,215 |
| Premium Subsidies ($millions) | $596 | $591 | $765 |
| Producer-Paid Premium ($millions) | $355 | $356 | $450 |
| Liabilities ($billions) | $15.9 | $16.7 | $19.3 |
| Indemnities ($millions) | $1,009 | $869 | $1,144 |
| Policies Earning Premium (number) | 54,506 | 54,816 | 56,214 |

**Source:** CRS using RMA *Summary of Business* data (accessed March 2022). Data include Whole Farm Revenue Protection policies.

**Notes:** Policies earning premium are policies that went into effect and for which premium was due, as opposed to policies that producers signed up for but did not ultimately purchase, or policies that were cancelled or did not go into effect for other reasons.

Crops without insurance include artichokes, asparagus, black/boysenberries, broccoli, carrots, cashews, chives, cauliflower, celery, dates, eggplants, garlic, hazelnuts, most melons, squash, tart cherries, most leafy greens, leeks, most herbs and spices, some tropical plants, and most root crops. Some specialty crops may be covered under a Whole Farm Revenue Protection insurance policy, intended to fill in coverage gaps for producers of uninsured crops that lack individual policy coverage and for producers marketing to local, farm-identity preserved, or direct markets. The Noninsured Crop Disaster Assistance Program may also provide an alternative option for some producers, along with supplemental agricultural disaster assistance programs.

## New Product Development

Most new crop insurance products for specialty crops tend to be developed by private entities and submitted to RMA through procedures specified in Section 508(h) of the Federal Crop Insurance Act (7 U.S.C. §1508(h)), rather than being developed internally by RMA (7 U.S.C. §1522). Section 508(h) governs new crop insurance policy development, including how it is contracted out and funded, how policy ratings are undertaken, and how a policy may start as a pilot and possibly evolve to an insurance policy.

As authorized, private-sector entities may conduct research and development of new insurance products and features, and submit these to the FCIC board for review. All new products must be approved by the FCIC board. This process can take up to a year and generally depends on the quality and thoroughness of the submission package presented to the board and the responsiveness of the submitter to issues raised by the board and the reviewers, among other factors. In considering Section 508(h) submissions, the FCIC board is to evaluate whether the products are in the best interests of producers, follow sound insurance principles, and are actuarially appropriate. Once the FCIC board approves a new product, it is often implemented as a pilot program in a limited area to test it for effectiveness while limiting financial exposure. Products designated as pilot programs are those involving new policies for a previously uninsured crop or crop type as well as new policies or plans of insurance created for previously insured cops. Pilot programs typically operate for four years but may be extended for additional testing if needed.

USDA may reimburse certain costs for research and development of approved Section 508(h) policies. Private submitters are eligible to recoup maintenance costs for up to four years after a product is offered on the market if they continue to provide support for the product. After that, the private entity may choose to turn the product over to RMA, relinquishing ownership rights of the product. Alternatively, the private entity may retain ownership of the insurance product and continue to update it in return for a user fee as approved by the FCIC board and paid by Approved Insurance Providers (AIPs) who sell the product to growers.

## Continued Challenges

Even though new crop insurance product introductions for specialty crops have been increasing, RMA and the industry continue to face a number of challenges when developing and making available new policies for specialty crops. Most challenges stem from how the specialty crop industry is structured, which is often characterized by relatively small acreages, multiple crop varieties, products targeting niche markets, and differences in farming practices. This contributes to greater complexity and cost, quality and price discovery issues, non-weather risks, and coverage limitations related to developing and marketing new products.

Data availability and data quality often pose a challenge for developing crop insurance products, particularly lack of reliable pricing data for specialty crops not traded on commodity exchanges. Crops grown and marketed in smaller quantities or targeting niche markets often command a price premium, resulting in highly variable market prices and complicating price discovery. For a policy to be viable, a crop must have established cultivars, defined production practices, developed markets, and known perils. Marketing claims for some crops—such as sustainably or organically grown, or other process claims—further contribute to product complexity. Most specialty crops are intended for sale in the higher-value fresh market, and are perishable and nonstorable, unlike traditional field crops. Significant producer interest (demand for a policy) is also critical. Factors such as these affect the potential marketability, actuarial soundness, and feasibility of an insurance policy.

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