

The slide features a background image of a hemp plant against a blue sky with clouds. In the top left corner is the AgriLogic Consulting, LLC logo, which consists of a stylized 'AL' in blue and yellow, followed by the text 'AgriLogic' in a bold, sans-serif font, and 'CONSULTING, LLC' in a smaller font below it. The main title 'Hemp Crop Insurance Program' is centered in a large, dark blue, serif font. Below the title, on the left, is a circular portrait of a woman with dark hair, smiling. To the right of the portrait, the text 'Presenter: Madilyn Nunez' is followed by 'AgriLogic Consulting LLC' and 'Policy Analyst' on separate lines. On the right side of the slide, the text 'Grower Training Presentation' and 'February 2020' is displayed in a white, sans-serif font. A decorative blue and yellow curved shape is on the right edge of the slide.

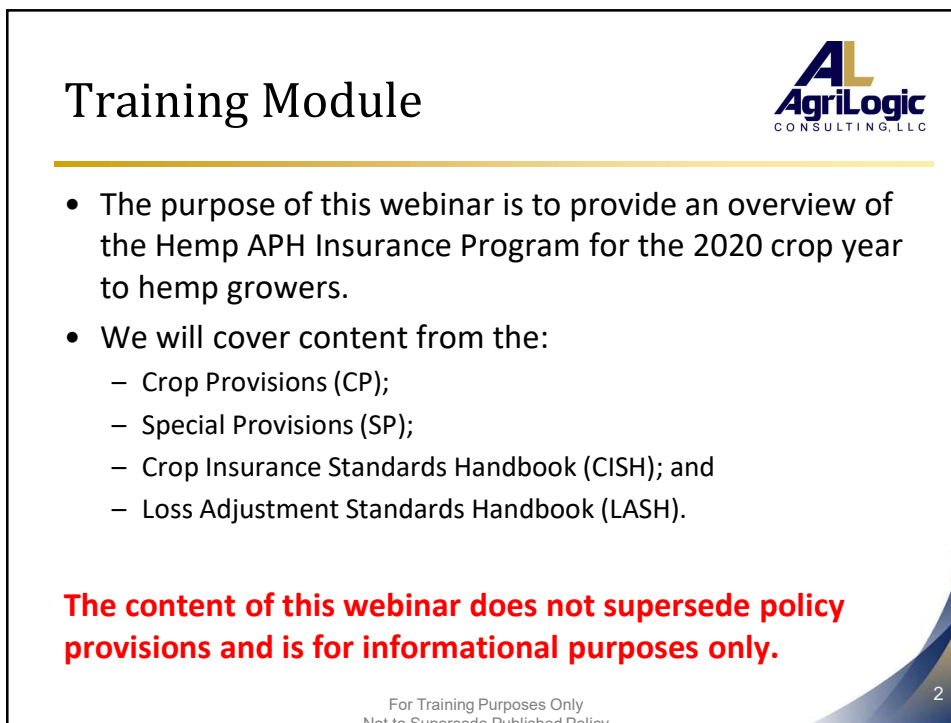
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Hemp Crop Insurance Program

 **Presenter: Madilyn Nunez**
AgriLogic Consulting LLC
Policy Analyst

Grower Training Presentation
February 2020

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The slide has a white background with a blue and yellow curved shape in the bottom right corner. The title 'Training Module' is in a large, black, serif font. The AgriLogic Consulting, LLC logo is in the top right corner. A horizontal orange line is below the title. A bulleted list follows, with the first bullet point describing the purpose of the webinar and the second listing the content to be covered. The text 'The content of this webinar does not supersede policy provisions and is for informational purposes only.' is in red. At the bottom, in small text, it says 'For Training Purposes Only' and 'Not to Supersede Published Policy'. The number '2' is in the bottom right corner.

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Training Module

- The purpose of this webinar is to provide an overview of the Hemp APH Insurance Program for the 2020 crop year to hemp growers.
- We will cover content from the:
 - Crop Provisions (CP);
 - Special Provisions (SP);
 - Crop Insurance Standards Handbook (CISH); and
 - Loss Adjustment Standards Handbook (LASH).

The content of this webinar does not supersede policy provisions and is for informational purposes only.

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History of Program



- Agricultural Act of 2014 (aka 2014 Farm Bill) allowed legal pilot research programs to be administered by:
 - State Department of Agriculture; or
 - Universities.
- Agricultural Act of 2018 (aka 2018 Farm Bill)
 - Removed hemp from schedule I of Controlled Substance Act;
 - Blocked prohibition of interstate transportation;
 - Provided hemp may be grown under:
 - A valid license;
 - A USDA-approved State or Tribal plan; or
 - The 2014 Farm Bill (2020 CY only).

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U.S. Industrial Hemp Industry



<u>Year</u>	<u>Vote Hemp</u>	<u>USDA FSA</u>	<u># States</u>
2015	4k ac.	1.5k ac.	4
2016	10k ac.	4k ac.	15
2017	26k ac.	10k ac.	19
2018	78k ac.	32k ac.	23
2019	230k ac.	146k ac.	37

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Program Developer



AgriLogic Consulting (Program Developer)

- Agricultural economic and insurance consulting firm
- Over 250 years combined experience in crop insurance program development, expert review, and administration
- Successful track record of developing and maintaining a broad array of sound risk management tools and insurance programs to the American agricultural producer

Major Contributing Organizations:



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Challenges to Program Development



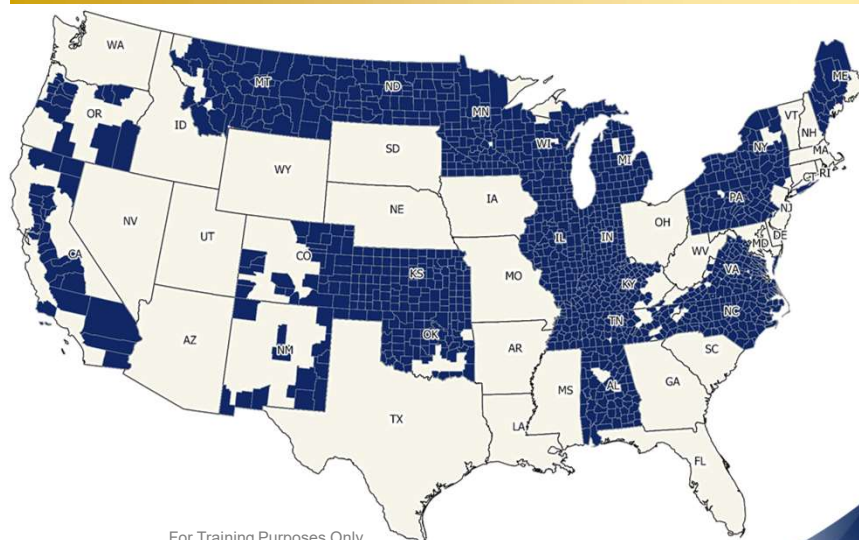
- Multiple end uses
- Evolving industry with experimental:
 - Varieties
 - Production practices
 - Harvest and drying methods
- Lack of standardization within the industry & regulators
- Availability of data used to establish:
 - Rates
 - County T-yields
 - Prices

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Initial Program Offering in 2020



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Hemp Crop Insurance Program



- Actual Production History (APH)
 - Yield-based crop insurance program
 - Covers reduced yield due to covered perils
 - Coverage for standard list of perils
- Program design resembles those currently offered for similar crops with multiple end-uses (i.e. corn & sunflower)



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Hemp Crop Insurance Program



Objective:

- Achieve a stable base crop insurance program to address majority of natural causes of loss.
- Can be enhanced as commercial hemp industry develops.

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Program Dates



- Sales Closing & Cancellation: 3/15/20
(Extended Feb. 28th SCD Counties for 2020 CY Only)
- Termination: 2/28/21 or 3/15/21
(Same as other Spring Crops)
- Production Reporting: 4/29/20
(Extended Feb. 28th SCD Counties for 2020 CY Only)
- Final Planting Date: 6/15/20 to 7/20/20
(Specific by Region & Type)
- Acreage Reporting: 8/15/20
- Premium Billing: 10/1/20
- End of Insurance Period Date: 10/31/20
- Contract Change Date: 11/30/20

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Acreage Reporting Date (ARD)



6(a)(2) of the Basic Provisions (BP) allows for the extension of ARDs for all crops with final planting dates (FPD) on or after 12/31 but before 8/15 to the latest ARD.

The hemp ARD of 8/15 is not considered when determining the latest ARD.

Example: Producer insures corn, soybeans & hemp, all with FPDs between 12/31 and 8/15. The ARD for:

- Corn & soybeans will be 7/15.
- Hemp will be 8/15.

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Hemp Definition – Crop Provisions



Crop Provisions Definition:

The plant species Cannabis sativa L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis.

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Hemp Definition – SP Statement



Special Provision (SP) Statement:

In accordance with the definition of hemp and section 10(b)(1) contained in the Hemp Crop Provisions, the maximum acceptable hemp THC level will be the lesser of:

- 1) 0.3 percent, allowing for the measurement of uncertainty provided by the testing laboratory; or*
- 2) the acceptable level of the applicable governing authority (State or Tribe) in which the insured crop is grown, allowing for the measurement of uncertainty provided by the testing laboratory.*

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Hemp Definition – SP Statement



(Continued)

The maximum acceptable hemp THC level and measurement of uncertainty are established in accordance with the Agriculture Improvement Act of 2018, with Agricultural Marketing Service Interim Final Rule 84 FR 58522 and any subsequent regulations, and with any other applicable Federal regulations. If the test results provided by the testing laboratory do not include a measure of uncertainty, the measurement of uncertainty will be considered zero percent (0.000%).

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Important Definitions



- **Governing authority** – A state or tribal governing agency or other Federal government agency (excluding the Farm Service Agency) with authority to permit the production of hemp.
- **Harvest** – The combining or threshing of the insured crop for grain or cutting the insured crop for fiber or CBD. A grain crop which is swathed prior to combining or a fiber crop cut for the purpose of retting and is not baled will not be considered harvested.
- **Retting** – The process for separating the different fibers of the hemp plant and involves leaving the crop in the field to allow decomposition.

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2020 Types & Practices



Type	Practices		
CBD	Transplant	Floral ¹	Irrigated Irrigated Organic Certified Irrigated Organic Transitional
		Whole Plant ²	
	Direct Seeded	Floral ¹	Non-Irrigated Non-Irrigated Organic Certified Non-Irrigated Organic Transitional
		Whole Plant ²	
Fiber			Irrigated Irrigated Organic Certified Irrigated Organic Transitional
Grain			Non-Irrigated Non-Irrigated Organic Certified Non-Irrigated Organic Transitional

SP Statement:

¹Floral means CBD biomass consisting of all parts of the hemp flower.

²Whole plant means CBD biomass consisting of all parts of the hemp plant including the stalks, stems, leaves and flowers.

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Coverage Levels



- Coverage Levels from 50% to 75%.
- Separate coverage levels by type allowed if elected on the application by the SCD.
- CAT available (50% coverage @ 55% price). If elected, will apply to all types.
- Coverage Level by Irrigation Practice (LP) not available.



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Established Price



Use of contract prices not allowed.

- Crop Provisions do **not** provide for use of contract prices.
- Contract Pricing Addendum (CPA) is not available.



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Loss Example



Cause of Loss = Drought
 Price Election = \$ 0.58
 Insured Acres = 50
 Production to Count = 40,000 lbs. harvested or appraised

Approved Yield = 1,200 lbs.
 Coverage Level = 75%
 Your Share of the Crop = 80%

Value of Production Guarantee	(1,200 X 75% X \$0.58 X 50)	\$ 26,100
Value of Production to Count	(40,000 X \$0.58)	- \$ 23,200
Total Amount of Loss		\$ 2,900
Your Share		X 80%
Indemnity		\$ 2,320

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Unit Structure



- In accordance with the Basic Provisions, with the exception of Whole Farm Units, which are excluded.
- The following will **not** be available (no rate factors):
 - EU by irrigation practice; or
 - Multi-county EU.
- Written Unit Agreements (WUA) are not allowed as CP does not allow for written agreements.



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Unit Structure



- Enterprise Units – all acres of hemp in the county and must meet 20/20 planting requirements.
- Basic Units – by share arrangement.
- Optional Units – Basic units divided into smaller parcels by:
 - Section;
 - Section equivalents;
 - Farm Number (FN);
 - Unit Division Option (UDO) for section equivalent purposes;
 - Irrigation and/or Organic practice (Availability depends on Location)

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Covered Causes of Loss



- Adverse Weather Conditions (excess moisture, hail, wind, etc.);
- Fire (e.g. lightning);
- Insects (but not damage due to insufficient or improper application of pest control measures);
- Plant disease (but not damage allowed because of insufficient or improper application of disease control measures);
- Wildlife;
- Earthquake;
- Volcanic eruption; or
- Failure of irrigation water supply due to insurable causes.

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Causes of Loss - NOT Covered



The policy does **not** insure loss of production due to:

- Levels of THC in excess of 0.3% or as specified in the Special Provisions;
- Failure to follow requirements in processor contract;
- Harvested production infected by mold, yeast, fungus, or other microbial organisms after harvest ;
- Inability to market due to quarantine, boycott, processor contract default, or any person's refusal to accept the production unless due to insurable cause of loss.

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Miscellaneous Policy Provisions



The policy does **not** provide for:

- Replant payments;
- Late Planting;
- Prevented Planting;
- Written Agreements; or
- Loss of quality (i.e. CBD concentration, processor grain quality factors, etc.).



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Insurability – You



- Must be licensed by the governing regulatory authority (e.g. state, tribe or USDA)
- Must provide evidence with the application that you, or someone with a substantial beneficial interest in the entity, has produced hemp in any previous year.
Acceptable evidence is limited to:
 - FSA records; or
 - THC testing records from governing authority if FSA record is not available.

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Insured Crop



All hemp in the county grown on insurable acreage:

- In which the grower has a share;
- That is an insurable type of hemp grown for production of industrial & consumer products;
- Grown under valid processor contract executed by ARD;



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Insured Crop - Processor Contract



Processor contract – A legal written agreement executed between the producer and processor engaged in the production and processing of hemp containing at a minimum:

- The producer's promise to plant and grow hemp and to deliver all hemp to the processor;
- The processor's promise to purchase the hemp produced by the producer; and
- A base contract price, or method to derive a value that will be paid to the producer for the production as specified in the processor's contract.

Multiple contracts with the same processor that specify amounts of production will be considered as a single processor contract unless the contracts are for different types of hemp.

Cont'd.

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Insured Crop - Processor Contract



Processor – Any business enterprise regularly engaged in processing hemp that possesses all licenses and permits for processing hemp required by the applicable governing authority in the state in which it operates, and that possesses facilities, or has contractual access to such facilities with enough equipment to accept and process contracted hemp within a reasonable amount of time after harvest.

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Insured Crop - Processor Contract



A producer who grows and processes their crop (also referred to as a vertically integrated (VI) producer) may be insurable if the following conditions are met:

- The processor has an insurable interest in the hemp crop;
- The processor complies with the Crop Provisions;
- Prior to SCD, Board of Directors or officers adopt a corporate resolution containing the same terms as a processor contract. The resolution will be considered a contract; and
- AIP inspection determines the processing facilities comply with the definition of a processor.

Standard production record requirements for VI producers apply.

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Insured Crop (cont'd.)



- Licensed & meets regulatory requirements of the governing regulatory authority;
- Planted for harvest as hemp in accordance with processor contract;
- Is an adapted variety to the area
 - Contained in a list of approved varieties issued by the applicable governing authority;
 - Included in processor contract & not prohibited by the applicable governing authority; and
 - Not otherwise contained in a list of excluded varieties issued by the applicable governing authority.

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Insured Crop (cont'd.)



- Meets policy minimum acreage requirements by type as stated in SP:
 - CBD types: 5 acres
 - Grain & Fiber types: 20 acres
 - On a type basis, not on a unit basis.

Type	Practice	Location	Insurable Acres	Total Acres for Type	Type Meets Minimum?
CBD	Transplant Floral IR	5-2N-3W	1		
CBD	Direct Seeded Floral IR	18-2N-3W	3		
CBD	Direct Seeded Whole Plant NI	15-5S-6E	2	6	Yes
Grain	IR	23-2N-3W	10		
Grain	NI	1-5S-6E	8	18	No

IR – Irrigated NI – Non-Irrigated

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Insured Crop (cont'd.)



- Crop is Uninsurable if:
 - Planted for any purpose other than hemp;
 - Interplanted with another crop, excluding a cover crop;
 - Planted into an established grass or legume;
 - Planted in a confined space such as a greenhouse or other physical structure (no coverage for seedlings or clones until transplanted in the field); or
 - Planted after the Final Planting Date (no late planting period).

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Insured Acreage



Acreage is uninsurable if the:

- Following crops were planted on the acreage in the previous crop year:
Cannabis, Canola, Dry Beans, Dry Peas, Mustard, Rapeseed, Soybeans¹, or Sunflowers;
- Certification or license is terminated or suspended during crop year (all acreage considered uninsured, no premium or indemnity is due for any acreage of the crop); or
- Crop is damaged prior to FPD and not replanted when practical to replant.

¹Soybeans may not be listed on all county Special Provisions.

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Insured Acreage



Special Provisions statement prohibits Following Another Crop (FAC) practice.

Insurance shall not attach or be considered to have attached to a planted crop on acreage from which, in the same calendar year:

1. *A perennial hay crop was harvested; or*
2. *A crop (other than a cover crop) reached the headed or budded stage prior to termination, regardless of the percentage of plants that reached the headed or budded stage.*

Termination means growth has ended. A cover crop is one that meets the criteria outlined in the Insurance Availability section of this Special Provisions of Insurance.

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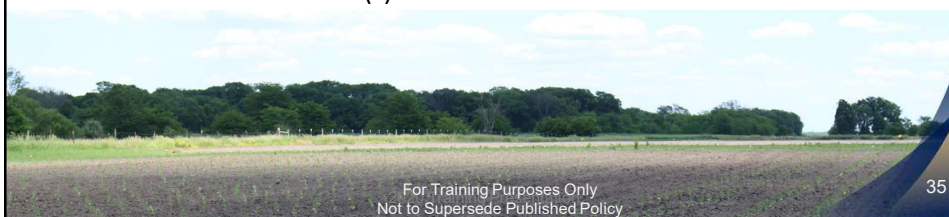
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Acreage Reporting



- Must report on or before Acreage Reporting Date (ARD):
 - Land identifier in 6(c) of Basic Provisions (*e.g., legal description, FSA farm number or common land unit number if provided to you by FSA, etc.*), including GPS coordinates' and
 - Official license or official certification number.
- Must submit copies on or before ARD of:
 - Official certification form or official license; and
 - Processor contract(s).



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Actuarial Maps



- Any acreage designated as high risk (AAA, BBB, etc.) will be uninsurable;
- Land flooded due to a breach in the levee resulting from prior year(s) flooding is uninsurable.



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Production Reporting



For production recording purposes the following are considered acceptable production records:

- Hemp that has been sold (all types) requires verifiable production evidence from a disinterested 3rd party.
- Farm stored CBD hemp must be measured by your Approved Insurance Provider (AIP) or FSA.
- Farm stored Grain and Fiber may be measured on the farm.

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Production Reporting – VI Growers



- If records from disinterested 3rd party are not available, Vertically Integrated producers may use:
 - Certified scale weight records; or
 - Tax records.
- Additional documentation may be required for VI insureds who process crop from other growers in addition to their own.

Make sure you discuss reporting requirements with your crop insurance agent.

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BFR / VFR



- All Beginning/Veteran Farmer and Rancher qualifications and benefits are available including:
 - Waiver of the administrative fee;
 - Additional premium subsidy; and
 - Use of another person's production history;
- The increase in the Yield Substitution (YA) percentage provided under BFR/VFR benefits is not applicable as YA is not available for hemp.

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Approved Yield Determination



- Unit of measure is dry pounds (lbs.) of:
 - CBD: floral material or whole plant
 - Fiber: stalks
 - Grain: grain
- Minimum of 4 years, maximum of 10 years of history.
- APH databases with less than 4 years of actual yields will be established using variable T-yield procedures.
- New Producer providing for 100% of the county T-yield procedures in Part 17 do not apply.

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Variable T-Yield



- Transitional yield (t-yield): yield used when you have less than 4 years of actual history.
- Variable t-yield: % of the county t-yield based upon the # of years of history you have provided for the crop.
 - S: 65%
 - E: 80%
 - N: 90%
 - T: 100%

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Variable T-Yield



0 Years of Records	
2017	65% of T-Yield
2017	65% of T-Yield
2018	65% of T-Yield
2019	65% of T-Yield

1 Year of Records	
2017	80% of T-Yield
2017	80% of T-Yield
2018	80% of T-Yield
2019	Actual Yield

2 Years of Records	
2017	90% of T-Yield
2017	90% of T-Yield
2018	Actual Yield
2019	Actual Yield

3 Years of Records	
2017	100% of T-Yield
2017	Actual Yield
2018	Actual Yield
2019	Actual Yield

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Approved Yield Determination



The following yield enhancing options and features are **not** available:

- Trend Adjusted APH (TA)
- Yield Substitution (YA)
- Yield Cup (YC)
- Yield Exclusion (YE)
- Yield Floor



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Approved Yield Determination



Any crop damage/loss due to THC concentrations in excess of acceptable levels is:

- Considered an uninsurable cause of loss; and
- Recorded in the APH database as an actual yield of zero and will be included in the determination of your approved yield in future years.

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Approved Yield Determination



No Years of "Hot" Hemp				
Year	Production	Acres	Yield	Desc.
2017	10,000	10	1,000	A
2017	20,000	20	1,000	A
2018	15,000	15	1,000	A
2019	25,000	25	1,000	A
Approved Yield			1,000	

1 Year of "Hot" Hemp				
Year	Production	Acres	Yield	Desc.
2017	10,000	10	1,000	A
2017	20,000	20	1,000	A
2018	0	15	0	A
2019	25,000	25	1,000	A
Approved Yield			750	

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Duties in Event of Loss



In addition to standard procedures (e.g. timely Notice of Loss, protect the crop from further damage, etc.), you must:

- Provide copy of your license or certification;
- Provide notice within 72 hours of suspension or termination of your license or certification; and
- Provide the results of THC tests from the applicable governing authority within 72 hours of notification.

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Another Use or Abandonment



If the you intend to put the crop to another use, harvest is for a different type of practice (e.g. insured CBD Floral to be harvested as CBD Whole Plant) or abandon the crop:

- You must notify the AIP;
- The AIP will appraise the crop and the appraised production will be:
 - Used to determine the amount of loss, if applicable; and
 - The yield reported on your production report the following year and included in the calculation of future approved yields.
 - Will require representative samples if agreement can't be reached on appraised amount.

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Insured Loss (Not Taking to Harvest)



In the event an insurable cause of loss damages the crop to the extent that it will not be taken to harvest, the AIP will determine an appraised yield that will be:

- Used to determine the amount of loss; and
- The yield reported on your production report the following year and included in the calculation of future approved yields.

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Insured Loss (Not Taking to Harvest)



Appraisal Method	
Stand Reduction (Grain, Fiber, & CBD Direct Seeded)	<ul style="list-style-type: none"> - Stand Reduction Charts - For Vegetative Stage Only
Stand Reduction (CBD Transplant)	<ul style="list-style-type: none"> - 1 for 1 Stand Reduction with Transplants
Plant Damage (All Insurable Types)	<ul style="list-style-type: none"> - For <i>Hail Only</i> - Defoliation Charts - For Vegetative or Flower Stages
Seed Count (Grain)	<ul style="list-style-type: none"> - Seeds have reached maturity

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Insured Loss (THC Known Prior to Harvest)



- If the crop is damaged during the insurance period by an insured cause of loss and the THC levels are known prior to harvest and are:
 - **At or below** acceptable levels, the harvested production will be:
 - Used to determine the amount of loss; and
 - The yield reported on your production report the following year and included in the calculation of future approved yields.
 - **Above** acceptable levels, you must notify your AIP for a pre-harvest appraisal prior to the destruction of the crop
 - The appraised yield will be the production to count; and
 - A zero yield will be recorded in the APH database using an “A” yield descriptor the following CY.
 - Failure to notify the AIP prior to destruction will result in destroyed without consent procedures.

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Insured Loss (THC Known Prior to Harvest)



Crop Damaged by Insured Cause of Loss During Insurance Period (And Notice of Loss Was Timely Filed) THC Results from Governing Authority Received Prior to Harvest					
THC Test Results Available:	THC Levels Are:	Crop is:	Notified AIP of Intent to Harvest?	Production To Count for Claim:	Following CY APH Database Yield:
Prior to harvest	≤ acceptable limit	Harvested	Not Required	Harvested production	Harvested Production
Prior to harvest	> acceptable limit	Destroyed	Yes	AIP appraisal	Zero
Prior to harvest	> acceptable limit	Destroyed	No	Production Guarantee to Count (no indemnity due)	Zero

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Insured Loss (THC Unknown at Harvest)



- If the crop is damaged during the insurance period by an insured cause of loss and you intend to harvest the crop prior to receiving the THC test results, you must:
 - Notify your AIP, who may elect to inspect the crop; and
 - Receive consent from the AIP to harvest.

Failure to notify your AIP may result in no indemnity due!

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Insured Loss (THC Unknown at Harvest)



- If you harvest the acreage without AIP consent and the crop tests **at or below** the acceptable THC levels, the harvested production will be:
 - Used to determine the amount of loss; and
 - Reported on your production report the following year and included in the calculation of future approved yields.

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Insured Loss (THC Unknown at Harvest)



- If you harvest the acreage without AIP consent and the crop tests **above** the acceptable THC levels requiring destruction of the crop, the acreage is considered destroyed without consent and:
 - No indemnity will be due; and
 - A yield of zero will be reported on your production report the following year and included in the calculation of future approved yields.

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Insured Loss (THC Unknown at Harvest)



- If you harvest the crop with AIP consent and the THC level is **at or below** acceptable levels, your harvested production will be:
 - Used to determine the amount of loss; and
 - Reported on your production report the following year and included in the calculation of future approved yields.

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Insured Loss (THC Unknown at Harvest)



- If you harvest the crop with the AIP consent and the THC level is determined to **exceed** acceptable levels:
 - Your harvested production will be used to determine the amount of loss; and
 - A yield of zero will be reported on your production report the following year and included in the calculation of future approved yields.

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Insured Loss (THC Unknown at Harvest)



Crop Damaged by Insured Cause of Loss During Insurance Period (And Notice of Loss Was Timely Filed) THC Results Not Received Prior to Harvest

THC Levels Are:	Disposition of Crop	Notified AIP of Intent to Harvest?	Production To Count for Claim:	Following CY APH Database Yield:
≤ acceptable limit	Harvested	Yes	Harvested production	Harvested production
≤ acceptable limit	Harvested	No	Harvested production	Harvested production
> acceptable limit	Harvested & Destroyed	Yes	Harvested Production ¹	Zero
> acceptable limit	Harvested & Destroyed	No	Production Guarantee (no indemnity due)	Zero

¹Provided AIP is notified prior to destruction and able to determine the amount of production prior to destruction.

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Insured Loss (THC Unknown at Harvest)



- If the crop is damaged during the insurance period by an insured cause of loss and the acreage is **not** required to be tested by the governing authority, you must:
 - Notify the AIP who may elect to inspect the crop; and
 - Receive consent from the AIP to harvest.
 - Failure to do so may result in destroyed without consent procedures if the THC exceeds acceptable levels.

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Insured Loss (THC Unknown at Harvest)



Crop Damaged by Insured Cause of Loss During Insurance Period Not Required to be Tested by Governing Authority Processor Rejects Production Due to THC Levels Above Acceptable Levels			
Disposition of Crop	In Addition to NOL, Insured:	Production To Count for Claim:	Following CY APH Database Yield:
Harvested	Notified AIP & received consent to harvest.	1. 3 rd Party Production Record, then 2. Pre-Harvest Appraisal, then 3. Production Guarantee (no indemnity due).	Zero
Harvested	Did not notify AIP	Production Guarantee (no indemnity due)	Zero

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Harvested Production Determination



Procedures to determine harvested production include:

- Grain = Sales/Weight Tickets, Bin measurement
- Fiber = Sales/Weight Tickets, Bale weight
- CBD
 - Processor biomass delivery/sales records.
 - Weight of bales or sacks (stored production), adjusted for moisture.

Cont'd.



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