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Crop Insurance for Edamame

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Risk management is one of the critical issues that farmers and ranchers face on a consistent basis. Whether forward contracting a crop, applying herbicide to a field, using the latest in seed technology or using crop insurance to avoid a potentially devastating financial loss if the crop does not make or if prices decline sharply; many in agriculture are familiar with the tools to mitigate risks involved with agriculture. Crop insurance has been in the news regularly over the past year and a half as Congress is trying to emphasize the use of crop insurance in place of traditional government programs such as direct and countercyclical payments.

Currently edamame soybeans are ineligible for crop insurance. According to USDA Risk Management Agency ("RMA"), the soybean policy specifies that it is for the harvest of beans.[1] However, by harvesting the green pod together with the beans, edamame is moved outside of the current soybean policy. There are other types of soybeans that are currently insurable in some states. For example, in Iowa, various types of food grade beans may be insured. These include: "All Other Food Grades", "Large Seeded Food Grade", "Small Seeded Food Grade", "Low Linolenic Acid", "Low Saturated Fat", and "High Protein" specialty varieties of soybeans.[2] However, it is important to note that edamame is not included. RMA's position is that they would need to rewrite the regulations and post them for notice and comment rulemaking in order to make the changes necessary to include edamame as an insurable crop.

There are two different avenues available to create new crop insurance programs and this process can be time consuming and expensive to pursue. The first method allows the Federal Crop Insurance Corporation (FCIC) to contract with an outside entity to perform the research and development needed to create new policies. Currently, there are no plans at this time to go through with this process to create a crop insurance policy for edamame, according to RMA.

The other available avenue is for private sector entities to propose a new insurance plan to FCIC under section 508(h). These private sector entities can "include an approved insurance provider, a college or university, a cooperative or trade association, or any other person."[3] In the past,

[1] http://www.cropgrowers.com/en/Crop-Factsheets/~/media/Files/Crop%20Fact%20Sheets/2012%20Spring%20fact%20sheets/2012%20Soybean%20YP%20fact%20sheet.ashx.
[2] http://www.rma.usda.gov/fields/mn_rso/2012/2012iasoybeans.pdf
[3] 7 U.S.C. § 508(h).

these private entities had to bear the cost of preparing the new policies themselves and hope to recoup the costs if the policy was approved by FCIC. The 2008 Farm Bill addressed this issue by allowing FCIC to approve an advance partial payment for the development of a new product. Section 522(b)(2)(A) states "…the Board may approve the request of an applicant for advance payment of a portion of reasonable research and development costs prior to submission and approval of the policy by the Board under section 508(h)."[4] According to RMA, the "508(h) products approved by the Board are generally eligible for federal subsidies; and the private submitter is eligible for reimbursement of the development cost. If the private submitter continues to provide support for the product, they are eligible to bill for maintenance costs during an initial four year period."[5] While these financial incentives are available for developing new insurance products there is also a great deal of work involved in creating the new product. All new products must go through an internal and external review process that will take more than one year to complete.[6] The developer will be required to fix any potential problems or weaknesses in their proposal and if FCIC approves the final product it will then be allowed only as a pilot program in a limited area.[7]

According to RMA, "pilot programs generally operate for four years, but this period could be longer" and during this RMA will monitor the program closely to make sure that it is working correctly.[8] As the pilot program draws to a close the FCIC will once again seek outside review to evaluate the program and then FCIC will decide "to: a) extend the pilot program for additional years; b) authorize conversion of the program to regulatory; or c) terminate the program."[9]

At present, crop insurance is unavailable for edamame and nothing is under contract through FCIC to develop a policy intended for edamame. The private development avenue is an option; however it can be a long and complicated process to create a new crop insurance policy. Other traditional forms of risk management either are or are becoming available; however crop insurance for edamame is still a ways off.

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[4] http://www.rma.usda.gov/pubs/2010/specialtycrop.pdf
[5] http://www.rma.usda.gov/pubs/2010/specialtycrop.pdf
[6] http://www.rma.usda.gov/pubs/2010/specialtycrop.pdf
[7] 7 U.S.C. § 523.
[8] http://www.rma.usda.gov/pubs/2010/specialtycrop.pdf
[9] http://www.rma.usda.gov/pubs/2010/specialtycrop.pdf