

SUMMARY OF CHANGES FOR THE HEMP CROP PROVISIONS (21-1218)
(Released November 2020)

The following is a brief description of changes to the Hemp Crop Provisions that will be effective for the 2021 and succeeding crop years. Please refer to the Crop Provisions for more complete information.

- Section 1 – Added the definition for Broker. Revised the definitions of Processor, Processor contract, and Type.
- Section 5 – Updated the list of states to include additional program states being added for the 2021 crop year.
- Section 7(a)(8)(ii) – Removed the reference to cover crop.
- Section 10(a)(4)(iii) and (b)(3) – Revised to limit the insurability of production losses caused by disease (e.g., mold and other microorganisms).
- Section 11(b)(ii)(B) – Added provision to describe the treatment of production determined to exceed the THC level that is not harvested.
- Section 12(c)(1)(iii) – Added provision to include unharvested production in determining appraised production.
- Section 12(e) – Removed



UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
Hemp Crop Provisions

1. Definitions

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

Biomass – See type specifications for CBD biomass contained in the Special Provisions.

Broker - An enterprise in the business of buying and selling hemp of the grain type and possessing all the licenses and permits required by the state in which it operates, and that has a written contract with a processor to purchase grain on behalf of the processor and deliver such grain to the processor.

CBD – Cannabidiol (also known as C₂₁H₃₀O₂).

Good farming practices – In addition to the definition contained in the Basic Provisions, the cultural practices generally in use for the county for the crop to make normal progress toward maturity and produce at least the yield used to determine the production guarantee and any requirements contained in the processor contract.

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 – 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.

Hemp – 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.

Planted acreage – In addition to the definition contained in the Basic Provisions, land in which hemp seedlings, including hydroponic plants, have been transplanted by hand or machine into the field.

Pound – 16 ounces avoirdupois.

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.

Processor contract – A legal written agreement

executed between the producer and processor engaged in processing of hemp containing at a minimum:

- (a) The producer's promise to plant and grow hemp and to deliver all hemp production to the processor;
- (b) The processor's promise to purchase all hemp production stated in the processor contract; and
- (c) 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.

For hemp of the grain type, a legal written agreement executed between the producer and broker containing all the elements of a processor contract will also be considered a processor contract.

Retting – The process for separating the different fibers of the hemp plant and involves leaving the crop in the field to allow decomposition.

THC – Tetrahydrocannabinol (also known as delta-9 tetrahydrocannabinol).

Type – A category of hemp identified on the Special Provisions and shown below:

- (a) **CBD** – CBD produced from the flowers, leaves, stems, and stalks of hemp plants;
- (b) **Dual-purpose** – Hemp that is grown to produce grain and fiber in the same crop year;
- (c) **Fiber** – The fiber produced from the stems and stalk of the hemp plant;
- (d) **Grain** – Grain produced by the hemp plant grown for the production of grain;
- (e) **Oil** – Oil produced from hemp grain; and
- (f) **Other** – Other types of hemp contained in the Special Provisions.

2. Unit Division

Units will be established in accordance with the Basic Provisions except the whole farm unit provisions are not applicable.

3. Insurance Guarantees, Coverage Levels, and Prices for Determining Indemnities

In accordance with the requirements of section 3 of the Basic Provisions:

- (a) You may select only one coverage level for each insured type in the county insured under this policy. For example, the insured may elect the 75 percent coverage level on one type and the 65 percent coverage level on a different type.

- (b) You must select the coverage level, by type, on your application by the sales closing date. If you do not select a coverage level for all insurable types specified in the actuarial documents and you plant one or more additional insurable types in accordance with the provisions of your policy, the lowest coverage level you select on your application for any insurable type will apply to each additional insurable type you plant.
- (c) Notwithstanding section 3(a), if you elect the Catastrophic Risk Protection (CAT) plan of insurance coverage, the CAT level of coverage will be applicable to all insured hemp acreage of the insured crop in the county.

4. Contract Changes

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

5. Cancellation and Termination Dates

In accordance with section 2 of the Basic Provisions, the cancellation and termination dates are:

<u>State and County</u>	<u>Cancellation and Termination Date</u>
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Jackson, Victoria, Goliad, Bee, Live Oak, McMullen, LaSalle, and Dimmit Counties, Texas, and all Texas counties lying south thereof	January 31
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Alabama; Arizona; Arkansas; all California Counties except Del Norte, Humboldt, Lassen, Modoc, Plumas, Shasta, Siskiyou, and Trinity; Nevada; North Carolina; and El Paso, Hudspeth, Culberson, Reeves, Loving, Winkler, Ector, Upton, Reagan, Sterling, Coke, Tom Green, Concho, McCulloch, San Saba, Mills, Hamilton, Bosque, Johnson, Tarrant, Wise, Cooke Counties, Texas, and all Texas counties lying south and east thereof to and including Maverick, Zavala, Frio, Atascosa, Karnes, De Witt, Lavaca, Colorado, Wharton, and Matagorda Counties, Texas	February 28
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Del Norte, Humboldt, Lassen, Modoc, Plumas, Shasta, Siskiyou, and Trinity Counties, California; Colorado; Illinois; Indiana; Kansas; Kentucky; Maine; Michigan; Minnesota; Montana; New Mexico; New York; North Dakota; Oklahoma; Oregon; Pennsylvania; Tennessee; Virginia; Wisconsin; and all other Texas Counties	March 15
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6. Report of Acreage

In addition to the requirements of section 6 of the Basic Provisions, you must:

- (a) Report the:
 - (1) Applicable land identifier contained in section 6(c) of the Basic Provisions, including Global Positioning System (GPS) coordinates; and
 - (2) Official certification or official license number.
- (b) Submit on or before the acreage reporting date a copy of:
 - (1) The official certification form or official license issued by the applicable governing authority authorizing you to produce hemp; and
 - (2) Each processor contract.
- (c) Notwithstanding the requirements of subsection 6(a)(2) of the Basic Provisions, the hemp acreage reporting date is not considered when determining the latest applicable acreage reporting date when you insure multiple crops with us that have final planting dates on or after December 31 but before August 15.

7. Insured Crop

- (a) The crop insured will be all hemp that is grown in the county on insurable acreage, and for which premium rates are provided by the actuarial documents:
 - (1) In which you have a share;
 - (2) That is a type of hemp designated in the Special Provisions and grown for the production of industrial and consumer products;
 - (3) That is grown under a processor contract executed by the applicable acreage reporting date;
 - (4) That is grown under an official certification or official license issued by the applicable governing authority that permits the production of the hemp;
 - (5) That is planted for harvest as hemp in accordance with the requirements of the processor contract and the production management practices of the processor;
 - (6) That is planted to a variety adapted to the area, which may include, but is not limited to, any variety:
 - (i) Listed in your processor contract that is not contained in a list of excluded varieties issued by the applicable governing authority in the State in which the hemp is grown;
 - (ii) Contained in a list of approved varieties issued by the applicable governing authority in the State in which the hemp is grown; or
 - (iii) Not otherwise contained in a list of excluded varieties issued by the applicable governing authority in the State in which the hemp is grown;
 - (7) That meets the minimum acreage requirements contained in the Special

Provisions; and

(8) That is not (unless allowed by the Special Provisions):

- (i) Planted for any purpose other than hemp;
- (ii) Interplanted with another crop;
- (iii) Planted into an established grass or legume; or
- (iv) Planted in a confined space such as a greenhouse or other physical structure.

(b) In addition to section 7(a) of these Crop Provisions, your hemp crop will be insurable if, when you apply for hemp crop insurance, you provide acceptable production evidence to verify you have produced the crop in any previous year, in accordance with FCIC approved procedures.

(c) A hemp producer who is also a processor may be able to insure the hemp crop if the following requirements are met:

- (1) The processor has an insurable interest in the hemp crop;
- (2) The processor must comply with these Crop Provisions;
- (3) Prior to the sales closing date, the Board of Directors or officers of the processor has executed and adopted a corporate resolution that contains the same terms as a processor contract. This corporate resolution will be considered a contract under this policy; and
- (4) Our inspection reveals that the processing facilities comply with the definition of a processor contained in these Crop Provisions.

8. Insurable Acreage

(a) In addition to the provisions of section 9 of the Basic Provisions, we will not insure any acreage of the insured crop:

- (1) Not in compliance with the rotation requirements contained in the Special Provisions, or
- (2) If your official certification or official license issued by the applicable governing authority that permits the production of the hemp for the applicable insured county is terminated, suspended, or otherwise ceases to be in effect at any time during the crop year.

(b) If the processor contract specifies an amount of acreage or production, insurable acreage for the unit will not exceed:

- (1) The contracted acreage specified in your processor contract(s) for the unit; or
- (2) The result of dividing the amount of production specified in your processor contract(s) for the unit by your approved yield for the unit.

(c) Any acreage of the insured crop damaged before the final planting date, to the extent that the majority of growers in the area would normally not further care for the crop, must be replanted unless we agree that replanting is not practical. We will

not require you to replant if it is not practical to replant to the same type of hemp as originally planted.

9. Insurance Period

In accordance with the provisions contained in section 11(b) of the Basic Provisions, the calendar date for the end of the insurance period is October 31.

10. Causes of Loss

(a) In addition to the provisions of section 12 of the Basic Provisions, any cause of loss covered by this policy must occur within the insurance period. The specific causes of loss for hemp are:

- (1) Adverse weather conditions;
- (2) Fire;
- (3) Insects, but not damage due to insufficient or improper application of pest control measures;
- (4) Plant disease, except damage due to:
 - (i) Insufficient or improper application of disease control measures;
 - (ii) The failure to follow applicable rotation requirements contained in section 8(a)(1) of these Crop Provisions; or
 - (iii) Plant disease excluded in section 10(b)(3) of these Crop Provisions;
- (5) Wildlife;
- (6) Earthquake;
- (7) Volcanic eruption;
- (8) Failure of the irrigation water supply due to a cause of loss specified in sections 10(a)(1) through (7) that also occurs during the insurance period.

(b) In addition to the causes of loss excluded in section 12 of the Basic Provisions, we will not insure against any loss of production that is due to:

- (1) Levels of THC in excess of 0.3 percent on a dry weight basis, except as otherwise specified on the Special Provisions;
- (2) Your failure to follow the requirements contained in the processor contract;
- (3) Harvested production that is infected by mold, yeast, fungus, or other microbial organisms; or
- (4) Any damage or loss of production due to the inability to market the hemp for any reason other than actual physical damage to the hemp from an insurable cause of loss specified in this section. For example, we will not pay you an indemnity if you are unable to market due to quarantine, boycott, processor contract default or cancellation, or refusal of any person to accept production.

11. Duties in the Event of Damage or Loss

(a) Representative samples are required in accordance with section 14 of the Basic Provisions.

(b) In addition to section 14 of the Basic Provisions:

- (1) You must provide to our loss adjuster a copy of your official certification form or official license for the current crop year for the applicable insured county prior to the completion of any

claim for indemnity.

- (2) If your official certification form or official license issued by the applicable governing authority that permits the production of the hemp for the applicable insured county is terminated, suspended, or otherwise ceases to be in effect at any time during the crop year, you must provide us notice within 72 hours of the date of termination, suspension, or cessation. In accordance with section 8(a)(2) of these Crop Provisions, all acreage of the crop will be considered uninsured and no premium or any indemnity will be due for any of the acreage of the crop.
- (3) If insured acreage of the insured type is damaged during the insurance period by an insured cause of loss and you intend to harvest the acreage before the final THC level is determined by the applicable governing authority, you must provide us notice so we may inspect the damaged acreage and consent to harvest the acreage.
- (4) If:
 - (i) You harvest the acreage without our consent and you are then required to destroy such harvested production due to a THC level in excess of the level specified in section 10(b)(1), the acreage will be considered destroyed without consent and will result in an appraisal of production to count of not less than the production guarantee per acre for such acreage.
 - (ii) We give you consent to harvest the damaged acreage, and the applicable governing authority determines:
 - (A) The THC level of the harvested production exceeds the THC level allowed under these Crop Provisions, the harvested production will be considered as an uninsured loss of production to count under section 12(c)(1)(ii);
 - (B) The THC level for the insured acreage exceeds the THC level allowed under these Crop Provisions and the acreage is not harvested, the acreage will be appraised to determine production to count. The production will be considered an uninsured loss of production under section 12(c)(1)(ii); or
 - (C) The THC level of the harvested production does not exceed the THC level allowed under these Crop Provisions, the harvested production will be used to determine production to count.
- (5) You must provide notice to us within 72 hours

of your notification from the applicable governing authority stating the results of the THC testing for the applicable acreage of the insured crop or the harvested production.

- (c) If you will harvest any acreage in a manner other than as you reported it for coverage (e.g., you reported planting the acreage for harvest as one type and practice but will harvest the acreage as another type and practice), you must notify us before harvest begins. Failure to timely provide notice will result in production to count determined in accordance with Section 12(c)(1)(i)(E).

12. Settlement of Claim

- (a) We will determine your loss on a unit basis. In the event you are unable to provide records of production that are acceptable to us for any:
 - (1) Optional unit, we will combine all optional units for which acceptable records of production were not provided; or
 - (2) Basic unit, we will allocate any commingled production to such units in proportion to our liability on the harvested acreage for each unit.
- (b) In the event of loss or damage covered by this policy, we will settle your claim by:
 - (1) Multiplying the number of insured acres for the type and practice, as applicable, by its respective production guarantee (per acre);
 - (2) Multiplying each result of 12(b)(1) by its respective price election;
 - (3) Totaling the results of section 12(b)(2);
 - (4) Multiplying the production to count for the type and practice, as applicable, by the respective price election;
 - (5) Totaling the results of section 12(b)(4);
 - (6) Subtracting the result of section 12(b)(5) from the result of section 12(b)(3); and
 - (7) Multiplying the result of section 12(b)(6) by your share.

Example: You have 100 percent share in a unit of grain containing 50 acres with a production guarantee per acre of 1,200 pounds (1,600 pound approved yield per acre x 75% coverage level), your production guarantee for the unit is 60,000 pounds (50 acres x 1,200 pounds/acre guarantee), your price election is \$0.50 per pound, and your production to count is 50,000 pounds. Your premium rate is 7.0 percent.

The premium due is \$2,100 (1,200 lbs./ac. production guarantee x \$0.50/lb. price election x 50 acres x .07 premium rate x 100 % share).

- (1) 50 acres x 1,200-pound production guarantee/acre = 60,000-pound production guarantee;
- (2) 60,000-pound production guarantee x \$0.50 price election = \$30,000 value of the

production guarantee;

- (4) 50,000-pound production to count x \$0.50 price election = \$25,000 value of the production to count;
- (6) \$30,000 – \$25,000 = \$5,000; and
- (7) \$5,000 x 1.000 share = \$5,000 indemnity.

Example: You have 100 percent share in a unit of transplant-whole plant CBD containing 30 acres with a production guarantee per acre of 1,200 pounds (1,600 pound approved yield per acre x 75% coverage level), your production guarantee for the unit is 36,000 pounds (30 acres x 1,200 pounds/acre guarantee), your price election is \$5.00 per pound, and your production to count is 25,000 pounds. Your premium rate is 7.0 percent.

The premium due is \$12,600 (1,200 lbs./ac. production guarantee x \$5.00/lb. price election x 30 acres x .07 premium rate x 100 % share).

- (1) 30 acres x 1,200-pound production guarantee/acre = 36,000-pound production guarantee;
- (2) 36,000-pound production guarantee x \$5.00 price election = \$180,000 value of the production guarantee;
- (4) 25,000-pound production to count x \$5.00 price election = \$125,000 value of the production to count;
- (6) \$180,000 – \$125,000 = \$55,000; and
- (7) \$55,000 x 1.000 share = \$55,000 indemnity.

(c) The total production to count (in pounds) from all insurable acreage on the unit will include:

- (1) All appraised production as follows:
 - (i) Not less than the production guarantee (per acre) for acreage:
 - (A) That is abandoned;
 - (B) Put to another use without our consent;
 - (C) Damaged solely by uninsured causes;
 - (D) For which you fail to provide records of production that are acceptable to us; or
 - (E) For which you fail to give us notice before harvest begins if you report planting the hemp to harvest as one type and practice but harvest it as another type and practice.
 - (ii) Production lost due to uninsured causes including production that exceeds the THC level specified in section 10(b)(1) of these Crop Provisions;
 - (iii) Unharvested production (mature unharvested grain production may be adjusted for excess moisture in accordance with section 12(d));

(iv) Potential production on insured acreage that you intend to put to another use or abandon, if you and we agree on the appraised amount of production. Upon such agreement, the insurance period for that acreage will end when you put the acreage to another use or abandon the crop. If agreement on the appraised amount of production is not reached:

- (A) If you do not elect to continue to care for the crop, we may give you consent to put the acreage to another use if you agree to leave intact, and provide sufficient care for, representative samples of the crop in locations acceptable to us. (The amount of production to count for such acreage will be based on the harvested production or appraisals from the samples at the time harvest should have occurred. If you do not leave the required samples intact, or you fail to provide sufficient care for the samples our appraisal made prior to giving you consent to put the acreage to another use will be used to determine the amount of production to count.); or
- (B) If you elect to continue to care for the crop, the amount of production to count for the acreage will be the harvested production, or our reappraisal if additional damage occurs and the crop is not harvested; and

(2) All harvested production from the insurable acreage.

(d) Mature grain production and harvested CBD production will be adjusted to a moisture percentage specified in FCIC approved procedures. Moisture adjustments for fiber production are not applicable.

13. Late Planting, Prevented Planting, and Written Agreements

The late planting, prevented planting, and written agreement provisions of the Basic Provisions are not applicable.