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HEMP CROP INSURANCE STANDARDS HANDBOOK

2020 and Succeeding Crop Years

**RISK MANAGEMENT AGENCY
KANSAS CITY, MO**

TITLE: Hemp Crop Insurance Standards Handbook	NUMBER: FCIC-20600U
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REASON FOR ISSUANCE

The Hemp Crop Insurance Standards Handbook is effective for the hemp crop insurance program beginning with the 2020 crop year.

HEMP CROP INSURANCE STANDARDS HANDBOOK

CONTROL CHART

Hemp Crop Insurance Standards Handbook							
	TP Page(s)	TC Page(s)	Text Page(s)	Exhibit Number	Exhibit Page No.(s)	Date	Directive Number
Insert	Entire Handbook						
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FILING INSTRUCTIONS

This handbook is effective for the 2020 and succeeding crop years.

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PART 1 GENERAL INFORMATION AND RESPONSIBILITIES

1 General Information

A. Purpose

The purpose of this handbook is to provide supplementary instructions for establishing hemp crop insurance coverage in accordance with the Hemp CP (20-H-1218), Hemp LASH (FCIC-20600L), CIH (FCIC-18010), DSSH (FCIC- 24040), and GSH (GSH-18190). The supplemental RMA-issued standards for this crop and crop year are in effect as of the signature date for this crop handbook.

<https://www.rma.usda.gov/Policy-and-Procedure/Privately-Developed-Products---20000>

This handbook remains in effect until superseded by reissuance of either the entire handbook or selected portions (through amendments, bulletins, or FADs). If amendments are issued for a handbook, the original handbook as amended shall constitute the handbook. A bulletin or FAD can supersede either the original handbook or subsequent amendments.

B. Authority

The Hemp Crop Insurance Program (HCIP) is approved by the FCIC Board of Directors under Section 508(h) of the Federal Crop Insurance Act.

C. Program Duration

The HCIP is available until cancelled by the FCIC Board of Directors.

D. Background Information

RMA is implementing the HCIP for all insurable hemp beginning with the 2020 crop year. The program is patterned after other Category B APH based crops and provides an indemnity caused by the insured causes of loss contained in the Hemp CP occurring during the insurance period.

2 Responsibilities

A. AIPs

AIPs must use standards, procedures, methods and instructions as authorized by FCIC in the sale and service of crop insurance policies. Each AIP is responsible for using FCIC approved procedures. Procedures herein must be administered on a policy basis.

B. Insured

To be eligible for the HCIP, insureds must comply with all terms and conditions of the BP and Hemp CP and SP.

3-10 (Reserved)

PART 2 STANDARDS AND INSTRUCTIONS

11 General Rules

- A. The HCIP is a program providing coverage to hemp producers under the actual production history plan of insurance. In general, the FCIC 18010 CIH for Category B crops applies to hemp. Other applicable terminology and instructions contained in the CIH that apply to the AIP and the insured apply to the HCIP except as noted in this handbook.

B. Related Handbooks

The following table provides handbooks closely related to this handbook. However, other FCIC approved handbooks may refer to this handbook and be applicable.

Handbook	Relation/Purpose
CIH	Provides overall general underwriting procedures for crop insurance contracts.
DSSH	Provides form standards and procedures for use in the sales and service of crop insurance contracts.
GSH	Provides general crop insurance information.
LAM	Provides general loss adjustment (not crop specific) process.
HEMP LASH	Provides loss adjustment procedures for hemp.

- (1) General procedures, terms, abbreviations, and definitions (not crop specific) are identified in the CIH, GSH, and LAM.
- (2) Procedures, terms, abbreviations, and definitions specific to hemp are identified as additions or exceptions in this handbook.

12-20 (Reserved)

PART 3 INSURABILITY

21 Availability

The HCIP is available in counties contained in the AD where the FCIC HCIP is offered.

Written agreements are not allowed under the HCIP.

22 Eligibility

A. Hemp Crop Insurance Program

The HCIP is available to all persons with a share in insurable hemp acreage meeting the insurability provisions contained in the BP, CP, and SP, and is located in approved counties.

B. Ineligible Persons

Any person with a delinquent debt to RMA or an AIP, or who is otherwise ineligible under the BP, may not obtain hemp insurance coverage.

23 Important Dates

A. Contract Change Date

November 30 preceding the cancellation date.

B. Sales Closing¹ and Cancellation Dates

Alabama, California, North Carolina February 28

Colorado, Illinois, Indiana, Kansas, Kentucky,
Maine, Michigan, Minnesota, Montana, New Mexico,
New York, North Dakota, Oklahoma, Oregon,
Pennsylvania, Tennessee, Virginia, Wisconsin March 15

¹Sales Closing Date – 2020 Crop Year Only – March 15 – All States

C. Termination Dates

Alabama, California, North Carolina February 28

Colorado, Illinois, Indiana, Kansas, Kentucky,
Maine, Michigan, Minnesota, Montana, New Mexico,
New York, North Dakota, Oklahoma, Oregon,
Pennsylvania, Tennessee, Virginia, Wisconsin March 15

D. Premium Billing Date

October 1 of the crop year.

23 Important Dates (Continued)

E. Acreage Reporting Date

For new and carryover insureds:

August 15 of the crop year.

F. Insurance Period

End of the Insurance Period

In accordance with the provisions contained in section 11(b) of the BP, the calendar date for the end of the insurance period is:

October 31.

See section 11 of the BP for additional insurance period provisions.

24 Acreage Reporting

Additional acreage reporting requirements include:

- (1) The acreage report will list the insured acreage for each basic unit (by 100 percent interest, and share), optional unit, or enterprise unit.
- (2) In addition to the requirements of section 6 of the BP, the insured must:
 - (a) Report the:
 - (i) Applicable location land identifier contained in the section 6(c) of the BP, including Global Positioning System (GPS) coordinates; and
 - (ii) Certification and license number; and
 - (b) Submit on or before the acreage reporting date a copy of:
 - (i) The official certification form or official license issued by the applicable governing authority authorizing the insured to produce hemp; and
 - (ii) Each processor contract.
- (3) 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.

25-30 (Reserved)

PART 4 HEMP CROP PROVISIONS AND PROGRAM DETAILS

31 Insurance Guarantees, Coverage Levels, and Prices for Determining Indemnities

Coverage Levels

The insured may select a different coverage level for each insured type in the county and contained in the SP. For example, the insured may elect the 75 percent coverage level for one type, grain, and the 65 percent coverage level for a different type, fiber.

The insured must elect on the application by the sales closing date, the coverage level, by type. If the insured does not select a coverage level for all insurable types specified in the actuarial documents and the insured plants one or more additional insurable types in accordance with provisions of the policy, the lowest coverage level the insured selects on the application for any insurable type will apply to each additional insurable type planted.

Exception: If insured elects the Catastrophic Risk Protection (CAT) level of insurance for any type of the insured crop, the CAT level of coverage will be applicable to all insured acreage of the insured crop in the county.

32 Insured Crop

In accordance with section 7 of the CP:

- (1) 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 AD
 - (a) In which the insured has a share;
 - (b) That is a type of hemp designated in the SP and grown for the production of industrial and consumer products;
 - (c) That is grown under a processor contract executed by the applicable acreage reporting date;
 - (d) That is grown under an official certification or official license issued by the applicable governing authority that permits the production of hemp;
 - (e) That is planted for harvest as hemp in accordance with the requirements of the processor contract and the production management practices of the processor;
 - (f) 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

32 Insured Crop (Continued)

- (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;
- (g) That meets the minimum acreage requirements contained in the SP; and
- (h) That is not (unless allowed by the SP; see Exhibit 3):
 - (i) Planted for any purpose other than hemp
 - (ii) Interplanted with another crop (excluding a cover crop);
 - (iii) Planted into an established grass or legume; or
 - (iv) Planted in a confined space such as a greenhouse or other physical structure.
- (2) In addition to section 7(a) of the CP, the insured's hemp crop will be insurable if, when the insured applies for hemp crop insurance, the insured provides acceptable production evidence to verify the insured has produced the crop in any previous crop year in accordance with Para. 52(B)(3) of this handbook.
- (3) Processors who are also a producer may be considered to have an insured share if the conditions contained in section 7(c) of the CP are met.

33 Insurable Acreage

- (a) In addition to the provisions of section 9 of the BP, any acreage of the insured crop will be uninsurable that is:
 - (1) Not in compliance with the rotation requirements contained in the SP (See Exhibit 3 for rotation requirements.); or
 - (2) If the insured's 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 or suspended 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 the insured's processor contract(s) for the unit; or
 - (2) The result of dividing the amount of production specified in the insured's processor contract(s) for the unit by the insured's 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 the AIP agrees that replanting is not practical. The AIP will not require the insured to replant if it is not practical to replant to the same type of hemp as originally planted.

A. Crop Provisions – Insured Causes

The CP provide crop insurance coverage only against the following causes of loss that occur within the insurance period:

- (1) Adverse weather;
- (2) Fire;
- (3) Insects, but not damage due to insufficient or improper application of pest control measures;
- (4) Plant disease but not damage due to insufficient or improper application of disease control measures or the failure to follow applicable rotation requirements contained in the Special 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) of the CP that also occurs during the insurance period.

B. Exclusions

In addition to the causes of loss excluded in section 12 of the BP, any loss of production that is due to the following causes is not insured:

- (1) Levels of THC in excess of 0.3 percent on a dry weight basis, except as otherwise specified on the SP (see Exhibit 3);
- (2) The insured's failure to follow the requirements contained in the processor contract;
- (3) Any harvested production infected by mold, yeast, fungus, or other microbial organisms after harvest except as specified in section 12(e) of the CP; 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 specified in this section. For example, the AIP will not pay the insured an indemnity if the insured is unable to market due to quarantine, boycott, processor contract default, or refusal of any person to accept production.

35 Unit Division

A. Basic Unit

Basic units will be established in accordance with section 1 of the BP.

35 Unit Division (Continued)

B. Optional and Enterprise Units

Optional and enterprise units may be established in accordance with section 34 of the BP.

Provisions in the BP that allow enterprise units by irrigated and non-irrigated practices are not applicable.

C. Whole-Farm Units

Whole-farm units are not allowed under the HCIP except as may be provided on the SP.

36 Quality Adjustment

Hemp production is not subject to adjustments for quality except as provided in section 15(j) of the BP and section 12(e) of the CP, in which case, such destroyed production will not be considered production to count.

37 Calculation Examples

Example 1

The insured has a 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), the production guarantee for the unit is 60,000 pounds (50 acres x 1,200 pounds/acre guarantee), insured's price election is \$0.50 per pound. Due to an insured cause of loss the production to count is 50,000 pounds. The premium rate is 7.0 percent.

Premium Calculation

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).

Loss Calculation

- (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.

37 Calculation Examples (Continued)

Example 2:

The insured has a 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), the production guarantee for the unit is 36,000 pounds (30 acres x 1,200 pounds/acre guarantee), the insured's price election is \$5.00 per pound. Due to an insured cause of loss the production to count is 25,000 pounds. The 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).

Loss Calculation

- (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.

38 Excluded Coverages

The following coverages and the following yield adjustments do not apply to the HCIP:

- A. Late and Prevented Planting
- B. Replanting
- C. Trend Adjustment
- D. Yield Exclusion
- E. Yield Cups
- F. Yield Substitution
- G. Yield Floor

39 Service Forms

The following forms are required for the HCIP:

- A. Application**
- B. Policy Change**
- C. Production Report**
- D. Acreage Report**

40-50 (Reserved)

PART 5 CROP INSURANCE AND GENERAL STANDARDS HANDBOOK

51 CIH, DSSH, and GSH Applicability

Changes and additions to the CIH, DSSH, and GSH for hemp are described in this part. All other applicable CIH, DSSH, and GSH procedures apply.

52 General Information

A. Hemp:

- (1) Is considered a Category B crop;
- (2) Is covered under the APH coverage plan (90); and
- (3) Utilizes APH procedures contained in the CIH:
 - (i) To establish insurance yields; and
 - (ii) For all other applicable insurance purposes.

B. Insurability Requirements

Availability:

- (1) The HCIP is available for counties for which a premium rate is provided in the AD.
- (2) Written agreements are not allowed under the HCIP.
- (3) All insureds must provide, at the time of application, acceptable production evidence to verify production of the hemp crop for any previous crop year. A record of acceptable production evidence will be one that has been documented at the local FSA office for the county where the hemp crop will be insured or the local FSA office for any other county. A record from an applicable governing authority documenting the official THC testing of hemp grown by the insured will be an acceptable substitute **only** if an FSA record is not available. (See section 7(b) of the CP.)

C. Record Requirements

Applicable requirements for separate acceptable production records apply (records by unit, type, and practice). Production records are in pounds of grain, fiber, and CBD biomass (see Exhibit 3, CBD biomass type descriptions).

53 CIH Part 10

Para 1032: Enterprise units by irrigated and non-irrigated practices are not allowed.

Para 1045: Whole-Farm units are not available for hemp (not authorized on the SP).

54 CIH Part 14

Para. 1403: In accordance with the instructions contained in this paragraph, production records for the CBD type contained in the SP are reported in pounds of biomass (see Exhibit 3, CBD type descriptions) based on processor records.

54 CIH Part 14 (Continued)

Para. 1415: Hemp (sold production) is added to the list of crops requiring verifiable records.

Para. 1420: Hemp (farm stored production of CBD types) is added to the list of crops for which authorized AIP or FSA personnel measurement of farm stored production applies, with the exception that the use of applicable pack factors does not apply.

Para. 1431: Hemp (fed or farm stored production of grain and fiber types) is added to list of crops for which farm management records are considered acceptable records.

55 CIH Part 15

Sections 3,4, and 5: Yield exclusion, yield cups, yield adjustment, yield floor, and trend adjustment are not allowed.

56 CIH Part 17

Procedures contained in Part 17 apply to hemp in general and as otherwise noted in this handbook.

57 CIH Part 17

Section 5 New Producer, Para. 1731-1737 does not apply. New producer procedures do not apply. Establish APH databases in accordance with Para. 1702 with the exception of new producer procedures not applying. 1736: Apply procedures contained in Para. 1736(2) as applicable.

58 GSH, Exhibit 8A, Crop Policy Information

Add the following information for hemp to the crop policy information table, Exhibit 8A, for crops insurable under the APH plan of insurance.

CROP POLICY INFORMATION								
APH CROPS	FCIC		⁴² CROP CATEGORY, APH YIELD TOLERANCE	LP/PP	REPLANT	UNIT OF MEASURE	UNIT(S): BASIC (B) OPTIONAL (O) ENTERPRISE (E) ⁴⁴ WHOLE FARM (W)	⁴⁵ HIGH-RISK LAND EX. OPT.
	POLICY	CROP PROVISIONS						
Hemp	20-BR	20-H-1218	B 5%	No	No	Lbs.	B/O/E	Yes

⁴² Tolerance for APH field reviews.

⁴⁴ WU(s) if provided for in the AD.

⁴⁵ Requires insured's signature, refer to AD.

59-60 (Reserved)

Exhibits

1 Acronyms

The following table contains FCIC-approved acronyms used in this handbook.

Approved Acronym/Abbreviation	Term
AD	Actuarial Documents
AIP	Approved Insurance Provider
APH	Actual Production History
BP	Basic Provisions (20-BR)
CAT	Catastrophic Risk Protection Endorsement
CBD	Cannabidiol
CIH	FCIC- 18010 Crop Insurance Handbook
CP	Crop Provisions
DSSH	Document and Supplemental Standards Handbook
FCIC	USDA Federal Crop Insurance Corporation
HCIP	Hemp Crop Insurance Program
LAM	FCIC- 25010 Loss Adjustment Manual
LASH	Loss Adjustment Standards Handbook
RMA	Risk Management Agency
SP	Special Provisions
THC	Tetrahydrocannabinol (also known as delta-9 tetrahydrocannabinol)

2 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.

Good farming practices – In addition to 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 – 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.

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 the production and processing of hemp containing at a minimum:

- (a) The producer's promise to plant and grow hemp and to deliver all hemp to the processor;
- (b) The processor's promise to purchase the hemp produced by the producer; 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.

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

2 Definitions (Continued)

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

- (a) CBD – CBD produced from the flowers, leaves, stems, and stalks of hemp plants;
- (b) Dual-purpose – A type of 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;
- (e) Oil - Oil produced from hemp grain;
- (f) Other - Other types of hemp contained in the Special Provisions.

3 Special Provisions Insurability Requirements

A. THC Level Adjustment

In accordance with the definition of hemp and section 10(b)(1) contained in the Hemp CP, 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. 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%).

Example 1: Production meets THC Level

- a. Federal maximum acceptable THC level is 0.3% and is applicable. Testing laboratory sample result shows 0.35% THC with a measure of uncertainty of +/- 0.05%, or 0.30% - 0.40%. Sample is within maximum acceptable THC level of 0.3%.
- b. Loss of production due to insured causes of loss is insurable.

Example 2 Production exceeds THC Level

- a. Federal maximum acceptable THC level is 0.3% and is applicable. Testing laboratory sample result shows 0.35% THC with a measure of uncertainty of +/- 0.04%, or 0.31% - 0.39%. Sample is outside maximum acceptable THC level of 0.3% (0.31% is greater the 0.3%.
- b. Loss of production is due to uninsured causes of loss and is uninsurable.

B. Rotation Requirements

For Illinois, Indiana, Maine, Michigan, Minnesota, Montana, New York, North Dakota, Oregon, Pennsylvania, and Wisconsin:

Insurance will not attach to any acreage on which *Cannabis*, canola, dry beans, dry peas, mustard, rapeseed, soybeans, or sunflowers were grown the preceding crop year.

For Alabama, California, Colorado, Kentucky, Kansas, North Carolina, New Mexico, Oklahoma, Tennessee, and Virginia:

Insurance will not attach to any acreage on which *Cannabis*, canola, dry beans, mustard, rapeseed, or sunflowers were grown the preceding crop year.

3 Special Provisions Insurability Requirements (Continued)

C. Minimum Acreage Requirements

The minimum acreage required to establish insurability is:

<u>Type</u>	<u>Minimum Acres</u>
Grain	20
Fiber	20
CBD	5

The minimum acreage requirement is applied on a type basis and not on a unit basis. For example, if there are multiple locations of CBD-Floral, CBD-Whole Plant, or any combination thereof, whether in a single unit or more than one unit, and the combined acreage of all locations equals the minimum acreage requirement at least 5 acres of the CBD type, the minimum acreage requirement is met. (Minimum acreage requirements for multiple locations or units of the grain or fiber types are determined in the same manner.)

D. CBD Type (for biomass)

Under the practice for the CBD type:

“Floral” means all parts of the hemp flower.

“Whole plant” means all parts of the hemp plant including the stalks, stems, leaves and flowers.