

Environmental Impact Statement is needed.

### Background

FCIC offered a pilot crop insurance program for blueberries beginning with the 1995 crop year in selected counties in Michigan, Mississippi, New Jersey, and North Carolina. In 1997 the pilot program was expanded to include two counties with lowbush blueberries in Maine, and in 1999 it was expanded to include five additional North Carolina counties. It was expanded to selected counties in Alabama, Florida, Georgia, and South Carolina for the 2000 crop year. For the 2002 crop year, blueberry crop insurance is available in selected counties in Alabama, Florida, Georgia, Maine, Michigan, Mississippi, New Jersey, North Carolina, and South Carolina.

The pilot program has provided a valuable risk management tool and has favorable insurance experience since the pilot program was initiated. The combined loss ratio from 1995 through the 2001 crop year has been approximately .40. The highest loss ratio for the pilot program was in 1996, at .77. Loss ratios for the other years of the pilot program were significantly lower, at .64 and below. The major causes of loss (accounting for approximately 76 percent of indemnities paid) from 1995 through 2001 were hail, freeze, frost, drought, and insufficient chilling hours.

FCIC has decided to convert the blueberry pilot program a permanent crop insurance program beginning with the 2005 crop year. To effectuate this conversion, FCIC proposes to add to the Common Crop Insurance Regulations (7 CFR part 457), a new section, 7 CFR 457.166, Blueberry Crop Insurance Provisions effective for the 2005 and succeeding crop years. The blueberry pilot program is an actual production history (APH) insurance plan of multiple peril crop insurance. Insurance is provided against the standard causes of loss such as adverse weather, fire, etc., insufficient chilling hours to effectively break dormancy, and loss of quality. Unit division is limited to basic units, unless otherwise specified in the Special Provisions of Insurance. The Special Provisions allow optional units by type for the rabbiteye and highbush types in Alabama, Florida, Georgia, North Carolina, and South Carolina.

The overall participation rate has been approximately 56 percent. The number of policies earning premiums increased 77 percent from 1995 to 2001. Under the blueberry pilot crop insurance program, 2,291 policies and approximately 151,000 acres were

insured for the 1995 through 2001 crop years.

During the pilot program, modifications were made to improve the loss adjustment procedures. Policy language was also added to accommodate insuring lowbush blueberry varieties, after the first two Maine counties with lowbush blueberries were added to the pilot program in 1997.

As a result of the pilot program experience and program reviews, several changes have been made to the pilot program and are incorporated in this proposed rule. The most significant changes are as follows: (1) Modified provisions to increase the number of days for insurance to attach from 10 to 20 days to allow time for companies to complete inspections; (2) added provisions to eliminate any lapse in insurance coverage between crop years to ensure that all insurable perils are covered; (3) added provisions to specify that if the insured policy is canceled or terminated for any crop year after insurance attached for that crop year, but on or before the cancellation and termination dates, whichever is later, then insurance will not be considered to have attached for that year and no premium, administrative fee, or indemnity will be due; (4) added provisions to clarify that an insurance provider may not cancel an insured's policy when an insured cause of loss has occurred after insurance attached, but prior to the cancellation and termination date; (5) added a provision that notifies the insured that they may be required to harvest a sample that the insurance provider selects for appraisal purposes to simplify the loss adjustment process; (6) added quality adjustment provisions for determining production to count for mature blueberries, harvested or unharvested, that have been damaged to the extent the blueberries cannot be sold for fresh or processing (If damaged blueberry production is sold, the production to count is determined by dividing the price received for the damaged blueberries by the applicable price election and multiplying that factor by the production sold); (7) added provisions to reduce the indemnity for affected acreage in a unit by the percentage of premium reduction specified in the Special Provisions for frost protection equipment if the insurance provider determines that the frost protection equipment was not properly utilized or not correctly reported.

The proposed provisions will be effective for the 2005 and succeeding crop years. These provisions will

replace and supersede the current unpublished provisions that insure blueberries under pilot program status.

### List of Subjects in 7 CFR Part 457

Crop insurance, Blueberry, Reporting and recordkeeping requirements.

### Proposed Rule

Accordingly, as set forth in the preamble, the Federal Crop Insurance Corporation proposes to amend 7 CFR part 457 as follows:

### PART 457—COMMON CROP INSURANCE REGULATIONS

1. The authority citation for 7 CFR part 457 continues to read as follows:

**Authority:** 7 U.S.C. 1506(l), 1506(p).

2. Section 457.166 is added to read as follows:

#### § 457.166 Blueberry crop insurance provisions.

The Blueberry Crop Insurance Provisions for the 2005 and succeeding crop years are as follows:

FCIC policies:

UNITED STATES DEPARTMENT OF AGRICULTURE

Federal Crop Insurance Corporation

Reinsured policies:

(Appropriate title for insurance provider)

Both FCIC and reinsured policies:

Blueberry crop insurance provisions

If a conflict exists among the policy provisions, the order of priority is as follows: (1) the Catastrophic Risk Protection Endorsement, if applicable; (2) the Special Provisions; (3) these Crop Provisions; and (4) the Basic Provisions with (1) controlling (2), etc.

#### 1. Definitions

**Blueberry production**—All mature harvested and appraised blueberries, excluding plant material and unsound blueberries eliminated during the inspection process by either wash or dry-line methods or field appraised in an equivalent manner, usually referred to as first net weight.

**Direct marketing**—Sale of the insured crop directly to consumers without the intervention of an intermediary such as a wholesaler, retailer, packer, processor, shipper or buyer. Examples of direct marketing include selling through an on-farm or roadside stand, farmer's market, or permitting the general public to enter the field for the purpose of picking the crop.

**Dry-line**—A process by which the blueberries are run across a "sorting