
INFORMATIONAL MEMORANDUM



January 25, 2006

To: Chairman, Board of Directors
Chief Executive Officer
All Farm Credit System Banks and Associations

From: Nancy C. Pellett
Chairman and Chief Executive Officer

Subject: Livestock Risk Protection and Other Insurance Products Offered by the Federal Crop Insurance Corporation

This memorandum informs Farm Credit System (System) banks¹ and associations that the Farm Credit Administration (FCA or Agency) considers all insurance products approved and administered by the Federal Crop Insurance Corporation (FCIC) and the Risk Management Agency (RMA) to be an already approved multiple-peril crop insurance related service under 12 C.F.R. Part 618, Subpart A. Hence, if your bank or association already has a multiple-peril crop insurance program in place, there is no regulatory requirement to notify the FCA Office of Examination field office that examines your institution of the types of FCIC crop insurance your institution may be offering.² This conclusion applies to the Livestock Risk Protection (LRP) program currently being offered by some System associations and all other risk management services that may be approved and administered under FCIC pilot programs.

We believe that these expanded FCIC crop insurance products, which reduce the volatility of livestock market prices and help stabilize a borrower's income flow, strengthen a System bank's or association's ability to operate in a safe and sound manner. Moreover, such products may be attractive to young, beginning, and small System borrowers who may not have large enough operations to secure protection for revenue loss from the commodity exchanges or through marketing contracts.

If you have any further questions, please contact Andrew Jacob, Director, Office of Regulatory Policy, at (703) 883-4356 (e-mail at jacoba@fca.gov).

¹ The term "banks" includes Farm Credit Banks operating under their titles I and II authorities and Agricultural Credit Banks operating under their titles I and II authorities.

² See 12 C.F.R. § 618.8010(c)(3).