



United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

February 17, 2004

BULLETIN NO: MGR-04-003

TO: All Reinsured Companies
All Risk Management Field Offices
All other Interested Parties

FROM: Ross J. Davidson, Jr. /s/ *Ross J. Davidson, Jr.*
Administrator

SUBJECT: 2004 Financial Assistance Program for Producers in Targeted States

BACKGROUND:

Section 524(b) of the Federal Crop Insurance Act (the Act) authorizes the Secretary to provide financial assistance to producers in fifteen targeted States. Section 769 of the Consolidated Appropriations Bill of 2004 amended the Act to allocate \$5 million to conduct risk management related activities to be carried out through the Risk Management Agency (RMA). The program is available to producers in Connecticut, Delaware, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia, and Wyoming. Further, report language to the Consolidated Appropriations Bill of 2004 directs the Secretary to use not less than \$3 million of the \$5 million authorized funding to fund additional crop insurance cost-share assistance programs in States which have operated a state-funded crop insurance premium assistance program for crop years 2001 and 2002. The States which meet this criterion are Pennsylvania and Maryland.

To assist producers in reducing production, price, or revenue risks, RMA will provide financial assistance to producers purchasing crop insurance policies in the States listed above. Financial assistance will apply to that portion of a producer's premium remaining after the premium has been reduced by the subsidy authorized in section 508(e) of the Act. Pursuant to section 524(b) of the Act, funding will be provided through the Commodity Credit Corporation (CCC).

ACTION:

The financial assistance program will be offered in accordance with the following:



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The Risk Management Agency Administers and Oversees
All Programs Authorized Under the Federal Crop Insurance Corporation

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1. Financial assistance will be available for all producers purchasing eligible crop insurance policies in the States of Connecticut, Delaware, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia, and Wyoming.
2. RMA will provide financial assistance for all 2004 crop year buy-up policies (except as excluded in paragraph 3) with sales closing dates on or after the date of issuance of this bulletin, and with acreage reporting dates prior to September 30, 2004. For nursery policies, financial assistance will be available for only those policies for which the signature date of the policy is on or after the date of this bulletin, and which meets all other nursery rules and regulations.
3. Policies not eligible for financial assistance include all catastrophic risk protection (CAT) policies and those insured under the Livestock Risk Protection and Livestock Gross Margin plans of insurance.
4. RMA will provide financial assistance for all eligible policies as shown in the table below.

Coverage Level	Financial Assistance Factor
50 (buy-up only)	.05
55	.05
60	.10
65	.10
70	.15
75	.15
80*	.15
85*	.15
90*	.15

* Where available

5. A total of \$5,000,000 is available for this program, of which, at least \$3,000,000 is to be available to producers in the States of Pennsylvania and Maryland. If participation in the financial assistance program by producers in the 13 participating States other than Pennsylvania and Maryland results in an amount of financial assistance that exceeds \$2,000,000, then the financial assistance factors for those producers will be reduced on a pro rata basis so that the total will equal \$2,000,000. Further, if, after any such reduction, total participation in the financial assistance program results in an amount of financial assistance to producers in all States that exceeds \$5,000,000, then the financial assistance factors for all producers will be reduced on a pro rata basis so that the total will equal \$5,000,000. Producers' billing statements are to reflect the premium to be paid by producers after all pro rata reductions have been made by RMA.
6. No portion of the administrative fee will be paid by RMA under this financial assistance program.
7. In accordance with paragraph 14, the financial assistance payment will be limited such that the total of subsidies and financial assistance payments does not exceed 90 percent of the total premium (also referred to as base premium by RMA) for any policy.
8. No additional application is necessary to qualify for this financial assistance program. However, producers must purchase new or modified coverage no later than the applicable sales closing.
9. Policies insured by written agreement are eligible for financial assistance if the deadline for submission of the request for written agreement (as outlined in section 4 of the Crop Insurance Handbook) is on or after the date of issuance of this bulletin, and if such policies meet the remaining eligibility criteria outlined in this bulletin.
10. For premium calculation and data submission purposes, reinsured companies are directed to use the field identified as "Additional Subsidy" to apply the financial assistance for all applicable record types. The calculation of Producer Premium is as follows:

Total Premium x Subsidy Rate = Dollar Amount of Subsidy

Total Premium – Subsidy = Preliminary Producer Premium

Preliminary Producer Premium x Financial Assistance Factor = Financial Assistance Dollar Amount

Preliminary Producer Premium – Financial Assistance Dollar Amount = Producer Premium Owed

For example, a producer purchases a policy at the 65 percent coverage level with a total premium of \$1,000. The premium subsidy rate is 59 percent. The dollar amount of premium subsidy is \$590 (\$1000 x .59). The preliminary producer premium is \$410

(\$1,000 - \$590). The amount of financial assistance would be \$41 ($\$410 * .10$). The producer premium owed is \$369 ($\$410 - \41).

11. For billing purposes, all reinsured companies will deduct the amount of financial assistance from the producer premium on the billing statement.
12. In order to determine expenditures timely and accurately, all reinsured companies should submit all information through the Data Acceptance System (DAS) for Manual 13 record types 11 and 13 within 30 days of the applicable acreage reporting date.
13. All reinsured companies must submit to RMA by the September accounting cut-off date a list of all policies receiving financial assistance for which Manual 13 information was not accepted by DAS. This list must contain the policy number, the plan of insurance, and the amount of financial assistance (Additional Subsidy) for each such policy. Please submit this list electronically in Microsoft Excel format to Lee Z. Ziegler at lee.ziegler@wdc.usda.gov.
14. Section 524(b)(3) of the Act provides that the total amount of payments made to a person (as defined in section 1001(5) of the Food Security Act (7 U.S.C. 1308(5))) for any program authorized under Section 524(b) may not exceed \$50,000. RMA will coordinate with other USDA agencies to apply this limitation.

DISPOSAL DATE:

This bulletin may be disposed of after December 31, 2004.