



United States  
Department of  
Agriculture

Risk  
Management  
Agency

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**BULLETIN NO. MGR-05-001**

TO: All Reinsured Companies  
All Risk Management Agency Field Offices  
All Other Interested Parties

FROM: Ross J. Davidson, Jr. /s/ *Ross J. Davidson, Jr.* 2/1/2005  
Administrator

SUBJECT: Quota Tobacco (Burley), Coverage Determinations for the 2005 Crop Year

**BACKGROUND:**

The American Jobs Creation Act of 2004 abolished the USDA Tobacco Marketing Quota Regulations beginning with the 2005 crop year. As a result, the Farm Service Agency (FSA) will no longer administer the tobacco quota program or track the amount of burley tobacco sold by individual farm serial number (FSN).

With the elimination of tobacco quotas, the Quota Tobacco Crop Provisions (which provide burley tobacco insurance) require the approved yield be based on Actual Production History (APH) procedures in accordance with 7 CFR, part 400, subpart G. Prior to the 2005 crop year, the amount of burley tobacco sold from each FSN was limited to the quota assigned by FSA. In the past, insurance coverage for burley tobacco was determined from the quota assigned to the FSN by FSA. The FSA farm yield was used to determine the minimum acreage the producer needed to plant to be eligible for burley tobacco insurance coverage.

**ACTION:**

- A. Beginning with the 2005 crop year, burley tobacco insured under the Quota Tobacco Policy will transition to standard APH procedures. The following guidelines apply:
1. Except as otherwise provided in this bulletin, standard APH procedures (including added land) for Category B APH crops contained in the 2005, FCIC 18010 Crop Insurance Handbook (CIH) will apply to APH yield determinations for burley tobacco.
  2. Quota Tobacco will continue to be reported as Insurance Plan Code 70 for the 2005 crop year. However, premium and indemnities for burley tobacco (0231) will be calculated using the same instructions as Insurance Plan Code 86 contained in Appendix III of the Standard Reinsurance Agreement (SRA).



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3. Producers must submit burley tobacco production reports containing acreage and production, by practice for each FSN by June 1, 2005, to determine approved yields. Basic units will continue to be by FSN. Production reports must be provided to establish an APH database for the insured type, by unit and practice, as follows:
  - a. FSA records are considered as acceptable production records and will be used to calculate the APH unless the producer has other acceptable production records, as specified in section 10C (1)(b) of the CIH, or a claim has been filed. If a claim has been filed for any crop year, the claim documents signed by the producer that specifies the amount of production used to complete the claim will be the production report for that crop year. If less than 4 years of acceptable production records are provided, the producer will receive an appropriate transitional yield (T-Yield) in accordance with paragraph d below.
  - b. FSA records for 2001-2004, to support the acreage and production reported for APH are available from FSA, if requested by the producer. FSA will provide producers with the required production history beginning on or about April 1, 2005. FSA farm yields will not be used for APH purposes since they were used to determine the minimum acreage to be planted to produce the allotted quota and may not necessarily reflect the actual yield of the applicable FSN.
  - c. The acreage and production history must be reported for the 2005 crop year by the producer completing a production report for the insured type, by unit and practice.
  - d. Variable transitional yield (T-Yield) percentages are determined based upon the number of years of actual yields reported as specified in 7 C.F.R. § 400.55. T-Yields are published on the FCI-35 county actuarial documents. Such variable T-Yields will be followed by the applicable variable T-Yield yield descriptor (S, E, N or T). Producers who have not grown burley tobacco for more than two crop years may qualify for new producer procedures (see Exhibit 37 of the CIH).
  - e. An actual yield descriptor (e.g., A, V, G, etc.) will be used to identify actual yields. Actual yields less than 60 percent of the T-Yield may be eligible for APH yield adjustments (see paragraph h.).
  - f. Producers in a county with no burley tobacco actuarial documents may request a written agreement (type XC). RMA will consider such requests if:
    - the county has a guarantee tobacco plan of insurance;
    - the producer has grown burley or other insurable types of tobacco;
    - the producer submits at least three years of acceptable tobacco production records; and all other written agreement handbook requirements are met.

- g. Approved APH yields for added land will be based on standard APH procedures for Category B APH crops.
- h. Actual yields may qualify for a yield adjustment (see section 36 of the Basic Provisions). For the purpose of applying the yield adjustment, the 2005 county T-Yield will be used since there were no published T-Yields prior to 2005. For all subsequent crop years, yield adjustments will be based upon the T-Yield applicable for the particular crop year that is being adjusted.
- i. A catastrophic yield adjustment (7 C.F.R. § 400.55(b)(8)) may be available for those carryover insureds who certify acceptable production reports for at least the four most recent crop years (including zero planted years) and for the 2005 crop year only will be based on ninety percent of the 2005 county T-Yield since there were no published T-Yields prior to 2005. Yield limitation flag 03 will be used when applicable.
- j. Changes to approved APH yields due to APH field reviews will be subject to a five (5) percent tolerance (See section 14 of the CIH).

**DISPOSAL:**

This bulletin will remain in effect until incorporated in the FCIC 18010 Crop Insurance Handbook and other applicable handbooks.