

SUMMARY OF CHANGES FOR QUOTA TOBACCO CROP PROVISIONS (99-070)

- Section 1 - Add definitions for terms “amount of insurance,” “approved yield,” “discount variety,” “fair market value,” “hydroponic plants,” “insured poundage quota,” “late planting period,” “planted acreage,” “pound,” “replanting,” and “tobacco bed” for clarification purposes. The definition of “harvest” has been revised. Since the harvest incentive of 35 percent of the guarantee has been deleted, the provision requiring 20 percent of the production guarantee per acre be cut in order for the unit to be considered harvested, is unnecessary.
- Section 3 - Delete the six cents per pound warehouse charge deduction for the purpose of determining the amount of insurance. This provides the producer the full value of the tobacco sold without the warehouse charge. It also allows the use of gross sales to establish the value of production to count without the warehouse charge deduction. Allow the use of actual production history to determine the approved yield for insurance purposes. The most accurate determination of the yield for the unit uses insured’s records of production.
- Section 4 - Change the contract date from December 31 to November 30 in order to maintain an adequate time period between this date and the earliest cancellation date.
- Section 5 - Change the cancellation and termination dates from April 15 to March 15. This conforms to a statutory change that moved spring planted crop sales closing dates 30 days earlier.
- Section 6(a) - Clarify that insurance coverage will only apply to the effective poundage marketing quota as defined in these regulations.
- Section 6(b)(c) - Require that a copy of any written lease agreement between the landlord and tenant be provided to the insurance provider. This will allow the farm’s effective poundage marketing quota to be distributed between two or more insureds based on a written lease agreement between the landlord and the insured. This provision was added because the present method of distributing the farm’s effective marketing quota between two or more insureds does not provide equitable treatment for all insureds.
- Section 7 - Add provision to modify section 7 of the Basic Provisions to calculate premium, in part, based on the producer’s amount of insurance. As defined in these crop provisions, the definition of “amount of insurance” takes into consideration the insured poundage quota, current year’s support price, and late planting adjustments unique to quota tobacco.
- Section 9(d) - Clarify that any acreage damaged prior to the final planting date must be replanted unless replanting is not practical.
- Section 11(c)(d) - Clarify that insects and plant disease are insurable causes of loss, but they are not insurable causes of loss if damage was due to insufficient or improper application of pest or disease control measures.
- Section 13(b) - Revise for clarification. Also, add an example of an indemnity calculation for illustration purposes.
- Section 13(g) - Add a provision requiring that once the insurance provider agrees that any current year’s or carryover tobacco has no market value, the insured must destroy it. This provision eliminates the adjustment of next year’s quota when the crop is still marketable at the time of the loss. It also eliminates the opportunity to falsely report carryover and current year’s tobacco as no value to increase indemnity payments. This provision is consistent with FSA’s requirement that tobacco having no value must be destroyed.
- Section 14 and 15 - Add late and prevented planting provisions to be consistent with other crop provisions.



UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
QUOTA TOBACCO CROP 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.

Amount of insurance - The dollar amount determined by multiplying the insured poundage quota by the current year's support price or the percentage of the current year's support price you select less any adjustments for late planting as specified in section 14.

Approved yield - The yield calculated in accordance with 7 CFR part 400, subpart G, if required by the Special Provisions.

Basic unit - In lieu of the definition in the Basic Provisions, a basic unit is all insurable acreage of an insurable type of tobacco in the county in which you have a share on the date of planting for the crop year and that is identified by a single FSA farm serial number at the time insurance first attaches under these provisions for the crop year.

Carryover tobacco - Any tobacco produced on the land identified by a FSA farm serial number in previous years that remained unsold at the end of the most recent marketing year.

County - In lieu of the definition in the Basic Provisions, county is defined as the county or other political subdivision of a state shown on your accepted application including any land identified by a FSA farm serial number for such county but physically located in another county.

Discount variety - Tobacco defined as such under the provisions of the United States Department of Agriculture tobacco price support program.

Effective poundage marketing quota - The farm marketing quota as established and recorded by the local FSA office for the land identified by the FSA farm serial number plus any additional poundage, as allowed by the USDA Tobacco Marketing Quota Regulations, that you intend to produce for each unit in that crop year minus the amount of any carryover tobacco. The term may not include any tobacco that would be subject to a marketing quota penalty under USDA Tobacco Marketing Quota Regulations. For any crop year in which there are no effective USDA Tobacco Marketing Quota Regulations, the effective poundage marketing quota will be the pounds obtained by multiplying the applicable approved yield per acre by the lower of the reported or insured acreage on the basic unit, unless otherwise provided by the actuarial documents.

Fair market value - The current year's tobacco season average price for the applicable type of tobacco obtained from the sale of the tobacco through a market other than an auction warehouse.

Farm yield - The yield per acre used by FSA to establish the effective poundage marketing quota for land identified by a FSA farm serial number, unless we have established a yield for that land in the actuarial

documents.

Harvest - Cutting and removing all insured tobacco from the field in which it was grown.

Hydroponic plants - Seedlings grown in liquid nutrient solutions.

Insured poundage quota - The lesser of:

- 1) The product (in pounds) obtained by multiplying the effective poundage marketing quota for the land identified by a FSA farm serial number by your selected coverage level; or
- 2) The farm yield or approved yield, as applicable, adjusted for late planting in accordance with section 14, if applicable, multiplied by the appropriate number of insured acres and by your selected coverage level.

Late planting period - In lieu of the definition in section 1 of the Basic Provisions, the period that begins the day after the final planting date for the insured crop and ends 15 days after the final planting date, unless otherwise specified in the Special Provisions.

Market price - The previous years' season average price published by National Agricultural Statistics Service for the applicable type of tobacco in the area.

Marketing year - The marketing year published by National Agricultural Statistics Service for the applicable type of tobacco in the area.

Planted acreage - Land in which tobacco seedlings, including hydroponic plants, have been transplanted by hand or machine from the tobacco bed to the field.

Pound - Sixteen ounces avoirdupois.

Replanting - In lieu of the definition in section 1 of the Basic Provisions, performing the cultural practices necessary to replace the tobacco plant, and then replacing the tobacco plant in the insured acreage with the expectation of producing at least the quota.

Support price - The average price per pound for the type of tobacco as announced by the USDA under its tobacco price support program, or, if there is no such program, as announced by FCIC.

Tobacco bed - An area protected from adverse weather, in which tobacco seeds are sown and seedlings are grown until transplanted into the tobacco field by hand or machine.

2. Unit Division.

A unit will be determined in accordance with the definition of basic unit contained in section 1 of these Crop Provisions. The provision in the Basic Provisions regarding optional units are not applicable, unless specified by the Special Provisions.

3. Insurance Guarantees, Coverage Levels, and Prices for Determining Indemnities.

In addition to section 3 of the Basic Provisions, a

production report, if required by the Special Provisions, must be filed in accordance with section 3(c) of the Basic Provisions.

4. Contract Changes.

In accordance with section 4 of the Basic Provisions, the contract change date is November 30 preceding the cancellation date.

5. Cancellation and Termination Dates.

In accordance with section 2 of the Basic Provisions, the cancellation and termination dates are March 15.

6. Report of Acreage.

In addition to the requirements of section 6 of the Basic Provisions:

- (a) You must report the effective poundage marketing quota and specify any amount of carryover tobacco, if applicable.
- (b) You must provide a copy of any written lease agreement between you and any landlord or tenant showing the amount of the effective poundage marketing quota allocated to you. The written lease agreement must:
 - (1) Identify all other persons sharing in the effective poundage marketing quota; and
 - (2) Be submitted to your local insurance provider's office on or before the acreage reporting date.
- (c) In the event of a loss, if the written lease agreement has been submitted timely, we will distribute the effective poundage marketing quota in accordance with the terms of the written lease agreement. If the written lease agreement is not submitted timely, we will prorate the effective poundage marketing quota across the FSA farm serial number to all insured and uninsured persons based on planted acres within land identified by the FSA farm serial number.

7. Annual Premium.

In lieu of paragraph (c) of section 7 of the Basic Provisions, your annual premium amount is determined by either:

- (a) Multiplying the amount of insurance by the rate, your share, and any premium adjustment percentages that may apply; or
- (b) If no support price program exists, multiplying the approved yield by the coverage level, the support price, the acres, your share, and any premium adjustment percentages that may apply.

8. Insured Crop.

- (a) In accordance with section 8 of the Basic Provisions, the crop insured will be any of the tobacco types designated in the Special Provisions for the county, in which you have a share, that you elect to insure, and for which a premium rate is provided by the actuarial documents.
- (b) In addition to section 8 of the Basic Provisions, the crop insured will not include any poundage above the effective poundage marketing quota or the insured poundage quota.

9. Insurable Acreage.

In addition to the provisions of section 9 of the Basic Provisions, we will not insure any acreage under these crop provisions that is:

- (a) Planted to a discount variety;
- (b) Planted to a tobacco type for which no premium rate is provided by the actuarial documents;
- (c) Planted in any manner other than as provided in the definition of "planted acreage" in section 1 of these Crop Provisions, unless otherwise provided by the Special Provisions or by written agreement; or
- (d) Damaged before the final planting date to the extent that most of the producers of tobacco acreage with similar characteristics in the area would normally not further care for the crop, unless such crop is replanted or we agree that replanting is not practical.

10. Insurance Period.

In accordance with the provisions of section 11(b) of the Basic Provisions, insurance ceases at the earliest of:

- (a) Total destruction of the tobacco on the unit;
- (b) Weighing-in at the tobacco warehouse;
- (c) Removal of the tobacco from the field where grown except for curing, grading, packing, or immediate delivery to the tobacco warehouse; or
- (d) The February 28 immediately following the normal harvest period.

11. Causes of Loss.

In accordance with the provisions of section 12 of the Basic Provisions, insurance is provided only against the following causes of loss that occur during the insurance period:

- (a) Adverse weather conditions;
- (b) Fire;
- (c) Insects, but not damage due to insufficient or improper application of pest control measures;
- (d) Plant disease, but not damage due to insufficient or improper application of disease control measures;
- (e) Wildlife;
- (f) Earthquake;
- (g) Volcanic eruption; or
- (h) Failure of the irrigation water supply, if caused by a peril specified in section 11(a) through (g) that occurs during the insurance period.

12. Duties In The Event of Damage or Loss.

In accordance with the requirements of section 14 of the Basic Provisions, any representative samples we may require of each unharvested tobacco type must be at least 5 feet wide (at least two rows) and extend the entire length of each field in the unit. The samples must not be harvested or destroyed until after our inspection.

13. Settlement of Claim.

- (a) We will determine your loss on a unit basis. In the event you are unable to provide separate acceptable production records, we will allocate any commingled production to such units in proportion to our liability on the harvested acreage for each unit.
- (b) In the event of loss or damage covered by this policy, we will settle your claim by:
 - (1) Multiplying the insured poundage quota by your elected percentage of the current year's support price.
 - (2) Subtracting the total value of the production to be counted (see section 13(c)) from the amount of insurance; and

- (3) Multiplying the result in section 13(b)(1) by your share.

For example:

You have 100 percent share of type 31 quota tobacco in the unit, with an insurable poundage quota of 1,000 pounds and a support price of \$1.73 per pound. The amount of insurance equals \$1730.00 (1,000 insurable poundage quota x \$1.73 support price). You are only able to harvest 600 pounds. The value of the total production to count equals \$1038.00 (600 harvested pounds x \$1.73 support price). Your indemnity would be calculated as follows:

- (1) \$1730.00 (amount of insurance) - \$1038.00 (value of the total production to count) = \$692.00 loss
(2) \$692.00 loss x 100 percent = \$692.00 indemnity payment

- (c) The value of the total production to count (pounds of appraised or harvested production) for all insurable acreage on the unit will include:

- (1) All appraised production as follows:

- (i) Not less than the amount of insurance per insured acre for the unit for any acreage:

- (A) That is abandoned;
(B) Put to another use without our consent;
(C) That is damaged solely by uninsured causes; or
(D) For which you fail to provide acceptable production records, if required by the Special Provisions;

- (ii) The value of production lost due to uninsured causes which is the number of pounds of such production multiplied by the support price;

- (iii) The value of potential production on unharvested insured acreage that you intend to put to another use with our consent, if you and we agree on the number of pounds of such production to count which will be multiplied by the support price. Upon such agreement, the insurance period for that acreage will end when you put the acreage to another use or abandon the crop. If agreement on the appraised amount of production is not reached:

- (A) If you do not elect to continue to care for the crop, we may allow you to put the acreage to another use if you agree to leave intact, and provide sufficient care for, representative samples of the crop in locations acceptable to us (The value of production to count for such acreage will be the number of pounds of harvested or appraised production taken from samples at the time harvest should have occurred multiplied by the support price. If you do not leave the required samples intact, or you fail to provide sufficient care for the samples,

the value of production to count will be our appraisal made prior to giving you consent to put the acreage to another use multiplied by the support price); or

- (B) If you elect to continue to care for the crop, the value of production to count for the acreage will be the harvested production, or our reappraisal multiplied by the support price if additional damage occurs and the crop is not harvested;

- (2) All harvested production from insurable acreage multiplied by:

- (i) The average price for any tobacco sold on a warehouse floor; and
(ii) Fair market value for all other tobacco sold or not sold.

- (d) Mature tobacco production that is damaged by insurable causes will be adjusted for quality based on the USDA Official Standard Grades for the insured type of tobacco.

- (e) To enable us to determine the fair market value of tobacco not sold through auction warehouses, you must give us the opportunity to inspect such tobacco before it is sold, contracted to be sold, or otherwise disposed. Failure to provide us the opportunity to inspect such tobacco may result in rejection of any claim for indemnity.

- (f) If we consider the best offer you receive for such tobacco to be inadequate, we may obtain additional offers on your behalf.

- (g) Once we agree that any carryover or current year's tobacco has no market value due to insured causes, you must destroy it. If you disagree and refuse to destroy the tobacco with no value, we will determine the value and count it as production to count.

14. Late Planting.

- (a) In lieu of late planting provisions in the Basic Provisions regarding acreage initially planted after the final planting date, insurance will be provided for acreage planted to the insured crop after the final planting date as follows:

- (1) For each acre or portion thereof planted during the first 10 days after the final planting date, the farm yield will be reduced by 1 percent per day; and
(2) For each acre or portion thereof planted during the 11th through the 15th day after the final planting date, the farm yield will be reduced by 2 percent per day.

- (b) If you plant enough acreage to fulfill the effective poundage marketing quota, there will be no reduction in the insured poundage quota as a result of any late planted acreage.

15. Prevented Planting.

The prevented planting provisions in the Basic Provisions are not applicable to quota tobacco.