United States Department of Agriculture

Farm and Foreign Agricultural Services

Risk Management Agency

1400 Independence Avenue, SW
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BULLETIN NO.: MGR-12-017

TO: All Approved Insurance Providers
All Risk Management Agency Field Offices
All Other Interested Parties

FROM: William J. Murphy *IsI William J. Murphy* *10/2/2012*
Administrator

SUBJECT: Review and Approval of Insurability of Acreage Converted to Cropland

BACKGROUND:

Risk Management Agency (RMA) policy provisions generally limit the insurability of acreage that has not been planted and harvested in any one of the three most recent crop years (new breaking acreage). However, if an insured wishes to insure the new breaking acreage converted to cropland, it is possible to obtain an offer through a written agreement.

A team composed of representatives from RMA and private insurance companies conducted an evaluation of the methodologies and procedures for the review and approval of written agreements for new breaking acreage. The evaluation identified that a considerable amount of time and effort is spent addressing either small parcels of new breaking acreage, or parcels of new breaking acreage that had previously been broken and planted to a crop in the past. The results of this evaluation identified several ways to make the review and approval of insurability for new breaking acreage more efficient, but without creating incentives for producers to break out acreage that would otherwise remain idle. To implement these efficiencies, RMA is announcing the following actions.

ACTION:

1) RMA Regional Offices will add a statement to the Special Provisions of Insurance (Special Provisions) for the crop and areas they deem appropriate, allowing insurability of the new breaking acreage without a written agreement when the acreage meets specific requirements contained in the Special Provisions statement. If the acreage does not meet the requirements specified in the Special Provisions, then a written agreement is required for insurability the initial year the new breaking acreage enters into crop production. This action supersedes Action item 4 of MGR-11-006 and will be implemented beginning with the November 30, 2012 actuarial filing.

This Special Provisions statement will:

a) Remove the requirement to apply variable T-Yield percentages to the resulting new breaking T-Yield;

b) Provide insurance for new breaking acreage at 80 percent of the applicable published county T-Yield in the actuarial documents without a written agreement if the producer and acreage meets all requirements of the Special Provisions statement, including providing documentation that the new breaking acreage has previously been broken and planted to a crop in the past;

c) Provide insurance for new breaking acreage at 65 percent of the applicable published county T-Yield in the actuarial documents without a written agreement if the producer cannot provide documentation that the new breaking acreage has been previously broken and planted to a crop in the past, however, the producer does meet all other requirements of the Special Provisions statement;

d) Require that 75 percent or more of the new breaking acreage by field be composed of soil types defined as Capability Class I, II, or III (Capability Class IV may be added to this requirement as determined by the Regional Office) as determined by the Natural Resources Conservation Service (NRCS);

e) Require the new breaking acreage to be broken out and prepared for planting prior to dates specified in the Special Provisions;

f) Require documentation that a NRCS conservation plan is, or will be, in place for the new breaking acreage, if applicable (for example, highly erodible land);

g) Allow Approved Insurance Providers (AIP) to insure up to and including 320 acres of new breaking acreage that meet the requirements in the Special Provisions for the insured entity per county, per each sales closing date. Any new breaking acreage over the 320 acres requires a written agreement for insurability;

h) Require the producer to provide the applicable documentation identified in the Special Provisions statement to the AIP on or before the acreage reporting date;

i) Disallow simple average T-Yields and new producer T-Yields;

j) Require establishment of a separate APH database in the initial crop year the new breaking acreage is insured; and

k) Disallow prevented planting coverage in the initial year the new breaking acreage is broken out for planting.

2) New breaking T-Yields established by RMA Regional Office written agreements will be limited to a maximum of 80 percent of the applicable published county T-Yield. Variable T-Yield percentages do not apply to new breaking T-Yields assigned by RMA Regional Office written agreement. This action item will begin with crops that are eligible for new breaking written agreements and have sales closing dates after September 30, 2012.

DISPOSAL DATE:

Until incorporated into the applicable Special Provisions and RMA approved procedures.