



United States  
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Agriculture

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**BULLETIN NO.: MGR-14-022**

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

**FROM:** Brandon C. Willis /s/ *Brandon Willis* 11/7/2014  
Administrator

**SUBJECT:** Additional Guidance in Determining Peanut Damage for Quality Adjustment

**BACKGROUND:**

The Risk Management Agency (RMA) issued Informational Memorandum IS-12-005, Claims Alert – Determining Peanut Damage for Quality Adjustment (QA) on October 22, 2012, and Managers Bulletin MGR-12-020, Additional Guidance in Determining Peanut Damage for QA on November 23, 2012. Additional questions have arisen regarding QA determinations for peanuts under a sheller contract, but insured at the RMA price election. The concerns arise from drought and excess moisture conditions occurring in parts of the peanut growing areas.

Section 14(e) of the Peanut Crop Provisions (CP) states mature peanuts may be adjusted for quality when production has been damaged by an insured cause of loss.

- (3) Such production to count will be reduced if the price per pound received for damaged peanuts is less than 85 percent of the price election by:
  - (i) Dividing the price per pound for the damaged peanuts, as determined by us in accordance with section 14(e)(1), received for the insured type of peanuts by the applicable price election; and
  - (ii) Multiplying this result by the number of pounds of such production.

Consistent with IS-12-005 and MGR-12-020, peanuts are eligible for QA **ONLY** if there is an insurable cause of loss that results in actual damage to the peanuts and a lower price directly resulting from insurable damage. Policyholders must prove that an insurable cause of loss occurred, the peanuts were damaged, the damage to the peanuts resulted from such cause of loss, and the price received is due to poor peanut quality. All pertinent information including the FSA-1007 form, other sales documents, and on-the-farm inspections may be used to determine and verify the reduced price is due to damage from an insurable cause of loss.

**ACTION:**

In accordance with section 14 (e)(3)(i) of the Peanut CP, the price per pound for the damaged peanuts used in the loss calculation for QA is determined by the Approved Insurance Provider (AIP). When the peanuts are grown in accordance with a sheller contract, the AIP must consider the contract price when determining the final price per pound received for the damaged peanuts, regardless of whether the contract price was insured or not.

The following example is provided to assist AIPs in determining the price per pound for damaged peanuts for QA when peanuts are sold under a sheller contract; however, are not insured in accordance with the sheller contract, but insured under the RMA price election:

Common Contract Price: \$.2125

Price Received for Damaged Peanuts: \$.1975

RMA Price Election 100%: \$.2660

QA Threshold: \$.2261 ( $$.2660 \times .85$ )

Production to Count: 500 lbs.

AIP Determined Price Per Pound: \$.2472 [ $$.2660 \times ($.1975/$.2125)$ ]

Since the AIP determined price per pound (\$.2472) is greater than the QA threshold (\$.2261), the producer in this scenario would not qualify for QA and PTC would be 500 lbs.

**DISPOSAL DATE:**

December 31, 2014.