



United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Risk
Management
Agency

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BULLETIN NO.: MGR-15-002

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

FROM: Brandon C. Willis /s/ *Brandon Willis* 3/18/2015
Administrator

SUBJECT: Quality Adjustment of Burley Tobacco Production Graded B5K

BACKGROUND:

Beginning with the 2012 crop year, the Risk Management Agency (RMA) revised the quality adjustment procedures for the burley tobacco program to rely on objective third party grading of damaged tobacco by the Agricultural Marketing Service (AMS). The quality adjustment procedure no longer uses the price received by the producer for the damaged tobacco, and any quality adjustment to production to count is based solely on the grade assigned to the tobacco by AMS. Once the tobacco has been assigned a grade by AMS, the production to count of that tobacco is reduced by a Discount Factor (DF) specified in the Special Provisions.

RMA has recently received questions regarding tobacco graded B5K, which is not currently present on the burley tobacco Special Provision quality adjustment chart, but represents significant quality damage to tobacco receiving such grade. The B5K grade and its associated DF was inadvertently omitted from the Special Provisions. However, the B5K grade and its associated DF were listed correctly on Informational Memorandum PM-11-013, which contained the guidelines for tobacco quality adjustment issued for the 2011 crop year.

ACTION:

Effective for the 2014 and succeeding crop years, the following loss adjustment procedures may be used when insured burley tobacco has been graded B5K:

- (1) Approved Insurance Providers may adjust losses for burley tobacco assigned a grade of B5K using the DF listed on the burley tobacco Special Provisions for T5K grade.

- (2) At the AIPs discretion, if a claim has already been settled but quality adjustment for tobacco graded B5K was not considered, or if the claim has previously been denied because the Special Provisions did not include the B5K grade and associated DF, the AIP may reopen the claim and make settlement based on this bulletin.

DISPOSAL DATE:

Until incorporated into the applicable RMA Special Provisions.