



United States
Department of
Agriculture

March 16, 2011

Farm and
Foreign
Agricultural
Services

Risk
Management
Agency

Beacon Facility -
Mail Stop 0801
P.O. Box 419205
Kansas City, MO
64141-6205

INFORMATIONAL MEMORANDUM: PM-11-013

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

FROM: Tim B. Witt /s/ *Tim B. Witt*
Deputy Administrator

SUBJECT: Guidelines for Quality Adjustment for the Tobacco Program

BACKGROUND

The Tobacco Crop Provisions provide for quality adjustment based on the average value of the damaged tobacco, as compared to the price election provided by RMA. This average value is determined by averaging the price per pound received by the producer for all mature tobacco production from the unit. When the Approved Insurance Provider (AIP) determines the value received for the harvested tobacco is not reasonable, the AIP retains the right to determine the reasonable market value of the damaged tobacco production. RMA is aware there are currently no universal standards being used to determine reasonable market values by tobacco grade. This has resulted in some difficulties determining production that should be adjusted for quality, as well as the consistency of quality adjustment performed in the loss adjustment process.

In accordance with Section 12(f) of the Tobacco Crop Provisions, mature harvested tobacco may be adjusted for quality deficiencies when production has been damaged by insurable causes. The 2011 Loss Adjustment Standards Handbook (Tobacco LASH) Section 3G(5) provides guidance for determining the reasonable value of damaged tobacco production. Under Section 3G(5)(d) of the Tobacco LASH, the AIP may obtain tobacco grades for the damaged production from the Agricultural Marketing Service (AMS) to help determine the extent of damage to the tobacco.

Questions have arisen regarding appropriate determinations for valuing damaged tobacco once a grade has been assigned by AMS.



The Risk Management Agency Administers
And Oversees All Programs Authorized Under
The Federal Crop Insurance Corporation

USDA is an Equal Opportunity Provider and Employer

ACTION

RMA is providing guidance for the 2011 crop year to assist AIPs in establishing reasonable values for damaged tobacco production based on tobacco grading in accordance with AMS Tobacco Standards for Individual Type as defined in 7 CFR part 29. Utilizing third party marketing data, RMA has categorized all AMS grades for burley and flue-cured tobacco by historical market prices. Each category has a recommended value, as defined by a percentage reduction of the RMA price election. The assignments of grades to categories, and the associated recommended value for the production of that grade, are contained in Attachment 1.

AIPs are reminded to follow the procedures contained in the Tobacco Crop Provisions and Tobacco LASH when adjusting damaged tobacco for the purposes of quality adjustment, and AMS grading should only be used when all other criteria for quality adjustment have been met. It remains the responsibility of the policy holder to demonstrate the extent of their crop loss and that the damage was due to an insured cause of loss.

DISPOSAL DATE: December 31, 2011

Factor Category 1	
Recommended Value equals Price Election	
Burley	Flue Cured
X1L	B1L
X2L	B2L
X3L	B3L
X1F	B1F
X2F	B2F
X3F	B3F
X4F	B1FR
C1L	B2FR
C2L	B3FR
C3L	B3K
C1F	H3F
C2F	H4F
C3F	H4FR
C4F	C1L
B1F	C2L
B2F	C3L
B3F	C1F
B1FR	C2F
B2FR	C3F
B3FR	X1L
B4FR	X2L
B1R	X3L
B2R	X1F
B3R	X2F
B4R	X3F
T3F	P2L *1
T4F	P3L *1
T3FR	P2F *1
T4FR	P3F *1
T3R	NOG-F *2
T4R	

Factor Category 2	
Recommended Value equals Price Election	
Burley	Flue Cured
X4L	B4L
X5L	B5L
X5F	B4F
X4M	B5F
C4L	B4FR
C5L	B5FR
C5F	B4K
C3M	B5K
C4M	B3KR
C5M	B4KR
C3V	B5KR
C4V	B3V
C5V	B4V
B4F	B3KL
B5F	B4KL
B5FR	B3KF
B5R	B4KF
B2M	B3KM
B3M	B4KM
B4M	B5KM
B5M	H5F
B3VF	H5FR
B4VF	H4K
B3VR	H5K
B4VR	C4L
T5F	C5L
T5FR	C4F
T5R	C5F
M3F	C4KR
M4F	C4V
M5F	C4KL
M3FR	C4KF
M4FR	C4KM
M5FR	X4L
	X5L
	X4F
	X5F
	X3KR
	X4KR
	X3V
	X4V
	X3KM
	X4KM
	P4L *1
	P4F *1
	M4F
	M5F
	M4KR
	M4KM
	M5KM

Factor Category 3 Recommended Value is 80% of Price Election	
Burley	Flue Cured
X5M	B6K
B4D	B5V
B5D	H6K
B5VF	C4S
B5VR	C4KL
T4D	C4KF
T4VF	X4KL
T4VR	X4KF
T5VR	P5L *1
	P5F *1

Factor Category 4 Recommended Value is 60% of Price Election	
Burley	Flue Cured
C3K	B5KL
C4K	B5KF
B3K	B4KV
B4K	B4G
B3GF	C4GK
B3GR	X4KV
T5D	X4G
T4K	X5G
T5VF	
T4GR	

Factor Category 5 Recommended Value is 40% of Price Election	
Burley	Flue Cured
X4G	B5KV
X5G	B4GK
C5K	C4G
C4G	X4GK
C5G	M4GK
B5K	M5GK
B4GF	
B5GF	
B4GR	
B5GR	
T5K	
T4GF	
T5GF	
T5GR	
M4G	
M5G	
M4K	
M5K	

Factor Category 6 Recommended Value is 20% of Price Election	
Burley	Flue Cured
N1L	B6KF
N1F	B6KV
N1R	B5G
N1G	B5GK
	M5GK
	P4G *1
	P5G *1
	N1R
	N1BO
	N1XO
	N1L *1
	N1XL
	N1K
	N1KV

Factor Category 7 Recommended Zero Value if Destroyed	
Burley	Flue Cured
N2L	N1GL *1
N2R	N1GF
N2G	N1GG
NO-G	N1GR
S - Scrap	N2
	NO-G
	S - Scrap

*1 Includes production with the Sand descriptor

*2 NOG-F denotes excessive foreign matter and production of this grade should not be adjusted for quality

Note: U (unsound), W (doubtful keeping order), or wet are special descriptors that may be added to any grade and may indicate an atypical value