



United States  
Department of  
Agriculture

July 31, 2012

**INFORMATIONAL MEMORANDUM: PM-12-033**

Farm and Foreign  
Agricultural  
Services

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

Risk  
Management  
Agency

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**SUBJECT:** 2012 Crop Year Instructions for Tobacco Quality Adjustment

**BACKGROUND:**

For the 2012 crop year the Risk Management Agency (RMA) developed quality adjustment procedures for burley and flue-cured tobacco that rely on grades assigned by the Agricultural Marketing Service (AMS) using USDA Official Standard Grades. These procedures are specific to burley and flue-cured tobacco, and are part of the 2012 crop year Special Provisions of Insurance (Special Provisions) for those varieties of tobacco.

The 2012 quality adjustment procedures specify that burley and flue-cured tobacco not graded in accordance with the Special Provisions will be ineligible for quality adjustment, and will be counted as production to count on a pound for pound basis. This includes tobacco assigned a grade by the buyer or another entity, even if they have assigned the grade according to USDA Official Standard Grades.

To facilitate the grading of burley and flue-cured tobacco for quality adjustment purposes, the Burley Tobacco Growers Cooperative Association, in conjunction with AMS and RMA, established the Tobacco Administration Grading Service (TAGS). TAGS will provide scheduling services for producers of burley and flue-cured tobacco who require AMS grading for quality adjustment purposes under the Federal crop insurance program. TAGS can be contacted through their website, [www.tobaccograding.com](http://www.tobaccograding.com), or by the toll-free number (855) 776-8570.

**ACTION:**

RMA is providing instructions on obtaining AMS grading services for quality adjustment of damaged burley and flue-cured tobacco for the 2012 crop year. Nothing in these instructions preempts any applicable policy provisions regarding the producer's duties in the event of loss or approved loss adjustment procedures. For example, the producer must contact their agent within 72 hours of their initial



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discovery of damage or loss of production, and the company must continue to recognize and apply all FCIC approved loss adjustment procedures, including any required inspections of damaged burley or flue-cured tobacco.

### **Instructions for Obtaining Tobacco Grades for Quality Adjustment under the Federal Crop Insurance Program for the 2012 Crop Year**

If the producer believes they have tobacco that may be eligible for quality adjustment, based on the grades listed in the Special Provisions of Insurance for the county, the following process must be used to obtain official grades from an AMS Grader:

1. The producer determines which bales of tobacco need to be graded. **Only those tobacco bales that the producer determines may be eligible for quality adjustment must be graded according to this process.** Any tobacco bales the producer does not have graded according to this process will not be eligible for quality adjustment.
2. The producer should access the TAGS website to determine if the company that will purchase the tobacco is participating in the grading program at their buying stations. If the producer cannot access the website, they may obtain this information by calling the TAGS toll-free number.
3. The producer may contact their agent for information on the TAGS processing system and for any assistance in scheduling an inspection.

### **Grading Process for Participating Tobacco Companies**

If the company purchasing the tobacco is participating in the grading program, the tobacco can be graded at their buying station.

1. The producer should contact the buying station and inform them that the producer's tobacco must be graded for crop insurance purposes. The producer will schedule a day and time with the buying station to have the tobacco graded by an AMS Grader working in the facility.
2. The producer must contact TAGS with the day and time provided by the buying station to complete the scheduling process. The producer must arrange payment for the grading service at the time the service is scheduled.
  - (a) If the producer will be paying for grading services with a credit card, they may complete the scheduling process either online or by contacting TAGS through the toll-free number.
  - (b) If the producer will pay for grading services by check, they must contact TAGS through the toll-free number.

3. **Whether the producer uses the online service or the telephone scheduler, they will receive a Grading Confirmation Number (GCN):**
  - (a) **The producer must present the GCN to the AMS Grader at the time grading service is provided.**
  - (b) **The AMS Grader cannot grade tobacco for crop insurance purposes without a corresponding GCN.**
  - (c) **This process must be followed to receive a unique GCN for each scheduled delivery.**
4. The producer will be billed \$0.02 per pound for each pound of tobacco graded by the AMS Grader. After the tobacco is weighed and graded, the service charges will be billed to the producer's credit card or they will receive a bill from TAGS by mail.
5. AMS will electronically transmit weights and grades of the graded bales of tobacco to the RMA. This information will then be transmitted to the applicable Approved Insurance Provider for claims purposes.

#### **Grading Process for Non-Participating Tobacco Companies**

If the company purchasing the tobacco is not participating in the grading program, the tobacco must be graded at a Non-Contract facility.

1. The producer must contact TAGS through the toll-free number to schedule a time and location where the tobacco can be graded at a Non-Contract facility. The producer cannot use the TAGS website to schedule grading at Non-Contract facilities.
2. **The producer will receive a Grading Confirmation Number (GCN):**
  - (a) **The producer must present the GCN to the AMS Grader at the time grading service is provided.**
  - (b) **The AMS Grader cannot grade tobacco for crop insurance purposes without a corresponding GCN.**
  - (c) **This process must be followed to receive a unique GCN for each scheduled delivery.**
3. The producer will be billed \$0.02 per pound for each pound of tobacco graded by the AMS Grader. The producer will also be billed an additional charge for tobacco that must be reloaded. The additional charge is \$0.05 per pound for large bales, or \$0.07

per pound for small bales. After the tobacco is weighed and graded, the service charges will be billed to the producer's credit card or they will receive a bill from TAGS by mail.

4. AMS will electronically transmit weights and grades of the graded bales of tobacco to the RMA. This information will then be transmitted to the applicable Approved Insurance Provider for claims purposes.

**DISPOSAL DATE:**

This informational memorandum will remain in effect until incorporated into procedures.