



United States
Department of
Agriculture

June 8, 2007

Risk
Management
Agency

INFORMATIONAL MEMORANDUM: PM-07-024

PO Box 419205
Kansas City, MO
64141-6205

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: Guidance for Calculating Peanut Replant and Prevented Planting
Payments When There are Multiple Price Elections

BACKGROUND:

This memorandum provides guidance for calculating peanut replant payments and prevented planting (PP) payments due to new peanut policy provisions for when multiple price elections within a unit apply.

ACTION:

The guidelines and calculations below must be used for the 2007 and subsequent crop years for calculating peanut replant payments and PP payments **ONLY** when multiple price elections within a unit apply.

General Guidelines

1. It is the producer's responsibility to allocate the amount (in pounds) of contracted peanuts and the applicable price election to each applicable unit. Contracted pounds are not calculated or determined by the acres reported on the acreage (T11) record; they are allocated by the insured to each applicable unit.
2. Contracted pounds cannot be shifted between units after acreage is reported on the acreage report.
3. The contracted and/or non-contracted pounds used in calculating the Unit Production Guarantee in Dollars can NOT exceed the guarantee (Guarantee Per Acre x Acres).



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

An Equal Opportunity Employer

Replant Payment

Maximum Replant Payment amount as per 2007 Peanut Policy Provisions is the lesser of:

- (1) 20.0 percent of the production guarantee, multiplied by the insured's price election, multiplied by insured share; or
- (2) \$80.00 multiplied by insured share.

Unit 00100 Replant Payment Calculation Example for two contract prices and non-contract price.

Planted Acres:	80.0 ac. of non-irrigated (003) and Runner type (084)
Replanted Acres (RA)	20.0 ac.
Pounds allocated by contract:	50,000 lbs. under Contract A 80,070 lbs. under Contract B
Non-contracted pounds in excess of contracted pounds:	12,330 lbs.
Guarantee Per Acre (GPA)	1,780 lbs.
Unit Production Guarantee in pounds (UPGp)	142,400 lbs.
Pounds allocated by Price Election:	50,000 lbs. @ \$.23/lb. (limited to \$.228/lb.) 80,070 lbs. @ \$.21/lb. 12,330 lbs. @ \$.19/lb.
Unit Production Guarantee in dollars (UPGd)	50,000 lbs. x \$.228/lb. = \$11,400 80,070 lbs. x \$.21/lb. = \$16,815 12,330 lbs. x \$.19/lb. = <u>\$ 2,343</u> \$30,558
Weighted Average Price (WAP)	$\frac{\$30,558 \text{ (UPGd)}}{142,400 \text{ (UPGp)}} = \0.2146
Maximum Replant Payment per Acre: 20% of GPA or \$80.00	.20 x 1,780 lbs. (GPA) = 356 lbs. x \$.2146 (WAP) = \$76.40 \$76.40 is less than \$80.00. \$76.40 is multiplied by the number of replanted acres.

1. When there is more than one peanut type within a unit, a weighted average price is determined for each peanut type.
2. For the 2007 crop year only, if the AIP's computer system can compute the above calculations, the adjuster will not make entries in item L, N, P and item 17 of the T-P-C Production Worksheet. If the above calculations can NOT be made through the AIP's computer system, the adjuster will perform the above calculations and make the following entries on the T-P-C Production Worksheet:

- (a) The lesser of \$80.00 (maximum amount allowed in policy) or \$76.40 is \$76.40. Enter \$76.40 in Section I, "Adjusted Potential" column of the claim form for 20.0 replanted acres.
- (b) Document the Replant appraisal and calculations in the Narrative of the claim form or on a Special Report attached to the claim form.

Prevented Planting Payment

Unit 00200 Prevented Planting (PP) Payment Calculation Example for two contract prices and non-contract price

Total Unit Acres	80.0 ac.
Timely Planted Acres	60.0 ac. of non-irrigated (003) and Runner type (084)
PP Acres (PPA)	20.0 ac.
Insured Share (IS)	100%
Pounds Allocated by Insured	50,000 lbs. under Contract A 94,070 lbs. under Contract B
Non-contracted pounds in excess of contracted pounds	31,770 lbs.
Timely Planted Guarantee Per Acre (TPGPA)	2,198 lbs.
Unit Production Guarantee in pounds (UPGp):	175,840 lbs.
PP Guarantee Per Acre (PPGPA)	2,198 lbs. (TPGPA) x .50 (PP coverage level) = 1,099 lbs.
Pounds allocated by Price Election:	50,000 lbs. @ \$.23/lb. (limited to \$.228/lb.) 94,070 lbs. @ \$.21/lb. 31,770 lbs. @ \$.19/lb.
Unit Production Guarantee in dollars (UPGd)	50,000 lbs. x \$.228/lb. = \$11,400 94,070 lbs. x \$.21/lb. = \$19,755 31,770 lbs. x \$.19/lb. = <u>\$ 6,036</u> \$37,191
Weighted Average Price (WAP)	<u>\$37,191 (UPGd)</u> 175,840 (UPGp) = \$.2115
TOTAL PP PAYMENT FOR UNIT	20 (PPA) x 1,099 lbs. (PPGPA) x \$.2115 (WAP) = \$4,649

1. When there is more than one peanut type within a unit, a weighted average price is determined for each peanut type.
2. For the 2007 crop year only, if the AIP's computer system can compute the above calculations, the adjuster will complete the T-P-C Production Worksheet for the Peanut PP Payment, as normally instructed. If the above calculations can NOT be made through the AIP's computer system, the adjuster will perform the above calculations and make the following entries on the T-P-C Production Worksheet for the Peanut PP Payment:
 - a. Separate lines, as follows:

The following illustration shows only the columns that require entries for a Prevented Planting Payment. There are additional columns on the T-P-C Production Worksheet that may be used by some AIPs.

ACTUARIAL								STAGE GUARANTEE	
Field ID	Final Acres	Interest or Share	Risk	Practice	Type Class Variety	Stage	Intended Or Final Use	Per Acre Weighted Average Price	Total Prorated PP Loss Guar
1A	60.0	1.000		003	084	PA	Planted Acres		
1A	20.0	1.000		003	084	P2	P2	.2115	1,099
Total	80.0								

- b. Document the Prevented Payment calculations in the Narrative of the claim form or on a Special Report attached to the claim form.

DISPOSAL DATE:

This Informational Memorandum will expire upon inclusion of these guidelines into the applicable loss adjustment standards.