



United States Department of Agriculture  
Risk Management Agency

January 2007

## 2007 COMMODITY INSURANCE FACT SHEET

# Flue-Cured Tobacco

## North Carolina

### Crop Insured

Flue-cured tobacco types 11A, 11B, 12, & 13. This fact sheet does **not apply** to burley tobacco.

**Quota Buyout** — The termination of the quota poundage program changed the way these types are insured. Producer classification listings are no longer published. Carryover policyholders with a classification yield in their actual production history (APH) database will retain the classification yields until they are eventually replaced by four actual or assigned yields. Coverage for all tobacco insureds, with or without a classification yield, is now based on standard APH procedures.

### Counties Available

Flue-cured insurance is available in all counties where the type has historically been grown. Acreage may also be insured in other counties if specific criteria are met. Contact a crop insurance agent for more details.

### Causes of Loss

Adverse weather conditions<sup>1</sup>  
Failure of irrigation water supply<sup>2</sup>  
Fire  
Insects<sup>3</sup>  
Plant disease<sup>3</sup>  
Wildlife

<sup>1</sup>Natural perils such as hail, excess precipitation, drought, wind, etc. <sup>2</sup>If caused by an insurable peril during the insurance period. <sup>3</sup>If proper applications of disease or pest control measures are applied.

### Insurance Period

Coverage begins at transplanting and ends at the earliest of: 1) total destruction of the crop, 2) weighing-in at point of delivery, 3) final adjustment of a claim, 4) removal of the tobacco from the field where grown (except for curing, grading, packing, or immediate delivery to a buying point), or 5) November 30, 2007 (October 31, 2007 for Type 13).

### Important Dates

Sales Closing.....February 28, 2007  
Production Report Due.....April 15, 2007

Final planting and acreage report dates vary by county and type. Contact a crop insurance agent for specific dates in your county.

### Price Election

TYPES	PRICE ELECTION
11A, 11B, 12, 13 Flue-Cured	\$1.52

Price elections are posted on the RMA Web site at:  
<http://www3.rma.usda.gov/apps/pricesinquiry/>

### Definitions

**Classification Yield**— A yield for those producers who were listed on the classification listing last published for the 2006 crop year. The yield was based on Farm Service Agency (FSA) records for the period 1995-2004. For 2007, the APH yield for insureds with a classification yield will be based on a combination of the classification yield and the insured's reported yields beginning with the 2005 crop year.

**Example:** Insured has a classification yield of 2150 in the APH database. Insured reported a yield of 2,400 pounds per acre for 2005 and 2,000 pounds per acre for 2006. The insured's 2007 APH yield is calculated using a minimum of four yields:

	2150	Classification yield
	2150	Classification yield
	2400	Actual yield for 2005
+	2000	Actual yield for 2006
	8700	÷ 4 = 2175 lbs/acre APH

**Production Report**— A production report for the previous crop year is due to your agent before April 15, 2007, or a yield will be assigned.

## Coverage Levels and Premium Subsidies

Coverage options range from 50 to 85 percent of your approved APH yield and are subsidized as follows:

	Percent							
Coverage Level	50	55	60	65	70	75	80*	85*
Premium Subsidy	67	64	64	59	59	55	48	38

Catastrophic (CAT) coverage is 50 percent of your APH yield at 55 percent of the price election. CAT is fully subsidized and there is no premium cost except for a \$100 administrative fee, regardless of acreage.

\* The 80/85 coverage levels are available only with enterprise units or if you qualify for only one basic unit.

## Duties in the Event of Damage or Loss

- If crop damage occurs, give notice within 72 hours of initial discovery of damage.
- Protect the crop from further damage if possible by providing sufficient care.
- If representative samples are required of any unharvested acreage, the strips must be at least 5 feet wide (at least two rows), extending the entire length of the field. Samples must not be harvested or destroyed until after a field inspection is made.
- If you give notice of damage, you must leave all tobacco stalks and stubble intact until inspected.

## Insurance Units

Your insurable acreage is grouped into a unit based on one of the following unit arrangements:

**Basic Units:** A basic insurance unit includes all of your tobacco acreage, by type, in the county in which you have 100-percent share. For example, the tobacco acreage on your own farm (including any cash-rented land) would all be one basic unit. If you also grew tobacco on shares with another entity, that acreage would be a separate basic unit. Premiums are reduced 10 percent if you insure under basic units.

**Optional Units:** If a basic unit consists of two or more farm serial numbers (FSN) and certain record-keeping criteria are met, you may select optional units by FSN. The 10-percent basic unit premium discount will not apply.

**Enterprise Unit:** An enterprise unit combines all your tobacco acreage in the county, regardless of number of farms or share arrangements into one unit and provides an additional premium discount. There must be two or more separate farm serial numbers to qualify for an enterprise unit.

## Late Planting

For any insured acreage initially planted after the final planting date (FPD), the production guarantee will be reduced as follows:

1. One percent per day if planted during the 1<sup>st</sup> through the 10<sup>th</sup> day immediately following the FPD;
2. Two percent per day if planted during the 11<sup>th</sup> through the 15<sup>th</sup> day after the FPD.

The premium amount for late planted acreage will be the same as for timely planted acreage.

## Prevented Planting

Prevented planting provisions do not apply.

## Loss Example

This example is for flue-cured tobacco and assumes the 75-percent coverage level, APH yield of 2213 pounds per acre, price election of \$1.52, and one basic unit.

2,213	Producer's APH yield
x .75	Coverage level
1,660	Pounds per acre guarantee
= 660	Pounds per acre harvested
1,000	Pounds per acre loss
x \$1.52	Price election
\$1,520	Indemnity per acre
= 55	Estimated premium per acre
<b>\$1,465</b>	<b>Net indemnity per acre</b>

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