



United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

BULLETIN NO: MGR-01-011.1

TO: All Reinsured Companies
All Risk Management Agency Field Offices

FROM: Phyllis W. Honor /s/ Phyllis W. Honor 3-9-01
Acting Administrator

SUBJECT: Crop Revenue Coverage for Durum Wheat

BACKGROUND:

This bulletin expands upon our previous bulletin on the same subject, MGR-01-011. The Crop Revenue Coverage (CRC) plan of insurance was created by American Agrisure, Inc., now Acceptance Insurance Companies (Acceptance). The Federal Crop Insurance Corporation Board of Directors approved the original CRC plan of insurance for reinsurance in 1996. In the subsequent years, additional crop policies have been added to the CRC plan of insurance. The CRC wheat policy included a separate price for durum wheat under the Commodity Exchange Endorsement - Wheat (CEEW).

The base price for durum wheat is calculated using the average daily settlement price. Under the terms of the CRC CEEW, at least 15 days of full active trading are required to calculate the daily average settlement price. To qualify as a full active trading day there must be at least 25 or more open interest contracts. If there are less than 15 days of full active trading in the month specified, full active day trades from the previous contract are used until 15 days of full active trading have been reached.

For durum wheat, the February average daily settlement price for the harvest year's Minneapolis Grain Exchange September durum futures contract is used to establish the base price. For the 2001 crop year, there were an insufficient number of full active trading days in February for the September contract to calculate the average daily price. Including the previous durum wheat futures contract, which was in July, there was still an insufficient number of active trading days to calculate the base price.



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ACTION:

The Federal Crop Insurance Corporation will not reinsure any CRC wheat policy with a separate price for durum wheat under the CEEW for the 2001 or subsequent crop years. The CRC coverage for durum wheat has been determined to no longer be viable because the pricing mechanism for durum wheat is materially defective.

Therefore, unless the reinsured company elects to accept all liability under the policy, all CRC wheat policies where durum wheat was reported on the acreage report for the 2000 crop year and the producer elected the separate durum wheat price under the CEEW must be canceled in writing for the 2001 crop year by the applicable cancellation/termination date of March 15, 2001. Further, any producer that has applied for a CRC wheat policy must be informed that there is not a separate price for durum wheat under the CEEW for the 2001 crop year. Such producers will be permitted to select another plan of insurance.

Reinsured companies should notify their insureds that had a CRC wheat policy with a separate price for durum wheat under the CEEW for the 2000 crop year, or were seeking such coverage this year, that they can elect:

1. Not to insure their durum wheat and report the durum wheat acreage as uninsurable on their acreage report;
2. To insure their durum wheat under the CRC spring wheat policy, in which case their durum wheat database will be combined with their spring wheat database for the 2001 crop year; or
3. Choose another plan of insurance that offers coverage for durum wheat, including the Income Protection crop insurance policy that has a separate price for durum wheat.

DISPOSAL:

The disposal date for the Memorandum is December 31, 2001.