



United States Department of Agriculture
Farm and Foreign Agricultural Services
Risk Management Agency

BULLETIN NO.: MGR-02-021

TO: All Reinsured Companies
All Risk Management Agency Field Offices
All Other Interested Parties

FROM: Ross J. Davidson, Jr. /s/ Ross J. Davidson, Jr. 11/08/02
Administrator

SUBJECT: Peanut Coverage Determinations for the 2003 Crop Year

BACKGROUND:

The Farm Security and Rural Investment Act of 2002 made a number of changes affecting the peanut crop insurance program for the 2003 crop year. Since peanut growers will no longer be required to report acreage and production directly to the Farm Service Agency (FSA), it is necessary to convert the peanut crop insurance program from a Category A, producer listing program to a Category B, standard Actual Production History (APH) program.

ACTION:

A. Transitioning from the Peanut Producer Listing Program to the Standard APH Program

The following guidelines apply:

1. Except as otherwise provided in this bulletin, standard APH procedures (including added land) for Category B crops contained in the 2003 FCIC 18010 Crop Insurance Handbook (CIH) will apply to APH yield determinations for peanuts for the 2003 and subsequent crop years.
2. Insurance plan code 90 will apply for actuarial, Actuarial Data Master (ADM), and data reporting purposes.



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3. Insureds must submit production reports containing 2002 crop year acreage and production, by practice and type, for each farm serial number (FSN) on which they grew peanuts. The production reporting date is the earlier of 45 days after the cancellation date or the acreage reporting date for peanuts in the county. Annual production reports will be required in subsequent crop years.
4. Acreage and production data maintained by Risk Management Agency Regional Offices (RMARO's) will not be transmitted to insurance providers to establish APH databases.
5. Insurance must be obtained in the county where the peanuts are actually grown regardless of where the FSN is maintained (see Peanut Special Provisions).
6. Units must be determined as provided in the Basic Crop Provisions (01-BR) and Peanut Crop Provisions (99-075) (Rev.7-99).
7. For the 2003 crop year only:
 - a. The FCI-32 Actuarial Classification Listing (FCI-32) and Rules Page for peanuts, updated to include the 2001 crop year acreage and production data, will be filed, included in the ADM, and distributed for the 2003 crop year.
 - b. The RMARO will accept requests for written agreements for classification purposes only to address limited situations as specified on the FCI-32 Peanut Rules Page. Requests must be in accordance with current written agreement procedures and applicable RMA guidelines.
 - c. A four-year APH database, by unit, practice, and type, must be established as follows:
 - (1) The 2002 acreage and production reported by the insured will be entered on the production report for each applicable database. Such acreage and production must be reported by unit, practice (e.g., irrigated and non-irrigated) and type.
 - (2) The remaining three years for each database will be completed by entering the yield (hereafter referred to as the classification yield) contained on the FCI-35 100% Production Guarantee FCI-32 Actuarial Classification Listing Cross Reference Table that corresponds to the insured's classification determined from the 2003 crop year FCI-32 Listing, Rules Page, or written agreement.

Note: If the insured did not plant peanuts on a specific FSN in 2002, a “Z” (zero plant) will be entered in the database for the 2002 crop year. Four classification yields will be used to complete the database (databases, if more than one practice or type) and establish the approved APH yield for the 2003 crop year.

- (3) When separate databases must be established by type and practice, the classification yield for the insured will be used to complete the database in accordance with item (6) below.
 - (4) An “F” yield descriptor will be used to identify classification yields used to complete the database.
 - (5) If an individual FSN is listed in the “FSN Only” section of the FCI-32 Listing, the classification yield used to complete the database will be limited to the yield corresponding to the lower of the published “FSN Only” classification for that FSN or the 2003 crop year classification for the insured.
 - (6) Any classification rules and limitations (e.g., classification limitations for non-irrigated acreage) contained on the FCI-32 Rules Page will apply.
8. Each actual yield reported for the 2003 and subsequent crop years will cause a classification yield to be removed from the affected database until all classification yields are removed.
 9. Section 6(H)(3) of the CIH regarding submission of prior production reports does not apply to databases established under item 7c(1) and (2) for the 2003 crop year. The CIH will address prior production reports for peanuts in 2004 and subsequent crop years.
 10. Only insureds who do not have a classification (based on the FCI-32 Listing, Rules Page, or written agreement) as specified in item 7, will have databases established using standard APH procedures (e.g., the insured certifies acreage and production history, variable or new producer T-yields are applied, etc.).
 11. Approved APH yields for added land will be based on standard APH procedures for Category B crops.
 12. T-yields, by practice and type, will be published on the FCI-35 county actuarial documents.
 13. Yield limitations and adjustments (substitutions) and assigned yields provided in the CIH will be applicable to peanuts.
 - a. The assigned yield and yield cup (for carryover insureds) will be determined according to standard procedure using:

- (1) For the 2003 crop year, the applicable classification yield as the “prior year’s approved APH yield”. The “prior year’s approved yield” for insureds not listed on the 2003 FCI-32 Listing or classified by written agreement, will be based on the classification yield determined from the classification, by the applicable practice and type, contained on the 2003 FCI-32 Rules Page for “prior year’s approved APH yield” purposes, only.
 - (2) The “prior year’s approved APH yield” for subsequent crop years determined according to standard APH procedure.
 - b. Yield floors and adjustments (substitutions) will be based on the T-yields published for the 2003 crop year (Note: The 2003 T-yield will be used to determine yield adjustments for 2002 crop year yields that qualify; standard APH procedure will apply to yields reported for subsequent crop years). Yield adjustments will not apply to classification yields used to complete APH databases or other actual yields that are certified, as applicable, for crop years prior to the 2002 crop year.
14. APH field reviews for peanuts will be subject to a five (5) percent tolerance and will apply only to those production records that are certified by the insured. Classification yields will not be subject to field review.

B. Special Provisions

The following additions will be made to the Peanut Special Provisions of Insurance for the 2003 crop year.

1. A statement specifying all insured peanuts will be considered non-quota peanuts for all aspects of the policy.
2. A statement redefining the term, “Average Support Price Per Pound”.
3. A statement redefining the term, “Average Price Per Pound”.
4. A statement requiring insureds to report their acreage and production annually in lieu of the yield published on the actuarial documents.
5. A statement specifying that the county FSA office where the FSN is maintained will not be considered in determining the county of insurance.

C. Program Integrity

RMA recently discovered abuse of the peanut producer classification system that involved producers proving high yield history on small acreage in order to obtain a high insurance classification and then greatly expanding the size of their operation to gain a disproportionate advantage under the crop insurance program. According to the Federal Crop Insurance Act [(Sections 508(b)(8) and (c)(9))] the Federal Crop Insurance Corporation (FCIC) may limit or refuse insurance based on the insurance risk involved. FCIC is also required to operate on an actuarially sound basis and to take appropriate actions to eliminate program abuse. Therefore, before implementation of this bulletin, RMA reviewed the data used to establish the producer classifications for the 2003 crop year and established guidelines to limit or withhold classifications of producers involved in this activity. Producers that are not listed in the 2003 Crop Year FCI-32 Listings will use standard APH procedures for the 2003 and subsequent crop years in accordance with this bulletin.

DISPOSAL DATE:

This bulletin will remain active until incorporated into the CIH. The estimated disposal date is July 31, 2003.