

MGR-19-029

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Date

December 23, 2019

To

All Approved Insurance Providers

All Risk Management Agency Field Offices

All Other Interested Parties

From

Martin R. Barbre, Administrator /s/ Martin R. Barbre 12/23/2019

Subject

Prevented Planting Eligible Acre History when Contracted Crop Acres are Reduced

Background

The Risk Management Agency (RMA) is receiving multiple inquiries regarding the use of prevented planting eligible acre history for crops that require a contract with a processor to be insured. Specifically, RMA has been asked to address situations where some insureds had reduced contracted acreage in 2019, which were not reduced solely due to prevented planting (e.g. an insured had a processor contract for 400 acres in 2018 and only 100 contracted acres in 2019). Some insureds in this reduced contract scenario have exhausted all eligible prevented planting acreage and are not eligible to provide prevented planting coverage to remaining cropland acres.

The Common Crop Insurance Policy, Basic Provisions (Basic Provisions) provide in section 17(e)(1)(iii) that the number of eligible acres for any crop that must be contracted with a processor to be insured (seed corn, sweet corn, etc.) will be the number of acres specified in the processor contract. However, section 17(h)(4) indicates if the insured is prevented from planting a crop with no remaining eligible acres, the prevented planting payment may be paid based on contract crops even

though policy requirements for a processor contract have not been met.

Action

The current crop year's prevented planting eligible acres for contracted crops must be determined in accordance with section 17(e)(1)(iii). If the insured has remaining eligible acres of other crops that are not required to be contracted with a processor to be insured, then the claim is processed using normal rules.

However, if the insured has exhausted eligible acres to provide prevented planting coverage for all insured cropland acres in the farming operation due to a reduced contract in the current crop year, the previous crop year's contract may be used for the remaining acres.

Per section 17(e)(1)(iii)(B), when historical contract acres are used, the number of eligible acres will be determined based on the number of acres or amount of production the insured had contracted in the county in the previous crop year, less the current year's contracted acreage. The prevented planting payment and premium will be in accordance with section 17(h)(2) of the Basic Provisions.

If the applicable Crop Provisions require that the price election be based on a contract price, and a contract is not in force for the current year, the price election will be based on the contract price in place for the previous crop year. Furthermore, if the insured did not have a processor contract in place for the previous crop year, no historical contract acres exist for that crop.

Any 2019 crop year claim that has previously been adjusted inconsistent with this guidance should be reevaluated.

DISPOSAL DATE:

Until incorporated into policy and procedure.