

## **MGR-19-018**

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Date

July 8, 2019

To

All Approved Insurance Providers

All Risk Management Agency Field Offices

All Other Interested Parties

From

Martin R. Barbre, Administrator

Subject

Emergency Process for 2019 Crop Year Processing Tomato Contract Price

## **Background**

The Risk Management Agency (RMA) has been advised that some processing tomato policy holders in California are at risk of losing coverage for their 2019 crop. Due to market conditions, price negotiations have been extended and a final price has not been set. It is estimated that a significant percentage of policy holders in California do not yet have a final contract price. In addition, on May 19, 2019, a severe hail storm in Fresno County caused extensive damage to thousands of acres of processing tomatoes. However, hail-damaged tomato claims have not been finalized and paid because language in the policy requires policy holders to have a processor contract that includes a final contract price. A processor contract including a price per ton is a requirement to maintain insurance eligibility under the terms of coverage for the Processing Tomato Crop Provisions (05-087) ("policy").

In addition, Section 3(b) of the policy states in part:

*Liability under this policy will not exceed the number of tons required to be accepted by the processor under a processor contract in effect on or before:*

*(1) The earlier of August 20 or the date of damage to the insured crop in all counties with an acreage reporting date of July 15; [Emphasis added]*

Consequently, liability cannot be determined if the contract is not provided by the earlier of August 20 or the date damage occurs.

While the contract price has not been established, RMA has identified these policyholders have a written agreement from a processor to deliver their crop according to a predetermined delivery schedule.

## **Action**

For the 2019 crop year only, RMA will accept delivery schedules in lieu of the processor contract to determine the liability under Section 3(b) of the crop provisions up to October 20, 2019. The delivery schedules must be provided by the processor and reflect the tonnage to be delivered before any claims get processed. The processor contract must be provided to the AIP no later than October 20, 2019.

### **DISPOSAL DATE:**

December 31, 2020