

Risk Management Agency Interpretation of FCIC Provisions:

Subject: Request dated August 31, 2020, to the Risk Management Agency for an interpretation for the 2019 Whole-Farm Revenue Protection (WFRP) Pilot Policy in the determination of whether an AIP is allowed to make an indemnity payment based on an expected value originally agreed upon as long as the expected value is supported by one of the price sources listed in Section 18A(1)(iii), even if it is not the original price source used to support the expected value and the insured is not seeking to increase the expected value, the guarantee, or the indemnity payment.

The relevant policy provision provided by the requestor is section 18A(1)(iii):

18. Expected Value

- (1) *The price of the commodity that you can expect to receive when the commodity is harvested and based on the following sources:*
 - (iii) *The price that we agree best reflects the price you can expect to receive on your farm and for the market where your commodity will be sold, obtained from the most applicable following source for your farm:*
 - (A) *Prices reported by the Agricultural Marketing Service, including Market News Reports, National Agricultural Statistics Service, Economic Research Service, or other government agency;*
 - (B) *The FCIC published price for the area where you normally sell the commodity;*
 - (C) *The average price you received for the three most current years;*
 - (D) *Current local, average, cash bid price for the commodity in the area where you normally sell the commodity;*
 - (E) *The average price offered by at least two commercial buyers, one selected by you, and one selected by us; or*
 - (F) *Prices from a reliable third party source such as a commodity broker, crush district, packer/processor or marketing cooperative, and that we approve.*

Interpretation Submitted by Requestor(s)

The submitter's interpretation of section 18A(1)(iii) is that an AIP is authorized to make an indemnity payment based on the expected value the parties originally agreed to as long as the expected value is supported by one of the price sources permitted by section 18(a)(1)(iii) of the policy, even if it is not the original price source used to support the expected value, and the insured is not seeking to increase the expected value, the guarantee, or the indemnity.

Federal Crop Insurance Corporation Determination (FCIC)

FCIC agrees with the submitter's interpretation that an AIP may make an indemnity payment based on the expected value the parties originally agreed to if the expected value is supported by one of the price sources permitted by section 18(a)(1)(iii) of the policy, even if it is not the original price source used to support the expected value.

However, section 9(g) of the WFRP Pilot Policy authorizes the AIP to reduce the expected price and yield, which could reduce the guarantee and indemnity, any time it is determined the expected price and yield used to establish coverage is incorrect or cannot be verified. In addition, section 18(b)(3) requires the price source to be that which best reflects the price of the commodity.

In accordance with section 33(a)(1) of the WFRP Pilot Policy, this FCIC interpretation is generally applicable and binding in any mediation or arbitration. In accordance with section 33(a)(1), any appeal of this interpretation must be in accordance with 7 C.F.R. part 11.