



United States Department of Agriculture  
Risk Management Agency

April 2005

## 2005 COMMODITY INSURANCE FACT SHEET

# Tobacco

## Massachusetts

### Crop Insured

The tobacco production guarantee policy covers the following tobacco types in Massachusetts:

- Types 51, 52—Cigar Binder
- Type 61—Cigar Wrapper

### Counties Available

Tobacco is insurable in Franklin, Hampden, and Hampshire counties. Tobacco in other counties may be insurable if specific criteria are met.

### Causes of Loss

Adverse weather conditions<sup>1</sup>  
 Disease<sup>2</sup>  
 Failure of irrigation water supply<sup>3</sup>  
 Fire  
 Insects<sup>2</sup>  
 Wildlife

<sup>1</sup>Natural perils such as hail, excess precipitation, drought, wind, etc.  
<sup>2</sup>If proper applications of disease or pest control measures are applied. <sup>3</sup>If caused by an insurable peril during the insurance period

### Insurance Period

Coverage begins at the time of transplanting and ends the earliest of: 1) total destruction of the crop, 2) weighing-in at point of delivery, 3) final adjustment of a claim, 4) removal of the tobacco from the field where grown (except for curing, grading, packing, or immediate delivery to a buying point, or 5) April 30, 2006.

### Reporting Requirements

**Acreage Report**— An acreage report is due to your agent no later than July 15 for all your tobacco acreage in the county, by type.

**Production Report**— A production report for the previous crop year is due to your agent before April 30 of the current insurance year. A yield will be assigned if this information is not timely provided.

### Important Dates

Sales Closing..... March 15, 2005  
 Final Planting Date—Types 51, 52..... June 30, 2005  
 Final Planting Date—Type 61..... June 10, 2005  
 Acreage Report Date..... July 15, 2005  
 End of Insurance..... April 30, 2006

### Price Elections

TYPE	PRICE ELECTION
51-52 Cigar Binder	\$5.55
61 Cigar Wrapper	\$21.00

### Coverage Levels and Premium Subsidies

Coverage level options range from 50 to 75 percent of your approved yield and subsidized as follows:

Coverage Level % →	50	55	60	65	70	75
Premium Subsidy %	67	64	64	59	59	55
Your Premium Share %	33	36	36	41	41	45

Catastrophic (CAT) coverage is fixed at 50 percent of your approved yield and 55 percent of the price election. CAT is 100 percent subsidized with no premium cost to you except for an administrative fee of \$100, regardless of the acreage.

### Definitions

**Approved Yield**—The average yield per acre based upon your actual production history (APH) and used to determine your production guarantee.

**Production Guarantee**— Number of pounds guaranteed per acre determined by multiplying your approved yield times the coverage level percentage you select.

## Duties in the Event of Damage or Loss

- If crop damage occurs, give notice within 72 hours of initial discovery of damage.
- Protect the crop from further damage if possible by providing sufficient care.
- If representative samples are required of any unharvested acreage, the strips must be at least 5 feet wide (at least two rows), extending the entire length of the field. Samples must not be harvested or destroyed until after a field inspection is made.

## Insurance Units

Your insurable acreage is grouped into a unit based on your selection of one of the following unit arrangements.

**Basic Units:** A basic insurance unit includes all of your tobacco acreage, by type, in the county in which you have 100-percent share. For example, the tobacco acreage on your own farm (including any cash-rented land) would all be one basic unit. If you also grew tobacco on shares with another entity, that acreage would be a separate basic unit. Premiums are reduced 10 percent if you insure under basic units.

**Optional Units:** If a basic unit consists of two or more farm serial numbers (FSN) and certain record-keeping criteria are met, you may select optional units by FSN. The 10-percent basic unit premium discount will not apply.

## Late Planting

For any insured acreage initially planted after the final planting date (FPD), the production guarantee will be reduced as follows:

1. One percent per day if planted during the 1<sup>st</sup> through the 10<sup>th</sup> day immediately following the FPD;
2. Two percent per day if planted during the 11<sup>th</sup> through the 15<sup>th</sup> day after the FPD.

The premium amount for late planted acreage will be the same as for timely planted acreage.

## Prevented Planting

Prevented planting provisions do not apply.

## Loss Example

This example is for cigar binder type and assumes 60-percent coverage level, price election of \$5.55, approved yield of 1,800 pounds per acre, and basic units.

1,800	Producer's approved yield
<u>x .60</u>	Coverage level
1,080	Pounds per acre guarantee
<u>- 580</u>	Pounds per acre harvested
500	Pounds per acre loss
<u>x 5.55</u>	Price election
\$2,775	Indemnity per acre
<u>- 115</u>	Estimated premium per acre
<b>\$2,660</b>	<b>Net indemnity per acre</b>

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