



United States Department of Agriculture
Risk Management Agency

May 2006

2006 COMMODITY INSURANCE FACT SHEET

Flue-Cured Tobacco

North Carolina

Crop Insured

The tobacco production guarantee policy in North Carolina covers flue-cured types 11A, 11B, 12, & 13.

Quota Buyout — The termination of the quota poundage program has changed the way these types are insured for 2006. Producer classifications have been published for the final time on the FCI-32 listing. A classification yield will be used together with your 2005 actual yields to determine the 2006 guarantee. Producers without a classification will have their coverage determined according to standard actual production history (APH) procedures.

This fact sheet does **not apply** to burley tobacco.

Counties Available

Flue-cured insurance is available in all counties where the type has historically been grown. Acreage may also be insured in other counties if specific criteria are met. Contact a crop insurance agent for more details.

Causes of Loss

- Adverse weather conditions¹
- Fire
- Insects²
- Plant disease²
- Wildlife
- Failure of irrigation water supply³

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

Insurance Period

Coverage begins at transplanting and ends at 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) November 30, 2006 (October 31, 2006 for Type 13).

Important Dates

Sales Closing.....February 28, 2006
Production Report Due.....April 15, 2006

Final planting and acreage report dates vary by county and type. Contact a crop insurance agent for specific dates in your county.

Price Election

TYPES	PRICE ELECTION
11A, 11B, 12, 13 Flue-Cured	\$1.35

Price elections are posted on the RMA website at: <http://www3.rma.usda.gov/apps/pricesinquiry/>

Definitions

Producer Classification— A producer classification reflects a producer’s average yield based on Farm Service Agency (FSA) acreage and marketing records. For 2006, coverage guarantees for insureds with a published producer classification are based on three classification yields plus the 2005 actual yield.

Example: Insured has a classification of T14, which equals a classification yield of 2150. In 2005, insured produced an actual yield of 2400 pounds per acre. The producer’s 2006 average yield for insurance purposes will be calculated using three classification yields plus the 2005 actual yield:

$$\begin{array}{r}
 2150 \text{ Classification yield} \\
 2150 \text{ Classification yield} \\
 2150 \text{ Classification yield} \\
 + \quad 2400 \text{ Actual yield for 2005} \\
 \hline
 8850 \div 4 = 2213 \text{ lb per acre}
 \end{array}$$

Production Report— A production report for the previous crop year is due to your agent before April 15, 2006. A yield will be assigned if this information is not timely provided.

Coverage Levels and Premium Subsidies

Coverage level options range from 50 to 75* percent of your approved yield and are 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

*Coverage levels of 80/85 percent are available in North Carolina only if you elect enterprise units or if you only qualify for one basic unit. Premium subsidies are 48 percent and 38 percent, respectively.

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 a \$100 administrative fee, regardless of acreage.

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.
- If you give notice of damage, you must leave all tobacco stalks and stubble intact until inspected.

Insurance Units

Your insurable acreage is grouped into a unit based on 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 grow 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.

Enterprise Unit: An enterprise unit combines all your tobacco acreage in the county, regardless of number of farms or share arrangements into one unit and provides an additional premium discount. There must be two or more separate farm serial numbers to qualify for an enterprise unit.

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 1st through the 10th day immediately following the FPD;
2. Two percent per day if planted during the 11th through the 15th 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 flue-cured tobacco and assumes 75-percent coverage level, average yield of 2,213 pounds per acre, price election of \$1.35, and basic units.

2,213	Producer's average yield
x .75	Coverage level
1,660	Pounds per acre guarantee
= 660	Pounds per acre harvested
1,000	Pounds per acre loss
x \$1.35	Price election
\$1,350	Indemnity per acre
= \$35	Estimated premium per acre
\$1,315	Net indemnity per acre

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