



United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

June 7, 1999

INFORMATIONAL MEMORANDUM: R&D-99-023

TO: All Reinsured Companies
All Risk Management Agency Field Offices

FROM: Tim B. Witt /s/ Roberta E. Waggoner (for)
Deputy Administrator

SUBJECT: Income Protection Pilot Program for Wheat

BACKGROUND:

The Income Protection (IP) - Wheat pilot program is available in selected counties in Idaho, Kansas, Minnesota, Montana, North Dakota, Oregon, South Dakota, and Washington. The IP Wheat Crop Provisions, the FCI-35 Coverage and Rate Table format, and the IP Yield Procedure have been updated for the 2000 crop year. The crop provisions were revised to include the following:

1. Section 6 was modified to show that Roosevelt and Valley Counties, Montana, have been moved from the November 30 filing to the June 30 filing, causing changes in their cancellation, termination, and contract change dates.
2. Section 12 was revised to change the way a claim is settled for catastrophic risk protection coverage.
3. Minor updates were incorporated to make the IP Wheat Crop Provisions consistent with the Basic Provisions and the Small Grains Crop Provisions.

As a result of reinsured company and Risk Management Agency (RMA) requests, the FCI-35 Coverage and Rate Table format and IP Yield Procedure was changed. The FCI-35 Coverage and Rate Table format change provides for a table with less pages per county and shows all coverage levels on one page. The new format was used for the 1999 IP spring wheat, but is a change for the IP winter wheat counties. The IP Yield Procedure was updated to include IP and Indexed IP into one document with yield calculation examples added.



9435 Holmes Road • Kansas City, MO 64131

The Risk Management Agency Administers and Oversees
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ACTION:

This release includes the IP Wheat Crop Provisions effective for the 2000 crop year and the updated IP Yield Procedure. These materials are available electronically via the Reporting Organization server.

If you have any questions about this pilot program, please contact Vondie O'Conner at (816) 926-6343 or by fax at (816) 926-7343.

DISPOSAL:

This Informational Memorandum is for the purpose of transmitting information and the expiration date is March 15, 2001.

Attachments

INCOME PROTECTION (IP) YIELD CALCULATION
AND INDEXED INCOME PROTECTION (IIP) YIELD CALCULATION

This procedure is effective for the 1998 crop year for calculating IP yields and effective for the 1999 crop year for IIP yields.

IP Yields are developed using data from all acreage of the crop in the county for a single unit by practice, type, variety (P/T/V), and FCI - 35 T-Yield map area if applicable. IP Yields are developed on a county enterprise basis. If multiple MPCI units need to be combined, use the procedure contained in the Crop Insurance Handbook, Exhibit 15, paragraph 1C and examples 1 & 2, Combining APH Yield History except that all references to optional units are expanded to include basic units. The following are items that have changed for IP for the 1998 crop year or are specific to the IP Yield and County Average Yield Calculation.

A PRODUCTION REPORTING REQUIREMENTS

Insureds **MUST** use all previously certified yield history that is still within the base period and have IP Yield(s) calculated.

- (1) For the most recent APH crop year in the database, FCIC recommends that insureds complete an APH form for each standard APH unit using standard APH reporting requirements; however, if the producer elects to report total gross production and acreage by P/T/V and T-Yield such production reports are acceptable for IP purposes **ONLY**. The IP Yield Worksheet (See Figure 15) can be used when several units are being combined to compute the IP yield. Reporting acreage and production for the most recent crop year according to APH procedure provides the insured the opportunity to switch to other crop insurance products without recertifying the production history for the crop year and to qualify for optional units if applicable.
- (2) The insured must report and certify **ALL** planted acres and production for each APH crop year.
 - (a) For APH crop year(s) previous to the most recent crop year, acreage and production must be reported separately by P/T/V (when indicated on the actuarial table) and by location (legal description) when "T" Yield Map areas are involved.

(b) IP Yield(s) are compiled using the above acreage and production history by P/T/V as specified on the IP Actuarial Table (see examples in Paragraph E this exhibit).

B Transitional Yields.

Four years of records are not required to establish an IP Yield for each P/T/V, or "T" Yield map area. If a P/T/V or "T" Yield map area requiring separate APH yields has less than four years of actual/assigned yields available, the IP T-Yield using standard category B APH procedure for variable T-Yields will be used to complete the database.

C County Average Yield.

The county average yield is based on the average of the county yields from the IP FCI-35 Coverage and Rate Table for years the producer has actual yields reported. If a producer has less than 4 actual yields to compute the IP yield, then the county average yield is the average of the 10 most recent county yields. (Examples of calculating county average yields are shown in Figures 10 and 14.)

D IP YIELD APPLICATION

The approved IP Yield (s) applies to all respective insurable acreage for a practice and type (only practices and types specified on the IP Actuarial Table are applicable). The IP Yield(s) are reported to FCIC as a type 15 record (yield record) for data processing purposes.

E EXAMPLES OF CALCULATING IP YIELDS

The remainder of this exhibit is examples of combining MPCU units into an IP unit, calculating IP yields, calculating county average yields and IP rates.

Example 1 - Calculating an IP Yield from optional units in Map areas. (page 3)

Example 2 - Calculating a County Average Yield and looking up an IP Rate. (Using no T-yields) (page 6)

Example 3 - Calculating a County Average Yield and looking up an IP Rate. (Using T-Yields) (page 7)

Example 4 - Acreage record and Yield Record Example (Type 11 and
15 records) (page 8)

Example 5 - Calculating an IP Yield from APH historical units with practices different from the IP Actuarial Table practices. (page 11)

Example 6 - Indexed IP Yield calculation, rate look up, and electronic record layout - (Page 12)

- (1) Example 1 - This example calculates an IP Yield from acreage covered under Map areas. The crop has been grown in two "T" Yield classification areas (Map Area). One P/T/V has been grown in each Map Area. Figures 1-3 are located in Map Area 1.

Figure 1, production reports for farm A, N-Irr Winter indicate two actual yields (one basic unit, standard APH located in section 11).

Figure 1: MPCU Unit 0100, Sec. 11, Map Area 1 N-Irr Winter

15.CY.	16.TP.	17.ACRES	18.YIELD
19XX	4,200	100.0	A42
19XX		0.0	Z
19XX	4,300	100.0	A43
19XX		0.0	Z
			19.
20.Prior Y.		21.Approved APH	

Figures 2 and 3, production reports for farm B, N-Irr Winter indicate two actual yields for unit 0201 (standard APH) in section 12 and no actual yields for unit 0202 (standard APH) in section 13.

Figure 2: MPCU Unit 0201, Sec. 12, Map Area 1 N-Irr Winter

15.CY.	16.TP.	17.ACRES	18.YIELD
19XX		0.0	Z
19XX	4,000	100.0	A40
19XX		0.0	Z
19XX	3,520	80.0	A44
			19.
20.Prior Y.		21.Approved APH	

Figure 3: MPCU Unit 0202, Sec. 13, Map Area 1 N-Irr Winter

15.CY.	16.TP.	17.ACRES	18.YIELD
19XX		0.0	Z
			19.
20.Prior Y.		21.Approved APH	

Figures 4, 5 and 6 are production reports for farm C, Irr Spring which indicate three MPCU optional units (standard APH) located in sections 27, 28, and 36 all within Map Area 2. Unit 0301 does not have any actual yields. Unit 0302 has two actual yields. Unit 0303 has one actual yield.

Figure 4: MPCU Unit 0301, Sec. 27, Map Area 2 Irr Spring

15.CY.	16.TP.	17.ACRES	18.YIELD
19XX		0.0	Z
			19.
20.Prior Y.		21.Approved APH	

Figure 5: MPCU Unit 0302, Sec. 28, Map Area 2 Irr Spring

15.CY.	16.TP.	17.ACRES	18.YIELD
19XX	4,000	50.0	A80
19XX		0.0	Z
19XX		0.0	Z
19XX	8,500	100.0	A85
			19.
20.Prior Y.		21.Approved APH	

Figure 6: MPCU Unit 0303, Sec. 32, Map Area 2 Irr Spring

15.CY.	16.TP.	17.ACRES	18.YIELD
19XX		0.0	Z
19XX		0.0	Z
19XX		0.0	Z
19XX	1,660	20.0	A83
			19.
20.Prior Y.		21.Approved APH	

Figures 7 and 8 are IP summary Yield APH Forms, one for each Map Area, Practice and Type.

Figure 7: IP Yield, Area 1 N-Irr Winter applicable to MPCU Units 0100, 0201, and 0202 (IP UNIT 0100)

15.CY.	16.TP.	17.ACRES	18.YIELD
19XX	4,200	100.0	A42
19XX	4,000	100.0	A40
19XX	4,300	100.0	A43
19XX	3,520	80.0	A44
			19. 169
20(A)PLEM. Y.	42	21.Approved APH Yield	

Figure 8, IP Yield, Area 2 N-Irr Spring Applicable to MPCU Units 0301-0303 (IP UNIT 0100)

15.CY.	16.TP.	17.ACRES	18.YIELD
19XX			N75
19XX			N75
19XX	4,000	50.0	A80
19XX		0.0	Z
19XX		0.0	Z
19XX	10,160	120.0	A84
			19. 314
20(A) PLEM.Y.	79	21.Approved APH Yield	

The forms are forwarded to the verifier who approves the Summary Yield. A separate IP Yield is required for each "T" yield map area for each practice, type, or variety (requiring separate APH yields) requested.

- (2) Example 2 - The following is a rating example using IP Yields calculated in Figure 7 and the sample IP FCI-35 in Figure 11.

The producer's IP yield for Non-Irrigated Winter Wheat is 42 bushels per acre. Assuming the years in the IP Yield Database were the most recent four years (1994-1997), the IP Yield and County Average Yield Calculation are calculated as follows:

Figure 9:

IP YIELD WORKSHEET

STATE: 53

TYPE: 011

COUNTY: 075

PRAC: 003

CROP: 0011

MAP AREA: 001

YEAR	TOTAL PRODUCTION	ACRE S	SUMMARIZED YIELD	YIELD TYPE	COUNTY YIELD
				A=ACTUAL	
1994	4200	100	42	A	70
1995	4000	100	40	A	53
1996	4300	100	43	A	64
1997	3520	80	44	A	67

IP YIELD	42	COUNTY AVERAGE YLD	64
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Based on this calculation and using the IP FCI-35 from Figure 11, the appropriate 75% rate for IP N-Irr Winter Wheat would be 0.088.

- (3) Example 3 - The following is an example of calculating a County Average Yield and IP rate using information from Figure 8. (T-yields used)

Figure 10:

IP YIELD WORKSHEET

STATE: 53

TYPE: 012

COUNTY: 075

PRAC: 002

CROP: 0011

MAP AREA: 002

YEAR	TOTAL PRODUCTION	ACRES	SUMMARIZED YIELD	YIELD TYPE	COUNTY YIELD
1988					69
1989					66
1990					56
1991					77
1992			75	N	53
1993			75	N	56
1994	4000	50	80	A	70
1995		0	0	Z	53
1996		0	0	Z	64
1997	10,160	120	84	A	67

IP YIELD	79	COUNTY AVERAGE YLD	63
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Based on this IP Yield and County Average Yield calculation the appropriate rate for IP Irr Spring Wheat would be 0.039. (Note that a 10-year county average yield was used due to the IP Yield Summary having less than 4 actual yield years.)

- (4) Example 4 - The Acreage report would be developed the same way it currently is for master yields using two line entries (abbreviated) as follows:

Crop Rate	Prac Acres	Type Share	Unit	Map Area	Yield
Wheat	003 011	0100	001	42.0	0.088 100.0
Wheat	002 012	0100	002	79.0	0.039 320.0

A new producer could submit an APH form for IP by practice/type/variety for the unit (essentially

the summary alone) as outlined above. Or the producer could develop the APH using standard APH procedures rolling the APH units into the IP Summary Yield by practice/type/variety.

The IP Yield information is stored electronically in the following data fields:

**11 Record - IP yield in Yield Field
County Average Yield in IP County Average Yield Field**

**15 Record - Acres in Yield Acre # Fields
Summarized Yield in Annual Yield # Fields
Yield type in Yield Type # Fields
IP Yield in Approved Yield Field**

County Average Yield calculation:

If more than 3 years of actual years in the 15 record (no t yields), the county average yield is the average of actual yield years' county yields from the FCI-35.

If less than 4 years of actual yields on the 15 record, the county average yield is the average of the most recent 10 years' county yields from the FCI-35.

Figure 11:

08/12/96

COUNTY ACTUARIAL TABLE

PAGE 6

FCI-35 COVERAGE AND RATES
1998 AND SUCCEEDING CROP YEARS

ST: WASHINGTON (53)

CO: Whitman (075)

CROP: WHEAT (0011)

INCOME PROTECTION BASE PREMIUM RATE

75% COVERAGE LEVEL

COUNTY AVERAGE YIELD

PRODUCER	0-55	56-57	58-59	60-61	62-63	64-65	66-67	68-69	70-999
APH (BU)									

0-25	0.048	0.102	0.125	0.138	0.183	0.219	0.259	0.304	0.474
26-30	0.033	0.069	0.085	0.095	0.127	0.153	0.182	0.215	0.350
31-35	0.027	0.056	0.070	0.077	0.103	0.124	0.149	0.176	0.290
36-40	0.023	0.047	0.058	0.064	0.086	0.103	0.123	0.146	0.242
41-45	0.021	0.041	0.050	0.055	0.073	0.088	0.104	0.124	0.204
46-50	0.019	0.037	0.044	0.049	0.064	0.076	0.090	0.106	0.174
51-55	0.017	0.033	0.039	0.043	0.056	0.066	0.078	0.092	0.149
56-60	0.017	0.030	0.036	0.039	0.051	0.060	0.070	0.081	0.131
61-65	0.016	0.029	0.034	0.037	0.047	0.054	0.063	0.073	0.116
66-70	0.016	0.027	0.032	0.035	0.043	0.050	0.058	0.067	0.105
71-75	0.016	0.026	0.031	0.033	0.041	0.047	0.054	0.062	0.095
76-80	0.016	0.026	0.030	0.032	0.039	0.045	0.051	0.058	0.087
81-85	0.016	0.025	0.029	0.031	0.038	0.043	0.048	0.055	0.081
86-90	0.016	0.025	0.028	0.030	0.036	0.041	0.046	0.052	0.076
91-95	0.016	0.024	0.027	0.029	0.035	0.039	0.044	0.049	0.071
96-999	0.016	0.024	0.027	0.029	0.034	0.038	0.042	0.047	0.066

INCOME PROTECTION COUNTY YIELD TABLE

CROP YEAR

1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
------	------	------	------	------	------	------	------	------	------

 36 | 52 | 48 | 52 | 59 | 55 | 75 | 66 | 56 | 63 |

1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |

69 | 66 | 56 | 77 | 53 | 56 | 70 | 53 | 64 | 67 |

(5) Example 5 - Calculating the IP Yield Summary from APH units having different practices/types.

This example shows how to compute an IP Yield for practice NPS (no practice specified) and type NTS (no type specified) from historical APH units with SF(summer fallow) and CC (continuous cropping) yields.

Figure 12: MPC I PRACTICE: 004 (CC) TYPE: 997

15.CY.	16.TP.	17.ACRES	18.YIELD
1994		0.0	30T
1995	1,000	20.0	50
1996	1,100	20.0	55
1997	1,000	20.0	50
			19.
20.Prior Y.		21.Approved APH	

Figure 13: MPC I PRACTICE: 005 (SF) TYPE: 997

15.CY.	16.TP.	17.ACRES	18.YIELD
1994			25N
1995			25N
1996	450	10	45A
1997	400	10	40A
			19.
20.Prior Y.		21.Approved APH	

Figure 14:

IP YIELD WORKSHEET

STATE: KANSAS

TYPE: NTS

COUNTY: ROOKS

PRAC: NPS

CROP: 0011

MAP AREA:

YEAR	TOTAL PRODUCTION	ACRES	SUMMARIZED YIELD	YIELD TYPE	COUNTY YIELD
1988					34
1989					10
1990					37
1991					27
1992					35
1993					16
1994			38	T	38
1995	1000	20	50	A	24
1996	1550	30	52	A	23
1997	1400	30	47	A	33

IP YIELD	47	COUNTY AVERAGE YLD	28
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If you wish to use the above worksheet, a copy of a blank form is attached.

- (6) Example 6 - The following is an example of calculating an indexed IP yield for a producer with less than four years of actual yields, looking up the indexed IP rate from the FCI-35 Actuarial Table and an abbreviated layout of the indexed IP information stored on the electronic acreage and yield record.

To calculate the Indexed IP yield, you need:

- 1) The IP yield (as described in Examples 1 - 3)
- 2) The producer's County Average Yield (Example 3)
- 3) The expected yield for the county (this is the most recent year's county yield from the actuarial table)

- 4) The difference between the Producer's County Average Yield and their IP yield.

The formula is:

Expected Yield -(County Average Yield - IP Yield) = Indexed
IP Yield

Figure 15.

IP AND INDEXED IP YIELD WORKSHEET

STATE: Maryland TYPE: Grain (016)
 COUNTY: Allegany PRAC: NI (003)
 CROP: CORN MAP AREA:

YEAR	TOTAL PRODUCTION	ACRES	SUMMARIZED YIELD	YIELD TYPE	COUNTY YIELD
19					99
19					102
19					80
19					104
19					88
19					104
19XX			71	N	102
19XX			71	N	91
19XX	7400	100	74	A	97
19XX	7400	100	102	A	102

IP YIELD	80	COUNTY AVERAGE YLD	97
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INDEXED IP YIELD CALCULATION:

County Avg Yield minus IP Yield =
 Difference

$$\begin{array}{r} \underline{\quad 97 \quad} \\ - \quad \underline{\quad 80 \quad} \\ \hline \quad \quad \quad \end{array} = \underline{\quad 17 \quad}$$

Expected Yield minus Difference(above) =
 Indexed IP Yield
 (From Actuarial Table)

$$\begin{array}{r} \underline{\quad 102 \quad} \\ - \quad \underline{\quad 17 \quad} \\ \hline \quad \quad \quad \end{array} = \underline{\quad 85 \quad}$$

The above producer had two years of actual production, so his IP yield was based on two actual yields and two transitional yields (use APH rules). The county average yield was computed using the 10 most recent county average yields from the FCI-35 (Figure 16) Coverage and Rate Table (in cases with 4 or more actual yields available then the county average yield is calculated using the county average yields for just the years which actual yields are

reported).
 Figure 16.

10/16/1998
 PAGE 1

COUNTY ACTUARIAL TABLE

FCI-35 COVERAGE AND RATES
 1999 AND SUCCEEDING CROP YEARS

ST: MARYLAND (24)
 CORN (0041)
 CO: Allegany (001)
 Indexed IP (45)
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CROP:

PLAN:

TYPE: (016) Grain
 (002) Irrigated
 (016) Grain
 (003) Non-Irrigated

PRAC:

FARM YIELD	PERCENT ELECTIONS				
	50	55	60	65	70
INTERVALS					
75					
0- 5	0.702	0.702	0.703	0.703	0.706
0.708					
6- 13	0.608	0.611	0.615	0.618	0.623
0.626					
14- 21	0.525	0.530	0.536	0.542	0.547
0.554					
22- 29	0.451	0.456	0.464	0.472	0.480
0.489					
30- 37	0.389	0.396	0.405	0.413	0.423
0.433					
38- 45	0.337	0.345	0.353	0.363	0.374
0.386					
46- 53	0.292	0.300	0.310	0.320	0.332
0.344					
54- 61	0.252	0.260	0.271	0.282	0.293
0.307					
62- 69	0.217	0.226	0.237	0.249	0.261
0.275					
70- 77	0.187	0.197	0.208	0.219	0.233
0.247					
78- 85	0.158	0.169	0.180	0.192	0.206
0.221					
86- 93	0.132	0.143	0.155	0.167	0.181
0.196					
94-101	0.108	0.119	0.131	0.144	0.158
0.174					
102-109	0.088	0.099	0.111	0.124	0.138
0.154					
110-117	0.071	0.082	0.094	0.107	0.121

0.137										
118-125		0.057		0.067		0.079		0.092		0.107
0.122										
126-133		0.045		0.055		0.067		0.079		0.094
0.110										
134-141		0.036		0.045		0.056		0.069		0.082
0.099										
142-149		0.029		0.037		0.047		0.059		0.073
0.089										
150-999		0.023		0.031		0.040		0.052		0.065
0.080										

: INCOME PROTECTION COUNTY YIELD TABLE

: TYPE/PRAC | CROP YEAR
|

016/002 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986
| 1987 | 1988 |

73

1989
1997

97

016/003 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986
| 1987 | 1988 |

| 73 | 53 | 83 | 82 | 84 | 94 | 77 | 90 | 98 | 88

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| 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996
 | 1997 | 1998 |

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| 99 | 102 | 80 | 104 | 88 | 104 | 102 | 91
 | 97 | 102 |

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OPTION/OPTION NAME | OPTION FACTOR TABLE

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(PF) PREVENTED PLANTING +5% | 1.010 |
 (PT) PREVENTED PLANTING +10% | 1.020 |

TRANSITIONAL YIELD FACTOR TABLE

		FCI-33		
TYPE	PRACTICE	MAP AREA		T-YIELD
016	GSG 002 I			79.0
016	GSG 003 NI			79.0

Using the Indexed Yield of 84 as calculated in Figure 15, and using the actuarial rate table in Figure 16., the appropriate rate at the 65% coverage level for this record would be .192.

The following is an abbreviated example of the acreage information (reported on the type 11 record) and the yield information (reported on the type 15 record) reported for a producer with an indexed yield as computed in Figure 15 which has a 40% share in 50 acres of corn, and 50% share of another 50 acres of corn.

Acreage Record (Type 11)
 County

IP

Plan Code	Crop Code	Type Code	Prac Code	Unit	Yield	Rate	Acres	Share
45	0041	016	003	0100	84	.192	50	.5
	97							
45	0041	016	003	0100	84	.192	50	.4
	97							

Yield Record (Type 15)

Plan Code	Crop Code	Type Code	Prac Code	Approved Yield
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Code	Code	Code	Code	Unit	Yield	Index
45	0041	016	003	0100	84	17

If the producer's average yield is greater than the county average yield, the difference between the two is added to the expected county yield. For example using Figure 15, if the producer's IP yield was 100 bushels, the result would be (County average yield minus IP Yield (97 - 100) = - 3) subtracted from the Expected Yield (102 - (-3)) equals 105 bushel Indexed IP Yield.

If you wish to use the Worksheet which includes the indexed yield calculation a copy of a blank form is attached.

IP YIELD WORKSHEET

STATE:

TYPE:

COUNTY:

PRAC:

CROP:

MAP AREA:

YEAR	TOTAL PRODUCTION	ACRES	SUMMARIZED YIELD	YIELD TYPE	COUNTY YIELD
19					
19					
19					
19					
19					
19					
19					
19					
19					
19					

IP YIELD		COUNTY AVERAGE YLD	
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IP AND INDEXED IP YIELD WORKSHEET

STATE:

TYPE:

COUNTY:

PRAC:

CROP:

MAP AREA:

YEAR	TOTAL PRODUCTION	ACRES	SUMMARIZED YIELD	YIELD TYPE	COUNTY YIELD
19					
19					
19					
19					
19					
19					
19					
19					
19					
19					
19					

IP YIELD		COUNTY AVERAGE YLD	
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INDEXED IP YIELD CALCULATION:

County Avg Yield minus IP Yield =
Difference

Expected Yield minus Difference(above) =
Indexed IP Yield
(From Actuarial Table)

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SUMMARY OF CHANGES FOR THE INCOME PROTECTION - WHEAT CROP PROVISIONS (2000-311)

The following is a brief description of changes to the Income Protection-Wheat crop provisions that will be effective for the 2000 crop year. Please refer to the crop provisions for more complete information. These modifications include, but are not limited to:

- (a) Section 1 was revised to include a “Local Market Price” definition.
- (b) Section 2 is now the section titled “Insurance Guarantees, Coverage Levels, and Prices for Determining Indemnities.”
- (c) Section 3 is now the section titled “Unit.”
- (d) Section has been modified to show that Roosevelt and Valley Counties, Montana have been moved from the 11/30 filing to the 6/30 filing, causing changes in their Cancellation, Termination, and Contract Change dates.
- (e) Section 12(a) (Settlement of Claim) was revised to change the way a claim is settled for catastrophic risk protection coverage.



Federal Crop Insurance Corporation
INCOME PROTECTION - WHEAT CROP PROVISIONS

This is a pilot risk management program created by the Federal Crop Insurance Corporation. This risk management tool will be insured under the authority provided by the Federal Crop Insurance Act as amended.

If a conflict exists among the policy provisions, the order of priority is as follows: (1) the Special Provisions; (2) these Crop Provisions; and (3) the Basic Provisions with (1) controlling (2), etc.

1. Definitions

Adequate stand - A population of live plants per unit of acreage which will produce at least the yield used to establish your production amount.

Administrative fee - An amount you must pay for catastrophic risk protection, limited, or additional coverage for each crop year as specified in the Basic Provisions and section 15 of these crop provisions.

Amount of protection - The dollar amount of insurance determined by multiplying the production amount, times the projected price, times the net acres.

Harvest - Combining or threshing the insured wheat for grain or cutting for hay or silage on any acreage. Wheat which is swathed prior to combining is not considered harvested.

Harvest price - The average of the final closing daily settlement prices for the period, exchange, and futures contract specified in the Special Provisions.

Initially planted - The first occurrence of planting the insured crop on insurable acreage for the crop year.

Latest final planting date -

- (a) The final planting date for spring-planted acreage in all counties for which the Special Provisions designate a final planting date for spring-planted acreage only;
- (b) The final planting date for fall-planted acreage in all counties for which the Special Provisions designate a final planting date for fall-planted acreage only; or
- (c) The final planting date for spring-planted acreage in all counties for which the Special Provisions designate final planting dates for both spring-planted and fall-planted acreage.

Local Market Price - The cash grain price per bushel for the U.S. No. 2 grade of wheat offered by buyers in the area in which you normally market wheat. The local market price will reflect the maximum limits of quality deficiencies allowable for the U.S. No. 2 grade of wheat. Factors not associated with grading under the Official United States Standards for Grain, including but not limited to protein, oil or moisture content, or milling quality will not be considered.

Net acres - The planted acreage of the insured wheat crop multiplied by your share.

Nurse crop (companion crop) - A crop planted into the same acreage as another crop, that is intended to be

harvested separately, and which is planted to improve growing conditions for the crop with which it is grown.

Planted acreage - In addition to the definition contained in the Basic Provisions, land on which seed is initially spread onto the soil surface by any method and subsequently is mechanically incorporated into the soil in a timely manner and at the proper depth will be considered planted, unless otherwise provided by the Special Provisions, or actuarial documents.

Prevented planting - In lieu of the definition contained in the Basic Provisions, failure to plant the insured crop with proper equipment by the latest final planting date designated in the Special Provisions for the insured crop in the county. You may also be eligible for a prevented planting payment if you failed to plant the insured crop with the proper equipment within the late planting period. The prevented planting payment must have been prevented from planting the insured crop due to an insured cause of loss that is general in character and that prevents other producers in the surrounding area and that prevents other producers in the planting acreage with similar characteristics.

Production amount (per acre) - The number of bushels determined by multiplying the approved actual production history (APH) yield per acre, calculated in accordance with 7 CFR part 400, subpart G, times the coverage percentage you elect.

Projected price - The average of the final closing daily settlement prices for the period, exchange, and futures contract specified in the Special Provisions.

Sales closing date - In lieu of the definition contained in the Basic Provisions, a date contained in the Special Provisions by which an application must be filed and which you may change your crop insurance coverage for the crop year. If the Special Provisions provide a sales closing date for both winter and spring types of the insured crop and you plant any insurable acreage of the winter type, you may not change your crop insurance coverage after the sales closing date for the winter type.

Swathed - Severance of the stem and grain head from the ground without removal of the seed from the head or placing into a windrow.

2. Insurance Guarantees, Coverage Levels, and Provisions for Determining Indemnities

- (a) In lieu of section 3 of the Basic Provisions,

information necessary to determine the amount of protection will be contained in the Special Provisions or in the actuarial documents. The price at which an indemnity will be determined will be the harvest price.

- (b) Catastrophic risk protection provided under 7 CFR part 402 is not available. In lieu of section 3 of the Basic Provisions, producers who elect catastrophic risk protection will receive coverage in accordance with the Catastrophic Risk Protection Coverage section of these provisions.

3. Unit

In lieu of sections 1 and 34 of the Basic Provisions, a unit is all insurable acreage of corn in the county in which you have a share on the date coverage begins for the crop year.

4. Annual Premium

In lieu of section 7(c) of the Basic Provisions, the annual premium amount is determined by multiplying the amount of protection, times the premium rate, times any premium adjustment percentage that may apply.

5. Contract Changes

The contract change date is December 31 preceding the cancellation date for counties with an March 15 cancellation date and June 30 preceding the cancellation date for all other counties (see section 4 of the Basic Provisions).

6. Life of Policy, Cancellation and Termination Dates, and Eligibility

- (a) In addition to section 2(a) of the Basic Provisions, these crop provisions are effective beginning the 2000 crop year.
- (b) In accordance with section 2 of the Basic Provisions, the cancellation and termination dates are:

C a n c e l l a t i o n

<u>Termination State</u>	<u>Date</u>	<u>Date</u>
Minnesota; Daniels, and Sheridan Counties, Montana; North Dakota; and Corson, Walworth, Edmunds, Faulk, Spink, Beadle, Kingsbury, Miner, McCook, Turner, and Yankton Counties, South Dakota, and all South Dakota counties east thereof.	March 15	March 15
Kansas	S e p t e m b e r	3 0
September 30		
Idaho; all Montana counties except Daniels and Sheridan; Oregon; Perkins, Ziebach, Dewey, Potter, Hyde, Hand, Jerauld, Sanborn, Hanson, Hutchinson, and Bon Homme Counties, South Dakota, and all South Dakota counties west thereof; and Washington.	September 30	November 30

- (c) Land designated in the actuarial documents as high

risk land is not insurable under this policy. You elect to insure the high risk land under a Catastro Risk Protection Endorsement to the MPC Policy, both policies are in force, the acreage of the covered under the Income Protection Policy will be considered as a separate crop for insurance purposes, including the payment of administrative fees.

7. Insured Crop

- (a) In accordance with section 8 of the B Provisions, the crop insured will be wheat, that grown in the county on insurable acreage, and which premium rates are provided by the actuarial documents:

- (1) In which you have a share;
- (2) That is planted for harvest as grain; and
- (3) That is not:

- () Interplanted with another crop;
- () Planted into an established grass or legume; or
- () Planted as a nurse crop, unless planted as a nurse crop for new forage seeding, but only if seeded at a normal rate and intended for harvest as grain.

- (b) If you anticipate destroying any acreage prior to harvest you:

- (1) May report all planted acreage when you report your acreage for the crop year and specify any acreage to be destroyed as uninsurable acreage. (By doing so, no coverage will be considered to have attached on the specified acreage and no premium will be due for such acreage. If you do not destroy such acreage, you will be subject to the under-reporting provisions contained in section 6 of the B Provisions); or

- (2) If the actuarial documents provide a reduced premium rate for acreage destroyed by a date designated in the Special Provisions, you must report all planted acreage as insurable when you report your acreage for the crop year. Premium will be due on all the acreage. Your premium amount will be reduced by the amount shown in the actuarial documents for any acreage destroyed prior to a date designated in the Special Provisions if you do not claim an indemnity on such acreage. In accordance with section 11 of the Basic Provisions, you must obtain our consent before and give us notice after you destroy any of the insured crop so your acreage report can be revised to make you eligible for this reduction in premium.

8. Insurance Period

In lieu of the requirements under section 11 of the B Provisions, the insurance period is as follows:

(a) Insurance attaches on the unit or part thereof on the later of the date we accept your application or the date the insured wheat is planted with the following limitations:

- (1) The acreage must be planted on or before the final planting date designated in the Special Provisions for the type (winter or spring) except as allowed in section 13 of these Crop Provisions and the Basic Provisions.
- (2) Whenever the Special Provisions designate only a fall final planting date, any acreage of winter wheat damaged before such final planting date, to the extent that growers in the area would normally not further care for the crop, must be replanted to winter wheat unless we agree that replanting is not practical.
- (3) Whenever the Special Provisions designate both fall and spring final planting dates, any winter wheat that is damaged before the spring final planting date, to the extent that a majority of the growers in the area would normally not further care for the crop, must be replanted to a winter type of the insured crop unless we agree that replanting is not practical. If it is not practical to replant to a winter type, but it is practical to plant a spring type, you must replant to a spring type. If you have elected coverage under a winter wheat coverage option (if available in the county), insurance will be in accordance with the selected option.
- (4) Whenever the Special Provisions designate a spring final planting date any acreage of spring wheat damaged before such final planting date, to the extent that growers in the area would normally not further care for the crop, must be replanted to spring wheat unless we agree that replanting is not practical.
- (5) Whenever the Special Provisions designate only a spring final planting date, any acreage of fall planted wheat is not insured unless you request such coverage on or before the spring sales closing date, and we agree in writing that the acreage has an adequate stand in the spring to produce the yield used to determine your production guarantee. Insurance will attach to such acreage on the date we determine that the acreage has an adequate stand. Any acreage of such fall planted wheat that is damaged after it is accepted for insurance but before the spring final planting date to the extent that a majority of producers in the area would normally not further care for the crop must be replanted to a spring type of the insured crop unless we agree that it is not practical to replant. If fall planted acreage is not to be insured it must be recorded on the acreage report as uninsured fall planted acreage.

- (b) Insurance ends on each unit at the earliest of:
- (1) Total destruction of the insured wheat;
 - (2) Harvest;
 - (3) Final adjustment of a loss;
 - (4) October 31 of the calendar year in which crop is normally harvested; or
 - (5) Abandonment of the crop on the unit.

9. Causes of Loss

In addition to the provisions under section 12 of Basic Provisions, insurance is provided only against decline in the amount of income due to the following causes of loss which occur within the insurance period:

- (a) A decline in the harvest price below the projected price;
- (b) Adverse weather conditions;
- (c) Fire;
- (d) Insects, but not damage due to insufficient or improper application of pest control measures;
- (e) Plant disease, but not damage due to insufficient or improper application of disease control measures;
- (f) Wildlife;
- (g) Earthquake;
- (h) Volcanic eruption; or
- (i) Failure of the irrigation water supply, if applicable due to an insured cause of loss specified in section 9(b) through (h) occurring within the insurance period.

10. Replanting Payments

- (a) A replant payment for wheat only is allowed as follows:
- (1) You comply with all requirements regarding replanting payments contained under section 12 of the Basic Provisions and in any winter wheat coverage endorsement for which you are eligible and which you have elected;
 - (2) The wheat must be damaged by an insured cause of loss to the extent that the remaining stand will not produce at least 90 percent of the production amount for the acreage;
 - (3) The acreage must have been initially planted to spring wheat in those counties with on spring final planting date;
 - (4) The damage must occur after the fall planting date or the date specified in the Special Provisions in those counties where both a fall and spring final planting date are designated;
 - (5) Replanting must take place not later than 60 days after the spring final planting date; and
 - (6) The replanted wheat must be seeded at a rate that is normal for initially planted wheat (if seed is planted at a reduced seeding rate in a partially damaged stand of wheat, the acreage will not be eligible for a replanting payment).
- (b) No replanting payment will be made for acreage initially planted to winter wheat in any county in which the Special Provisions contain only a fall

planting date.

- (c) The maximum amount of the replanting payment per acre will be the lesser of 20 percent of the production amount or 3 bushels, multiplied by the projected price, multiplied by your share.
- (d) When wheat is replanted using a practice that is uninsurable for an original planting, the liability for the unit will be reduced by the amount of the replanting payment. The premium amount will not be reduced.

11. Duties In The Event of Damage or Loss

- (a) In addition to your duties under section 14 of the Basic Provisions, if you initially discover damage to the insured crop within 15 days of, or during harvest, you must leave representative samples of the unharvested crop for our inspection. The samples must be at least 10 feet wide and the entire length of each field in the unit, and must not be harvested or destroyed until the earlier of our inspection or 15 days after harvest of the balance of the unit is completed; and
- (b) If your production to count multiplied by the harvest price is less than the amount of protection, you must notify us within 45 days after the date the harvest price is published.

12. Settlement of Claim

- (a) In the event of loss or damage covered by this policy, we will settle your claim by:
 - (1) Multiplying the total production to count (see section 12(b)) by the harvest price, by
 - (i) For other than catastrophic risk protection coverage, one hundred percent, or
 - (ii) For catastrophic risk protection coverage, fifty-five percent; and
 - (2) Subtracting the result of section 12(a)(1) from the amount of protection.

If the result of section 12(a)(2) is greater than zero, an indemnity will be paid to you. If the result of section 12(a)(2) is less than zero, no indemnity will be due.

- (b) The total production in bushels to count from all insurable acreage will include your share of:
 - (1) All appraised production as follows:
 - (i) Not less than the production amount for acreage:

(A)
That is abandoned;		
(B)
Put to another use without our consent;		
(C)
Damaged solely by uninsured causes; or		
(D)
 - (ii) Production lost due to uninsured causes;
 - (iii) Unharvested production (mature unharvested production may be adjusted for quality deficiencies and excess moisture in

accordance with subsection 12(c);

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Potential production on insured acreage you want to to another use or you wish to abandon and no lo care for, if you and we agree on the appraised produ to count. Upon such agreement the insurance perio that acreage will end if you put the acreage to anc use or abandon the crop. If:

- (A) Agreement on the appraised production to cou not reached, you may elect to continue to care the crop, or we will give you consent to put acreage to another use if you agree to leave in and provide sufficient care for, representa samples of the crop in locations acceptable to The amount of production to count for such acre will be based on the harvested productio appraisals from the samples at the time har should have occurred. If you do not leave required samples intact, or you fail to pro sufficient care for the samples, our appraisal r prior to giving you consent to put the acreag another use will be used to determine the amou production to count.

- (B) You elect to continue to care for the crop, we determine the amount of production to count fo acreage using the harvested production, or reappraisal if additional damage occurs and the is not harvested.

- (2) All harvested production from the insur acreage.

- (c) Mature wheat production may be adjusted excess moisture and quality deficiencies.

- (1) Production will be reduced by .12 percen each .1 percentage point of moisture in exc of 13.5 percent. We may obtain samples of production to determine the moisture conte

- (2) Production will be eligible for quality adjustn if:

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Deficiencies in quality, in accordance with the Off United States Standards for Grain, result in wheat meeting the grade requirements for U.S. No. 4 (gra U.S. No. 5 or worse) because of test weight, 1 damaged kernels (excluding heat damage), shrunke broken kernels, or defects (excluding foreign mat and heat damage), or grading garlicky, light sm smutty or ergoty; or

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Substances or conditions are present, inclu mycotoxins, that are identified by the Food and I Administration or other public health organizations o United States as being injurious to human or an health.

- (3) Quality will be a factor in determining your

only if:

- (i) The deficiencies, substances, or conditions resulted from a cause of loss against which insurance is provided under these crop provisions;
 - (ii) All determinations of these deficiencies, substances, or conditions are made using samples of the production obtained by us or by a disinterested third party approved by us; and
 - (iii) The samples are analyzed by a grain grader licensed under the authority of the United States Grain Standards Act or the United States Warehouse Act with regard to deficiencies in quality, or by a laboratory approved by us with regard to substances or conditions injurious to human or animal health. Test weight for quality adjustment purposes may be determined by our loss adjustor.
- (4) Wheat production that is eligible for quality adjustment, as specified in subsections 12(c)(2) and (3), will be reduced by the quality adjustment factor contained in the Special Provisions.
- (d) Any production harvested from plants growing in the insured wheat crop may be counted as wheat production on a weight basis.

13. Late Planting

In lieu of section 16 of the Basic Provisions:

- (a) The production amount for each acre planted to the insured crop during the late planting period will be reduced by 1 percent per day for each day planted after the final planting date.
- (b) Acreage planted after the late planting period may be insured as follows:
 - (1) The production amount for each acre planted as specified in this subsection will be determined by multiplying the production amount that is provided for acreage of the insured wheat crop that is timely planted by your prevented planting coverage level percentage (60.0 percent unless you elected a higher prevented planting coverage level percentage specified in the actuarial documents.)
 - (2) Planting on such acreage must have been prevented by the final planting date (or during the late planting period, if applicable) by an insurable cause occurring within the insurance period for prevented planting coverage; and
 - (3) All production from acreage as specified in this section will be included as production to count for the unit.
- (c) The premium amount for insurable acreage specified in this section will be the same as that for timely planted acreage. If the amount of premium you are

required to pay (gross premium less our subsidy such acreage exceeds the liability, coverage those acres will not be provided (no premium will be due and no indemnity will be paid).

- (d) Any acreage on which an insured cause of loss material factor in preventing completion of plan: as specified in the definition of "planted acre: (e.g., seed is broadcast on the soil surface cannot be incorporated), will be considered acreage planted after the final planting date and production guarantee will be calculated accordance with section 13.

14. Prevented Planting

- (a) In lieu of sections 17(f)(10), 17(f)(11) and 17(f)(12) of the Basic Provisions, regardless of the number of eligible acres determined in section 17(e) of the Basic Provisions, prevented planting coverage not be provided for any acreage:
 - (1) For which you cannot provide proof that you had the inputs available to plant and produce a crop with the expectation of at least producing the yield used to determine the production amount (Evidence that you have previously planted a crop on the unit will be considered adequate proof unless your planting practices or rotational requirements show that the acreage would have remained fallow or been planted to another crop);
 - (2) Based on an irrigated practice production amount unless adequate irrigation facilities were in place to carry out an irrigated practice or prevented you from planting. Acreage with an irrigated practice production amount will be limited to the number of acres allowed for that practice under sections 17(e) and (f) of the Basic Provisions and section 14(a) of these provisions; or
 - (3) Based on a crop type that you did not plant and did not receive a prevented planting insurance guarantee or production amount for, in at least one of the four most recent crop years. Types for which separate projected prices and production amounts are available must be included in your APH database in at least one of the most recent four crop years. We will calculate prevented planting payments based on the specific crop type to the number of acres allowed for that crop type as specified in sections 17(e) and (f) of the Basic Provisions and section 14(a) of these crop provisions.
- (b) In lieu of section 17(l) of the Basic Provisions, prevented planting payment for any eligible acre within a unit will be determined by:
 - (1) Multiplying the production amount per acre for timely planted acreage by the projected price

- the wheat crop, by 60 percent (If you have limited or additional levels of coverage, and pay an additional premium, you may increase your prevented planting coverage to a level specified in the actuarial documents);
- (2) Multiplying the result of section 14(b)(1) by the number of eligible prevented acres in the unit; and
 - (3) Multiplying the result of section 14(b)(2) by your share.
- (c) In addition to the provisions contained in section 17 of the Basic Provisions, in counties for which the Special Provisions designate a spring final planting date, your prevented planting production amount will be based on your approved yield for spring-planted acreage of the insured crop.
- 15. Catastrophic Risk Protection Coverage**
- (a) The Catastrophic Risk Protection Endorsement is not applicable. The following provisions in this section are applicable if you have elected the catastrophic risk protection plan of insurance for any insured acreage.
 - (b) For the 1999 and subsequent crop years, catastrophic risk protection equals twenty-seven and one-half percent of your approved yield times 100 percent of the projected price.
 - (c) Administrative Fees
 - (1) In lieu of section 4, you will not be responsible to pay a premium, nor will the policy be terminated because the premium has not been paid. FCIC will pay a premium subsidy equal to the premium established for this catastrophic risk protection coverage.
 - (2) In return for catastrophic risk protection coverage, you must pay an administrative fee to us within 30 days after you have been billed (you will be billed by the billing date stated in the Special Provisions);
 - (i) The administrative fee for each crop in the county is \$60.
 - (ii) Payment of an administrative fee will not be required if you file a bona fide zero acreage report on or before the acreage reporting date for the crop (If you falsely file a zero acreage report you may be subject to criminal and administrative sanctions).
 - (3) The administrative fee does not apply if it is determined that you meet the definition of a limited resource farmer. If you qualify as a limited resource farmer and desire to be exempted from paying the administrative fee, you must sign the waiver at the time of application (on or before the sales closing date).
 - (4) If the administrative fee is not paid when due, you, and all persons with an insurable interest in the crop under the same contract, may be ineligible for certain other USDA program benefits as set out in section 15(e), and all such benefits already received for the crop year must be refunded.
- (d) Multiple Benefits
- If you are eligible to receive an indemnity under this section and benefits compensating you for the same loss under any other USDA program, you must elect the program from which you wish to receive benefits. Only one payment or program benefit is allowed. However, if other USDA program benefits are available until after you filed a claim for indemnity, you may refund the total amount of the indemnity and then receive the other program benefit. For ownership and operating loans, you may obtain them from the USDA in addition to crop insurance indemnities.
- (e) Eligibility for Other USDA Program Benefits
- You must obtain at least catastrophic risk protection coverage for each crop of economic significance in the county in which you have an insurable share unless you provide a signed waiver of any eligibility for emergency crop loss assistance in connection with the crop. If you do not obtain catastrophic risk protection coverage or sign the waiver, you will be eligible for:
- (1) Benefits under the Agricultural Market Transition Act;
 - (2) Loans or any other USDA provided farm credit including guaranteed and direct farm owner loans, operating loans, and emergency loans under the Consolidated Farm and Rural Development Act provided after October 13, 1994; and
 - (3) Benefits under the conservation reserve program derived from any new or amended application contracts executed after October 13, 1994.
- (f) Failure to comply with all provisions of the policy constitutes a breach of contract and may result in ineligibility for the farm program benefits state in subsection 15(e) for that crop year and any benefits already received must be refunded.
- 16. Written Agreement**
- The written agreement provisions of the Basic Provisions are not applicable.