

PM-24-077: Tobacco Contracting Entity Eligibility

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Date

November 22, 2024

To

All Approved Insurance Providers

All Risk Management Agency Field Offices

All Other Interested Parties

From

Richard H. Flournoy, Deputy Administrator /s/ Richard H. Flournoy

Subject

Tobacco Contracting Entity Eligibility

BACKGROUND:

Beginning with flue cured tobacco in the 2021 crop year, the Risk Management Agency (RMA) has issued two price elections for tobacco. One price for tobacco grown under contract and one price for non-contracted tobacco. Producers who grow both are eligible for a blended price. Additionally, RMA has limited quality adjustment to only apply to contracted tobacco. This pricing structure has since been expanded to burley, dark air, fire cured, and Maryland tobacco.

One of the requirements for tobacco to be considered grown under contract is that the producer have a contract with an entity that meets the definition of processor in the tobacco crop insurance policy. Part of this definition is a requirement that the processor possesses all required permits and licenses for the processing and manufacture of tobacco.

RMA has received questions regarding who is responsible for determining whether an entity offering a tobacco contract possess all required permits and licenses for the processing and manufacture of tobacco.

ACTION:

RMA has revised definition of “processor” in the Special Provisions to clarify that it is the producer’s responsibility to determine if an entity offering a contract possesses all required permits and licenses. The revised definition reads as follows:

Processor - Any business enterprise which is regularly engaged in purchasing tobacco for processing or manufacturing of tobacco products.

(1) The enterprise must possess all required state and Federal licenses and permits for processing or manufacturing tobacco products.

(2) The entity must also own facilities, or have contractual access to such facilities, with enough equipment to accept and process the contracted tobacco within a

reasonable amount of time after harvest as of the date the contract is issued.

(3) It is your responsibility to ensure the contracting entity possesses all required permits and licenses for processing or manufacturing tobacco (including a permit as a manufacturer of tobacco products or processed tobacco under 26 U.S.C. Chapter 52). If the entity does not possess these permits, tobacco contracted with that entity will not receive the price election for contracted tobacco or be eligible for quality adjustment.

DISPOSAL DATE:

December 31, 2024