

## **SUMMARY OF CHANGES FOR THE PEANUT CROP PROVISIONS**

The following is a brief description of the changes to the Peanut Crop Provisions that will be effective for the 2020 crop year. Please refer to the crop provisions for complete information.

Definition of base contract price – Moved maximum contract price factor to actuarial documents to allow different factors by type

**UNITED STATES DEPARTMENT OF AGRICULTURE  
Federal Crop Insurance Corporation  
PEANUT CROP PROVISIONS**

**1. Definitions.**

**Average CCC loan price per pound** – The average price per pound, for each type of peanuts, announced by the USDA CCC under the peanut loan program.

**Average price per pound** – Either:

- (a) The average CCC loan price per pound, by type; or
- (b) Other price as established by FCIC for each type and contained in the Special Provisions.

**Base contract price** – For the purpose of determining the projected price for peanuts insured under the yield protection plan, the base contract price for farmers' stock peanuts grown for sale under a sheller contract is either:

- (a) The price per pound stipulated in the sheller contract if the sheller contract has a fixed price or a formula that would permit the price to be determined at the time the sheller contract is executed by you and the sheller; or
- (b) The stated option price (converted to a price per pound) stipulated in the sheller contract plus the Marketing Assistance Loan rate per pound if the sheller contract does not contain a fixed price or contains a formula that will not allow the price to be determined at the time the sheller contract is executed by you and the sheller.

The base contract price will be established without regard to any discounts or incentives that may apply and will not exceed the projected price contained in the actuarial documents times a maximum contract price factor as shown in the actuarial documents unless otherwise provided in the Special Provisions. **CCC** – Commodity Credit Corporation, a wholly owned government corporation within USDA.

**Commodity Exchange Price Provisions - (CEPP-PEANUTS)** – In lieu of the definition in the Basic Provisions, a part of the policy that is used for peanuts for which revenue protection is available, regardless of whether you elect revenue protection or yield protection for your peanut crop. This document includes the information necessary

to derive the projected price and the harvest price for the insured crop, as applicable.

**Farmers' stock peanuts** – Picked or threshed peanuts produced in the United States, which are not shelled, crushed, cleaned, or otherwise changed (except for removal of foreign material, loose shelled kernels and excess moisture) from the condition in which peanuts are customarily marketed by producers.

**Green peanuts** – Peanuts that are harvested and marketed prior to maturity without drying or removal of moisture either by natural or artificial means.

**Handler** – A person who is a sheller, a buying point, a marketing association, or has a contract with a sheller or a marketing association to accept all of the peanuts marketed through the marketing association for the crop year. The handler acquires peanuts for resale, domestic consumption, processing, exportation, or crushing through a business involved in buying and selling peanuts or peanut products.

**Harvest** – The completion of digging and threshing and removal of peanuts from the field.

**Harvest price** – In lieu of the definition in the Basic Provisions, the price determined in accordance with the CEPP-PEANUTS and used to value production to count for revenue protection.

**Inspection certificate and calculation worksheet** – A USDA form that records the inspection grading results and marketing record for the net weight of peanuts delivered to a buyer.

**Marketing association** – A cooperative approved by the Secretary of the United States Department of Agriculture to administer payment programs for peanuts.

**Planted acreage** – In addition to the definition in the Basic Provisions, peanuts must initially be planted in a row pattern which permits mechanical cultivation, or that allows the peanuts to be cared for in a manner recognized by agricultural experts as a good farming practice. Acreage planted in any other manner will not be insurable unless otherwise

provided by the Special Provisions or by written agreement.

**Projected price** – In lieu of the definition in the Basic Provisions, the price for each insurable type of peanuts determined in accordance with the CEPP-PEANUTS. The projected price will be used for the insured crop regardless of whether you elect to obtain revenue protection or yield protection for such crop, unless you elect the weighted average projected price applicable to your peanuts grown for sale under a sheller contract.

**Sheller** – Any business enterprise regularly engaged in processing peanuts for human consumption; that possesses all licenses and permits for processing peanuts required by the state in which it operates; and that possesses facilities, or has contractual access to such facilities, with enough equipment to accept and process contracted peanuts within a reasonable amount of time after harvest.

**Sheller contract** – A written agreement:

- (a) Between you and a sheller, or you and a handler, containing at a minimum:
  - (1) Your commitment to plant and grow peanuts, and to deliver the peanut production to the sheller or handler;
  - (2) The sheller's or handler's commitment to purchase all the production stated in the sheller contract; and
  - (3) A base contract price.
- (b) An insured who is also a sheller or handler will be considered to have a qualifying agreement if:
  - (1) Prior to the sales closing date, the Board of Directors or officers of the sheller or handler executes and adopts a resolution that contains the same terms specified in (a)(1) – (3) above; and
  - (2) Our inspection reveals that the processing facilities comply with the definition of a sheller contained in these Crop Provisions.
- (c) If the agreement fails to contain any of these terms, it will not be considered a sheller contract.

**Value per pound** – A price determined by USDA as shown on the USDA "Inspection Certificate and Calculation Worksheet" or other value established by FCIC and contained in the Special Provisions.

**Weighted average projected price** – The price applicable for each insurable type of peanuts:

- (a) Insured under the yield protection plan;

- (b) Grown for sale under a sheller contract;
- (c) That is elected by you; and
- (d) Determined in accordance with section 3(c).

**Yield protection guarantee (per acre)** – In lieu of the definition in the Basic Provisions, when yield protection is selected for a crop that has revenue protection available, the amount determined by multiplying the production guarantee by your projected price or weighted average projected price, as applicable.

## 2. Unit Division.

In accordance with the Basic Provisions, basic, optional and enterprise units are applicable, unless limited by the Special Provisions. Peanuts are not eligible to be insured under a whole farm unit.

## 3. Insurance Guarantees, Coverage Levels, and Prices for Determining Indemnities.

- (a) In addition to the requirements of section 3 of the Basic Provisions, you must elect to insure your peanuts with either revenue protection or yield protection by the sales closing date.
- (b) In addition to section 3(b)(iii) of the Basic Provisions, the percentage of the projected price and weighted average projected price as defined in these Crop Provisions will be the same for all insured peanuts. For example, if you elect 100 percent of the projected price as defined in these Crop Provisions, the same percentage will apply to the weighted average projected price when used for insured peanuts grown for sale under a sheller contract.
- (c) If you have elected the weighted average projected price, such price will be the weighted average of the base contract price(s) and poundage for the insured peanut type grown for sale under a sheller contract(s) and, if applicable, the poundage and projected price, as defined in these Crop Provisions, for the insured peanut type not grown for sale under a sheller contract and any peanuts of the type excluded from the sheller contract at any time during the crop year.

Example: The production guarantee is 100,000 pounds of Spanish peanuts (approved yield of 3333 pounds/acre x 75 percent coverage level x 40 acres). A total of 70,000 pounds is contracted under two sheller contracts (sheller contract 1,

50,000 pounds at \$0.26/pound; sheller contract 2, 20,000 pounds at \$0.24/pound). The remaining 30,000 pounds of the production guarantee are not contracted. The projected price established under the Peanut CEPP, which is the value applied to the non-contracted pounds of the production guarantee, is \$0.24/pound. Contracted production is valued at its respective contract price. The weighted average projected price for the type is \$0.25/pound, calculated as follows:

50,000 lbs. × \$0.26/lb.	=	\$13,000
20,000 lbs. × \$0.24/lb.	=	\$4,800
<u>30,000 lbs. × \$0.24/lb.</u>	=	<u>\$7,200</u>
100,000 lbs.		\$25,000

\$25,000 ÷ 100,000 lbs. = \$0.25/lb.

- (d) The projected price as defined in these Crop Provisions will apply for the type insured under the yield protection plan if the insured type is not grown for sale under a sheller contract.
- (e) If you do not elect the weighted average projected price for the insured type under the yield protection plan, the projected price as defined in these Crop Provisions will apply without regard to any applicable sheller contract.

**4. Contract Changes.**

In accordance with section 4 of the Basic Provisions, the contract change date is November 30 preceding the cancellation date.

**5. Cancellation and Termination Dates.**

In accordance with section 2 of the Basic Provisions, the cancellation and termination dates are:

<u>State and County</u>	<u>Dates</u>
Jackson, Victoria, Goliad, Bee, Live Oak, McMullen, La Salle, and Dimmit Counties, Texas and all Texas counties lying south thereof.	January 31

El Paso, Hudspeth, Culberson, Reeves, Loving, Winkler, Ector, Upton, Reagan, Sterling, Coke, Tom Green, Concho, McCulloch, San Saba, Mills, Hamilton, Bosque, Johnson, Tarrant, Wise, and Cooke Counties, Texas, and all Texas counties south and east thereof; and all other states,

except New Mexico, Oklahoma, and Virginia. February 28

New Mexico, Oklahoma, Virginia, and all other Texas counties. March 15

**6. Report of Acreage.**

In addition to the requirements of section 6 of the Basic Provisions for peanuts insured under the yield protection plan, you must provide a copy of all sheller contracts to us on or before the acreage reporting date if you elect to use the weighted average projected price for your insured peanuts grown for sale under a sheller contract.

**7. [Reserved]**

**8. Insured Crop.**

(a) In accordance with section 8 of the Basic Provisions, the crop insured will be all the peanuts in the county for which a premium rate is provided by the actuarial documents:

- (1) In which you have a share;
- (2) That are planted for the purpose of marketing as farmers' stock peanuts;
- (3) That are a type of peanut designated in the Special Provisions as being insurable;
- (4) That are not (unless allowed by the Special Provisions or by written agreement):
  - (i) Planted for the purpose of harvesting as green peanuts;
  - (ii) Interplanted with another crop; or
  - (iii) Planted into an established grass or legume.

(b) You will be considered to have a share in the insured crop if, under the sheller contract, you retain control of the acreage on which the peanuts are grown, you are at risk of financial loss if there is a production loss, and the sheller contract provides for delivery of the peanuts to the sheller or handler and for a stipulated base contract price.

**9. Insurable Acreage.**

In addition to the provisions of section 9 of the Basic Provisions:

- (a) Any acreage of the insured crop damaged before the final planting date, to the extent that the majority of producers in the area would normally not further care for the crop, must be replanted unless we agree that replanting is not practical.
- (b) We will not insure any acreage:

- (1) On which peanuts are grown using no-till or minimum tillage farming methods unless allowed by the Special Provisions or written agreement; or
- (2) Which does not meet the rotation requirements, if any, contained in the Special Provisions.

**10. Insurance Period.**

In accordance with the provisions of section 11 of the Basic Provisions, the calendar date for the end of the insurance period is the date immediately following planting as follows:

- (a) November 30 in all states except New Mexico, Oklahoma, and Texas; and
- (b) December 31 in New Mexico, Oklahoma, and Texas.

**11. Causes of Loss.**

In accordance with the provisions of section 12 of the Basic Provisions, insurance is provided only against the following causes of loss that occur within the insurance period:

- (a) Adverse weather conditions;
- (b) Fire;
- (c) Insects, but not damage due to insufficient or improper application of pest control measures;
- (d) Plant disease, but not damage due to insufficient or improper application of disease control measures;
- (e) Wildlife;
- (f) Earthquake;
- (g) Volcanic eruption;
- (h) Failure of the irrigation water supply, if due to a cause of loss contained in section 11(a) through (g) that occurs within the insurance period; or
- (i) For revenue protection, a change in the harvest price from the projected price, unless FCIC can prove the price change was the direct result of an uninsured cause of loss specified in section 12(a) of the Basic Provisions.

**12. Replanting Payments.**

- (a) A replanting payment is allowed as follows:
  - (1) In lieu of provisions in section 13 of the Basic Provisions that limit the amount of a replant payment to the actual cost of replanting, the amount of any replanting payment will be determined in accordance with these Crop Provisions;
  - (2) You must comply with all requirements regarding replanting

payments contained in section 13 of the Basic Provisions; and

- (3) The insured crop must be damaged by an insurable cause of loss to the extent that the remaining stand will not produce at least 90 percent of the production guarantee for the acreage and it is practical to replant.
  - (b) The maximum amount of the replanting payment per acre will be \$95.00 multiplied by your insured share.
  - (c) When the insured crop is replanted using a practice that is uninsurable for an original planting, the liability on the unit will be reduced by the amount of the replanting payment. The premium amount will not be reduced.
  - (d) If the acreage is replanted to an insured crop type that is different than the insured crop type originally planted on the acreage:
    - (1) The production guarantee, premium, projected price, weighted average projected price, and harvest price, as applicable, will be adjusted based on the replanted type;
    - (2) Replanting payments will be calculated as provided in section 12 (b); and
    - (3) A revised acreage report will be required to reflect the replanted type.

**13. Duties in the Event of Damage or Loss.**

Representative samples are required in accordance with section 14 of the Basic Provisions.

**14. Settlement of Claim.**

- (a) We will determine your loss on a unit basis. In the event you are unable to provide records of production that are acceptable to us for any:
  - (1) Optional unit, we will combine all optional units for which acceptable records of production were not provided; or
  - (2) Basic unit, we will allocate any commingled production to such units in proportion to our liability for the harvested acreage for the unit.
- (b) In the event of loss or damage covered by this policy, we will settle your claim by:
  - (1) Multiplying the number of insured acres by your respective:
    - (i) Yield protection guarantee (per acre) if you elected yield protection; or

- (ii) Revenue protection guarantee (per acre) if you elected revenue protection;
- (2) Totaling the results of section 14(b)(1)(i) or 14(b)(1)(ii), whichever is applicable;
- (3) Multiplying the production to count by your:
  - (i) Respective projected price (if you elected yield protection, either the projected price or weighted average projected price, as applicable); or
  - (ii) Harvest price if you elected revenue protection;
- (4) Totaling the results of section 14(b)(3)(i) or 14(b)(3)(ii), whichever is applicable;
- (5) Subtracting the result of section 14(b)(4) from the result of section 14(b)(2); and
- (6) Multiplying the result of section 14(b)(5) by your share.

Example: You elected yield protection without a sheller contract and you have 100 percent share in 50 acres of Runner peanuts and 50 acres of Spanish peanuts in the unit with a production guarantee (per acre) of 3,000 pounds for the Runner type and 2,500 pounds for the Spanish type. Your projected price is \$0.23 per pound for the Runner type and \$0.26 per pound for the Spanish type. Your production to count is 80,000 pounds of Runners and 60,000 pounds of Spanish.

Step

- (1) 50 acres x (3,000 pound production guarantee x \$0.23 projected price) = \$34,500.00 value of the production guarantee for the Runner type; 50 acres x (2,500 pound production guarantee x \$0.26 projected price) = \$32,500.00 value of the production guarantee for the Spanish type;
- (2) \$34,500.00 + \$32,500.00 = \$67,000.00 value of the production guarantee;
- (3) 80,000 pound production to count x \$0.23 projected price = \$18,400.00 value of production to count for the Runner type; 60,000

pounds of production to count x \$0.26 = \$15,600.00 value of production to count for the Spanish type;

- (4) \$18,400.00 + \$15,600.00 = \$34,000.00 value of production to count;
- (5) \$67,000.00 - \$34,000.00 = \$33,000.00; and
- (6) \$33,000.00 x 1.000 share = \$33,000.00 indemnity.

Example: You elected yield protection with a weighted average projected price and you have 100 percent share in 25 acres of Spanish peanuts in the unit, with a production guarantee (per acre) of 2,000 pounds (50,000 pounds for the Spanish type). You have two sheller contracts. The first is for 30,000 pounds and the base contract price for this contract is \$0.28 per pound; the second sheller contract is for 10,000 pounds and the base contract price for this contract is \$0.26 per pound. The projected price specified in the actuarial documents for the remaining 10,000 pounds of production guarantee for the Spanish type (non-contracted production) is \$0.26 per pound. Your production to count is 43,000 pounds. The weighted average projected price is \$0.272 per pound [(30,000 pounds x \$0.28) + (10,000 pounds x \$0.26) ÷ 50,000 pounds)].

Step

- (1) 25 acres x (2,000 pound production guarantee x \$0.272 weighted average projected price) = \$13,600.00 value of the production guarantee;
- (2) 43,000 pounds production to count x \$0.272 weighted average projected price = \$11,696.00 value of production to count;
- (3) \$13,600.00 - \$11,696.00 = \$1,904.00; and
- (4) \$1,904.00 x 1.000 share = \$1,904.00 indemnity.

Example: You elected revenue protection and you have 100 percent share in 50 acres of Runner peanuts and 50 acres of Spanish peanuts in

the unit with a production guarantee (per acre) of 3,000 pounds for the Runner type and 2,500 pounds for the Spanish type. Your projected price for the Runner type is \$0.23 per pound and \$0.26 per pound for the Spanish type. Your harvest price for the Runner type is \$0.26 per pound and \$0.30 per pound for the Spanish type. Your production to count is 80,000 pounds of Runners and 60,000 pounds of Spanish.

Step

- (1) 50 acres x (3,000 pound production guarantee x \$0.26 harvest price) = \$39,000.00 revenue protection guarantee for the Runner type; 50 acres x (2,500 pound production guarantee x \$0.30 harvest price) = \$37,500.00 revenue protection guarantee for the Spanish type;
- (2)  $39,000.00 + \$37,500.00 = \$76,500.00$  revenue protection guarantee;
- (3) 80,000 pound production to count x \$0.26 harvest price = \$20,800.00 value of the production to count for the Runner type; 60,000 pound production to count x \$0.30 harvest price = \$18,000.00 value of the production to count for the Spanish type;
- (4)  $\$20,800.00 + \$18,000.00 = 38,800.00$  value of the production to count;
- (5)  $\$76,500.00 - \$38,800.00 = \$37,700.00$ ; and
- (7)  $\$37,700.00 \times 1.000$  share = \$37,700.00 indemnity.

Example: You elected revenue protection with the harvest price exclusion; the acreage and production guarantee by type, projected price, and production to count information from the revenue example apply. The harvest price is \$0.18 per pound for the Runner type and \$0.22 per pound for the Spanish type:

Step

- (1) 50 acres x (3,000 pound production guarantee x \$0.23 projected price) = \$34,500.00

revenue protection guarantee for the Runner type; 50 acres x (2,500 pound production guarantee x \$0.26 projected price) = \$32,500.00 revenue protection guarantee for the Spanish type;

- (2)  $\$34,500.00 + \$32,500.00 = \$67,000.00$  revenue protection guarantee;
- (3) 80,000 pound production to count x \$0.18 harvest price = \$14,400.00 value of the production to count for the Runner type; 60,000 pound production to count x \$0.22 harvest price = \$13,200.00 value of the production to count for the Spanish type;
- (4)  $\$14,400.00 + \$13,200.00 = 27,600.00$  value of the production to count;
- (5)  $\$67,000.00 - \$27,600.00 = \$39,400.00$ ; and
- (6)  $\$39,400.00 \times 1.000$  share = \$39,400.00 indemnity.

(c) The total production to count (in pounds) from all insurable acreage on the unit will include all appraised and harvested production.

(d) All appraised production will include:

- (1) For yield protection, not less than the production guarantee, and for revenue protection, not less than the amount of production that when multiplied by the harvest price equals the revenue protection guarantee (per acre) for acreage:
  - (i) That is abandoned;
  - (ii) Put to another use without our consent;
  - (iii) Damaged solely by uninsured causes; or
  - (iv) For which you fail to provide production records that are acceptable to us.
- (2) Production lost due to uninsured causes;
- (3) Unharvested production (mature unharvested production may be adjusted for quality deficiencies in accordance with section 14(e));
- (4) Potential production on insured acreage that you intend to put to another use or abandon, if you and

we agree on the appraised amount of production. Upon such agreement, the insurance period for the acreage will end when you put the acreage to another use or abandon the crop. If agreement on the appraised amount of production is not reached:

- (i) If you do not elect to continue to care for the crop, we may give you consent to put the acreage to another use if you agree to leave intact, and provide sufficient care for, representative samples of the crop in locations acceptable to us (The amount of production to count for such acreage will be based on the harvested production or appraisals from the samples at the time harvest should have occurred. If you do not leave the required samples intact, or fail to provide sufficient care for the samples, our appraisal made prior to giving you consent to put the acreage to another use will be used to determine the amount of production to count); or
  - (ii) If you elect to continue to care for the crop, the amount of production to count for the acreage will be the harvested production, or our reappraisal if additional damage occurs and the crop is not harvested; and
- (5) All harvested production from the insurable acreage.
- (e) Mature peanuts may be adjusted for quality when production has been damaged by an insured cause of loss if the production has a value per pound less than 90 percent of the average price per pound for the type. The amount of such production will be reduced by:
- (1) Dividing the value per pound for the insured type of peanuts by the applicable average price per pound; and
  - (2) Multiplying this result by the number of pounds of such production.
- (f) To enable us to determine the net weight, value per pound, and the quality of production for any peanuts for which an "Inspection Certificate and Calculation Worksheet" has not been issued:

- (1) We must be given the opportunity to have such peanuts inspected and graded before you dispose of them. We will use the inspection certificate and specified grade to determine the value per pound in accordance with approved procedure.
- (2) If you dispose of any production without giving us the opportunity to have the peanuts inspected and graded, the gross weight of such production will be used in determining total production to count.

**15. Prevented Planting.**

Your prevented planting coverage will be a percentage specified in the actuarial documents of your production guarantee for timely planted acreage. If you have additional levels of coverage and pay an additional premium, you may increase your prevented planting coverage if such additional coverage is specified in the actuarial documents.