United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

**BULLETIN NO: MGR-00-033**

TO: All Reinsured Companies
All Risk Management Field Offices
All Other Interested Parties

FROM: Kenneth D. Ackerman /s/ Ken Ackerman 11-21-00
Administrator

SUBJECT: 2001 Cost-Share Program for Adjusted Gross Revenue (AGR) Insurance in Selected Underserved States

## BACKGROUND:

Section 133(b) of the Agricultural Risk Protection Act of 2000 (the 2000 Act) states that "The Secretary shall provide cost share assistance to producers in a manner determined by the Secretary, in not less than 10, or more than 15, States in which participation in the Federal crop insurance program is historically low, as determined by the Secretary." Among other uses, the 2000 Act authorizes cost-share assistance related to the mitigation of financial risk through production diversification. The 2000 Act authorizes $10 million for the implementation of cost-share programs, of which $2 million has been earmarked to implement the AGR Cost-Share Program outlined in this bulletin.

RMA will offer a cost-share program as an incentive to producers in eleven underserved northeastern states to purchase Adjusted Gross Revenue (AGR) insurance. AGR is a policy that covers all crops grown by the producer and allows for increased coverage based on the increased diversification in the producer's farming operation. Under this cost-share program, RMA will share in 50 percent of the premium cost of a producer's AGR policy. This 50 percent cost-share will be calculated on the premium remaining after the standard premium subsidy for AGR, as authorized under section 508(e) of the Federal Crop Insurance Act, is applied. In addition, RMA will pay the entire administrative fee ($30 per policy) for producers who purchase AGR policies in the eligible states and counties.

This bulletin outlines the implementation of the AGR Cost-Share Program.

**ACTION:**

The AGR Cost-Share Program will be implemented in accordance with the criteria outlined below:

1. The AGR Cost-Share Program will be available for all 2001 AGR policies in the states and counties listed below.

| **State** | **County*** |
|---|---|
| Connecticut | All Counties |
| Delaware | All Counties |
| Maine | All Counties |
| Maryland | Anne Arundel, Baltimore, Baltimore City, Calvert, Caroline, Carroll, Cecil, Charles, Dorchester, Frederick, Harford, Howard, Kent, Montgomery, Prince George's, Queen Anne's, St. Mary's, Somerset, Talbot, Wicomico, and Worcester |
| Massachusetts | All Counties |
| New Hampshire | All Counties |
| New Jersey | All Counties |
| New York | Cayuga, Chautauqua, Erie, Genesee, Monroe, Niagara, Onondaga, Ontario, Orange, Orleans, Oswego, Seneca, Suffolk, Ulster, Wayne, Yates |
| Pennsylvania | Berks, Carbon, Lackawanna, Lehigh, Monroe, Northampton |
| Rhode Island | All Counties |
| Vermont | All Counties |

* The Sales Closing Date for all states with AGR insurance is January 31, 2001

2. All producers purchasing AGR insurance policies in these counties will receive cost-share assistance as given in the schedule below. Under the cost-share, the USDA will pay 50 percent of the producer-paid premium and the $30 administrative fee.

| **Coverage Level** | **Payment Rate** | **Cost-Share Factor** (USDA Share of Producer-Paid Premium) | **Administrative Fee (USDA paid)** |
|---|---|---|---|
| All | All | 50 % | $30 |

3. Reinsured companies must advise agents to inform producers in eligible states of the availability of the AGR Cost-Share Program. Producers must apply for new or modified coverage under AGR not later than the applicable sales closing date, which is January 31, 2001, for all States. No additional application is necessary to qualify for the cost-share program. The cost-share will be applied automatically to all AGR policies for the 2001 crop year in the eligible States and counties.

4. For premium calculation and data submission purposes, reinsured companies are directed to use the field identified as "Additional Subsidy" for applying the cost-share. The calculation of Producer Premium is as follows:

   a) Subsidy = Total Premium * Subsidy Factor

   b) Preliminary Producer Premium = Total Premium - Subsidy

   c) Additional Subsidy = Preliminary Producer Premium * Cost-Share Factor

   d) Producer Premium = Preliminary Producer Premium - Additional Subsidy

5. RMA will provide specific guidance regarding submission of data via updates to Manual-13 following consultation with the industry.

**DISPOSAL:**

This bulletin is effective until December 31, 2001.