
Tobacco quality loss crop insurance

BTGCA established the Tobacco Administrative Grading Service (TAGS) Program beginning in the 2012 crop year

18 SEPTEMBER 2017



Growers make an appointment to have their tobacco graded for quality by calling the TAGS scheduling program toll-free at 855-776-8570.

LEXINGTON, KY — The Burley Tobacco Growers Cooperative Association (BTGCA) was organized in 1921 by a group of tobacco growers in an effort to address the problem of very few buyers and volatile and low prices. The BTGCA was asked to help administer the tobacco program starting the latter part of the 1940 crop. This program was very successful for over 60 years. It would provide for stable prices by adjusting supplies each year. The BTGCA would borrow money from the USDA, process, store, and sell the tobacco, and then repay the loans. The system was very successful when the US had the dominant world market share. However, the system resulted in higher prices each year, which allowed foreign producers to gain a share of production until the program was no longer effective. The goal of eliminating the non-value added cost of leasing and getting the production rights into the hands of the growers resulted in the 2004 buyout known as the Tobacco Transition Payment Program. This provided compensation to both quota holders and growers.

In addition to the cooperative business undertakings, BTGCA was very active in a multitude of tobacco issues, representing tobacco growers as their association. While the BTGCA's role has changed, it continues the important association functions.

The primary membership services to be provided by the association fall into the following major areas:

1. Organization
2. Advocacy
3. Education and research
4. Trade and market promotion
5. Production information and contract support

In 2008, the BTGCA began working with the Risk Management Agency (RMA) on developing a quality tobacco loss crop insurance program. These efforts resulted in establishing the Tobacco Administrative Grading Service (TAGS) when the quality loss program was implemented in the 2012 crop year. An agreement was made between the BTGCA and the Agriculture Marketing Service (AMS) to coordinate with tobacco growers to schedule times and locations for tobacco to be graded for quality loss. The Risk-Management Agency (RMA) adopted special provisions of insurance to require all tobacco seeking a quality claim be graded by AMS. The TAGS scheduling program allowed growers to make an appointment to have their tobacco graded by AMS for quality by calling toll-free 855-776-8570.

Initially, Growers that participated in TAGS were charged 3.5 cents per pound for the tobacco that was graded with 1 cent of that being paid to AMS. That amount is now 4 cents per pound as the AMS fee has increased to 1.5 cents per pound. The balance of 2.5 cents is utilized to manage the program. The Burley Co-op is responsible for administering the funds. AMS fee is required regardless if the grower has paid TAGS or not. TAGS employees do not have access to any grades, weight, or purchases of the tobacco. No U.S. tax dollars are paid to TAGS. The TAGS program does not receive any funding from insurance companies or RMA for grading. The TAGS program is funded entirely by the tobacco growers that participate and was designed to assist the tobacco farmers obtain an eligible quality loss on their crop. The tobacco is weighed on a certified scale; the USDA Grader from AMS puts a grade on each bale, and transmits the grade directly to RMA. AMS notifies TAGS of the pounds graded (but not the grade) for each grower for billing purposes.

The quality loss crop insurance program is separate from the crop production loss insurance program. The production loss program is handled through your Approved Insurance Provider (AIP) and crop adjuster.

The TAGS service is provided for both the flue-cured and burley tobacco industry. In the first year, the program resulted in slightly less than 1 million pounds of tobacco being graded. This increased to 4.08 million pounds in 2013 but jumped to 34.6 million pounds in 2014, 57.9 million pounds in 2015, and 63.7 million pounds in 2016. This past year there were 1,585 total growers that had their tobacco graded. Flu Cured Growers accounted for 596 of those and Burley Growers 989.

The TAGS Program has paid AMS over 1.9 million dollars since the program began to reimburse them for a portion of the expenses they incur for Graders to grade the tobacco.

Crop insurance fraud has recently been in the news, and some modifications to the program have been made. The Burley Co-op has met with RMA and AMS in Kansas City to discuss the program due to reported abuses. The BTGCA board made several recommendations in these meetings to improve the program and contain abuse.

As a result of these meetings, the following modifications were made by RMA in their special provisions for the 2016 crop year:

Final Harvest Date (NOTE – Applies to Burley Only)

Your tobacco must be harvested, and placed in a storage facility to cure no later than October 20. You must notify us (RMA through your AIP) in writing no later than October 10 if you do not intend to harvest any of your tobacco acreage. Any tobacco acreage that is not harvested, and placed in a storage facility by October 20:

1. Will not be eligible for quality adjustment;
2. That is damaged by an insurable cause of loss prior to October 20 must be appraised by us (RMA adjuster) or will be considered to have been damaged solely by uninsured causes. The appraisal will be used to determine any production loss you may be due. The appraisal must occur no later than October 20; and
3. Damage that occurs after October 20 will not be insurable.

The following will apply to any tobacco graded as N1F, N1G, N2G, N1L, N2L, N1R, N2R, NO-G or S-Scrap: Any production which due to insurable causes is assigned the corresponding grade will be considered to have zero market value. Such production will not be considered production to count if the production is destroyed in a manner acceptable to us (RMA). If you choose not to destroy such production, no adjustment will be made to production to count for quality.

These changes should provide some much-needed improvement but there is still much to be done. The Burley Co-op continues to have dialogue with RMA and AMS to work toward enhancement of the program. As a result, for the 2018 crop year the burley final harvest date will change to October 10th. Other proposals are also being considered.

The BTGCA is proud to be part of the rich tradition of Kentucky's independent, resourceful tobacco farmers that form the foundation of our rural communities. BTGCA is dedicated to providing opportunities to allow its members and their families to continue the tradition, quality and excellence that are the foundation of U.S. Burley, the gold standard of burley tobacco.

To learn more about the BTGCA visit the website, www.burleytobacco.com.

— Burley Tobacco Growers Cooperative