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DEPARTMENT OF AGRICULTURE

Federal Crop Insurance Corporation

7 CFR Part 457

Docket No. FCIC-13-0002

RIN 0563-AC41

Common Crop Insurance Regulations; Extra Long Staple Cotton Crop Provisions.

AGENCY: Federal Crop Insurance Corporation, USDA.

ACTION: Final rule.

SUMMARY: The Federal Crop Insurance Corporation (FCIC) finalizes amendments made to the Common Crop Insurance Regulations, Extra Long Staple Cotton Crop Insurance Provisions to make the Extra Long Staple (ELS) Cotton Crop Insurance Provisions consistent with the Upland Cotton Crop Insurance Provisions and to allow a late planting period. The intended effect of this action is to provide policy changes to better meet the needs of the producers. The changes will be effective for the 2014 and succeeding crop years.

DATES: This rule is effective (Insert date of publication in the Federal Register).

FOR FURTHER INFORMATION CONTACT: Tim Hoffmann, Director, Product Administration and Standards Division, Risk Management Agency, United States Department of Agriculture, Beacon Facility, Stop 0812, Room 421, P.O. Box 419205, Kansas City, MO, 64141-6205, telephone (816) 926-7730.

SUPPLEMENTARY INFORMATION:

Executive Order 12866

The Office of Management and Budget (OMB) has determined that this rule is not-

significant for the purpose of Executive Order 12866 and, therefore, it has not been reviewed by OMB.

#### Paperwork Reduction Act of 1995

Pursuant to the provisions of the Paperwork Reduction Act of 1995 (44 U.S.C. chapter 35), the collections of information in this rule have been approved by OMB under control number 0563-0053.

#### E-Government Act Compliance

FCIC is committed to complying with the E-Government Act of 2002, to promote the use of the Internet and other information technologies to provide increased opportunities for citizen access to Government information and services, and for other purposes.

#### Unfunded Mandates Reform Act of 1995

Title II of the Unfunded Mandates Reform Act of 1995 (UMRA) establishes requirements for Federal agencies to assess the effects of their regulatory actions on State, local, and tribal governments and the private sector. This rule contains no Federal mandates (under the regulatory provisions of title II of the UMRA) for State, local, and tribal governments or the private sector. Therefore, this rule is not subject to the requirements of sections 202 and 205 of UMRA.

#### Executive Order 13132

It has been determined under section 1(a) of Executive Order 13132, Federalism, that this rule does not have sufficient implications to warrant consultation with the States. The provisions contained in this rule will not have a substantial direct effect on States, or on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government.

## Executive Order 13175

This rule has been reviewed in accordance with the requirements of Executive Order 13175, Consultation and Coordination with Indian Tribal Governments. The review reveals that this regulation will not have substantial and direct effects on Tribal governments and will not have significant Tribal implications.

## Regulatory Flexibility Act

FCIC certifies that this regulation will not have a significant economic impact on a substantial number of small entities. Program requirements for the Federal crop insurance program are the same for all producers regardless of the size of their farming operation. For instance, all producers are required to submit an application and acreage report to establish their insurance guarantees and compute premium amounts, and all producers are required to submit a notice of loss and production information to determine the amount of an indemnity payment in the event of an insured cause of crop loss. Whether a producer has 10 acres or 1000 acres, there is no difference in the kind of information collected. To ensure crop insurance is available to small entities, the Federal Crop Insurance Act authorizes FCIC to waive collection of administrative fees from limited resource farmers. FCIC believes this waiver helps to ensure that small entities are given the same opportunities as large entities to manage their risks through the use of crop insurance. A Regulatory Flexibility Analysis has not been prepared since this regulation does not have an impact on small entities, and therefore, this regulation is exempt from the provisions of the Regulatory Flexibility Act (5 U.S.C. 605).

## Federal Assistance Program

This program is listed in the Catalog of Federal Domestic Assistance under No. 10.450.

## Executive Order 12372

This program is not subject to the provisions of Executive Order 12372, which require intergovernmental consultation with State and local officials. See the Notice related to 7 CFR part 3015, subpart V, published at 48 FR 29115, June 24, 1983.

## Executive Order 12988

This rule has been reviewed in accordance with Executive Order 12988 on civil justice reform. The provisions of this rule will not have a retroactive effect. The provisions of this rule will preempt State and local laws to the extent such State and local laws are inconsistent herewith. With respect to any direct action taken by FCIC or action by FCIC to require the insurance provider to take specific action under the terms of the crop insurance policy, the administrative appeal provisions published at 7 CFR part 11 must be exhausted before any action against FCIC for judicial review may be brought.

## Environmental Evaluation

This action is not expected to have a significant economic impact on the quality of the human environment, health, or safety. Therefore, neither an Environmental Assessment nor an Environmental Impact Statement is needed.

## Background

This rule finalizes changes to the Common Crop Insurance Regulations (7 CFR part 457), Extra Long Staple Cotton Crop Insurance Provisions (7 CFR 457.105) that were published by FCIC on July 05, 2013, as a notice of proposed rulemaking in the Federal Register 78 FR 47214. The public was afforded 30 days to submit comments after the regulation was published in the Federal Register.

A total of 18 comments were received from 4 commenters. The commenters were two insurance providers, an insurance service organization, and a producer organization.

The public comments received regarding the proposed rule and FCIC's responses to the comments are as follows:

#### General

Comment: A commenter stated they support the proposed regulation.

Response: FCIC thanks the commenter for their review of the proposed rule and their support.

#### Section 9 – Duties in the Event of Loss or Damage

Comment: Several commenters asked if it was intentional to reverse the heading from "...Damage or Loss", to "...Loss or Damage", and if so, why, since section 9(a) retains the phrase "damage or loss".

Response: The change was unintentional. FCIC agrees and has changed the heading to "Duties in the Event of Damage or Loss".

Comment: Several commenters questioned the need for the provision which requires stalks to be left to allow for a visual inspection. Commenters realized that the proposed language in this section is identical to the language in the Cotton Crop Provisions with regard to leaving the stalks so a stalk inspection can be made. However, commenters requested whether consideration should be given that with modern harvesting equipment, the requirement to visually inspect the crop to make sure the stalk was cleanly harvested is not much of an issue anymore. Commenters stated that various university extension agencies recommend cotton stalks be destroyed as soon as possible after the crop has been harvested. Commenters believe

the provision is unnecessary and difficult to administer. If the ELS Cotton Crop Provisions does change, they request the Cotton Crop Provisions make the same change.

Response: FCIC believes the ability to do a stalk inspection is important for purposes of program integrity. During large claim reviews, FCIC found multiple units with no discernible break between the irrigated and non-irrigated units, and sometimes found planting and harvesting continuing across unit lines, which results the acreage not qualifying for optional units. Without a stalk inspection, it may not have been possible to identify these discrepancies. Also, if a stalk inspection shows the insured did not completely harvest the field, then the production left in the field is considered production from an uninsurable cause of loss. FCIC has reviewed the stock inspection procedure and found stalk inspections are still an important part of the cotton crop insurance program to reduce possible abuse in the program. Loss adjusters are given flexibility to give written consent to the insured to destroy stalks without a stalk inspection on a case-by-case basis. No change has been made in the final rule.

Comment: Several commenters suggested deleting the phrase "...and required samples must not be harvested, ..." in section 9(a)(2) because that is covered in the Basic Provisions. One commenter agreed with the phrase.

Response: FCIC disagrees with removing the phrase. The provision applies to both stalk inspections and samples, which are two separate issues because the stalk inspection is post-harvest and the samples left for quality adjustment are pre-harvest. Removing the language pertaining to samples will likely increase confusion because it will be unclear if the policy provisions pertain to stalk inspections or samples. This cotton provision applies to stalks and samples, where the section in the Basic Provisions only applies to samples. Leaving the

language for both stalk inspections and samples in the same provision as proposed makes loss procedures easier to understand. No change has been made in the final rule.

#### Section 11 – Late Planting

Comment: Several commenters are concerned with placing the late planting period in the Special Provisions. Commenters are unsure where this provision will apply, what the reduction will be and how long the late planting period will be. They requested FCIC publish this type of information in the proposed and final rule.

Response: The determination of where and how late planting will be applied is meant to be tailored regionally, as is it may not be appropriate to include a late planting period in all areas where ELS cotton crop insurance is available. Placing the late planting period availability in the Special Provisions provides FCIC the flexibility to add a late planting period in areas where it may be deemed appropriate. FCIC will use the Cooperative Extension System or other industry experts to determine if a late planting period may be deemed appropriate and actuarially sound. No change has been made in the final rule.

Comment: Several commenters asked how they will know if the late planting period is different than shown in the table for crops in the Crop Insurance Handbook (CIH).

Response: The option for providing a late planting period will be specified in the Special Provisions, which are a part of the insurance contract and provided to insureds annually. The CIH also includes a footnote saying “Crop Provisions may indicate a different percentage coverage reduction and/or the Crop Provisions or Special Provisions may modify the number of days contained in the late planting period.” Other crops already alter late planting periods and coverage through the Special Provisions. No change has been made in the final rule.

## Section 12 – Prevented Planting

Comment: Several commenters requested changes to the prevented planting language, but understood it could not be changed until another proposed rule.

Response: FCIC agrees this was not proposed and a change cannot be made at this time.

Good cause is shown to make this rule effective less than 30 days after publication in the Federal Register. Good cause to make a rule effective less than 30 days after publication in the Federal Register exists when the 30-day delay in the effective date is impracticable, unnecessary, or contrary to the public interest.

With respect to the provisions of this final rule, it would be contrary to the public interest to delay its implementation because public interest is served by implementing the ELS Cotton Provisions because it enhances coverage and increases program integrity because it: (1) adds a late planting period, for areas determined to be applicable, for ELS cotton by Special Provision; and (2) clarifies stalk inspection and claims to make it the same as Cotton Crop Provisions. Delaying the implementation of these provisions, which make a sounder, more stable program, would be contrary to the public interest.

If FCIC is required to delay the implementation of this rule until 30 days after the date of publication, the provisions of this rule could not be implemented until the 2015 crop year for those crops having a contract change date prior to the effective date of this publication.

For the reasons stated above, good cause exists to make these policy changes effective upon publication in the Federal Register.

List of Subjects in 7 CFR Part 457

Crop insurance, Extra long staple cotton, Reporting and recordkeeping requirements.

Final Rule

Accordingly, as set forth in the preamble, the Federal Crop Insurance Corporation amends 7 CFR part 457 effective for the 2014 and succeeding crop years as follows:

**PART 457- COMMON CROP INSURANCE REGULATIONS**

1. The authority citation for 7 CFR part 457 continues to read as follows:

Authority: 7 U.S.C. 1506(1), 1506(o).

2. Amend § 457.105 as follows:

a. Amend the introductory text by removing “2012” and adding “2014” in its place;

b. Revise section 9; and

c. Revise section 11.

The revisions read as follows:

**§ 457.105 Extra long staple cotton crop insurance provisions.**

\* \* \* \* \*

9. Duties in the Event of Damage or Loss.

(a) In addition to your duties under section 14 of the Basic Provisions, in the event of damage or loss:

(1) You must give us notice if you intend to replant any acreage originally planted to ELS cotton to AUP cotton.

(2) The cotton stalks must remain intact for our inspection. The stalks must not be destroyed, and required samples must not be harvested, until the earlier of our inspection or 15

days after harvest of the balance of the unit is completed and written notice of probable loss is given to us.

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

\* \* \* \* \*

11. Late Planting.

(a) A late planting period is applicable to ELS cotton, if allowed by the Special Provisions.

(b) If the Special Provisions do not provide for a late planting period, any ELS cotton that is planted after the final planting date will not be insured unless you were prevented from planting it by the final planting date. Such acreage will be insurable, and the production guarantee and premium for the acreage will be determined in accordance with section 16 of the Basic Provisions.

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Signed in Washington, D.C., on \_November 21, 2013\_\_\_\_\_.

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Brandon Willis  
Manager  
Federal Crop Insurance Corporation

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