s. Revise section 24(e) to read as follows:

* * * * *

For reinsured policies

24. Amounts Due Us

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(e) Amounts owed to us by you may be collected through administrative offset from payments you receive from United States government agencies in accordance with 31 U.S.C. chapter 37.

* * * * *

t. Amend section 34 of the Basic Provisions by redesignating sections 34(a) through 34(d) as sections 34(b) through 34(e) respectively, and adding a new section 34(a) to read as follows:

* * * * *

34. Unit Division

(a) You may elect an enterprise unit or a whole farm unit if the Special Provisions allow such unit structure, subject to the following:

(1) You must make such election on or before the earliest sales closing date for the insured crops and report such unit structure to us in writing. Your unit selection will remain in effect from year to year unless you notify us in writing by the applicable sales closing date for the crop year for which you wish to cancel this election;

(2) For enterprise units, you must report the acreage for each basic unit that comprises the enterprise unit on your acreage report;

(3) For a whole farm unit, you must report the acreage for each basic unit for each crop produced in the county that comprises the whole farm unit on your acreage report;

(4) Although you may insure all of your crops under one policy as a whole farm unit, you will be required to pay separate applicable administrative fees for each crop (Since enterprise units are by separate crop, you will have to pay all applicable administrative fees for each crop); and

(5) These units may not be further divided except as specified herein or in section 3(c)(4).

* * * * *

Signed in Washington, D.C., on September 25, 1998.

John Zirschky,

Acting Manager, Federal Crop Insurance Corporation.

[FR Doc. 98–26201 Filed 9–28–98; 9:10 am]

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DEPARTMENT OF AGRICULTURE

Federal Crop Insurance Corporation

7 CFR Part 457

RIN 0563–AB62

Common Crop Insurance Regulations; Cotton and ELS Cotton Crop Insurance Provisions

AGENCY: Federal Crop Insurance Corporation, USDA.

ACTION: Proposed rule.

SUMMARY: The Federal Crop Insurance Corporation (FCIC) proposes to amend the Cotton Crop Insurance Provisions and the Extra Long Staple (ELS) Cotton Crop Insurance Provisions for the 1999 and succeeding crop years to: Provide a replant payment if the insured crop is damaged by excess moisture, hail, or blowing sand or soil and is replanted; revise the quality adjustment formula used to calculate the amount of production to count for cotton and ELS cotton; and provide a prevented planting coverage level of 50 percent of the insured's production guarantee for timely planted acreage. The intended effect of this action is to create a policy that best meets the needs of the insured.

DATES: Written comments and opinions on this proposed rule will be accepted until close of business October 13, 1998, and will be considered when the rule is to be made final.

ADDRESSES: Interested persons are invited to submit written comments to the Director, Product Development Division, Federal Crop Insurance Corporation, U.S. Department of Agriculture, 9435 Holmes Road, Kansas City, MO 64131. A copy of each response will be available for public inspection and copying from 7:00 a.m. to 4:30 p.m., CDT, Monday through Friday, except holidays, at the above address.

FOR FURTHER INFORMATION CONTACT: For further information and a copy of the cost-benefit analysis to the Common Crop Insurance Regulations; Cotton and ELS Cotton Crop Insurance Provisions, contact Stephen Hoy, Insurance Management Specialist, Research and Development, Product Development Division, Federal Crop Insurance Corporation, at the Kansas City, MO, address listed above, telephone (816) 926–7730.

SUPPLEMENTARY INFORMATION:

Executive Order 12866

The Office of Management and Budget (OMB) has determined this proposed rule to be significant and, therefore, has been reviewed by OMB.

Cost-Benefit Analysis

A Cost-Benefit Analysis has been completed and is available to interested persons at the Kansas City address listed above. In summary, the analysis finds that the proposed rule makes major changes to the Cotton and ELS Cotton Crop Insurance Provisions which would benefit producers by increasing existing Multiple-Peril Crop Insurance coverage. Specifically, the rule: (1) Provides a replant payment for cotton and ELS cotton damaged or destroyed by excess moisture, hail, or blowing sand or soil; (2) modifies the quality adjustment procedure used when mature white cotton or mature ELS cotton has been damaged by insured causes; and (3) increases the prevented planting coverage payment rate to 50 percent for cotton and ELS cotton.

These proposed changes are expected to add $36 to $43 million to aggregate losses and premiums. Producer premium subsidies and administrative subsidies are proportions of the actuarially based premiums; thus increases in premiums lead to increases in outlays for subsidies. The total increase in Government outlays due to provisions of this regulation, including the full effect of prevented planting coverage, is expected to be $32 to $38 million. About $21 to $25 million would be for producer premium subsidies, $8 to $10 million for administrative subsidies, and about $3 million for underwriting costs.

Paperwork Reduction Act of 1995

The provisions contained in this rule contain information collections that require clearance by the Office of Management and Budget (OMB).

This rule proposes to amend the information collection requirements previously approved by OMB under OMB control number 0563–0053 through October 31, 2000. This rule provides a replant payment if the insured crop is damaged by excess moisture, hail, or blowing sand or soil and is replanted. Information will need to be collected with respect to the number of acres replanted in order to calculate a replant payment. In addition, the proposed rule revises the provision used to determine the amount of production to count for cotton and ELS cotton that is eligible for quality adjustment, and proposes a prevented planting coverage of 50 percent for cotton and ELS cotton for 1999 and subsequent crop years. All of the forms cleared under OMB control number 0563–0053 represent the minimum information necessary to determine eligibility and losses qualifying for a payment due to cotton and ELS cotton coverage.

Due to the necessity of implementing the rule beginning with the 1999 crop year, the Agency has requested emergency clearance of the information collections associated with this rule from OMB by September 8, 1998. A **Federal Register** notice soliciting public comment in conjunction with a regular information collection approval package was published in the **Federal Register** on September 25, 1998.

Unfunded Mandates Reform Act of 1995

Title II of the Unfunded Mandates Reform of 1995 (UMRA), Public Law 104–4, 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 the UMRA.

Executive Order 12612

It has been determined under section 6(a) of Executive Order No. 12612, Federalism, that this rule does not have sufficient federalism implications to warrant the preparation of a Federalism Assessment. The provisions contained in this rule will not have a substantial direct effect on States or their political subdivisions or on the distribution of power and responsibilities among the various levels of government.

Regulatory Flexibility Act

This regulation will not have a significant economic impact on a substantial number of small entities. New provisions included in this rule will not impact small entities to a greater extent than large entities. All producers, regardless of size, are eligible for the replant payment and will be required to report the number of acres replanted and the cause of loss. The amount of work required of the insurance companies delivering and servicing these policies will increase somewhat from the amount of work currently required. However, insurance providers will be compensated for any increase because additional premium will be charged for the expanded coverage, and insurance providers are compensated through a percentage of the net book premium. Therefore, this action is determined to be exempt from the provisions of the Regulatory Flexibility Act (5 U.S.C. 605), and no Regulatory Flexibility Analysis was prepared.

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 proposed 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. 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, and safety. Therefore, neither an Environmental Assessment nor an Environmental Impact Statement is needed.

National Performance Review

This regulatory action is being taken as part of the National Performance Review Initiative to eliminate unnecessary or duplicative regulations and improve those that remain in force.

Background

FCIC proposes to amend the Common Crop Insurance Regulations (7 CFR part 457) by revising 7 CFR 457.104 and 7 CFR 457.105 effective for the 1999 and succeeding crop years. The principal changes to the provisions for insuring cotton and ELS cotton are as follows:

1. Section 9—Add a new section 9 to provide a replant payment for cotton and ELS cotton damaged by excess moisture, hail, or blowing sand or soil 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 (sections that succeed the new replant payment section are renumbered to accommodate this change). The current Cotton Crop Provisions and ELS Cotton Crop Provisions do not provide a replant payment if the crop is damaged to the extent that replanting is necessary. Concerns were expressed to FCIC that the absence of a replant payment for cotton, which requires the producer to replant the crop without compensation, is inconsistent with other major commodities. Failure to replant means that insurance does not attach.

Replanting coverage will be limited to crop damage caused by excess moisture, hail, or blowing sand or soil. While these are not the only natural perils that cause cotton to be replanted, they are perils that often cause replanting in the cotton growing areas. Planting during or after a dry period (sometimes termed ''dusting-in'') may result in the need to replant if the cotton seed does not germinate; however, this practice will not be covered under the replant provision. Limiting replant payments to excess moisture, hail, and blowing sand or soil will have a lesser impact on premium rate increases than what may result if additional perils that occur with greater frequency, such as dry weather, were included. This proposed rule provides meaningful replanting coverage for cotton producers while maintaining a sound insurance program, particularly in areas where ''dusting-in'' is a common practice.

2. Section 11—Change the adjustment for quality when mature white cotton or mature ELS cotton has been damaged by insured causes. The current provisions specify that the quality adjustment factor is calculated using 75 percent of the price quotation for the applicable growth area for cotton of the color and leaf grade, staple length, and micronaire reading (for ELS cotton the grade, staple length, and micronaire reading) contained in the Special Provisions for this purpose (price quotation ''B''). This rule revises the quality adjustment factor by using 100 percent of the price quotation ''B.'' Using 100 percent of price quotation ''B'' to calculate the quality adjustment factor for cotton and ELS cotton makes the production to count calculation comparable to most other crops that have adjustments for quality. The requirement that price quotation ''A'' must be less than 75 percent of price quotation ''B'' to be eligible for quality adjustment is not changed. In addition, ELS cotton price quotations ''A'' and ''B'' will be determined from the Daily Spot Cotton Quotation rather than the Weekly Cotton Market Review to more accurately reflect the value of ELS cotton production.

3. Section 12 of the Cotton Crop Provisions and section 13 of the ELS Cotton Crop Provisions—Change the prevented planting coverage to 50 percent of the insured's production guarantee for timely planted acreage. Prevented planting coverage is designed to reimburse producers for the costs incurred during the preplant period if the intended crop cannot be planted. FCIC relied on an analysis performed by the Economic Research Service (ERS) as the basis for establishing 45 percent as the prevented planting coverage rate for cotton and ELS cotton for the 1998 crop year.

Concerns were expressed to FCIC that the prevented planting percentage for cotton is not comparable to other crops even though pre-planting costs per acre for cotton are similar to other crops, such as corn; therefore, the prevented planting percentage should be increased. However, policy compatibility is not relevant to the amount offered. The only question is the sufficiency of the payment for the purpose stated. Concerns were also expressed that the price election used to determine the recommended prevented planting percentage in the ERS study was not reflective of the actual price election for cotton in past years. After further analyses using updated price elections, FCIC determined that a prevented planting coverage level of 50 percent of the insured's production guarantee for timely planted acreage could be offered for cotton beginning with the 1999 crop year. If the insured has limited or additional levels of coverage and pays an additional premium, the prevented planting coverage level may be increased to 55 or 60 percent.

This policy will be rated appropriately for the coverage provided.

List of Subjects in 7 CFR Part 457

Crop insurance, Cotton, ELS cotton.

Proposed Rule

Accordingly, as set forth in the preamble, the Federal Crop Insurance Corporation, proposes to amend 7 CFR part 457 as follows:

PART 457—COMMON CROP INSURANCE REGULATIONS; REGULATIONS FOR THE 1998 AND SUBSEQUENT CROP YEARS

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

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

2. In § 457.104 redesignate sections 9 through 11 of the insurance provisions as 10 through 12, add a new section 9, and revise redesignated sections 11(d) and 12(b) to read as follows:

§ 457.104 Cotton Crop Insurance Provisions.

* * * * *

9. Replanting Payments

(a) In accordance with section 13 of the Basic Provisions, a replanting payment is allowed if the insured crop is damaged by excess moisture, hail, or blowing sand or soil 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 for the unit will be the lesser of:

(1) Twenty dollars ($20.00) per acre multiplied by the number of acres replanted, multiplied by your insured share; or

(2) Ten percent (10%) of the production guarantee per acre multiplied by your price election, multiplied by the number of acres replanted, multiplied by your insured share.

(c) When the cotton is replanted using a practice or type that is uninsurable as an original planting, the liability for the unit will be reduced by the amount of the replanting payment. The premium amount will not be reduced.

* * * * *

11. Settlement of Claim

* * * * *

(d) Mature white cotton may be adjusted for quality when production has been damaged by insured causes. Unless otherwise provided by the Special Provisions, such production to count will be reduced if the price quotation for cotton of like quality (price quotation ''A'') for the applicable growth area is less than 75 percent of price quotation ''B.'' Price quotation ''B'' is defined as the price quotation for the applicable growth area for cotton of the color and leaf grade, staple length, and micronaire reading designated in the Special Provisions for this purpose. Price quotations ''A'' and ''B'' will be the price quotations contained in the Daily Spot Cotton Quotations published by the USDA Agricultural Marketing Service on the date the last bale from the unit is classed. If not available on the date the last bale was classed, the price quotations will be determined on the date the last bale from the unit was delivered to the warehouse, as shown on the insured's account summary obtained from the gin. If eligible for quality adjustment, the amount of production to be counted will be determined by multiplying the number of pounds of production eligible for such adjustment by the factor derived from dividing price quotation ''A'' by price quotation ''B.''

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12. Prevented Planting

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(b) Your prevented planting coverage will be 50 percent of your production guarantee for timely planted acreage. If you have limited or additional levels of coverage, as specified in 7 CFR part 400, subpart T, and pay an additional premium, you may increase your prevented planting coverage to a level specified in the actuarial documents.

3. In § 457.105 redesignate sections 9 through 12 of the insurance provisions as 10 through 13, add a new section 9, and revise redesignated sections 11(d) and 13(b) to read as follows:

§ 457.105 ELS Cotton Crop Insurance Provisions.

* * * * *

9. Replanting Payments

(a) In accordance with section 13 of the Basic Provisions, a replanting payment is allowed if the insured crop is damaged by excess moisture, hail, or blowing sand or soil 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 for the unit will be the lesser of:

(1) Twenty dollars ($20.00) per acre multiplied by the number of acres replanted, multiplied by your insured share; or

(2) Ten percent (10%) of the production guarantee per acre multiplied by your price election, multiplied by the number of acres replanted, multiplied by your insured share.

(c) When the cotton is replanted using a practice or type that is uninsurable as an original planting, the liability for the unit will be reduced by the amount of the replanting payment. The premium amount will not be reduced.

* * * * *

11. Settlement of Claim

* * * * *

(d) Mature ELS cotton production may be adjusted for quality when production has been damaged by insured causes. Unless otherwise provided by the Special Provisions, such production to count will be reduced if the price quotation for ELS cotton of like quality (price quotation ''A'') for the applicable growth area is less than 75 percent of price quotation ''B.'' Price quotation ''B'' is defined as the price quotation for the applicable growth area for ELS cotton grade, staple length, and micronaire reading designated in the Special Provisions for this purpose. Price quotations ''A'' and ''B'' will be the price quotations contained in the Daily Spot Cotton Quotations published by the USDA Agricultural Marketing Service on the date the last bale from the unit is classed. If not available on the date the last bale was classed, the price quotations will be determined on the date the last bale from the unit was delivered to the warehouse, as shown on the insured's account summary obtained from the gin. If eligible for quality adjustment, the amount of production to be counted will be determined by multiplying the number of pounds of production eligible for such adjustment by the factor derived from dividing price quotation ''A'' by price quotation ''B.''

* * * * *

13. Prevented Planting

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(b) Your prevented planting coverage will be 50 percent of your production guarantee for timely planted acreage. If you have limited or additional levels of coverage, as specified in 7 CFR part 400, subpart T, and pay an additional premium, you may increase your prevented planting coverage to a level specified in the actuarial documents.

Signed in Washington, DC, on September 28, 1998.

Kenneth D. Ackerman,

Manager, Federal Crop Insurance Corporation.

[FR Doc. 98–26257 Filed 9–28–98; 1:51 pm]

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