

United States
Department of
Agriculture



Risk
Management
Agency



Product
Development
Division

FCIC 24170
(August 2005)

CALIFORNIA AVOCADO PILOT PROGRAM INSURANCE UNDERWRITING GUIDE

2007 and Succeeding Crop Years

Underwriting Standards for Catastrophic (CAT),
and Additional Coverage Multiple Peril Crop
Insurance (MPCI) Contracts

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**UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250**

FEDERAL CROP INSURANCE CORPORATION DIRECTIVE		NUMBER: 24170
SUBJECT: CALIFORNIA AVOCADO PILOT PROGRAM INSURANCE UNDERWRITING GUIDE 2007 AND SUCCEEDING CROP YEARS	DATE: August 2005	
	OPI: Product Development Division	
	APPROVED: <i>/S/ Tim B. Witt</i>	

This underwriting guide contains the official FCIC approved underwriting instructions under policy 20020019 for the 2007 and succeeding crop years. The instructions in this guide are effective upon issuance and are not retroactive to any previous crop year determinations completed prior to the approval date of this guide. All reinsured companies will utilize these standards for both underwriting and training unless a company has developed and FCIC has approved procedures applicable for that company.

1 PURPOSE

To provide instructions for establishing crop insurance coverage in accordance with the California Avocado Pilot Program Crop Provisions (20020019), and as a supplement to the Crop Insurance Handbook (FCIC 18010) and any other issuance that may be referenced herein.

I Effective Date

Upon approval for the November 30, 2005 sales closing date for the 2007 crop year.

DISTRIBUTION: Risk Management Agency Directors, Branch Chiefs, Washington, D.C., and Kansas City; Regional and Risk Compliance Field Offices; Reinsured Companies, National Appeals Division, National Crop Insurance Services and Crop Insurance Research Bureau.

2 STANDARDS AND INSTRUCTIONS

I General Information

In general, the FCIC 18010 Crop Insurance Handbook (CIH) applies to the California Avocado Pilot Insurance Program. Exceptions, changes, and additions are referenced in this guide.

All procedures, rules, and requirements for California Avocados will follow the Category C crop procedures in Section 7 of the Crop Insurance Handbook (CIH) except for the

differences indicated here and on the CIH Comparison & Reference Guide.

NOTE: IF A CONFLICT EXISTS BETWEEN THE LANGUAGE OF THIS GUIDE AND THE CROP INSURANCE HANDBOOK (CIH), THE LANGUAGE OF THIS GUIDE WILL CONTROL.

3 CHANGES AND ADDITIONS TO THE CROP INSURANCE HANDBOOK (CIH)
Changes and additions to the FCIC 18010 Crop Insurance Handbook (CIH) for the California Avocado Pilot Program are described in this section.

I Supporting Records

- A Acceptable Supporting Records: Pool statements, pool summary statements, pack statements or year-end settlement sheets must show paid pounds of Avocados including Standard and No. 3 grades.
- B Avocado records are not available by the cancellation date for the most recent crop year. Therefore, there is a one-year lag in the database; for example, production reports through the 2005 crop year are required for the 2007 crop year.

II Pre-Acceptance Field Inspection and Risk Management Agency (RMA) Regional Office (RO) Approved Yield Selection Criteria

- A In lieu of Section 7F(2) of the CIH the following changes are applicable:
 - F(2) Pre-Acceptance Field Inspection and RMA RO Approved Yield Selection Criteria. Pre-Acceptance Perennial Crop Inspection Reports and RMA RO Approved Yields are mandatory unless modified by the Regional Office Guidelines:
 - (2)(a) On a contract (by crop by county) basis if the insurable avocado acreage in the county exceeds 250 acres.
 - (2)(b) For any block or unit (irrespective of acreage) which:
 - 1 High variability of revenues is indicated as shown on the following revenue variance table:

Number of Times the Annual Revenue is less than 75 percent of the Average Revenue	<u>Verifiable Records</u>
2	4 or 5
3	6 or 7
4	8 – 1

For blocks or units that meet the above table apply the following additional test. If the most recent crop year's annual revenue (e.g. 2005) is less than or equal to 75 percent of the average revenue AND the previous crop year's annual revenue (e.g.

2004) is equal to or greater than 125 percent of the average revenue, the AIP must use the most recent 5 years average for the database (4 when less than 5 are available), in performing an additional test. In addition to the most recent year 1 being less than or equal to 75 percent of the average and year 2 being greater than or equal to 125 percent of the average, year 3 must be less than or equal to 75 percent of the average and year 4 greater than or equal to 125 percent of the average.

- a The following formula will be used to calculate the approved revenue for blocks or units meeting the above criteria:
 - i Multiply the per-acre average for the most recent four years in the database by 0.5.
 - ii Multiply the per-acre average of the two lowest per acre revenues in the most recent four years of the database by 0.5.
 - iii Sum the results of steps i and ii for the approved insurance provider (AIP) authorized approved revenue, unless otherwise provided by RMA RO guidelines.

- b If the most recent crop year's per-acre revenue is greater than or equal to 125 percent of the average revenue and the prior crop year's per-acre revenue is equal to or less than 75 percent of the average revenue, the AIP must use the most recent 5 years average for the database (4 when less than 5 are available), in performing an additional test. In addition to the most recent year 1 being greater than or equal to 125 percent of the average and year 2 being less than or equal to 75 percent of the average, year 3 must be greater than or equal to 125 percent of the average and year 4 less than or equal to 75 percent of the average. AIP's will use the following formula to calculate the approved revenue for these blocks or units:

The higher of the applicable block or unit average revenue or the most recent four-year per acre average will be used for the AIP authorized approved revenue.

- 2 Or, if the average revenue of the most recent three years of actual records is 25 percent less than the approved average revenue and the decrease of the most recent three years is due to more than one year of decreasing revenues.

Unless otherwise provided by RMA RO guidelines, AIP's will approve revenue using the following formula to calculate the approve revenue for these blocks or units:

Multiply the average revenue by 0.80 to determine the approved revenue.

- 3 And, if the block or unit meets the criteria under both 1 and 2 apply the lowest average revenue following the procedure in 1 or 2 above.

AIP's will approve revenue using standard procedures for blocks or units not selected as high variability by the above additional test procedure.

- B In addition to Section 7F(2)(c) through F(2)(f) of the CIH, other provisions apply that are contained in the Special Provisions of Insurance for the county.

III APH Yield Adjustment

- A The APH yield adjustment will adjust the average farm revenue. Refer to Section 13 of the CIH and make actual yield substitutions prior to calculating the average farm revenue. Follow the reporting requirements in Section 13C of the CIH by substituting average farm revenue for the actual production history in Section 13C(2)(a) of the CIH and the approved average revenue for the approved APH yield in Section 13C(2)(c) of the CIH. (The standard 60 percent of the T-Yield will apply.)
- B Excessive Yield Edit Verification - Annual per acre revenue or approved per acre revenue that has been submitted to the Data Acceptance System (DAS) and exceeds the maximum yield edit level (See CIH Sec. 14 Par. B, and Appendix III).
- C Organic Procedures - Separate databases for certified organic and transitional databases for transitional acreage are required for any insured crop grown using an organic farming practice. Only acreage and production history from each acreage type of the organic farming practice will be contained in the applicable database. Each database will include production and acreage from any applicable buffer zone. Any yearly average APH yields, for the most recent four crop years only, from the transitional acreage database will be used in place of Transitional Yields (T-Yields) will be used to establish the certified organic database. A variable T-yield will be used to complete the database, if required. Yields shown on the Transitional Yield and YA Substitution Table apply to the organic farming practice.

Separate databases must be established for new acreage in transition, unless the acreage is from the same block or other blocks of the same age, density and variety, use Exhibit 38 of the CIH and follow Category C Crop procedure.

IV Producer's Pre-Acceptance Worksheet

- A Section 7E of the CIH is applicable with the following changes:

Item No.

- (10) Separate line entries for insurable and uninsurable should be made even if they are the same block number. Pollenizers or other varieties of avocados that are intermingled throughout the block will not be shown separate, and should not be included in the tree count when tree count is

not being used as a method of determining acres. When the tree count is being used as a method of determining acres, pollenizers or other varieties of avocados intermingled throughout the block must be shown as a separate line along with uninsurable acreage.

If stumping has occurred and/or will be completed the percent should be reported, and previous history of stumping and/or pruning practices should be documented. Stumping more than 35% of the entire unit acreage or block(s) is uninsurable for two years.

- (11) On the worksheet should be labeled, “Mo/Yr Set Out/Grafted/Stumped.”

Instructions for item 11 should read, “Enter the year the trees were set out, the year the trees were grafted to the current variety, or the year the trees were stumped. For acreage planted, grafted, or stumped on or after July 1 enter the following calendar year.”

- (12) Acres will be based on land acres (i.e. – planimetrically, wheeled/taped, GPS) with deductions for non-crop areas. Within the land acre measurement method, tree acres may be used to determine acreage for limited situations. To determine tree acreage, tree spacing(s) and/or number of trees must be determined.

- (15), (17), and (18) Instructions must be modified where tree acres are applicable. Density Item 18 and number of plants Item 15 are used to determine acres. Item 17 is not applicable and should always be 100% using tree acres.

V APH Block Production

- A Section 7I(1) of the CIH is applicable with the following changes:

The T-Yield will be factored using 65%, except for uninsurable acreage being added due to policy minimums. When block production is used for insurable immature acreage, Variable T-Yields are applicable based upon the number of years of records certified for avocados. Immature acreage [CIH Section 7I (1)] will be defined the same as apple and pear trees, therefore, trees <15 years of age for avocados.

VI Added Insurable Acreage

- A Section 7K (1) is applicable with the following changes:

- 1 “Added Insurable Acreage” is acreage within a block or unit that meets minimum insurability requirements for the first time for the current crop year. When “Added Insurable Acreage” is added to previously insured acreage (an existing block or unit that had an approved APH yield the previous crop year), use the following instructions:

- 1 When separate acceptable supporting production records are provided for “Added Insurable Acreage” and the percentage (added insurable acreage divided by previously insurable acreage

in the same block or unit) of the “Added Insurable Acreage” is:

- a Less than 50% of the existing block or unit’s acreage, a simple average yield is calculated on the APH Form for the unit (APH Block Production must be maintained the initial year of insurance but not reported for DAS).
 - i Acres and production from the previously uninsurable acreage must be documented on APH block production.
 - ii The total acreage to which the yield is applicable must be indicated along with the approved revenue (e.g. - \$4,000 for 24.0 acres).
 - b 50% or greater than the existing block or unit’s acreage.
 - i APH Block Production is required.
 - ii In a subsequent crop year when the “Added Insurable Acreage” block contains four years of actual/assigned yields, acres and production may be combined with the other block(s) or reported as one unit (APH Block Production may be discontinued).
- 2 If separate acceptable supporting production records are NOT provided for the uninsurable acreage not meeting minimums and “Added Insurable Acreage,” the approved APH yield is calculated using a simple average of the total acreage and production (insurable and uninsurable) for all applicable years that production was not separated.

VII Leaf Age

- A Section 7I(2)(13) of the CIH is applicable with the following changes:

The policy crop year is designated by the calendar year following the year in which the avocado trees normally bloom.

VIII T-Yield Adjustment

- A Section 7I(2)(18) of the CIH is applicable with the following changes:

65% of the T-Yield is used for each year in which the insured does not certify a yield up to four years.

IX The procedures in the Classification Standards Handbook, Section 4C apply to this crop

X A Calendar of Flowering, Fruit Set, Fruit Development, and Harvest of Hass avocados is attached for reference as Attachment 1

CALIFORNIA AVOCADO CIH PROCEDURE COMPARISON & REFERENCE GUIDE

APH (MPCI)	Avocados	CIH and Other References
Production Reports by Block or Unit (Basic or Optional)	YES	Section 6, Section 7
Separate APH by P/T/V	NO (All Irr. Practice, All HassType)	Not Applicable (NA)
Separate APH by Map Area	NO (No T-Yield Maps)	NA
T-Yields	YES	County Actuarial Table, Section 3(e) of the Crop Provisions
Assigned Yields	YES (65% of "T-Yield")	Section 3(e) of the Crop Provisions
Variable T-Yield	NO (< 4 Years of Records uses 65% of the T-Yield, Variable Yield may be used for immature blocks with separate records)	Section 3(e) of the Crop Provisions
Yield Descriptors	YES	Section 7H(10)
New Producer Procedures, Use of Other Persons Records (Sharing in Crop), Added Land	YES (Category C Crop, 65% T-Yield if records are not provided, using Block Production)	Section 7K(2) and Exhibit 13
Cups, Yield Floors	Cups - YES Yield Floors - NO	Section 7J(5),(6), and Exhibit 13
Exclude High-Risk Land	NO (No High-Risk Land)	NA
Separate Instructions by Crop	YES	Attached
Producer Pre-Acceptance Worksheet (Self-certification)	YES	Section 7E and Instructions Attached
Pre-Acceptance Field Selection Criteria	YES	Section 7F, Acreage Tolerance Guidelines, and Revenue Variability Chart Attached
Pre-Acceptance Perennial Crop Inspection Report	YES (If Meets Criteria)	Section 7, Exhibit 16, and Instructions Attached for Addendum Worksheet
Block Production Worksheet	YES	Section 7I, Exhibit 13, and Instructions Attached
APH Yield Adjustment	YES	Section 13 and Instructions Attached

**ATTACHMENT 1
FLOWERING, FRUIT SET, FRUIT DEVELOPMENT, AND HARVEST OF HASS AVOCADOS**

CALENDAR YEAR

2005	2006												2007													
2007 Sales Closing													2008 Sales Closing													2009 Sales Closing

Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Flower Initiation 2007 Crop				Flowering 2007 Crop								Flower Initiation 2008 Crop				Flowering 2008 Crop								Flower Initiation 2009 Crop	

Fruit Development 2006 Crop				Fruit Development 2007 Crop												Fruit Development 2008 Crop			
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Rate of Increase in Fruit Size				Rate of Increase in Fruit Size												Rate of Increase in Fruit Size				
Slow				Slow			Rapid			Slow					Slow		Rapid		Slow	

2007 Crop

Critical Period for Fruit Set and Retention

2008 Crop

Critical Period for Fruit Set and Retention

Harvest 2006 Crop

Harvest 2007 Crop

Summarized by USDA/RMA
California RO, from information available