



United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

BULLETIN NO.: MGR-99-026

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

FROM: Kenneth D. Ackerman /s/ Ken Ackerman 8-2-99
Administrator

SUBJECT: Nursery Issues for Crop Years 1999 and 2000

BACKGROUND:

A number of issues have arisen regarding the administration of the nursery crop insurance program for the 1999 and 2000 crop years. This bulletin is issued to provide clarification and to implement changes necessary to address these concerns.

CLARIFICATIONS FOR 1999:

1. The water supply and equipment needed to meet the nursery policy irrigation requirements are based on the availability of an adequate water supply and facilities with which the insured nursery plants **can be irrigated at times and in quantities** sufficient to prevent plant damage due to a lack of water. The source of water may be on-site or may be piped or trucked to the nursery for application. The frequency of irrigation is stated to be on an "as needed" basis. (Refer to Exhibit 33 of the Crop Insurance Handbook, FCIC 18010, for additional irrigation guidelines). Some plants require much more frequent application of water as opposed to others. For example, some field grown plants require more frequent irrigation than other field grown plants depending on various factors. Therefore, practice, type, age of the plant, and other conditions will be considered in determining if the insured meets or has met the irrigation requirements of the policy to establish insurability.



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All Programs Authorized Under the Federal Crop Insurance Corporation

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2. A discrepancy between the software and the paper version of the Plant Price Schedule (PPS) has been discovered. The problem affects the agent/insured software distributed on CD-ROM. The problem is that the missing price calculator produces prices that may be greater or lower than those produced by the loss adjuster's software or that would be calculated using the formula in the paper version of the PPS. Since growers may have relied on this software in valuing their inventories, the Risk Management Agency will accept claims using prices from this software. The only condition is that all of the nursery plants must be priced for loss purposes, including salvage value determinations, using the same method.
3. See items 12 and 13, under Changes and Clarifications for 2000, for applicable procedure for written agreements and Plant Inventory Value Report revisions that also apply to crop year 1999.

CHANGES AND CLARIFICATIONS FOR 2000:

1. The Special Provisions have been revised to include new statements that will better inform the agent and insured of the requirements and provisions of the nursery insurance program. See Attachment 1, New Special Provisions.
2. Beginning with the 2000 crop year, completing **an accurate** Plant Inventory Value Report requires that each plant must be valued using the lower of the (1) plant price from the Eligible Plant Price List and Plant Price Schedule or (2) lowest wholesale price from the insured nursery's catalog or price list. This permits the insured to determine inventory values based on plant prices that are more reflective of actual market conditions. If the insured does not use this "lower of" price method, the reported inventory value may be incorrectly determined. However, any loss adjustment determinations will be based on this "lower of" pricing method without regard to the method used by the insured to determine inventory value. The inventory values established at the beginning of the crop year will not be affected by any price change in the nursery's catalog or price list that occurs during the crop year.
3. The lowest wholesale price will be determined from catalogs or price lists adjusted to reflect all discounts available for each plant and size. Such discounts would include volume discounts and any other discount applicable. The discount must be listed in the nursery's catalog, price list, or a discount publication.

4. The following statements appear on the Plant Price List and Plant Price Schedule for crop year 2000:

“The price for each plant and size listed in the Eligible Plant List and Plant Price Schedule is your lowest wholesale price, as determined from your wholesale catalogs or price lists submitted in accordance with the Special Provisions, not to exceed the maximum price limits included in this Schedule.

“For this estimate to be accurate, you must enter the lowest wholesale price for each plant size.

“The plant prices that will be used in settling any claims will be the lower of the FCIC maximum price limit or your lowest wholesale price as calculated from your wholesale catalog or price list submitted in accordance with the Special Provisions.”
5. The statements contained on the FCI-543, Plant Inventory Value Report, will be changed to recognize the “lower of” method of establishing values on the report. The Nursery Underwriting Guide will be updated to include additional instructions and details regarding these changes and clarifications.
6. The insured is required to submit two copies of the nursery’s most recent wholesale catalog or price list to the company. The company will maintain a copy of the catalog or price list in the policyholder’s official file and submit one copy to the Regional Service Office for the area. If a nursery publishes more than one edition of its wholesale catalog or price list offering different plants (e.g., fall and spring catalogs), two copies of each edition should be submitted to the company.
7. The catalogs or price lists must be submitted with the initial Plant Inventory Value Report for the crop year. The catalogs or price lists submitted in this way will remain in effect for the entire crop year even if a revised Plant Inventory Value Report or Peak Season Endorsement is subsequently submitted. If the catalog or price list does not contain a price for an insurable plant and size grown by the insured, the price contained in the Plant Price Schedule will apply.
8. If the applicant fails to provide a catalog or price list on which the Plant Inventory Value Report is based, the company will reject the report and application. For carryover policies, if the insured does not provide the required catalog or price list by September 30, the company will cancel the policy for the subsequent crop year.
9. In order to accommodate this change in pricing, the sales and loss adjustment software packages are being modified to accept the “lower of” prices.

10. When measuring nursery sales to determine whether or not a nursery satisfies the policy definition of “wholesale nursery,” reinsured companies should instruct agents to compare the wholesale sales of plant materials to the total sales of plant materials and ignore non-nursery activities (e.g., nursery grows 100 acres of corn) or sales other than plant materials (e.g., gloves, flower pots, and landscaping services) but not the plants sold as part of the landscaping process. The crop year 2000 Nursery Crop Insurance Underwriting Guide will provide further explanation.
11. For the 2000 crop year only, the 30-day waiting period for coverage on container plants is waived for insureds covered by Nursery Policy 96-056 during crop year 1999, who submit an application for nursery policy 99-073 by September 30, 1999, and maintain their coverage level. In this case, insurance will attach on October 1, for container plants. Note that the waiting period is not waived for field grown plants.
12. Downward revision of the Plant Inventory Value Report will be permitted before the annual sales closing date to:
 - a) delete uninsurable plants (found during the preacceptance inspection);
 - b) delete damaged plants (which are reported and the company determines not to insure or reduce their value); and
 - c) correct clerical errors.
13. Downward revisions (for the reasons listed above) and upward revisions (to correct clerical errors) and to add plants and values approved under a written agreement after the sales closing date are authorized. An upward revision of the Plant Inventory Value Report after sales closing requires that the entry “revised upward for written agreement submitted by sales closing or to correct clerical errors” in the remarks section of the report. The request for a written agreement must be submitted before sales closing date. A copy of the written agreement must be attached to the Plant Inventory Value Report and kept in the policyholder file.
14. Revisions made under items 12 and 13 may only be made if acceptable documentation is submitted that documents the cause for the revision (e.g., uninsured plants and values were listed on sales software printouts used to prepare the Plant Inventory Value Report).
15. The Plant Price Schedule will provide three sets of prices based on: (1) container volume for containerized plants; (2) caliper size for field grown plants, and (3) high/wide size for field grown plants. For each type (e.g., coniferous evergreen shrubs), all sizes between the minimum and maximum sizes shown on Attachment 2 will be priced. Plants smaller than the minimum size for the practice sizing method on the date of loss are not insurable. Plants larger than the

maximum size are insurable, but at the price for the maximum size.

DISPOSAL:

This bulletin will remain active until incorporated into the Nursery Crop Insurance Underwriting Guide, FCIC 24090. The disposal date is July 31, 2001.

Attachments (2)

NEW SPECIAL PROVISIONS

Insurable plants in over-sized containers will be valued for purposes of reporting inventory and loss adjustment as if the plants were in appropriately sized containers in accordance with the standards contained in the current American Standard For Nursery Stock (ANZI Z60.1). Each cell in a multiple cell container is considered a separate container. See the Eligible Plant Listing and Plant Price Schedule for additional information and requirements.

Subject to insurance company acceptance, insurable plants damaged prior to the attachment of insurance coverage will be insured at a reduced value until such plants have fully recovered from damage.

In lieu of Section 3 (b) of the Basic Crop Provisions, changes to the price percentage and coverage level elections that would become effective for the current crop year are limited as follows: (1) for new policies, changes may not be made after the date of the application, and (2) for carryover policies, changes may not be made after September 30.

Plants that are grown in the field in containers that allow the plants to root into the ground (for example a container without a bottom) are considered field grown, except as otherwise provided by the Special Provisions.

In addition to Section 1 of the Nursery Crop Provisions, the definition of a standard container will include: for herbaceous perennial (HP) plants grown in the field in containers without a bottom, in a manner that allows the plant roots to grow into the ground, and (b) for all other types, containers without a bottom that are placed on a barrier that will not permit roots to grow into the ground.

See the Eligible Plant List and Plant Price Schedule for cold storage requirements, hardiness zone requirements, and procedure for pricing unlisted plant cultivars of a listed plant genus, species, or variety.

For field grown plants, measured sizes between those listed on the Eligible Plant List and Plant Price Schedule will be rounded to the nearest size to determine the price.

A plant that is priced on the Eligible Plant Listing and Plant Price Schedule (EPL/PPS) under both the high/wide and caliper measurement methods will be valued for insurance purposes based on the lowest wholesale price for the measurement method contained in the insured's wholesale catalog or price list; however, such price may not exceed the maximum price limit for the plant on the EPL/PPS for the same measurement method.

ATTACHMENT 1 (Cont.)

Container sizes are determined on an actual volume basis for purposes of determining the price of the plant on the Eligible Plant Listing and Plant Price Schedule (EPL/PPS). The FCIC container sizes and volumes are shown below:

FCIC Container Sizes

FCIC Size Name	---Gallons---		---Cubic Inches---		Includes ANSI Standard Class#
	Minimum	Maximum	Minimum	Maximum	
Pot	0.08	0.19	18	45	SP3
1 quart	0.20	0.39	46	91	SP4
2 quart	0.40	0.59	92	137	SP5
1 gallon	0.60	1.37	138	318	1
2 gallon	1.38	2.49	319	576	2
3 gallon	2.50	3.39	577	784	3
5 gallon	3.40	5.77	785	1,334	5
7 gallon	5.78	8.49	1,335	1,962	7
10 gallon	8.50	11.97	1,963	2,766	10
15 gallon	11.98	17.49	2,767	4,041	15
20 gallon	17.50	22.49	4,042	5,196	20
25 gallon	22.50	29.79	5,197	6,883	25
30 gallon	29.80	32.49	6,884	7,506	n/a
35 gallon	32.50	37.49	7,507	8,661	n/a
40 gallon	37.50	42.49	8,662	9,816	n/a
45 gallon	42.50	47.49	9,817	10,971	n/a

The plant height determined under the high/wide measurement pricing method will not include the height of the root ball for balled and burlapped plants.

Plants smaller than the smallest listed size for that plant are not insurable.

In accordance with Section 6 (c) of the Nursery Crop Provisions, you must submit two copies of your nursery's most recent wholesale catalog or price list at the time the initial Plant Inventory Value Report is submitted for each crop year. If your nursery publishes more than one edition of its wholesale catalog or price list offering different plants (e.g., a fall plant catalog and a spring plant catalog), you must submit two copies of the most recent edition of each at the time the initial Plant Inventory Value Report is submitted.

Nursery plants grown in standard nursery containers that are placed in the ground, either directly or

when placed in pots that are in the ground, are insurable.

ATTACHMENT 2

The following are size limits.

SIZE LIMITS

Type	Container (Gallons)		Field Grown Caliper (Inches)		Field Grown High/Wide	
	Min	Max	Min	Max	Min	Max
Annuals (AN)	0.08	5	n/a	n/a	n/a	n/a
Broadleaf Evergreen Shrubs (BS)	0.08	45	n/a	n/a	6 in.	10 ft.
Broadleaf Evergreen Trees (BE)	0.08	45	7/16	4	18 in.	25 ft.
Coniferous Evergreen Shrubs	0.08	25	n/a	n/a	6 in.	10 ft.
Coniferous Evergreen Trees (CE)	0.08	25	7/16	4	18 in.	15 ft.
Deciduous Shrubs (DS)	0.08	25	n/a	n/a	6 in.	10 ft.
Deciduous Trees (DT)	0.08	45	7/16	4	18 in.	15 ft.
Foliage (FO)	0.08	25	n/a	n/a	n/a	n/a
Fruit & Nut Trees (FN)	0.08	25	7/16	4	18 in.	10 ft.
Ground Cover & Vines (GC)	0.08	5	n/a	n/a	6 in.	5 ft.
Herbaceous Perennials (HP)	0.08	25	n/a	n/a	n/a	n/a
Roses (RO)	0.08	5	n/a	n/a	6 in.	5 ft.
Small Fruits (SF)	0.08	10	n/a	n/a	6 in.	5 ft.