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Federal Crop
Insurance
Corporation

Risk
Management
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Actuarial and
Product Design
Division

FCIC 24190 (08-2009)

ACTUAL REVENUE HISTORY (ARH)

CHERRY (PILOT)

UNDERWRITING GUIDE

2010 and Succeeding Crop Years

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SUMMARY OF CHANGE FOR THE ARH CHERRY UNDERWRITING GUIDE

The following is a brief description to the ARH Cherry Underwriting Guide changes that will be effective for the 2010 crop year. Please refer to the ARH Cherry Underwriting Guide in its entirety for more complete information. Changes are identified in highlighted text throughout the document.

- Section 1 – updated purpose statement
- Section 2 – removed narrative as this is covered in purpose statement
- Section 3 - removed language pertaining to first year ARH-Cherry instructions and exceptions
- Section 3E(10) – clarified the use of appraisals for APH Yield and ARH Revenue calculations
- Section 3E(12) – excluded section 7K of the CIH from use in the ARH Cherry program
- Section 3E(13) – added AIP and FSA appraisals as acceptable supporting documentation and provided additional guidance for comingled acreage
- Section 3H – clarified example
- Section 3K – clarified yield adjustment application
- Section 7G(3) – clarified that an inadequate market price apples for sold production only
- Section 7H – clarified application of T-Yields and T-Revenues
- Section 7I – clarified documentation required for acceptable revenue reports
- Section 7J(3) – clarified application of the unharvested production adjustment
- Section 8 – added a section to clarify the procedure for calculation of an annual price
- Section 10A(3) – added an example for carrying forward a loss claim to future revenue reports

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

FEDERAL CROP INSURANCE CORPORATION DIRECTIVE		**NUMBER:** **24190 (08-2009)**
SUBJECT: **ACTUAL REVENUE HISTORY CHERRY PILOT INSURANCE UNDERWRITING GUIDE 2010 AND SUCCEEDING CROP YEARS**	DATE: **08-27-2009**	
	Actuarial and Product Design Division	
	Deputy Administrator, Product Management /s/ Tim B Witt	

This underwriting guide contains the official FCIC approved underwriting instructions under policy 09-057 for 2010 and succeeding crop years. The instructions in this guide are effective upon issuance and are not retroactive to any previous crop year. All approved insurance providers will utilize these standards for both underwriting and training unless a provider has developed, and FCIC has approved, procedures applicable for that provider.

1 PURPOSE

The Actual Revenue History (ARH) Cherry (Pilot) Underwriting Guide provides instructions for establishing coverage in accordance with the ARH endorsement and ARH cherry crop provisions and supplements the crop insurance handbook (CIH) and loss adjustment manual (LAM) via exceptions, changes, and additions which are included in the underwriting guide. If there is a conflict between the underwriting guide and the CIH or the LAM, the underwriting guide will control.

2 STANDARDS AND INSTRUCTIONS

RESERVED

3 CROP INSURANCE HANDBOOK

Rules for applying FCIC 18010 Crop Insurance Handbook (CIH) to the ARH Cherry Pilot Program are included in this section.

3A Definitions

A(1) The following additions are made to the general (not crop specific) terms, abbreviations, and definitions identified in the CIH:

(1)(a) **Actual Revenue History (ARH)** – A plan of crop insurance with a guarantee based on the actual revenue history of an individual insured adjusted to be consistent with the prices expected for the crop year with loss adjustment based on revenue derived or considered to be derived from actual sales, appraisals, and changes in inventory for a crop year.

Amount of Insurance (per acre) – The approved revenue multiplied by the coverage level percentage, the expected revenue factor (ERF), the payment factor, and the share.

Annual Revenue – The average revenue per net insured acre for a crop year calculated from the records submitted by the insured and claims for indemnities that the insured has signed (if applicable). It is equal to the total revenue derived or considered to have been derived from sales of the production from a unit divided by the number of acres that represent the insured's share in the total acreage. Producers will certify the annual acreage, production, and revenue from crop sales. The producer's certification states that the appropriate supporting records are available for inspection if the policy is chosen for review. This is the same certification required by the Actual Production History program, with the exception that revenue is added. Revenue for the purposes of ARH is equivalent to a "packing house door" valuation, i.e., after harvest and at the first point of delivery. It does not include any post-harvest value added such as cooling, grading, sorting, culling, packing, and so forth. This is the most appropriate valuation for two reasons: 1) the worst outcome for a producer would be to incur the sometimes quite substantial costs of harvesting a crop but not realize a price adequate to cover all costs and 2) it is most representative of the prices received by producers as reported by the National Agricultural Statistics Service (NASS). Most prices reported by NASS are at the point of first sale. The producer's certified annual revenue will be stated as 100% share equivalent revenue for record-keeping purposes in case the share changes from year to year.

Assigned Revenue – An annual revenue assigned to the insured in accordance with the Endorsement if revenue reports as required by the crop insurance contract are not filed. Assigned revenues are used in the same manner as actual revenues when calculating the approved revenue per acre. The assigned revenue is equal to 75 percent (75%) of the approved revenue established for the crop year for which the required revenue report is not filed.

Approved Revenue – The amount of revenue per acre, calculated and approved by the verifier, used to determine the amount of insurance per acre, determined by summing the annual, assigned, and adjusted or unadjusted transitional revenues and dividing that sum by the number of such revenues contained in the database. The database will contain at least four but not more than ten revenues.

Expected Revenue Factor (ERF) – A value determined by RMA that reflects RMA's assessment of the "expected" revenue per acre for a crop year. The ERF conceptually is similar to a price election in that it represents the expectations of RMA with regard to likely market prices for the coming crop year. The factor permits the ARH average revenue for a producer to be increased or decreased if expected market conditions differ materially from the years included in a producer's revenue history. More than one ERF may be established by RMA for a crop year since producers will have a different number of years in their revenue histories. A particular ERF may be associated with revenue histories of one (1) to four (4) years, and another ERF for five (5) to six (6) years, etc. An ERF could be less than 1.00 if the revenue in a recent year has been abnormally high.

Mechanical Damage – Physical injury to a tree such that the tree is destroyed or its ability to produce a normal crop is reduced, or injury to fruit such that it is not marketable, caused by the improper use of tools or machinery.

Payment Factor – A percentage, expressed in decimals, which you may elect to reduce the premium and the amount of an indemnity that otherwise would be calculated. The default value is 1.00. The value you elect must be greater than or equal to the minimum factor specified below but not greater than 1.00:

Coverage level	Minimum factor
50	1.00
55	0.91
60	0.84
65	0.77
70	0.72
75	0.67

Revenue Report – Written records showing an insured unit's annual acreage, production, and revenue used to determine the insurable revenue. Information contained in a claim for indemnity is considered a revenue report for the crop year for which the claim was filed. In addition, appraisals conducted on acreage intended for direct marketing accompanied by sales records for that acreage will be accepted.

Revenue Reporting Date (RRD) – A date contained in the crop insurance contract that is the last date revenue reports will be accepted for inclusion in the database for the current crop year.

T-revenue – The transitional revenue, a value included in a database when there are fewer than four actual revenues certified.

3B General Rules – CIH Section 4

The general rules of crop insurance, as outlined in section 4 of the CIH, apply to the ARH Cherry Pilot Program. WITH THE EXCEPTION THAT REVENUE REPORTED

BY THE INSURED PERSON MUST INCLUDE ONLY HIS OR HER REVENUE. That revenue will be stated as 100% share equivalent revenue for record-keeping purposes. This change is needed because two or more persons sharing in the same acreage may not sell at the same time or to the same buyer and may realize different amounts of revenue.

3C **Underwriting and APH Responsibilities (Category B & C APH Crops) – CIH Section 5**

Section 5 of the CIH as presented applies to the ARH Cherry Pilot Program but the term "yield" as used therein is replaced by the term "yield and revenue" when appropriate. In addition, in section 5B(2), the phrase "…insureds must report on an annual basis all production, acres and actual yields on an APH form by the production reporting date" would read "insureds must report on an annual basis all production, acres, and revenue on an APH form by the revenue reporting date."

3D **Category B APH Crop Procedures – CIH Section 6**

CIH section 6 does not apply to the ARH Cherry Pilot Program.

3E **Category C APH Crops (Perennial Crops) – CIH Section 7**

ARH cherries are included in the Category C crops and therefore CIH Section 7 applies with the following modifications.

E(1) All references to CUPS as contained in Section 7 are to be ignored. CUPS do not apply to crops insured under the ARH insurance plan.

E(2) **General Instructions:** Apply the requirements in 7D(1) through 7D(3) to both reported yields and reported revenues, as appropriate.

E(3) **Acreage Determination:** Apply the requirements in 7D(4). Blocks consisting of 100% cherry trees or a mixture of producing, young, dead, or missing cherry trees shall be measured according to procedure in the CIH. Blocks of cherry trees primarily, with other significant amounts of apple, pear, or peach trees, etc.; use net acres for measurement of the block if the other tree crop acreage is 10% or greater.

E(4) **Base Period:** Cherries are included in the list of crops at 7D(5)(a) that have a base period of ten consecutive crop years preceding the current crop year.

E(5) **Insured Crop:** Apply the requirements in 7D(6), excluding references to written agreements, which do not apply to ARH Cherries.

E(6) **Producer's Pre-Acceptance Worksheet:** Apply the requirements in 7E with the following supplemental instructions:

(6)(a) Item No. 10. Certification of information by block is necessary to document differences in planting date, type, variety, and rootstock, etc. List uninsurable block(s) on separate line(s) as needed. For example: Blocks 1-3 are similar and planted in 1994 – these may be recorded on one line or on multiple lines. Block 4 is similar type, variety and rootstock but entered on separate line since it was planted in 2000. Blocks 5 and 6 are similar type, variety, and rootstock, planted in 2005 – these may be recorded on one line or on multiple lines.

(6)(b) Item No. 13. Enter both the variety and rootstock.

E(7) **Pre-Acceptance Field Inspections:** Apply the requirements in 7F(1).

E(8) **Pre-Acceptance Field Inspection Selection Criteria and RMA RO Determined Yield Calculation Criteria:** Apply the requirements in 7F(2) with the following changes:

(8)(a) The requirements in 7F(2)(b) do not apply.

(8)(b) Add 7F(2)(g): The approved insurance provider (AIP) may conduct additional inspections on orchards with fewer than five acres (up to ten percent (10%) of the policies).

(8)(c) Add 7F(2)(h): If selected for field inspection by the above criteria, a new inspection is required only if the most recent pre-acceptance field inspection is more than FIVE years old, except when F(2)(c), (d), (e), and (f) apply.

E(9) **The Pre-Acceptance Perennial Crop Inspection Report and Crop Addendum Worksheets:** Apply the requirements stated in 7G with the following supplemental information.

(9)(a) Item No. 29. Use yield shown in Block 21 of the PAW when determining vigor. If the Block 21 yield is not a reasonably expected average yield for age and management of the orchard, further explanation should be provided.

(9)(b) Crop Addendum Worksheets. Use the Almond Crop Addendum Worksheet (Exhibit 16 Almond/Citrus/Figs/Fresh Plums/Macadamia Nuts/Pecans/Prunes/Stonefruit/Walnuts). In item No. 13, describe the varietal planting pattern.

E(10) **APH Yield and ARH Revenue Calculation:** Apply the requirements of 7H to both yields and revenues with the following exceptions or clarifications:

- Revenue pertains only to that paid to the insured.

- Include the production and value of unharvested marketable production in the yield and revenue calculation for a unit if an appraisal of unharvested marketable production was completed regardless whether an indemnity was paid or not. See also 10A(3) below for instructions regarding the unharvested production adjustment.

- When an annual price was used to calculate a producer's individual year annual revenue (for unsold or partially sold harvested production) and this revenue amount was not used for an indemnity claim, then the producer's individual year annual revenue must be updated on the following year's ARH form using the producer's actual price received provided this production was later sold.

- Minimum production requirements must be met based on "marketable" fruit as defined in the crop provisions.

  "Cherry production that meets or exceeds the grading standards specified in the Special Provisions, or would be accepted by a packer, processor, or other handler even if failing to meet those grading standards."

E(11) **APH Block Production:** Do not apply the requirements of 7I to either yields or revenues.

E(12) **Provisions for Added Insurable Acreage, Added Land/New Producers:** Section 7K does not apply to the ARH Cherry program.

E(13) **Additional Provisions for Cherries:**

(13) (a) Supporting Evidence for Use When Verifying if Acreage Meets the Minimum Production Requirements for Insurability and Determining the Approved Yield and the Approved Revenue

The following evidence is applicable:

- Cooperative pool statements, pool summary statements, receipts from packing houses, processors, or other buyers showing quantities (delivered and sold) and the amount paid to the producer.
- For direct sales to consumers, a complete daily accounting of harvested production including pick records in accordance with Crop Insurance Handbook (CIH) Section 10, C (1) (b) and Section, 10 C (4) is acceptable to verify the amount of production and revenue.
- Pick records provided in accordance with Crop Insurance Handbook (CIH) Section 10, C (4) are acceptable "field harvest" records to substantiate qualifying for optional units, in accordance with CIH Section 10 C(3) the first year a producer is insured under the ARH program (See Section 3H below).
- AIP or FSA appraisals of lbs of marketable production/acre on an approved form.
- Acceptable hard copy records of another Producer's Acreage, Revenue, and Production History may be used to establish insurability and the revenue and production whether or not that producer continues to share in the crop.

Note: There are choices an insured can make with regards to minimum production (also refer to section 7 G of the CIH for additional instructions.

- The insured could commingle prior acres and production within the unit. As stated in the CIH when prior production or acreage is commingled, the entire commingled acreage must meet the production minimum requirements for insurability. Therefore, if the total insured acreage within the unit meets the lbs/ac insurability requirement all acreage could be insured.

- The insured could separate any young acreage not meeting insurability (by line item within the unit) and keep the acreage separate until such a time as the acreage meet(s) insurability. Remember, both insured and uninsured acreage must be reported.

The insured must provide and certify on the ARH form records showing the acreage in the unit has met insurability, and then maintain continuity from then forward.

Once young acreage has met production minimums the subsequent years ARH is reconstructed to include any year with harvested and sold production.

3F Other Coverage Plans – CIH Section 8

Section 8 of the CIH does not apply to the ARH Cherry Pilot Program.

3G Use of the APH Form – CIH Section 9

Producers who purchase ARH Cherry Pilot Program insurance coverage will be required to follow the guidelines for APH form utilization as outlined in section 9 of the CIH. The AIP is responsible for reporting the appropriate acreage, yield, and revenue data to RMA using any form that meets all substantive requirements. The AIP may elect to use two standard APH forms with the appropriate form labeled as "Revenue" or it may elect to use a combined form of its design that meets those requirements. A producer is required to certify only his or her share of the revenue from the unit. For record keeping purposes, the certified revenue is to be recorded on a 100% share equivalent basis to provide continuity in the event the share may change from year to year. Revenue is certified according to predominant end use of the production from the unit. Predominant end use means the source of the income is 51% or greater from sales for fresh use or sales for processing. An example of a combined form and associated instructions is included in section 11 of this Underwriting Guide.

3H Acreage and Production Evidence Requirements – CIH Section 10

Pursuant to section 10 of the CIH (as detailed below), producers who purchase ARH Cherry Pilot Program coverage will be required to follow the guidelines for acreage and production (revenue) evidence requirements as set forth in section 10 of the CIH, thus providing the records necessary to compute ARH insurance guarantees. A producer is required to certify only his or her share of the revenue from the unit.

To qualify for optional units, acceptable reports must be filed for each optional unit for the most recent crop year. The following evidence is acceptable:

- Cooperative pool statements, pool summary statements, receipts from packing houses, processors, or other buyers showing quantities (delivered and sold) and the amount paid to the producer.
- For direct sales to consumers, a complete daily accounting of harvested production and sales is acceptable to verify the amount of production and revenue see FCIC 18010 and 18010-01 Crop Insurance Handbook Sec. 10 C for acceptable Pick Records.
- Acceptable supporting records such as field harvest records [pick records see Sec. 10, C (4)] may be used to prorate prior and the most recent year's production and revenue the initial year of insurance.

For ARH crop years prior to the most recent crop year, if a new ARH insured is UNABLE to provide separate acceptable production and revenue reports on an optional unit basis but provides acceptable records of acreage by unit and production for each basic unit by practice/type, production for optional units within a basic unit may be determined on a *prorated* basis (except for optional units determined by practice/type), and applied to optional units with planted acres.

If a new ARH insured requests optional units and is unable to provide acceptable production reports or records of planted acreage of the crop to prorate the production for optional units, such years are not acceptable for ARH purposes.

For subsequent crop years, if optional units are requested, acceptable production reports must be filed for each optional unit. The following evidence is acceptable:

- Cooperative pool statements, pool summary statements, receipts from packing houses, processors, or other buyers showing quantities (delivered and sold) and the amount paid to the producer by optional unit.
- Pick records are not acceptable supporting documentation, except when direct market sales are applicable.
- For direct sales to consumers, a complete daily accounting of harvested production and sales is acceptable to verify the amount of production and revenue.

The supporting records must indicate production and revenue received for each optional unit and must account for total production and revenue from the planted acreage.

***Prorated* example:**

Bin = 400lbs
Total bins: 388 bins *
Total lbs fruit delivered and sold **: 155,200 lbs
Total revenue: Bings: $104,720 and Lapins: $48,000

Bings: 238 bins * x 400lbs=95,200 lbs
$104,720 / 95,200 lbs =$1.10 / lb

Lapins: 150 bins * x 400lbs = 60,000 lbs

$48,000 / 60,000lbs = $0.80 / lb

Unit 00101 – 10 total acres: 9 ac Bing; 1 ac Lapin
Bing: 225 bins* x 400lbs / bin = 90,000 lbs @ $1.10/lb = $99,000
Lapin: 25 bins* x 400lb / bin = 10,000 lbs @ $0.80/lb = $8,000

Revenue: $99,000 + $8,000 = $107,000 / 10 ac = $10,700 / acre
Yield: 90,000 lbs + 10,000 lbs = 100,000 lbs / 10 ac = 10,000 lbs/ac

Unit 00102 – 5 total acres: 4.5 ac Lapin; 0.5 ac Bing
Bing: 13 bins* x 400lbs / bin = 5,200 lbs @ $1.10/lb = $5,720
Lapin: 125 bins* x 400lbs / bin = 50,000 lbs @ $0.80/lb = $40,000

Revenue: $5,720 + $40,000 = $45,720 / 5 ac = $9,144/acre
Yield: 5,200 lbs + 50,000 lbs = 55,200 lbs / 5 ac = 11,040 lbs/ac
***based on acceptable pick records**
****from acceptable settlement sheet**

3I Reconsiderations, Mediation, and Appeals – CIH Section 11

The process for implementation and remediation of adverse decisions (as defined in the CIH section 11) applies to ARH Cherry Pilot Program coverage.

3J Actuarial Data – CIH Section 12

Publication of actuarial documents and related information (e.g., county coverage and rate document, special provisions of insurance, classification documents, FCI-33 crop insurance actuarial map) as outlined in section 12 of the CIH, applies to ARH Cherry Pilot Program coverage.

3K APH Yield Adjustment – CIH Section 13

Apply the procedures in section 13 to the revenues reported by the insured if the insured requests revenue substitution. The terms “yield” and “t-yield” are supplemented by the terms “revenue” and “t-revenue,” respectively.

Apply the yield substitution ONLY IF the revenue substitution is elected AND the individual year actual yield is less than 60% of the T-Yield.

3L APH Review Requirements – CIH Section 14

APH review procedures as outlined in section 14 of the CIH apply to ARH for verification of acreage and revenues.

4 PREVENTED PLANTING LOSS ADJUSTMENT STANDARDS HANDBOOK

This handbook is not applicable to the ARH Cherry Pilot Program.

5 LOSS ADJUSTMENT MANUAL (LAM)

The duties and responsibilities identified in the LAM are adopted for the ARH Cherry Pilot Program.

6 CHERRY LOSS ADJUSTMENT STANDARDS HANDBOOK (LASH)

FCIC 25670 ARH Cherry Loss Adjustment Standards Handbook applies to the ARH Cherry Pilot Program.

7 INSURABILITY AND ELIGIBILITY REQUIREMENTS

7A Types Insurable

A(1) Type is a grouping of cherry cultivars and predominant end use as specified in the Special Provisions. The following types initially are insurable:

(1)(a) Sweet cherries produced primarily for consumption as fresh fruit (sweet cherries (fresh)).

(1)(b) Sweet cherries produced primarily for processing (sweet cherries (processing)).

A(2) The type is determined by the predominant use of the production from the unit. For example, incidental sales for processing use due to imperfections of fruit or of cherries of a pollinator variety that is not suitable for fresh sales on a unit from which the production otherwise is sold for fresh market will be considered to be of the sweet cherries (fresh) type.

7B Insurable Practices

B(1) Sweet cherries must be produced in an orchard that is acceptable to the AIP if inspected.

B(2) Insurable practices are listed in the actuarial documents. Generally, the cherries must be irrigated. However, the non-irrigated practice is insurable in a few situations. Refer to the FCI-35 and the SPOI for specific practices in a county.

B(3) Sweet cherries inter-planted with another perennial crop are insurable unless, upon inspection of the acreage by the AIP, it is determined that requirements contained in the policy are not met.

7C Insurable Units

C1 Basic units are established in accordance with the definition of basic unit contained in the Basic Provisions. In addition to the provisions of Section 34(c) of the Basic Provisions that allow unit division by section, FSN, etc., Section 3 of the ARH Cherry Crop Provisions allows basic units to be divided into optional units if each optional unit is located on non-contiguous land (unless limited in the Special Provisions). Optional units also may be established by type.

C2 All optional units must be identified on the acreage report, the same as other crop insurance plans.

C3 Units may be adjusted or combined to reflect the actual unit structure when adjusting a loss, the same as other insurance plans.

C4 Acceptable records of revenue and production by optional unit must be available for at least the most recently completed crop year, the same as other crop insurance plans.

C5 Records for each optional unit must be maintained in a manner that permits the insurance provider to verify the information, the same as other crop insurance plans.

C6 The provisions of section 34 of the Basic Provisions that allow enterprise units and whole-farm units do not apply to cherries.

7D **States and Pilot Counties**

D(1) The ARH Cherry Pilot Program coverage shall only be available in the following counties:

(1)(a) California: Contra Costa, Fresno, Kern, Sacramento, San Benito, San Joaquin, Santa Clara, Stanislaus, and Tulare;

(1)(b) Idaho: Canyon, Gem, Owyhee, Payette, and Washington;

(1)(c) Michigan: Grand Traverse and Leelanau;

(1)(d) Montana: Lake;

(1)(e) Oregon: Hood River, Marion, Polk, Umatilla, Union, Wasco, and Yamhill;

(1)(f) Utah: Utah; and

(1)(g) Washington: Adams, Benton, Chelan, Douglas, Franklin, Grant, Klickitat, Okanogan, Walla Walla, and Yakima.

7E **Coverage Levels**

E(1) Coverage will be available in 5 percent (5%) increments from 50 percent (50%) to 75 percent (75%). Catastrophic (CAT) coverage is not offered, consistent with FCIC policy regarding revenue insurance plans.

7F **Insurance Dates**

F(1) The cancellation, termination and sales closing dates are:

(1)(a) January 31 in California; and

(1)(b) November 20 in all other states.

F(2) The contract change dates are the following calendar dates immediately preceding the cancellation dates:

(2)(a) October 31 in California; and

(2)(b) August 31 in all other states.

F(3) The calendar date for the end of the insurance period for physical damage to the sweet cherries for each crop year is the date during the calendar year in which the cherries are normally harvested as follows:

(4)(a) July 31 in California; and

(4)(b) August 31 in all other states.

F(4) The calendar date for the end of the insurance period for loss of revenue due to an inadequate harvest price is the January 15 following harvest in all states.

F(5) The acreage reporting date is:

(5)(a) March 01 in California; and

(5)(b) January 15 in all other states.

F(6) The revenue reporting date is the acreage reporting date.

F(7) The billing date is September 15 of the crop year of harvest in all states:

7G <u>Insurable and Uninsurable Causes of Loss</u>

G(1) The following causes of physical loss are covered by the insurance offered under the ARH Cherry Pilot Program:

(1)(a) Adverse weather conditions,

(1)(b) Fire (unless undergrowth has not been controlled or pruning debris has not been removed from the orchard),

(1)(c) Wildlife damage,

(1)(d) Earthquake,

(1)(e) Volcanic eruption,

(1)(f) Failure of irrigation water supplies if caused by a cause of loss specified above that occurs during the insurance period, and

(1)(g) Insects and plant disease, if: (i) adverse weather conditions prevent application of control measures or cause control measures to be ineffective after application, and reapplication is not possible or permitted before damage occurs or worsens; or (ii) no pesticides effective on the insect or the plant disease are registered with the Environmental Protection Agency and labeled for use on cherries.

G(2) Note the conditions that apply to insects and plant disease. These are insurable causes of loss only if some natural event such as rain either prevents timely application of a pesticide or washes it off the trees before it has had an opportunity to be effective. In addition, the insured must have been unable to reapply the control before damage occurs or worsens due to continuing adverse weather or because the label directions limit reapplication for several days after an initial application and there are no substitutes. In addition, a previously unknown pest or disease may occur and no pesticide has been registered for use on that disease or pest or, if a pesticide is registered, it has not been labeled for use on cherries. Insureds are expected to exercise normal and routine care of the orchard to control insects and disease outbreaks, but if natural events beyond the control of the insured occur, these losses are covered.

G(3) In addition to the causes of loss due to physical damage, loss of revenue due to an inadequate market price for delivered and sold production is a covered cause of loss. Note the requirements regarding usage of the annual price for "marketable" unharvested production.

G(4) In addition to the causes of loss listed in the Basic Provisions as uninsurable causes of loss, the following are not insurable for cherries:

(4)(a) Mechanical damage that occurs during the insurance period;

(4)(b) Failure to harvest in a timely manner for any reason, including inability to obtain harvest labor, unless the failure to harvest is due to a peril(s) specified in section 7G(1); and

(4)(c) Inability to market the cherries for any reason other than actual physical damage from an insurable cause specified in this section. For example, an indemnity is not payable if the insured is unable to market due to quarantine, boycott, or refusal of any person to accept production.

7H <u>T-Revenues and T-Yields</u>

H(1) T-Revenues and T-Yields are applied on a unit basis instead of on a county crop basis.

1(a) "T-Revenues" will be available and will be used in the same manner as t-yields are offered under the APH program (as described in the CIH). This includes adjusted transitional revenues in the same circumstances as an adjusted transitional yield would apply under the APH crop insurance program.

1(b) "T-Yields" will be applicable in the same manner as they are offered in the APH program. Approved yields (which may include t-yields and applicable yield adjustments) are used in the determination of unharvested production adjustments and for statistical analysis.

7I <u>Revenue Reports</u>

I(1) Revenue reports must be substantiated by verifiable records such as AIP loss records,settlement sheets or by appraisals in the case of direct marketed acreage.

The AIP appraisal of unharvested marketable production may be used in the annual revenue determination. If the grower does not have an annual price to use for the valuation of the unharvested marketable production the NASS price shall be used.

If harvested marketable production is rejected by the processor, this harvested marketable production can be used in the annual revenue determination provided acceptable supporting records are provided. The acceptable supporting records must include gross production; percent of damaged fruit (grade); and documented condition of damaged fruit such as splits, decay, sunscald, etc.. This harvested marketable production is valued using the annual price.

Acceptable supporting records for delivered and sold cherries include the following:

(1)(a) Settlement sheets from the processor must provide (at least) the following information:

(a)(1) Gross production;
(a)(2) Production net of leaves, loose stems, and foreign material;
(a)(3) Any quality grade information; and
(a)(4) Revenue net of all post-production costs such as sorting, culling, cooling, etc.

(1)(b) The acreage also must be substantiated by verifiable records.

7J Unharvested Production Adjustment

J(1) The ARH Cherry Pilot Program includes the savings achieved by not harvesting all or a portion of the crop in the revenue to count. For example, if rain at maturity causes the cherries to split and become worthless such that the acreage is not harvested, the insured does not need to employ harvest labor for those cherries. Recall the annual revenue is based on the income after harvesting, i.e., after the insured has incurred picking costs. There would be windfall “income” if the revenue to count did not reflect this savings.

J(2) The guarantee is based on the value of cherries entering the packing house door because it is possible that a crop could be harvested but an inadequate market price causes a loss to occur. To be equitable, this harvesting cost must be compensated. However, if the acreage is not picked, failing to recognize these savings would result in a windfall for the insured.

J(3) The unharvested production adjustment is the estimated picking cost per pound and is published in the Special Provisions. The unharvested production adjustment is based on pounds not harvested or not otherwise counted as revenue to count (such as appraised unharvested “marketable” production) relative to the value that would be the APH guarantee multiplied by share. The unharvested production adjustment then is calculated as follows:

(3)(a) Multiplying the approved yield multiplied by coverage level and share by number of acres damaged solely by uninsured causes;
(3)(b) Adding this result to the sum of the insured's share of the number of appraised and harvested pounds;
(3)(c) Multiplying the approved yield multiplied by coverage level and share by the number of insured acres;
(3)(d) Subtracting the result of (3)(b) from the result of (3)(c); and
(3)(e) Multiplying the result of (3)(d) by the unharvested production adjustment if that result is positive or determining the avoided costs to be zero otherwise.

J(4) The calculations proceed as described above for the following reasons:

(4)(a) The first step in the calculations (J(3)(a)) converts an appraisal made in dollars to an appraisal in pounds. The dollar appraisal is based on the packing house door valuation. Thus, the total pounds associated with such appraisals should be excluded from any determinations of an unharvested production adjustment since the equivalent value already has been included in revenue to count.

(4)(b) The second step in the calculations (J(3)(b)) includes pounds that have been multiplied by the annual price when determining revenue to count. Again, a value equivalent to a packinghouse door price already has been assigned to those pounds when determining revenue to count.

(4)(c) The third step in the calculations (J(3)(c)) determines the total number of pounds associated with the amount of insurance represented by the revenue guarantee.

(4)(d) The fourth step in the calculations (J(3)(d)) determines whether the harvested production is greater or less than the total number of pounds associated with the amount of insurance represented by the revenue guarantee.

(4)(e) The final step in the calculations (J(3)(e)) calculates the amount of the unharvested production adjustment in dollars.

Example: Approved yield is 4,500 lbs per acre, coverage level is 75%, 10 acres are insured, and share is 50%. A total of 10,000 lbs are harvested. The amount of insurance is $2,160 per acre. Two acres are damaged by an uninsured cause of loss. A total of 1,000 pounds of unharvested marketable production is appraised. The unharvested production adjustment value is $0.24 per pound.

1. 4,500 lbs X 0.75 Cov. Level X 0.500 Share X 2.0 acres = 3,375 lbs.
2. 3,375 lbs. + 1,000 lbs. + 10,000 lbs. = 14,375 lbs.
3. 4,500 lbs X 0.75 Cov. Level X 0.500 Share X 10 acres = 16,875 lbs.
4. 16,875 lbs. – 14,375 lbs. = 2,500 lbs.

5. 2,500 lbs. X $0.24 = $600 unharvested production adjustment to include in revenue to count.

The revenue to count ($600) is entered in section I of the T-P-C Production Worksheet.

7K Limitation on an Increase in Coverage Levels from Year to Year

K(1) Insurance attaches on carryover policies on the day after the day insurance ends for a crop year. For example, the insurance period for physical damage for the 2009 crop year may end on the date harvest of the unit is complete during calendar year 2009. It may end earlier if the crop is completely destroyed. The insurance period for the 2010 crop year begins on the day after the day harvest of the 2009 crop was completed if that was the day insurance for physical damage ended.

K(2) This feature provides continuous coverage for the cherries. A crop might not be produced in 2010 because an insured peril prevented the trees from forming blossoms and, therefore, fruit.

K(3) Since the cancellation/sales closing date occurs on January 31 in California and November 20 in all other states, an insured person could have knowledge that a reduced crop is likely and therefore seek to maximize the coverage level for the next crop year. Accordingly, the Crop Provisions prohibit an increase in the coverage level in such cases. The AIP may reduce the coverage level to the level in effect the previous crop year at any time the AIP becomes aware this limitation has been violated.

K(4) The insured cannot avoid the limitation by cancelling the policy with one AIP and purchasing coverage from another AIP. The new AIP must check the DAS to determine if a policy previously was in effect for this person and enforce the limitation if applicable.

7L Alternative Protection

Alternative protection as referenced in the ARH Endorsement is not available for cherries.

7M Adjustments to Historic Revenue

The adjustments to historic revenues as described in section 5(a)(1) and (2) of the Endorsement do not apply to cherries.

8 ANNUAL PRICE

The annual price is used to value marketable production that is unsold, partially sold or sold at a price that is determined not reasonable. The ARH Endorsement and Cherry Crop Provisions define annual price as the average value per pound of any production sold (of the insurable type) if that price is reasonable else the NASS season average price.

The annual price shall first be calculated on a unit basis as the average value per pound of any production sold on the unit by the producer if that price is determined to be reasonable. This is done because a particular unit may have a unique variety or specific harvesting window.

If a unit level annual price is unavailable or determined not reasonable, the annual price may be calculated on a whole farm basis as the average value per pound of any cherry production sold across units by the producer if that price is determined to be reasonable.

If both the unit and whole farm annual price are unavailable or determined not reasonable, the NASS season average price by insured type as defined in the crop provisions shall be the annual price.

The Cherry Pilot Loss Adjustment Standards Handbook details the Annual Price calculations and provides an example in the sample loss worksheets.

9 CALCULATION OF REVENUE GUARANTEE

This section outlines the calculation of the revenue guarantee. Examples will be utilized to illustrate the calculation procedure.

Assume a producer has been growing ten acres of sweet cherries (fresh). The producer reports revenue history for eight years. The following table summarizes the average revenue per acre for each year from the APH worksheet. Assume further that RMA has published an expected revenue factor (ERF) applicable to this situation that is equal to 1.00. This producer chooses the 75 percent (75%) coverage level with a payment factor of 0.90 and has a 50 percent (50%) share in the unit.

COLUMN A PRODUCTION YEAR	COLUMN B PRODUCER REVENUE
1999	$5,900
2000	$6,000
2001	$6,200
2002	$5,900
2003	$6,700
2004	$5,350
2005	$6,650
2006	$7,000
Total	$49,700

Approved revenue $6,213 (simple average of the eight observations)

Coverage level 0.75

ERF 1.00

Payment factor 0.90

Share 0.500

Amount of insurance per acre (guarantee)

(1)	$6,213 x 1.00 =	$ 6,213	(ERF)
(2)	$6,213 x 0.75 =	$ 4,660	(coverage level)
(3)	$4,660 x 0.90 =	$ 4,194	(payment factor)
(4)	$4,194x 0.500 =	$ 2,097	(share)
(5)	$2,097 X 10 acres =	$20,970	

Value per acre (used for determining losses)

(1)	$6,213 x 1.00 =	$ 6,213	(ERF)
(2)	$6,213 x 0.75 =	$ 4,660	(coverage level)
(3)	$4,660 x 0.500 =	$ 2,330	(share)
(4)	$2,330 x 10 acres =	$23,300	

10 SAMPLE INDEMNITY CALCULATIONS

This section provides example indemnity calculations under ARH. An indemnity is owed if the annual producer revenue for the crop year is less than the guarantee. The standard calculation sequence used for crop insurance must be modified because only the revenue obtained by the insured person can be included in the revenue to count. Thus, the share must be introduced at an earlier step in the calculations, as shown in these examples.

10A Examples

The calculations outlined in section 8 of this Underwriting Guide will serve as the basis for explaining the indemnities. Following are example scenarios:

A(1) Inadequate Market Price

The producer harvests an amount of cherries that exceeds the approved yield of 4,500 lbs. per acre. However, the market price results in revenue to count of only $15,000 for the insured. The indemnity is calculated as follows:

1. $2,330 X 10 acres = $23,300
2. $23,330 - $15,000 revenue to count = $8,300 difference
3. $8,300 X 0.90 payment factor = $7,470 indemnity payment

Note that the payment factor is not applied to the revenue to count but instead to the amount of the indemnity initially calculated as though the payment factor were 1.00. This producer would have received an indemnity of $8,300 if he or she had elected to use the default payment factor of 1.00.

A(2) Crop Damage Resulting in Unmarketable Production

Now assume that only 10,000 lbs (producer's share of the total) were harvested and sold for $11,000. There is no unharvested marketable production.

Herbicide drift damages 2.0 acres of cherries, thus making the cherries unmarketable. The unharvested production adjustment amount included in the Special Provisions is $0.20. The indemnity is calculated as follows:

1. $2,330X 2.0 acres = $4,660 appraisal for uninsured causes;
2. $600 unharvested production adjustment (see section 7J(4);
3. $4,660 + $600 + $11,000 = $16,260;
4. $2,330 X 10 acres = $23,300 amount of insurance;
5. $23,300 - $16,260 = $7,040; and
6. $7,040 X 0.90 = $6,336.

A(3) Carrying Forward a Loss Claim with the Unharvested Production Adjustment

Assume a unit of fresh cherries in Chelan County, WA. The appraisal determines 51% damaged fruit due to splits cause by rain. Apply Table B of the Cherry Loss Adjustment Standards Handbook which results in zero production to count. There is no damage due to uninsurable cause. The grower does not harvest thus the unharvested production adjustment is applied to the approved yield.

Transitional Revenue = $9,500	Transitional Yield = 9,350 lbs
UH production adjustment = $0.24/lb	
Average historical revenue = $9,500	Average historical yield = 9,350 lbs
75% guarantee, 100% payment factor, 1.00 ERF, 100% share	
Amount of insurance = $7,125	Approved yield = 7,013 lbs

1. 7,013 lbs Approved yield – (0lbs damaged due solely to uninsured causes + 0lbs appraised + 0lbs harvested) = 7,013 lbs subject to unharvested production adjustment
2. 7,013 lbs x $0.24/lb = $1,683 unharvested production adjustment (UPA)
3. Revenue shortfall = $7,125 amount of insurance – (0 value of fruit sold + $1,683 UPA) = $5,442 indemnity

Next years' ARH data from claim form:
0 lbs PTC = **0 lbs**
Revenue to count from claim form = **$1,638**

With Revenue and Yield Substitution:
60% RS = $9,500 x 0.60 = **$5,700**
60% YA = 9,350 x 0.60 = **5,610 lbs**

11 REVENUE DESCRIPTORS

Utilize the descriptors for yields as described in Appendix III for the equivalent revenue values. For example, “A” designates actual revenue; “T” designates a transitional revenue; etc.

12 SAMPLE WORKSHEETS

A The multipurpose production and yield worksheet, as presented in section 6F of the Crop Insurance Handbook (CIH) or a similar form may be adapted for the ARH Cherry Pilot Program for unusual situations. In particular, this worksheet might be used to deduct non-allowable costs from the revenue received by the producer to determine the amount of producer's revenue to enter in the reporting worksheet. If non-allowable costs are not identified by unit (are assessed on the entire quantity sold), allocate those costs pro-rata to the revenue derived from each unit.

B The example form (provided below) can be used for determining average yield and 100% share equivalent revenue.

Yield and Revenue Report (Example - for illustration purposes only) For Crop Year:

<table>
<tr><td colspan="2">Producer's Name and Address

Phone No: SSN Tax No:</td><td colspan="2">Required Field Review ☐
Required Inspection ☐
State:
County:
Policy No:</td><td colspan="7">Agent Name and Address:
Phone No: Agent Code:
Company Name and Address:</td></tr>
<tr><td rowspan="2">Crop
Practice
Type
Unit No.</td><td colspan="3" rowspan="2">Section
Township
Range
Land Other County ☐ Yes ☐ No</td><td>Crop Year</td><td>Acres</td><td>Production</td><td>Yield</td><td>Producer's Revenue</td><td>Share</td><td>100% Share Equivalent Revenue</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="3">Other Entity(ies)</td><td>FSA Farm No.
Cropland Acres</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="2">Record Type:
☐ Production Sold
☐ On Farm Storage
☐ Livestock Feeding Records
☐ FSA Loan Record</td><td>Crop Year:
☐ Appraisal
☐ Other</td><td>Area Classification
Tran. Revenue
Tran. Yield</td><td colspan="3"></td><td colspan="4">Total</td></tr>
<tr><td colspan="2">Processor Number</td><td colspan="2">Other</td><td colspan="2">Preliminary Revenue
Prior Revenue
Preliminary Yield
Prior Yield</td><td></td><td colspan="4">Approved Revenue
Approved Yield</td></tr>
</table>

1. Acres: Total insurable acres for a given block or unit. Assume a cherry grower has produced ten acres of cherries in crop year 2000.

2. Production: The total production from the block or unit.

3. Average Yield: Divide production by acres.

4. Producer's Net Revenue: Producer's revenue from the block/unit net of all non-allowable costs such as cooling, culling, packing, etc.

5. Average Revenue: Divide Producer's Net Revenue by acres.

6. Producer's share: Enter the producer's share of the production shown in the Production column.

7. 100% Share Equivalent Revenue: Divide Average Revenue by Share.

8. After revenue for all years has been tabulated, sum the values in column 7 and divide by the number of years.