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Risk
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Actuarial and
Product Design
Division

FCIC 24260 (09-2009)

ACTUAL REVENUE HISTORY (ARH)

CITRUS (PILOT)

UNDERWRITING GUIDE

2011 and Succeeding Crop Years

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

FEDERAL CROP INSURANCE CORPORATION DIRECTIVE		**NUMBER:** **24260 (09-2009)**
SUBJECT: **ACTUAL REVENUE HISTORY CITRUS PILOT INSURANCE UNDERWRITING GUIDE 2011 AND SUCCEEDING CROP YEARS**	DATE: **09-03-2009**	
	Product Administration and Standards Division	
	Deputy Administrator, Product Management /s/ Tim B Witt	

This underwriting guide contains the official FCIC approved underwriting instructions under policy 2011-0215 47 for 2011 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) Citrus Pilot Underwriting Guide provides instructions for establishing coverage in accordance with the ARH endorsement and ARH citrus 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

2A General Information

The ARH citrus crop provisions are designed in a similar manner to the AZ-CA APH Citrus Crop provisions. That is to say, by design the provisions are potentially applicable to a number of citrus crops in California. However, for the purpose of the ARH pilot program only navel oranges are an insurable crop and thus are the only crop with corresponding actuarial documents. Throughout the materials ARH citrus and ARH navel oranges are interchangeable from a practical standpoint.

2B Special Instructions

B(1) All procedures, rules, and requirements for Category C APH crops apply to ARH citrus and are supplemented with additional instructions in this handbook. Apply requirements to both yields and revenues as appropriate.

3 CROP INSURANCE HANDBOOK

Rules for applying FCIC 18010 Crop Insurance Handbook (CIH) to the ARH Citrus Pilot Program are included in this section. Any references in the CIH to navel oranges or citrus in California apply to the ARH insurance plan unless specifically changed in this Underwriting Guide.

3A Definitions

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

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 expected revenue factor, the coverage level percentage, the payment factor, and the insured's 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.

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.

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.

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 different revenue histories such as one (1) to four (4) years, and another ERF for five (5) to six (6) years, etc. An ERF value can be less than 1.00.

Harvest – Removal of mature fruit of the insured crop from the trees either by hand or by a machine designed for that purpose.

Marketable – Production of citrus that meets or exceeds the grading standards specified in the Special Provisions.

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 Additional Rules (CIH Section 4)

The general rules of crop insurance, as outlined in section 4 of the CIH, apply to the ARH Citrus Pilot Program. Specific changes to Section 4 of the CIH for the ARH Citrus Pilot Program are itemized below:

CIH
Section
Reference

4 General Rules

Section 4 of the CIH applies to the ARH Citrus 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 percent 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

CIH
Section
Reference

5 Underwriting and APH Responsibilities (Category B & C APH Crops)

Section 5 of the CIH applies to the ARH Citrus Pilot Program but the term “yield” as used therein is replaced by the phrase “yield and revenue” when appropriate and the term “APH form” is replaced by the term “ARH form.”

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” is revised to read “insureds must report on an annual basis all production, acres, and revenue on an ARH form by the revenue reporting date.”

5C(5) Limitations do not include cups for either yield or revenue under ARH.

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

CIH
Section
Reference

7 CIH section 7 applies to the ARH Citrus Pilot Program. Follow the rules for Arizona-California citrus. Apply requirements to both yields and revenues as appropriate. Additional instructions and modifications are as follows:

7H APH Yield Calculation and ARH Revenue Calculation

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.

If 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.

7H 3(b) CUPS
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.

3E Use of the APH Form – CIH Section 9

Producers who purchase ARH Citrus Pilot Program insurance coverage will be required to follow the guidelines for form utilization as outlined in Section 9 of the CIH. The instructions provided in Section 9 pertain to both yield and revenue.

Specific changes and additions to Section 9 of the CIH are itemized below:

CIH
Section
Reference

9B General Provisions

B(1) APH Forms

A form developed according to RMA approved standards must be used by AIPs for all ARH crops requiring production and revenue reports to establish the approved APH yield and the approved ARH revenue: cherries, navel oranges, dry peas, and sugar beets.

9D Preparation of Production and Yield Report (APH Form)

This section is renamed to “**Preparation of Production, Revenue, and Yield Report (ARH Form)**

The following supplemental instructions are added to this section.

Item 16 Enter the production amount in cartons of marketable citrus.

Item 22 Enter the producer’s share of the revenue from the unit net of all non-allowable costs.

Item 23 Divide Producer’s Net Revenue by acres.

Item 24 Enter the producer’s share of the production.

Item 25 Divide Average Revenue by Share.
Item 26 Enter the total of the entries in item 24.

Item 27(A) Enter N/A

Item 27(B) Enter the prior approved ARH revenue, if applicable. If not applicable, enter N/A.

Item 28 (Completed by verifier.) Enter the approved ARH revenue after all entries are verified or any applicable adjustments/reductions.

Production, Revenue, and Yield Report (ARH Form) For Crop Year:

(For Illustration Purposes Only!)

1 Producer's Name and Address

Phone No: SSN Tax No:

2 Required Field Review ☐
Required Inspection ☐

3 State:
County:
Policy No:

4 Agent Name and Address:

Phone No: Agent Code:

5 Company Name and Address:

6 Crop
Practice
Type
Unit No.

7 Section
Township
Range
Land Other County ☐ Yes ☐ No

15 Crop Year	16 Total Production	17 Acres	18 Average Yield	22 Producer's Net Revenue	23 Average Revenue	24 Producer's Share	25 100% Share Equivalent Revenue
			19 Total				26 Total

8 Other Entity(ies)

12 FSA Farm No.

Cropland Acres

9 Record Type: Crop Year:
☐ Production Sold
☐ On Farm Storage ☐ Appraisal
☐ Livestock Feeding Records ☐ Other
☐ FSA Loan Record

13 Area Classification

14 Transitional Yield

Transitional Revenue

10 Processor Number

11 Other

27(A) Preliminary Revenue

27(B) Prior Revenue

20(A) Preliminary Yield

20(B) Prior Yield

28 Approved Revenue

21 Approved Yield

3F Acreage and Production Evidence Requirements – CIH Section 10

The provisions of Section 10 apply to both production and revenue.

Specific changes are listed below.

CIH Section Reference	
10B(2)(c)	The instructions for short rated acreage apply to ARH citrus.

3G APH Yield Adjustment – CIH Section 13

The provisions of Section 13 apply to both production and revenue.

Specific changes are listed below.

CIH Section Reference	
13A(5)	Added provision. 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.

4 PREVENTED PLANTING LOSS ADJUSTMENT STANDARDS HANDBOOK

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

5 LOSS ADJUSTMENT MANUAL (LAM)

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

6 ARH CITRUS LOSS ADJUSTMENT STANDARDS HANDBOOK (LASH)

The ARH Citrus Pilot Loss Adjustment Standards Handbook applies to the ARH-Citrus Pilot Program.

7 INSURABILITY AND ELIGIBILITY REQUIREMENTS

7A Types Insurable

A(1) All types of navel oranges are insurable under the ARH Citrus Pilot Program. Type is specified in the Actuarial Documents if appropriate.

A(2) Other citrus crops, if insurable in future years, will be specified in the Actuarial Documents.

A(3) The insurance guarantee is based on the revenue derived from historic sales of marketable citrus.

7B Insurable Practices

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

B(2) Citrus must be irrigated to be insurable unless otherwise stated in the Actuarial Documents.

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

7C Insurable Units

C(1) Basic units are established in accordance with the definition of basic unit contained in the Basic Provisions. Provisions of Section 34(c) of the Basic Provisions that allow unit division by section, FSN, etc., and by irrigated and non-irrigated do not apply. Section 3 of the ARH Citrus Pilot 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 if type is specified in the Special Provisions.

C(2) All optional units must be identified on the acreage report, the same as other crop insurance plans.

C(3) Units may be adjusted or combined to reflect the actual unit structure when adjusting a loss, the same as other insurance plans.

C(4) 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.

C(5) 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.

C(6) The provisions of Section 34 of the Basic Provisions that allow enterprise units and whole-farm units do not apply to citrus.

7D States and Pilot Counties

D(1) The ARH Citrus Pilot Program coverage shall only be available in the following California counties: Fresno, Kern, Madera, and Tulare.

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 as is consistent with FCIC policy regarding revenue insurance plans.

7F Insurance Dates

F(1) The cancellation and termination date is November 20.

F(2) The contract change dates are the August 31 immediately preceding the cancellation date.

F(3) The calendar date for the end of the insurance period for physical damage to navel oranges for each crop year is the August 31 during the calendar year in which the navel oranges are normally harvested.

F(4) The calendar date for the end of the insurance period for loss of revenue due to an inadequate harvest price is the August 31 during the calendar year when the navel oranges normally are harvested.

F(5) The acreage reporting date is the January 10 following the cancellation date.

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

F(7) The billing date is September 15 of the calendar year that follows the calendar year that contains the cancellation date.

7G Insurable and Uninsurable Causes of Loss

G(1) The following causes of loss are covered by the insurance offered under the ARH Citrus 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,

(1)(g) Insects and plant disease, if:

(g)(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
(g)(ii) no pesticides effective on the insect or the plant disease are registered with the Environmental Protection Agency and labeled for use on navel oranges.

(1)(h) An inadequate market price.

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 navel oranges. Insured's 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. This description of the insured peril is substantially the same as that contained in paragraph 3A(3) of the Arizona-California Citrus Loss Adjustment Standards Handbook.

G(3) In addition to the causes of loss listed in the Basic Provisions as uninsurable causes of loss, the following are not insurable for citrus:

(3)(a) Mechanical damage;

(3)(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 7(G)(1)(a) through 7(G)(1)(g); and

(3)(c) Inability to market the citrus 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 Revenue Reports

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 packer, 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 freeze damage, decay, scared, etc.. This harvested marketable production is valued using the annual price.

Acceptable supporting records for delivered and sold citrus are pool statements, pool summary statements, pack statements or year-end settlement sheets that indicate by crop/type, the number of standard size cartons (#58 container – 38 pounds for oranges) packed or the net weight of the packed fruit, and the total revenue from sales of marketable citrus.

(1)(a) If marketable citrus from the unit was delivered to more than one buyer or handler, the records of each buyer or handler must be aggregated to determine the total revenue and total number of standard cartons for the unit.

(1)(b) The average revenue per acre for a crop year is the total revenue received for marketable citrus divided by the number of insurable acres in the unit.

(1)(c) The average production from the unit also must be reported to the Data Acceptance System. Citrus production for which marketing records are expressed on a basis other than standard cartons must be converted to standard cartons on the basis of 38 pounds of packed fruit for the standard packed carton. The average production is the total number of standard containers divided by the number of insurable acres in the unit.

(1)(d) The acreage also must be substantiated by verifiable records. However, since current acreage of bearing citrus trees can be measured, previous acreage can be determined with records of trees removed, trees planted, and so forth.

7J Unharvested Production Adjustment

J(1) The ARH Citrus Pilot Program includes the savings achieved by not harvesting all or a portion of the crop in the revenue to count. For example, if a freeze causes the cells of the fruit to rupture and become worthless such that the acreage is not harvested, the insured does not need to employ the same degree of care to remove the damaged fruit from the acreage. 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 citrus 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 carton and is published in the Special Provisions. The unharvested production adjustment is based on cartons 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 by the coverage level, share, and by the 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 cartons;

(3)(c) Multiplying the approved yield by the coverage level, share, and 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 cartons. The dollar appraisal is based on the packing house door valuation. Thus, the total cartons 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 cartons that have been multiplied by the annual price when determining revenue to count. Again, a value equivalent to a packing house door price already has been assigned to those cartons when determining revenue to count.

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

(4)(d) The fourth step in the calculations (J(3)(d)) determines whether this sum (step J(3)(c)) is greater than the total number of cartons associated with the revenue guarantee.

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

Example: Approved yield is 450 cartons per acre, coverage level is 75 percent (75%), 10 acres are insured, and share is 50 percent (50%). The insured's share of sales is 1,000 cartons. Two acres are damaged by an uninsured cause of loss. A total of 250 cartons of unharvested marketable production is appraised. The unharvested production adjustment value is $0.70 per carton.

1. 450 cartons X 0.75 Cov. Level X 0.500 share X 2.0 acres = 338 cartons;
2. 338 cartons + 1,000 cartons sold + (250 cartons X 0.500 share) appraised production = 1,463 cartons
3. 450 cartons X 0.75 Cov. Level X 0.500 Share X 10 acres = 1,688 cartons
4. 1,688 cartons – 1,463 cartons = 225 cartons
5. 225 cartons X $0.70= $158 unharvested production adjustment to include in revenue to count.

The revenue to count ($158) is entered in section I of the T-P-C Production Worksheet.

7K <u>Payment Factor</u>

The payment factor is substantially the same as the price election factor available for other crop insurance coverage plans. However, it must be handled differently than the price election factor.

In the APH insurance plan, for example, the amount of any indemnity is a two step process: first, the amount of the production loss is calculated and second, the production loss is multiplied by the price election. The price election factor simply reduces the effective price election, which also reduces the liability and the premium. It does not affect the guarantee, which is based in bushels. Hence, the loss threshold remains the same regardless of the level of the price election factor.

To properly calculate an indemnity in ARH, the calculations first must determine the indemnity as though the payment factor were 100 percent (100%). The 100 percent (100%) indemnity then is reduced to reflect the payment factor chosen by the insured (the default value is 1.00). The calculations are shown in sections 8 and 9 of this Underwriting Guide.

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 Citrus 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 policy basis as the average value per pound of any citrus 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 Citrus 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 navel oranges. The producer reports revenue history for eight years. The following table summarizes the average revenue per acre for each year from the ARH 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 0.80 and has a 100 percent (100%) share in the unit.

COLUMN A PRODUCTION YEAR	COLUMN B PRODUCER REVENUE
1999	$3,900
2000	$3,000
2001	$4,200
2002	$3,900
2003	$3,700
2004	$4,350
2005	$3,650
2006	$4,000
Total	$30,700
Average	$3,838
ERF	1.00
Coverage level	0.75
Payment factor	0.80
Share	0.500

Amount of Insurance Per Acre

(1) $3,838 x 1.00 =	$3,838	(ERF)
(2) $3,838 x 0.75 =	$2,879	(coverage level)
(3) $2,879 X 0.80 =	$2,303	(payment factor)
(4) $2,303 x 0.500 =	$1,152	(share)

Value per acre (used for determining losses)

(1)	$3,838 x 1.00 =	$ 3,838	(ERF)
(2)	$3,838 x 0.75 =	$ 2,879	(coverage level)
(3)	$2,879 x 0.500 =	$ 1,440	(share)

10 SAMPLE INDEMNITY CALCULATIONS

This section provides example indemnity calculations under ARH. An indemnity is owed if the realized producer revenue for the crop year is less than the guarantee.

10A Examples

The following calculations will serve as the basis for explaining the indemnities. Following are example scenarios:

A(1) Inadequate Market Price.

The producer harvests an amount of navel oranges that exceeds the minimum number at which no unharvested production adjustment applies. However, the market price results in revenue to count of only $10,000 for the insured. The indemnity is calculated as follows:

Value for unit:	$ 1,440 X 10 acres = $14,400
Value of production to count:	$10,000
Gross loss:	$14,400 – $10,000 = $4,400
Indemnity:	$4,400 x 0.80 payment factor = $3,520

Note that the payment factor is not applied to the revenue to count. The payment factor reduces the liability so that the amount of premium is reduced. However, all revenue is counted without considering the payment factor. The payment factor then reduces the indemnity that otherwise would be paid.

A(2) Crop Damage Resulting in Unmarketable Production

Now assume that only 1,000 cartons (producer's share of the total) were harvested and sold for $10,000. There is no unharvested marketable production.

Herbicide drift damages 2.0 acres of the navel oranges, thus making the oranges unmarketable. The unharvested production adjustment amount included in the Special Provisions is $0.70. The indemnity is calculated as follows:

Value for unit:	$1,440 X 10 acres =	$14,400
Uninsured cause of loss (acreage destroyed, considered as abandoned):		
	$1,440 per acre X 2.0 acres =	$ 2,880
Unharvested Production Adjustment (see section 7J(4)):		$ 158
Actual Revenue:		$10,000
Revenue to Count:	$2,880 + $158 + $10,000 =	$13,038

Gross loss:	\$14,400 – \$13,038 =	\$1,362
Indemnity:	\$1,362 x 0.80 payment factor =	\$1,090

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.