98-019

UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
AVOCADO PILOT CROP PROVISIONS

If a conflict exists among the Basic Provisions, these crop provisions, and the Special Provisions, the Special Provisions will control these crop provisions and the Basic Provisions; and these crop provisions will control the Basic Provisions.

1. Definitions

(a) **APH -** Actual Production History as defined at 7 CFR part 400 subpart G.

(b) **Amount of insurance (per acre) -** An amount determined by multiplying the approved average revenue per acre by the coverage level percentage you elect.

(c) **Approved average revenue (per acre) -** The average farm revenue minus the average county revenue plus the long term average county revenue.

(d) **Average county revenue (per acre) -** The amount determined by multiplying the county average yields for the years for which you provide APH yields by the applicable standardized season average prices as shown in the actuarial table and divided by the number of years for which you provide APH yields.

(e) **Average farm revenue (per acre) -** An amount determined by multiplying your APH yields for the years for which you provide yields by the standardized season average prices for the same crop years, and dividing the result by the number of years that you provide yields.

(f) **Crop year -** The period beginning with the December 1 of the calendar year prior to the year in which the avocado trees normally bloom and extending through the November of the year following such bloom, and will be designated by the calendar year following the year in which the avocado trees normally bloom.

(g) **Days -** Calendar days.

(h) **Direct marketing -** Sale of the insured crop directly to consumers without the intervention of an intermediary such as a wholesaler, retailer, packer, processor, shipper or buyer. Examples of direct marketing include selling through an on-farm or roadside stand, farmer's market, and permitting the general public to enter the fields for the purpose of picking all or a portion of the crop.

(i) **Good farming practices -** The cultural practices generally in use in the county for the crop to make normal progress toward maturity and produce at least the yield used to determine the amount of insurance and are those generally recognized by the Cooperative Extension Service as compatible with agronomic and weather conditions in the county.

(j) **Harvest -** Picking of the avocados from the trees or ground by hand or machine.

(k) **Interplanted -** Acreage on which two or more crops are planted in any form of alternating or mixed pattern.

(l) **Irrigated practice -** A method of producing a crop by which water is artificially applied during the growing season by appropriate systems and at the proper times, with the intention of providing the quantity of water needed to produce at least the yield used to establish the irrigated amount of insurance on the irrigated acreage planted to the insured crop.

(m) **Long term average county revenue -** The average of county revenues, computed by multiplying the standardized season average prices by the county average yield for years since 1977, and is shown in the actuarial table.

(n) **Marketing year -** The period from November 1 of a calendar year through October 31 of the succeeding calendar year and designated by the succeeding calendar year.

(o) **Non-contiguous land -** Any two or more tracts of land whose boundaries do not touch at any point, except that land which is separated only by a public or private right-of-way, waterway, or an irrigation canal will be considered as contiguous.

(p) **Pound -** A unit of weight equal to sixteen ounces avoirdupois.

(q) **Set Out -** Transplanting a tree into the grove.

(r) **Standardized season average price -** The average price per pound determined by dividing the value of all Hass avocados in the state by the pounds of Hass avocados produced in the state for a marketing year, as reported by the California Avocado Commission and may be adjusted by FCIC to state prices based on current dollar values.

(s) **Written Agreement -** A written document that alters designated terms of a policy in accordance with Section 12.

2. Unit Division

(a) Unless limited by the Special Provisions, a unit as defined in section 1(Definitions) of the Basic Provisions, may be divided into optional units if, for each optional unit you meet all the conditions of this section or if a written agreement to such division exists.

(b) Basic units may not be divided into optional units on any basis including, but not limited to, production practice, type, and variety, other than as described in this section.

(c) If you do not comply fully with these provisions, we will combine all optional units that are not in compliance with these provisions into the basic unit from which they were formed. We will combine the optional units at any time we discover that you have failed to comply with these provisions. If failure to comply with these provisions is determined to be inadvertent, and the optional units are combined, that portion of the premium paid for the purpose of electing optional units will be refunded to you pro rata for the units combined.

(d) All optional units must be identified on the acreage report for each crop year.

(e) The following requirements must be met for each optional unit:

(1) You must have records, which can be independently verified, of acreage and production for each optional unit for at least the last crop year used to determine your amount of insurance; and

(2) You must have records of marketed production or measurement of stored production from each optional unit maintained in such a manner that permits us to verify the production from each optional unit or the production from each unit must be kept separate until loss adjustment is completed by us.

(f) Each optional unit must meet one or more of the following criteria, as applicable:

(1) **Optional Units on Acreage by Variety:** Optional units may be established by variety when authorized in the Special Provisions.

(2) **Optional Units on Acreage Located on Non-Contiguous Land:** In addition to optional units by variety, optional units may be established if each optional unit is located on non-contiguous land.

3. Insurance Guarantees, Coverage Levels, and Prices for Determining Indemnities

In addition to the requirements of section 3 (Insurance Guarantees, Coverage Levels, and Prices for Determining Indemnities) of the Basic Provisions:

(a) You may select only one coverage level for all the avocados in the county insured under this policy unless the Special Provisions provide that you may select one coverage level for each avocado type designated in the Special Provisions.

(b) You must report, by the production reporting date designated in section 3 (Insurance Guarantees, Coverage Levels, and Prices for Determining Indemnities) of the Basic Provisions, by variety if applicable:

(1) Any damage, removal of trees, change in grove practices, or any other circumstance that may reduce the expected yield per acre to less than the yield upon which the amount of insurance per acre is based, and the number of affected acres;

(2) The number of trees on insurable and uninsurable acreage;

(3) The age of the trees;

(4) Any acreage that is excluded under section 6 of these crop provisions; and

(5) For acreage interplanted with another crop:

(i) The age of the interplanted crop, and type if applicable;

(ii) The planting pattern; and

(iii) Any other information that we request in order to establish your approved average revenue per acre.

(c) We will reduce the approved average revenue used to establish your amount of insurance as necessary, based on the effect of the interplanted perennial crop, removal of trees, damage, or change in practices on the yield potential of the insured crop. If you fail to notify us of any circumstance as set out in paragraph (b) of this section we will reduce your amount of insurance as necessary, at any time we become aware of the circumstance.

(d) Catastrophic risk protection provided under 7 CFR part 402 is not available. In lieu of section 3.(b) of the Basic Provisions, producers who elect catastrophic risk protection will receive coverage in accordance with section 13.

(e) For the first crop year in which you apply for insurance:

(1) You must certify to your yields for the most recent four or more consecutive years in which you have produced avocados or receive an assigned yield that is 65 percent of the transitional yield for each year in which you do not certify a yield up to four years. Your average farm revenue will be calculated based on these certified and assigned yields.

(2) You must have adequate records to support all certified yields or your average farm revenue will be recalculated using an assigned yield for each year in which you do not have adequate records.

4. Contract Changes

In accordance with section 4 (Contract Changes) of the Basic Provisions, the contract change date is August 31 preceding the cancellation date.

5. Cancellation and Termination Dates

In accordance with section 2 (Life of Policy, Cancellation, and Termination) of the Basic Provisions, the cancellation and termination dates are November 30 of the calendar year in which the avocado trees normally bloom .

6. Insured Crop

(a) In accordance with section 8 (Insured Crop) of the Basic Provisions, the crop insured will be all the commercially-grown avocados in the county for which a premium rate is provided by the actuarial table:

(1) In which you have a share;

(2) That are grown for harvest as avocados;

(3) That are irrigated; and

(4) That are grown on trees that, if inspected, are considered acceptable to us.

(b) In addition to the avocados not insurable in section 8 (Insured Crop) of the Basic Provisions, we do not insure any avocados, produced on trees that have not reached the sixth growing season after set out. However, we may agree in writing to insure avocados on acreage that has not reached this age if it has produced at least 2,000 pounds of avocados per acre.

7. Insurable Acreage

In lieu of the provisions in section 9 (Insurable Acreage) of the Basic Provisions that prohibits insurance attaching to a crop planted with another crop, avocados interplanted with another perennial crop are insurable unless we inspect the acreage and determine that it does not meet the requirements of insurability contained in these crop provisions.

8. Insurance Period

(a) In accordance with the provisions of section 11 (Insurance Period) of the Basic Provisions:

(1) Coverage begins for each crop year on December 1 of the calendar year prior to the year in which the insured avocado trees normally bloom.

(2) The calendar date for the end of the insurance period is the second November 30th of the crop year.

(b) In addition to the provisions of section 11 (Insurance Period) of the Basic Provisions:

(1) If you acquire an insurable share in any insurable acreage of avocados on or before the acreage reporting date of any crop year, and if we inspect and consider the acreage acceptable, insurance will be considered to have attached to such acreage on the calendar date for the beginning of the insurance period.

(2) If you relinquish your insurable interest on any acreage of avocados on or before the acreage reporting date of any crop year, insurance will not be considered to have attached to such acreage for that crop year unless:

(i) A transfer of right to an indemnity or a similar form approved by us is completed by all affected parties and we are notified by you or the transferee in writing of such transfer on or before the acreage reporting date.

(ii) No premium or indemnity will be due unless a transfer of coverage form is properly executed.

9. Causes of Loss

(a) In lieu of the first sentence of section 12 (Causes of Loss) of the Basic Provisions, insurance is provided against loss of revenue and the following causes of loss that occur within the insurance period:

(1) Adverse weather conditions;

(2) Fire, unless weeds and other forms of undergrowth have not been controlled or pruning debris has not been removed from the grove;

(3) Wildlife;

(4) Earthquake;

(5) Volcanic eruption; or

(6) Failure of the irrigation water supply caused by an insured peril that occurs during the insurance period.

(b) In addition to the causes of loss excluded in section 12 (Causes of Loss) of the Basic Provisions, we will not insure against damage or loss of production due to:

(1) Disease or insect infestation, unless adverse weather:

(i) Prevents the proper application of control measures or causes properly applied control measures to be ineffective; or

(ii) Causes disease or insect infestation for which no effective control mechanism is available;

(2) Theft; or

(3) Inability to market the avocados for any reason other than actual physical damage from an insurable cause specified in this section. For example, we will not pay

you an indemnity if you are unable to market due to quarantine, boycott, or refusal of any person to accept production, etc.

10. Duties in the Event of Damage or Loss

In addition to the requirements of section 14 (Duties in the Event of Damage or Loss) of the Basic Provisions, the following will apply:

(a) You must notify us at least 15 days before any production from any unit will be marketed directly to consumers. We will conduct a preharvest appraisal that will be used to determine your production. If damage occurs after the preharvest appraisal, and you can provide acceptable records to us that account for all production removed from the unit after our appraisal, we will conduct an additional appraisal that will be used to determine your production. Failure to give timely notice that production will be marketed directly to consumers will result in an appraised value of production to count of not less than the amount of insurance per acre.

(b) If you intend to claim an indemnity on any unit, you must notify us prior to the beginning of harvest so that we may inspect the damaged production. You must not dispose of the damaged crop or sell the damaged crop, unless delivery is delayed, until after we have given you written consent to do so, or 15 days, whichever is later. If you fail to meet the requirements of this subsection, all such production will be considered undamaged and included as production to count.

11. Settlement of Claim

(a) We will determine your loss on a unit basis. In the event you are unable to provide production records:

(1) For any optional unit, we will combine all optional units for which acceptable production records were not provided; or

(2) For any basic unit, we will allocate any commingled production to such units in proportion to our liability on the harvested acreage for each unit.

(b) In the event of loss or damage covered by this policy, we will settle your claim by:

(1) Multiplying the insured acreage by the amount of insurance;

(2) Subtracting from the result of paragraph (b) (1) the total of the dollar value of harvested and appraised production; and

(3) Multiplying the result of paragraph (b)(2) by your share.

(c) The total value of production to count from all insurable acreage on the unit will include the value of all appraised and harvested production.

(1) The value of appraised production to be counted will include:

(i) Not less than the amount of insurance for acreage:

(A) That is abandoned;

(B) Marketed directly to consumers if you fail to meet the requirements contained in section 10 of these crop provisions;

(C) Damaged solely by uninsured causes; or

(D) For which you fail to provide production records that are acceptable to us;

(ii) The total obtained by adding the following:

(A) The standardized season average price for the applicable variety multiplied by the potential production lost due to uninsured caused and failure to follow good farming practices;

(B) The standardized season average price for the applicable variety multiplied by the unharvested production; and

(C) The standardized season average price for the applicable variety multiplied by the potential production on acreage you intend to abandon or no longer care for, if you and we agree on the appraised amount of production. Upon such agreement, the insurance period for that acreage will end. If you do not agree with our appraisal, we may defer the claim only if you agree to continue to care for the crop. We will then make another appraisal when you notify us of further damage or that harvest is general in the area unless you harvested the crop, in which case we will use harvested production. If you do not continue to care for the crop, our appraisal made prior to deferring the claim will be used to determine the value of the production to count.

(2) The value of all harvested production from the insurable acreage will be the dollar amount obtained by multiplying the pounds harvested by the standardized season average price.

12. Written Agreement

Designated terms of this policy may be altered by written agreement. The following conditions will apply:

(a) You must apply for each written agreement no later than the sales closing date, except as provided in subsection (e) of this section.

(b) The application for written agreement must contain all terms of the contract between the insurance provider and the insured that will be in effect if the written agreement is not approved.

(c) If approved, the written agreement will include all variable terms for the contract, including, but not limited to, crop type or variety, the guarantee, premium rate, and price election.

(d) Each agreement is valid for one year only. If the written agreement is not specifically renewed the following year, insurance coverage for subsequent crop years will be in accordance with the printed policy.

(e) An application for a written agreement submitted after the sales closing date may be approved if, after a physical inspection of the acreage, it is determined that no loss has occurred and the crop is insurable in accordance with the policy provisions.

13. Catastrophic Risk Protection Coverage

(a) Definitions

(1) Additional coverage - An amount of protection greater than or equal to sixty-five percent (65%) of your approved average revenue.

(2) Catastrophic risk protection - The minimum level of coverage offered by FCIC.

(3) Limited coverage - An amount of protection that is greater than or equal to fifty percent (50%) of your approved average revenue, but less than sixty-five percent (65%) of your approved average revenue.

(4) Limited resource farmer - A producer or operator of a farm, with an annual gross income of $20,000 or less derived from all sources of revenue, including income from your spouse or other members of the household, for each of the prior two years, or a producer on a farm or farms of less than 25 acres aggregated for all crops, where a majority of the producer's gross income is derived from such farm or farms, but the producer's gross income from farming operations does not exceed $20,000.

(b) Catastrophic risk protection coverage will terminate for the crop year for which:

(1) You fail to pay the applicable administrative fee when due as specified in section 13 (d); or

(2) You elect to purchase limited or additional coverage for the insured crop; or

(3) You cancel your coverage by the cancellation date.

(c) In lieu of section 3.(b) of the Basic Provisions, for the 1998 crop year, catastrophic risk protection equals thirty percent (30%) of your approved average revenue, and for the 1999 and subsequent crop years, catastrophic risk protection equals twenty-seven and one-half percent (27.5%) of your approved average revenue.

(d) Administrative Fees

(1) In lieu of section 7.(c) of the Basic Provisions, you will not be responsible to pay a premium, nor will the policy be terminated because the premium has not been paid. FCIC will pay a premium subsidy equal to the premium established for this catastrophic risk protection coverage.

(2) In return for catastrophic risk protection coverage, you must pay an administrative fee as follows:

(I) At the time of application (the fee will not be refunded if you file a zero acreage report) the initial crop year for which the application is accepted; or

(ii) By the acreage reporting date for any subsequent crop years (the fee will not be required if you file a zero acreage report on or before the acreage reporting date, however, filing a false report could subject you to criminal and administrative sanction); and

(iii) Equal to $50 per crop per county, subject to a maximum of two hundred dollars ($200) per county and six hundred dollars ($600) for all counties in which you insure crops. In calculating the maximum amount of administrative fees, the fees paid for both catastrophic risk protection and limited coverage will be combined.

(3) The administrative fee does not apply for a limited resource farmer.

(4) The administrative fee will be refunded if, after applying for catastrophic risk protection and paying the administrative fee, you elect to purchase additional coverage for the insured crop on or before the sales closing date.

(5) If the insured fails to pay the administrative fee when due, the insured will not be eligible to receive an indemnity payment, the crop insurance contract will automatically terminate on the next cancellation date, and the insurance provider shall take the appropriate action to collect the amount owed.

(e) Section 2 (Unit Division) of these crop provisions does not apply.

(f) Multiple Benefits

If you are eligible to receive an indemnity under this section and benefits compensating you for the same loss under any other USDA program, you must elect the program from which you wish to receive benefits. Only one payment or program benefit is allowed. However, if other USDA program benefits are not available until after you filed a claim for indemnity, you may refund the total amount of the indemnity and receive the other program benefits. Farm ownership and operating loans may be obtained from the USDA in addition to crop insurance indemnities.

(g) Eligibility for Other USDA Benefits

You must obtain at least catastrophic risk protection coverage for each crop of economic significance in the county in which you have an insurable share, if insurance is available in the county for the crop, unless you provide a signed waiver of any eligibility for emergency crop loss assistance in connection with the crop. If you do not obtain catastrophic risk protection coverage or sign the waiver, you will not be eligible for:

(1) Benefits under the Agricultural Market Transition Act;

(2) Loans or any other USDA provided farm credit, including guaranteed and direct farm ownership loans, operating loans, and emergency loans under the Consolidated Farm and Rural Development Act provided after October 13, 1994; and

(3) Benefits under the Conservation Reserve Program derived from any new or amended application or contracts executed after October 13, 1994.

(h) Failure to comply with all provisions of the policy constitutes a breach of contract and may result in ineligibility for the farm program benefits stated in subsection 13.(g) for that crop year and any benefit already received must be refunded. If you breach the insurance contract, the execution of a waiver of any eligibility for emergency crop loss assistance will not be effective for the crop year in which the breach occurs.

AVOCADO EXAMPLE

YEAR	YIELD/ACRE	STANDARDIZED SEASON AVE. PRICES	YEARLY FARM REVENUE
1995	4559	.81	3693
1994	2978	1.04	3097
1993	10112	.21	2124
1992	2014	.65	1309
1991	2420	.82	1984

AVERAGE FARM REVENUE = 2441

AVERAGE COUNTY REVENUE FOR THESE YEARS = 3852
LONG TERM AVERAGE COUNTY REVENUE = 4139
APPROVED AVERAGE REVENUE = 2728 (2441-3852+4139=2728)

Assume this grower selected the 65% coverage level. The amount of insurance per acre is:

2728 dollars per acre times 65% = 1773 dollars per acre.

Assume the grower produced 1500 pounds per acre and the crop year's season average price is 80 cents per pound. The value of production to count is:

1500 pounds per acre times 80 cents per pound = 1200 dollars per acre.

The indemnity would be:

Amount of insurance	$1773 per acre
Minus the value of production -	$1200 per acre
Indemnity	$ 573 per acre