SUMMARY OF CHANGES FOR THE APPLE CROP PROVISIONS (01-054)

The following is a brief description of changes to the crop provisions that will be effective for the 2001 crop year. Please refer to the crop provisions for more complete information.

(a) Section 1 - Added for clarification a definition for “varietal group.”

(b) Section 2 - Revised to add language relating to varietal group.

(c) Section 3 - Revised to add language relating to varietal group.

(d) Section 3(c) - Added provisions to preclude insureds with continuous coverage from increasing the liability following a cause of loss that could or would reduce the yield.

(e) Section 8(c) - Added provisions to eliminate any lapse in insurance coverage between crop years. Clarified that the dates insurance attaches contained in paragraph (a)(1) do not apply to subsequent crop years, only to the initial crop year.

(f) Section 8(d) - Added provisions to specify that if the insured policy is canceled or terminated for any crop year after insurance attached for that crop year, insurance will not be considered to have attached for that crop year and no premium, administrative fee, or indemnity will be due for such crop year.

(g) Section 11(c)(1)(iii) - Revised to read “unharvested marketable production;” This change provides clarification that quality standards for appraisals of unharvested production are based on the definition of “marketable.”

(h) Section 14 - Added “Option C” provisions to allow optional units and prices by varietal group.

01-054

UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
APPLE CROP INSURANCE PROVISIONS

If a conflict exists among the policy provisions, the order of priority is as follows: (1) the Catastrophic Risk Protection Endorsement, if applicable; (2) the Special Provisions; (3) these Crop Provisions; and (4) the Basic Provisions, with (1) controlling (2), etc.

1. Definitions.

Area A - A geographic area that includes Montana, Wyoming, Utah, New Mexico and all states west thereof.

Area B - A geographic area that includes all states not included in Area A, except for Colorado.

Area C - Colorado.

Bin - A container that contains a minimum of 875 pounds of apples or some other quantity designated in the Special Provisions.

Box - A container that contains 35 pounds of apples or some other quantity designated in the Special Provisions.

Bushel - In all states except Colorado, 42 pounds of apples. In Colorado, 40 pounds of apples.

Culls - Apples that fail to meet the requirements of U.S. Cider Grade.

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

Excessive sun - Exposure of unharvested apples to direct or indirect sunlight that causes apples to grade less than U.S. Fancy due to sunburn.

Harvest - The picking of mature marketable apples from the trees or removing such apples from the ground.

Marketable - Apple production that grades U.S. No. 1, 2, or Cider in accordance with the United States Standards for Grades of Apples.

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

Pound - Sixteen (16) ounces avoirdupois.

Production guarantee (per acre) - The quantity of apples (boxes or bushels) determined by multiplying the approved APH yield per acre by the coverage level percentage you elect.

Russeting - A brownish roughened area on the surface of the apple.

Sunburn - As defined in the United States Standards for Grades of Apples.

Varietal group - Apple varieties with similar characteristics that are grouped for insurance purposes as specified in the Special Provisions.

2. Unit Division.

In addition to the requirements of section 34(b) of the Basic Provisions, optional units may be established if each optional unit is located on non-contiguous land. Optional units may also be established by varietal group in accordance with section 14 of these provisions.

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

In addition to the requirements of section 3 of the Basic Provisions:

(a) You may select only one price election for all the apples in the county insured under this policy unless the Special Provisions provide different price elections by type or varietal group, in which case you may select one price election for each apple type or varietal group designated in the Special Provisions. The price elections you choose for each type or varietal group must have the same percentage relationship to the maximum price offered by us for each type or varietal group. For example, if you choose 100 percent of the maximum price election for one type or varietal group, you must also choose 100 percent of the maximum price election for all other types or varietal group.

(b) You must report, by the production reporting date contained in section 3 of the Basic Provisions, by type or varietal group if applicable:

(1) Any damage, removal of trees, change in practices, or any other circumstance that may reduce the expected yield below the yield upon which the insurance guarantee is based, and the number of affected acres;

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

(3) The age of the trees and the planting pattern;

(4) The separate acreage for each varietal group of apples intended for fresh-market or processing, for each varietal group as shown on the actuarial documents; and

(5) For the first year of insurance for acreage interplanted with another perennial crop, and anytime the planting pattern of such acreage has changed:

(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 yield.

We will reduce the yield used to establish your production guarantee as necessary, based on our estimate of the effect of the following: interplanted perennial crop; removal of trees; damage; change in practices and any other circumstance on the yield potential of the insured crop. If you fail to notify us of any circumstance that may reduce your yields from previous levels, we will reduce your production guarantee as necessary at any time we become aware of the circumstance.

(c) You may not increase your elected or assigned coverage level or the ratio of your price election to the maximum price election if a cause of loss that could or would reduce the yield of the insured crop has occurred prior to the time that you request the increase.

4. Contract Changes.

In accordance with section 4 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 of the Basic Provisions, the cancellation and termination dates are November 20.

6. **Insured Crop.**
In accordance with section 8 of the Basic Provisions, the crop insured will be all the apples in the county for which a premium rate is provided by the actuarial table:
   (a) In which you have a share;
   (b) That are grown on tree varieties that:
      (1) Are adapted to the area;
      (2) Are in area A and have produced at least an average of 10 bins per acre;
      (3) Are in area B and have produced at least an average of 150 bushels per acre;
      (4) Are in Area C and have produced at least an average of 200 bushels per acre; and
   (c) That are grown in an orchard that, if inspected, is considered acceptable by us.

7. **Insurable Acreage.**
In lieu of the provisions in section 9 of the Basic Provisions that prohibit insurance attaching to a crop planted with another crop, apples interplanted with another perennial crop are insurable unless we inspect the acreage and determine that it does not meet the insurability requirements contained in your policy.

8. **Insurance Period.**
   (a) In accordance with the provisions of section 11 of the Basic Provisions:
      (1) Coverage begins on November 21 of each crop year, except for the year of application, if your application is received after November 11 but prior to November 21. In that case, insurance will attach on the 10th day after your properly completed application is received in our local office unless we inspect the acreage prior to the end of the 10 day period and determine that it does not meet insurability requirements. You must provide any information that we require for the crop to determine the condition of the orchard.
      (2) The calendar date for the end of the insurance period for each crop year is November 5.
   (b) In addition to the provisions of section 11 of the Basic Provisions:
      (1) If you acquire an insurable share in any insurable acreage after coverage begins but on or before the acreage reporting date for the crop year, and after an inspection we 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. There will be no coverage of any insurable interest acquired after the acreage reporting date.
      (2) If you relinquish your insurable share on any insurable acreage of apples on or before the acreage reporting date for the crop year, and the acreage was insured by you the previous crop year, insurance will not be considered to have attached to, and no premium or indemnity will be due for such acreage for that crop year unless:
         (i) A transfer of coverage and right to an indemnity, or a similar form approved by us, is completed by all affected parties;
         (ii) We are notified by you or the transferee in writing of such transfer on or before the acreage reporting date; and
         (iii) The transferee is eligible for crop insurance.
   (c) Notwithstanding paragraph (a)(1) of this section, for each subsequent crop year that the policy remains continuously in force, coverage begins on the day immediately following the end of the insurance period for the prior crop year. Policy cancellation that results solely from transferring to a different insurance provider for a subsequent crop year will not be considered a break in continuous coverage.
   (d) If your apple policy is canceled or terminated for any crop year, in accordance with the terms of the policy, after insurance attached for that crop year but on or before the cancellation and termination dates whichever is later, insurance will not be considered to have attached for that crop year and no premium, administrative fee, or indemnity will be due for such crop year.

9. **Causes of Loss.**
   (a) In accordance with the provisions of section 12 of the Basic Provisions, insurance is provided only against the following causes of loss that occur during the insurance period:
      (1) Adverse weather conditions;
      (2) Fire, unless weeds and other forms of undergrowth have not been controlled or unmulched pruning debris has not been removed from the orchard;
      (3) Insects, but not damage due to insufficient or improper application of pest control measures;
      (4) Plant disease, but not damage due to insufficient or improper application of disease control measures;
      (5) Earthquake;
      (6) Volcanic eruption;
      (7) Failure of the irrigation water supply, if caused by an insured peril that occurs during the insurance period;
      (8) Excess sun, only if you have elected the Fresh Fruit Option B and the Sunburn Option as described in section 13; and
      (9) Wildlife.
   (b) In addition to the causes of loss excluded in section 12 of the Basic Provisions, we will not insure against damage or loss of production due to:
      (1) Failure of the fruit to size, shape, or color properly;
      (2) Inability to market the apples 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;
      (3) Mechanical damage including, but not limited to, limb rubs, scars, and punctures; or
      (4) Russeting.

10. **Duties In the Event of Damage or Loss.**
In addition to the requirements of section 14 of the Basic Provisions, the following will apply:
   (a) You must notify us within three 3 days of the date harvest should have started if the crop will not be harvested.
   (b) You must notify us at least 15 days before any production from any unit will be sold by direct marketing. We will conduct an appraisal that will be used to determine your production to count for production that is sold by direct marketing. If damage occurs after this appraisal, we will conduct an additional appraisal. These appraisals, and any acceptable records provided by you, will be used to determine your production to

count. Failure to give timely notice that production will be sold by direct marketing will result in an appraised amount of production to count of not less than the production guarantee per acre if such failure results in our inability to make the required appraisal.

(c) If you intend to claim an indemnity on any unit, you must notify us at least 15 days prior to the beginning of harvest, or immediately if damage is discovered during harvest, so that we may inspect the damaged production.

(d) You must not destroy the damaged crop until after we have given you written consent to do so. If you fail to meet the requirements of this section and such failure results in our inability to inspect the damaged production, 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 separate acceptable production records:

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

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

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

(1) Multiplying the insured acreage by its respective production guarantee, by type if applicable;

(2) Multiplying each result in section 11(b)(1) by the respective price election, by type if applicable;

(3) Totaling the results in section 11(b)(2) if there are more than one type;

(4) Multiplying the total production to count (see section 11(c)), for each type if applicable, by the respective price election;

(5) Totaling the results in section 11(b)(4), if there are more than one type;

(6) Subtracting the total in section 11(b)(5) from the total in section 11(b)(3); and

(7) Multiplying the result in section 11(b)(6) by your share.

For example:

You have 100 percent share in 28 acres of fresh market apples and 30 acres of processing apples in the unit, with a 300 bushel per acre guarantee and a price election of $5.00 per bushel for fresh market and $2.00 per bushel for processing. You are only able to harvest 4,500 bushels of fresh market apples and 6,500 bushels of processing. Your indemnity would be calculated as follows:

(1) 28 acres x 300 bushels = 8,400 bushels guarantee of fresh market;
30 acres x 300 bushels = 9,000 bushels guarantee of processing;

(2) 8,400 bushels x $5.00 price election
= $42,000.00 value of guarantee for fresh market;
9,000 bushels x $2.00 price election
= $18,000.00 value of guarantee for processing;

(3) $42,000.00 + $18,000.00 = $60,000 total value guarantee;

(4) 4,500.00 bushels x $5.00 price election
= $22,500.00 value of production to count for fresh market;
6,500.00 bushels x $2.00 price election
= $13,000.00 value of production to count for processing;

(5) $22,500.00 + $13,000.00 = $35,500.00 total value of production to count;

(6) $60,000.00 - $35,500.00 = $24,500.00 loss; and

(7) $24,000.00 x 100 percent
= $24,500.00 indemnity payment.

(c) The total production to count (boxes or bushels) from all insurable acreage on the unit will include:

(1) All appraised production as follows:

(i) Not less than the production guarantee per acre for acreage:

(A) That is abandoned;

(B) That is sold by direct marketing if you fail to meet the requirements contained in section 10;

(C) That is damaged solely by uninsured causes; or

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

(ii) Production lost due to uninsured causes;

(iii) Unharvested marketable production; and

(iv) Potential production on insured acreage that 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 the 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 production to count; and

(2) All marketable harvested production from the insurable acreage.

(3) Mature marketable apple production may be reduced as a result of loss in quality due to hail, wind, freeze, or sunburn in accordance with section 13 of these provisions, if you elect one or more of these coverages.

12. Late and Prevented Planting.

The late and prevented planting provisions of the Basic Provisions are not applicable.

13. Optional Coverage for Quality Adjustment.

(a) These quality adjustment options apply only if the following conditions are met:

(1) You have not elected to insure your apples under the Catastrophic Risk Protection (CAT) Endorsement;

(2) You elected the Fresh Fruit Option A or the Fresh Fruit Option B; or you elected both the Fresh Fruit Option B and the Sunburn Option on your application or other form approved by us, and did so on or before the sales closing date for the initial crop year for which you wish it to be effective. By doing so, you agreed to pay the additional premium designated in the actuarial documents for this

optional coverage; and

(3) You or we did not cancel the option in writing on or before the cancellation date. Your election of CAT coverage for any crop year after this endorsement is effective will be considered as notice of cancellation by you.

(b) If you select Fresh Fruit Option A only, Fresh Fruit Option A will apply to all of your apples intended for processing and fresh market.

(c) If you select Fresh Fruit Option B, those provisions will apply to all of your apples intended for fresh market and the provisions of Fresh Fruit Option A will apply to all of your apples intended for processing.

(d) If you select the Sunburn Option as designated in the Special Provisions, you must also select Fresh Fruit Option B.

(e) In addition to the requirements of section 10 of these provisions, you must permit us to inspect and grade the fruit prior to harvest or no quality adjustment will be made.

(f) Fresh Fruit Option A and Fresh Fruit Option B are subject to the following conditions:

(1) Fresh Fruit Option A - In addition to section 11(c) of these provisions and notwithstanding the definition of "marketable" in section 1 of these provisions, your production to count will be adjusted when your apples are damaged by hail to the extent that such apples will not grade U.S. No. 1 (processing). Harvested apple production that is damaged by hail to the extent that it does not grade 80 percent U.S. No. 1 (processing) or better, in accordance with applicable USDA Standards for Grades of Apples, will be adjusted as follows:

(i) Production to count with 21 through 40 percent not grading U.S. No. 1 (processing) or better will be reduced 2 percent for each full percent in excess of 20 percent.

(ii) Production to count with 41 through 50 percent not grading U.S. No. 1 (processing) or better will be reduced 40 percent plus an additional 3 percent for each full percent in excess of 40 percent.

(iii) Production to count with 51 percent through 64 percent not grading U.S. No. 1 (processing) or better will be reduced 70 percent plus an additional 2 percent for each full percent in excess of 50 percent.

(iv) Production to count with 65 percent or more not grading U.S. No. 1 (processing) or better will be considered 100 percent cull production.

(v) The difference between the total production and the production to count as determined above will be considered cull production.

(vi) Thirty (30) percent of all cull production will be considered production to count, unless otherwise specified in the Special Provisions.

(vii) No reduction in production to count will be applied to any apple grading less than U.S. No. 1 (processing) due solely to size, shape, russeting, or color.

(viii) Any appraisal we make on the insured acreage will be considered production to count unless such appraised production is knocked to the ground by wind or hail or frozen on the tree to the extent that harvest is not practical.

(2) Fresh Fruit Option B - Notwithstanding section 11(c) and the definitions of "harvest" and "marketable" in section 1 of these provisions, the total production to count for a unit will include all harvested and appraised production. Harvested apple production that is damaged by hail to the extent that it does not grade 80 percent U.S. Fancy or better, in accordance with applicable USDA Standards for Grades of Apples, will be adjusted as follows:

(i) Production to count with 21 through 40 percent not grading U.S. Fancy or better will be reduced 2 percent for each full percent in excess of 20 percent.

(ii) Production to count with 41 through 50 percent not grading U.S. Fancy or better will be reduced 40 percent plus an additional 3 percent for each full percent in excess of 40 percent.

(iii) Production to count with 51 percent through 64 percent not grading U.S. Fancy or better will be reduced 70 percent plus an additional 2 percent for each full percent in excess of 50 percent.

(iv) Production to count with 65 percent or more not grading U.S. Fancy or better will be considered 100 percent cull production.

(v) The difference between the total production and the production to count as determined above will be considered cull production.

(vi) Apples that are knocked to the ground by wind or frozen to the extent they can be harvested but not marketed as U.S. Fancy grade apples will be considered 100 percent cull production.

(vii) Thirty (30) percent of all cull production will be considered production to count, unless otherwise specified in the Special Provisions.

(viii) No reduction in production to count will be applied to any apple grading less than U.S. Fancy due solely to size, shape, russeting, or color.

(ix) Any appraisal we make on the insured acreage will be considered production to count unless such appraised production is knocked to the ground by wind, hail, or frozen on the tree to the extent that harvest is not practical.

(g) Sunburn Option

(1) In addition to the causes of loss specified in section 9 of these provisions, excess sun is an insurable cause of loss.

(2) Notwithstanding the definitions of "harvest" and "marketable" in section 1 and 11(c)(1) and (2) of these provisions, the total production to be counted for a unit will include all harvested and appraised production. Harvested apple production that, due to excessive sun or in conjunction with hail damage, does not grade 80 percent U.S. Fancy or better, in accordance with applicable USDA Standards, will be adjusted as follows:

(i) Production to count with 21 through 40 percent not grading U.S. Fancy or better due solely to excessive sun or excessive sun along with hail damage, will be reduced 2 percent for each full percent in excess of 20 percent.

(ii) Production to count with 41 through 50 percent not grading U.S. Fancy or better due solely to excessive sun or excessive sun along with hail damage, will be reduced 40 percent plus an additional 3 percent for each full percent in excess of 40 percent.

(iii) Production to count with 51 through 64 percent not grading U.S. Fancy or better due solely to excessive sun or excessive sun along with hail damage, will be reduced 70 percent plus an additional 2 percent for each full percent in excess of 50 percent.

(iv) Production to count with 65 percent or more not grading U.S. Fancy or better due solely to excessive sun or excessive sun along with hail damage, will be considered 100 percent cull production.

(v) The difference between the total production and the production to count as determined above will be considered cull production.

(vi) Thirty (30) percent of all cull production will be considered as production to count unless otherwise specified in the Special Provisions.

14. Option C - Prices and Units by Varietal Group.

(a) Exclusive of other options, optional units and price elections by varietal group apply only if the following conditions are met:

(1) You have not elected to insure your apples under the Catastrophic Risk Protection (CAT) Endorsement;

(2) You or we did not cancel the option in writing on or before the cancellation date. Your election of CAT coverage for any crop year after this endorsement is effective will be considered notice of cancellation of the option by you; and

(3) You have maintained separate records of production for each varietal group and you can identify the acreage upon which each varietal group is produced.

(b) If you select the Fresh Fruit Option A for all insurable acreage, Option C is not available.