



United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Risk
Management
Agency

Washington, D.C.
20250

BULLETIN NO.: MGR-12-019

TO: All Approved Insurance Providers
All Risk Management Agency Field Offices
All Other Interested Parties

FROM: William J. Murphy /s/ William J. Murphy 11/9/2012
Administrator

SUBJECT: Peach Crop Provisions - Qualifying for Fresh Peach Production

BACKGROUND:

For the 2013 crop year, the Risk Management Agency (RMA) published the Peach Crop Provisions as a proposed rule in the Federal Register and subsequently published as a Final Rule on August 30, 2012. The key changes included allowing optional units and differing coverage levels for fresh and processing peaches, features desired by many peach producers. To provide such coverage, greater discipline was included for producers to prove, if requested, that they grew and sold peaches as fresh to receive the higher price election strengthening program integrity. A revised definition of “fresh peach production” was included in the Peach Crop Provisions Proposed and Final Rule as follows:

Fresh peach production-

Peach production from insurable acreage that:

- (1) Is sold, or could be sold, for human consumption without undergoing any change in the basic form, such as peeling, juicing, crushing, etc.;
- (2) Grades at least U.S. Extra No. 1 or better, and consisting of a 2-1/4 inch minimum diameter, unless otherwise specified in the Special Provisions;
- (3) Is from acreage that is designated as fresh peaches on the acreage report;
- (4) Follows the recommended cultural practices generally in use for fresh peach acreage in the area in a manner generally recognized by agricultural experts;
- (5) Is from acreage you certify, and if requested by us, provide verifiable records to support, that at least 50 percent of the total production from acreage reported as fresh peach acreage was sold as fresh peaches in one or more of the four most recent crop years; and



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(6) Is sold or could have been sold for a price that is not less than the applicable fresh peach price election for the applicable crop year in the actuarial documents. If the fresh peach production is sold or could have been sold for a price less than the applicable fresh peach price election for the applicable crop year in the actuarial documents, you must provide verifiable records to show that the price received was at least the amount paid by buyers for fresh peaches in the area in which you sell your peaches.

The previous Peach Crop Provisions referenced U.S. Extra No. 1 regarding the price to use for quality adjustment. For the 2013, the size was increased from a 2" to a 2 1/4" peach upon the recommendation of the peach industry and RMA's perennial crop workgroup. U.S. Extra No. 1 is consistent with the *United States Standards for Grades of Peaches* issued by the United States Department of Agriculture, Agricultural Marketing Service.

RMA has received concerns from peach producers in certain areas regarding the definition of "fresh peach production", since sales and production records may not demonstrate their fresh peach sales graded at least U.S. Extra No. 1 or better, or that the fruit sold consisted of a 2-1/4 inch minimum diameter in accordance with the definition of "fresh peach production."

While RMA was placing greater discipline in the requirements for qualifying to insure fresh peaches, it was not the intent to require those specific grade criteria formally exist for all peaches when such specific grading criteria is not a customary or accepted marketing practice during the standard course of business in marketing fresh peaches.

ACTION:

For the 2013 crop year, if requested, peach producers must provide past records showing at least 50 percent of their fresh peach production was sold as fresh peaches, even though no grade or size may be shown on their marketing and production records, to have sufficient documentation verifying their past production as fresh. This only applies if that is the customary or accepted marketing practice in the normal course of business for the area. Additionally, if requested, the peach producer may be required to demonstrate the price received was a price commensurate with the fresh peach price election or an amount paid by buyers for fresh peaches in the area. If there are no processing peach outlets in the area and there is no question peaches are direct marketed or sold to retailers as fresh peaches, there should be no prerequisite requirement to request such records.

Section 14(D)(1)(a) of the Federal Crop Insurance Corporation Crop Insurance Handbook (<http://www.rma.usda.gov/handbooks/18000/>) provides guidance for acceptable production records. Acceptable production records include, but are not limited to, records from a packer or buyer, or daily sales records from policyholders who market production directly to the consumer. Records that detail a policyholder sold peaches to an entity whose primary purpose is resale to consumers such as a major food chain or grocer would be indicative of fresh peach sales.

Quality adjustment will continue to be determined in accordance with section 12(c)(3) of the Peach Crop Provisions (13-0034) and the Peach Loss Adjustment Standards Handbook.

Agents should be advised to remind policyholders they still must meet the remaining five requirements in the definition of “fresh peach production.” Also, any prior years’ records used to certify fresh peach production must be maintained for three years in accordance with the policy retention requirements.

DISPOSAL DATE:

Effective for the 2013 and succeeding crop years or until incorporated into the Peach Special Provisions.