



United States
Department of
Agriculture

December 22, 2010

Farm and Foreign
Agricultural
Services

INFORMATIONAL MEMORANDUM: PM-10-071

Risk
Management
Agency

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

P.O. Box 419205
Kansas City,
MO 64141-6205

FROM: Tim B. Witt /s/ Tim B. Witt
Deputy Administrator

SUBJECT: Verifiable Record Requirements to Qualify for Fresh Apple Production

BACKGROUND:

Beginning with the 2011 crop year, the Risk Management Agency (RMA) made changes to the Apple Crop Provisions to clarify existing policy provisions to better meet the needs of insured producers, and to reduce vulnerability to program fraud, waste, and abuse. The new Apple Crop Provisions provide that, to insure apple acreage as fresh and receive the higher fresh apple price election, a policyholder must meet all the requirements contained in the definition of "fresh apple production." One of these requirements is that a policyholder must certify, and provide verifiable records upon request, that at least 50 percent of the production from acreage reported as fresh apple acreage from each unit was sold as fresh apples in one or more of the four most recent crop years.

RMA has received questions regarding when an approved insurance provider (AIP) should request these verifiable records and what is considered a verifiable record, whether records from a state marketing program would qualify as verifiable records, and whether policyholders who have not kept their records separate by unit can insure their apple acreage as fresh.

ACTION:

A policyholder has until the acreage reporting date of January 31 to report and designate all their acreage by type (i.e., fresh or processing). The AIP should remind their agents and inform their policyholders by designating fresh apple acreage on the acreage report, the policyholder is certifying they have verifiable records to support they have sold in one or more of the four most recent crop years at least 50 percent of the production from acreage reported as fresh apple acreage, by unit, as fresh apples. The policyholder must provide these records at the request of their AIP. The Apple Crop Provisions do not specify when the AIP may request these records. However, the earliest an AIP should request the verifiable records from a policyholder is the acreage reporting date because the policyholder has until the acreage reporting date to designate and certify their fresh apple acreage.



The Risk Management Agency Administers
And Oversees All Programs Authorized Under
The Federal Crop Insurance Corporation

An Equal Opportunity Employer

A verifiable record must reflect the value received was commensurate with the value of fresh apples versus processing apples. Clearly, apple growers know the value of fresh apples versus those that go to the processing market, as do apple buyers. Thus, it is incumbent upon the policyholder to provide records, when requested, that reflect sold production and the value received is consistent with the value of fresh apple production. Records from a packer or buyer, or daily sales records for policyholders who market production directly to the consumer, would be considered acceptable verifiable records provided they reflect a price consistent with that generally received for fresh apples. For example, records that detail a policyholder sold apples for a value consistent with the value of fresh apple production to an entity whose primary purpose is resale to consumers such as a major food chain or grocer would be indicative of fresh apple sales. Conversely, sales receipts from an entity that primarily makes and/or sells baby food, applesauce, apple juice, etc. would not be indicative of fresh apple sales.

The amount of production sold under a State Marketing Program would be an acceptable verifiable record. Records stating the amount of production sold under a State Marketing Program during the 2007 through the 2010 crop years reflecting production sold as fresh, processing and direct marketing can be used as a verifiable record. The total number of pounds sold as fresh and direct marketing must account for at least 50 percent of the production sold from acreage reported as fresh apple acreage.

For those policyholders that may not have separate records by unit of fresh apple production in one of the last four years but do have records of fresh apple production, they may still be able to qualify for the fresh apple price. To provide the greatest flexibility for policyholders to adapt their record keeping process to meet the new requirement and still qualify for the fresh apple price, AIPs may consider records of total production (rather than by unit) from the 2007 through the 2010 crop years that reflect fresh apple sales. If only a portion of the acreage is reported as fresh; however, the total amount of production sold as fresh can reasonably be determined to be reflective of at least 50 percent of the production that would have been from the apple acreage reported as fresh, such records may be used as verifiable records attributable to that portion of the acreage as fresh. The following examples are provided to illustrate such flexibility that may be considered:

For example, for the 2011 crop year, a policyholder reports fresh apple acreage on three basic units. The policyholder is able to provide records proving at least 50 percent of the total production sold, from all three units, were sold as fresh apples in one or more of the four most recent crop years. Such records can be used as a verifiable record for all the fresh apple acreage for the 2011 crop year.

A second example would be for the 2011 crop year a policyholder reports two blocks of processing apple acreage and one block of fresh apple acreage in one basic unit. Records of fresh apple production sold from the entire unit can be used as a verifiable record provided the AIP can determine the records of fresh apple production sold in one of the

four most recent years would reasonably account for at least 50 percent of the production from the block reported as fresh apple acreage for the 2011 crop year.

Agents should also be advised to remind policyholders that the prior years' records used to certify fresh production become records that must be maintained for three years in accordance with the policy record retention requirements.

DISPOSAL DATE:

December 31, 2011