

October 20, 2000

**UNDERWRITING STANDARDS  
APPLE CROP INSURANCE PILOT QUALITY OPTION  
(-NACAT-)**

1. The FCIC 18010 Crop Insurance Handbook (CIH) in general applies to the Apple Crop Insurance Pilot Quality Option (AQO).
  - A. Apple crop insurance under the AQO remains a Category C crop.
  - B. The changes/additions/references to the CIH described here apply to the AQO and applicable CIH sections are noted.
  - C. See the AQO for specific definitions.
  - D. For loss adjustment information, refer to the AQO loss handbook.
2. Sections 1 - 3 of the CIH apply to the AQO.

3. **UNDERWRITING AND APH RESPONSIBILITIES**

To qualify for the AQO, the producer must have and provide, for at least one varietal group, four consecutive years of verifiable records that state the amount of Fancy and All-Other (including culls sold) apple production packed out.

- A. Varietal Group. The varieties of apples listed on the Special Provisions as belonging to Varietal Group A or B.
  - (1) Basic Unit Division. A basic unit, as defined in section 1 of the Basic Provisions, will be divided into additional basic units by varietal group.
  - (2) Optional Unit Division. Optional unit division will be allowed only for those units for which the producer has both APH and packout records for at least four consecutive crop years preceding the crop year immediately prior to the current crop year for each proposed optional unit for each varietal group. The producer must also provide the most recent crop year's production history, applicable to the optional unit guidelines in the CIH.
- B. Acceptable records. See Section 7, Par. 7L(2) of the CIH for apple record requirements. For the Pilot Quality Option these basic record requirements apply and the records must also specify for each variety the amount of Fancy and All-Other (including culls sold) apple production that was packed out.

- (1) For the 2001 crop year, the 1996-1999 crop years' annual packouts will be used to determine historical packout factors.
- (2) A copy of the applicable packout records must be submitted to the verifier by the production reporting date.

C. Separate annual and historical packout factors must be determined for each respective varietal group by unit (basic or optional as applicable) for the Fancy grade and for the All-Other (including culls sold) grade of apples (see definitions in AQO).

**Note:** To determine packout factors all production must be converted to a standard unit of measurement in pounds. Total pounds ! (All-Other + cull) pounds = Fancy pounds.

- (1) Annual Fancy packout factors. For each crop year, divide the Fancy production for the respective varietal group by the sum of the total production. Total production is all apple production that graded Fancy and All-Other apples (including culls sold) for the respective varietal group. Round the result to the nearest whole percent and express as decimal. **See packout factor worksheet example.** In addition to apples that graded Fancy, include the following production as Fancy:
  - (a) Apples harvested or appraised prior to full maturity, regardless of grade (see Section 16 of AQO).
  - (b) Apples that failed to grade Fancy due to uninsured causes of loss or poor farming practices (see Section 13 of AQO).
- (2) Annual All-Other packout factors. The packout factor for All-Other apples is 1.00 minus the Fancy packout factor for the respective varietal group.
- (3) Varietal groups with less than four years of annual packout records. If the insured has produced a variety(ies) within a respective varietal group and has insufficient number of years to obtain the required four years of annual packout records, a variable packout percentage is used to calculate the missing year(s) packout percentage. The variable packout percentage is based upon the number of years of acceptable packout records that were provided for the varietal group with less than 4 years of packout factors. The variable packout percentage is multiplied by the historical Fancy packout factor for the varietal group with four years of annual packout factors. If there is more than one unit take a simple average of the historical Fancy packout factor. The variable

packout percentage is as follows:

- (a) 65 percent if 0 years
- (b) 80 percent if 1 year
- (c) 90 percent if 2 years
- (d) 100 percent if 3 or more years

Example: 4 years of acceptable records with annual packout factors were provided for Varietal Group A. The historical packout factor for Fancy is 70 percent. Two years of acceptable records with annual packout factors were provided for Varietal Group B. The variable packout percentage for Varietal Group B is 90 percent. Therefore, the Fancy annual packout factor is 63 percent ( $.90 \times .70$  rounded to the nearest percentage) for the two missing years. The All-Other annual packout factor is 37 percent ( $1.00 - .63$ ).

**Note:** These annual packout factors must be updated each year until four actual packout factors are available for the varietal group.

- D. Historical Packout Factors. The historical packout factors must be determined for each respective varietal group by unit (basic or optional as applicable) as follows:
- (1) Fancy. Sum the annual packout factors and divide by four. Round the result to the nearest percent and express as decimal.
  - (2) All-Other. Subtract the Fancy historical packout factor determined in (1) above from 1.00 to determine the All-Other historical packout factor.
- E. Determining approved APH yields when the AQO is elected. For general instructions refer to Section 7, Exhibit 16 and Manager's Bulletin No. MGR-00-020.3 of the CIH and the following instructions:
- (1) Total production reported must coincide with the production as indicated on the packout factor worksheet. Carryover apple insureds electing the AQO must restructure their APH databases accordingly.
  - (2) All years for which acreage and production (production reports) are submitted must be reported according to the unit arrangement for which the insured qualifies under the AQO.
  - (3) Harvested and appraised potential production (due to insured causes of loss)

and appraisals for uninsured causes (including poor farming practices) are included.

**Note:** For acreage not insured under the AQO, see the CIH for APH instructions.

F. Rounding Rules: For the purposes of this AQO, the amount of insurance is calculated by the following procedure:

- (a) Insured Acres (tenths) times Approved APH yield (nearest whole number) equals result (whole numbers).
- (b) Result of (a) times Coverage Level (hundredths) equals result (whole numbers).
- (c) Result of (b) times Historical Packout Factor for Fancy apples times applicable price equals result (to the nearest whole dollar).
- (d) Result of (b) times Historical Packout Factor for All-Other apples times applicable price equals result (to the nearest whole dollar).
- (e) Total (c) and (d) equals result (whole dollars).
- (f) Result of (e) times share (thousandths) equals result (nearest whole dollar).

G. CIH Section 7 for Category C APH Crops (Perennial Crops) applies except as otherwise indicated in the Underwriting Guide.

7J (4) revised: An assigned yield is acceptable only for the most recent APH crop year in the database. In subsequent years, it must be replaced by actual production and packout information to continue to be eligible for the AQO.

7 K Added Land / Insurable Acreage/ New Producer–AQO not available to New Producer (no 4 years of packout records, unless acceptable records are obtained and provided from previous producer.)

K(1)(a): When adding to an existing unit - use Block Production and Unit Summary worksheets.

K(1)(b): When adding as a separate unit - only allowed under the AQO if prior history is available from the previous producer [see K(2) below]. The AQO does not allow separate optional units unless each unit has 5 years of production history and 4 years of packout factors.

K(2): Hard-copy records from the previous producer must also include packout records.

7 L (2) Additional APH Provisions for apples–add reference to packout factor; production may be adjusted (culls do not count unless sold).

Exhibit  
 Apple Quality Pilot Option Production and Yield Worksheet  
 2001 Apples (0054) Type 111

1 Name: I AM INSURED Address: RR # 1 TOWN, ST. ZIP Phone: (XXX)-XXX-XXXX SSN/TAX NO.: XXX-XX-XXXX			2 Required Field Review Required Inspection					
			3 Contract: XX-XXX-XXXXX State County					
4 Agent Name:			Agent Code:					
Address:								
5 Company Name/Address:			Company code: XXXXX					
6 Crop: Type: Practice: Unit Number:			7 Legal Description: Section Township Range					
7 FSA FSN :			8 Other Entity:					
9 Transitional Yield:		10 Tree Count:		11 Crop Year:				
				12 Varietal Group:				
13 CROP YEAR	14 Production			15 Acres	16 Total Production Yield	17 Fancy Packout Factor	18 All-Other Packout Factor	
	Total	Fancy	All-Other					
1996								
1997								
1998								
1999								
2000								
19 Total							21 Pilot Quality Option Approved APH Yield:	
20 Historical Packout Factor:		Fancy		All-Other				
22 Processor/Packinghouse name:								
23 Preliminary yield:		24 Prior Yield:		25 Other:				
26 Signature:				27 Date:				

Exhibit

**Packout Factor Worksheet (example for 2001 crop year)**

Crop Year	1	2	3	4	5
1996					
1997					
1998					
1999					
2000					
					Total
Fancy Historical Packout Factor.....>					
All-Other Historical Packout Factor.....>					

**Instructions and Suggested Column Headings**

**F(1) Determining Annual and Historical Packout Factors**

Crop Year - Four consecutive years preceding the crop year immediately prior to the current crop year.

Col. 1 - Total production (containers\*)

Col. 2 - Marketable production (col. 1 minus containers\* of culls not considered marketable production unless sold)

Col. 3 - Fancy apples, including apples grading less than Fancy for uninsured causes of loss, and apples harvested or appraised prior to full maturity, regardless of grade. When establishing a database the initial year, include appraised potential production for APH purposes (containers\*)

Col. 4 - All-Other apples including culls that are sold (containers\*)

Col. 5 - Fancy annual packout factor (col. 3 divided by col. 2) \*\*

Total - Sum of col. 5

Item - Fancy historical packout factor (total divided by 4) \*\*

Item - All-Other historical packout factor (1.00 minus Fancy historical packout factor)

Please note:

\* Containers as defined in the Apple Crop Insurance Provisions (01-054)

\*\* Round to nearest whole percentage and express as decimal

## APPLE CROP INSURANCE SUMMARY

<b>Policy/ Options (NACAT), if available</b>	<b>Fresh (F)/ Processing (P) Eligibility</b>	<b>Quality Adjustment</b>	<b>Units</b>	<b>Price Elections Available</b>
Basic Apple Policy only	F & P	No	1	F &/or P
+ Fresh Fruit Option A only	Processing <sup>2</sup>	Yes <sup>2</sup>	1	P
+ Fresh Fruit Option B <sup>3</sup>	F & P <sup>3</sup>	Yes <sup>3</sup>	1	F & P <sup>3</sup>
+ Option B & Sunburn <sup>4</sup>	same as Option B	Yes <sup>3</sup>	1	F & P <sup>3</sup>
+ Option C only (note: Option A not available)	Fresh	No	<sup>1</sup> Also optional by varietal group	Price by varietal group A & B
+ Options B & C	Fresh <sup>3</sup>	Yes <sup>3</sup>	<sup>1</sup> Also basic by varietal group	Price by varietal group A & B
+ Pilot Quality Option <sup>5</sup>	F & P <sup>5</sup>	Yes	<sup>1</sup> Also basic by varietal group for Fresh only <sup>6</sup>	By grade & varietal group <sup>5</sup>
+ pilot CEO with all other options	see applicable option	see applicable option	see applicable option	see applicable option

<sup>1</sup> In addition to basic and optional units (NACAT) allowed by the Common Crop Insurance Policy (Basic Provisions) and Crop Provisions (optional by non-contiguous) unless otherwise stated in the Special Provisions.

<sup>2</sup> Option A applies to all apples intended for Processing and Fresh Market (see CIH).

<sup>3</sup> Option B provisions will apply to all apples intended for fresh market and Option A provisions will apply to all apples intended for processing (see CIH).

<sup>4</sup> Sunburn Option only where available, and MUST select Option B.

<sup>5</sup> Any processing acreage will be covered under the basic Apple Crop Insurance Provisions (01-054) unless Option A (if available) is elected.

<sup>6</sup> Additional basic/optional unit requirements (see Section 3A(1) & (2) of the Underwriting Guide).