

United States
Department of
Agriculture



Federal Crop
Insurance
Corporation



Risk
Management
Agency



Product
Administration
& Standards
Division

FCIC 18010
(6-2011)

FCIC 18010-01
(8-2011)

2012 CROP INSURANCE HANDBOOK (CIH)

Underwriting and Actual Production History (APH)
Standards for FCIC Programs Administered under the
Common Crop Insurance Policy Basic Provisions and
APH Administrative Regulations for the 2012 and
Succeeding Crop Years.

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**U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250**

FEDERAL CROP INSURANCE CORPORATION DIRECTIVE	NUMBER: 18010-01 (08-2011) 18010 (06-2011)
SUBJECT: AMENDMENTS TO THE 2012 FCIC 18010 CROP INSURANCE HANDBOOK (CIH) FOR THE 2012 AND SUCCEEDING CROP YEARS	DATE: August 09, 2011
	OPI: Product Administration and Standards Division
	APPROVED: <i>/S/ Tim B. Witt</i> Deputy Administrator, Product Management

THIS HANDBOOK CONTAINS THE OFFICIAL FCIC APPROVED UNDERWRITING STANDARDS FOR POLICIES ADMINISTERED UNDER THE COMMON CROP INSURANCE POLICY BASIC PROVISIONS AND THE ACTUAL PRODUCTION HISTORY ADMINISTRATIVE REGULATION FOR 2012 AND SUCCEEDING CROP YEARS.

Effective Date. The standards in this handbook are effective upon approval for the 2012 and succeeding crop years and are not retroactive to any 2011 or prior crop year determinations. RMA may issue Bulletins that amend or clarify these standards prior to incorporation into the next issuance of the FCIC 18010.

Series Replaced. The FCIC amendments dated August 2012 replaces the following issuances:

2 **Filing Instructions:**

FCIC 18010 Page Control Chart			
Remove Pages		Insert Pages	
273-274	June 2011	273-274	August 2011
433-434	June 2011	433-434	August 2011
757-760	June 2011	757-760	August 2011

Handbook Distribution. Risk Management Agency Directors, Branch Chiefs, Washington, D.C., and Kansas City; Regional and Risk Compliance Field Offices; Approved Insurance Providers, National Appeals Division, National Crop Insurance Services, Crop Insurance Research Bureau; and the RMA public website at www.rma.usda.gov

F Records From Vertically Integrated Producers.

- (1) **Vertically Integrated Producer.** A producer is vertically integrated when all stages of production of a crop, from acquisition of materials to the retailing or use of the final product, are controlled by:
- (a) One person; or
 - (b) Different persons that are related.
- (2) **Acceptable Records for Vertically Integrated Producers.** For the crops listed in 14D when insureds are vertically integrated and cannot provide records of production commercially sold to or stored by a disinterested third party, additional verifiable documentation must be provided.

Additional verifiable documentation to support production reports includes, but is not limited to, the following:

- (a) Pick records in conjunction with:
 - 1 Pre-harvest appraisal;
 - 2 Tax records; or
 - 3 Daily sales records/receipts;
- (b) Daily sales records/receipts in conjunction with:
 - 1 Pre-harvest appraisal;
 - 2 Tax records; or
 - 3 Pick records;
- (c) Pre-harvest appraisals, and/or
- (d) Tax records

Exception: For Wineries that process their own grapes see Sec. 16J(8).

- (3) **Required Documentation.** Documentation of the vertically integrated insured's internal control procedures/processes must detail how their production is kept separate from production from other producers, used in conjunction with other documentation.
- (4) **Reasonableness of Production.** The AIPs may also compare the insured's current production with other similarly situated producers in the area for reasonableness used in conjunction with other documentation (for example, from agricultural experts in the area familiar with average crop production).

G Use of Another Producer's Records.

- (1) **Requirements.** Another person's production records may be used by an insured as verifiable records to substantiate total production certified by the insured if all the following are met.
- (a) **Share of the crop.** Both the insured and the other person, whose records the insured wishes to use, have a share in the applicable crop for the current crop year.
 - (b) **Account for all production.** The other person's records account for that person's total production of the crop in the county for the applicable crop year. However, the insured may only certify production history from the specific acreage they share in the crop.
 - (c) **Acceptable.** The other person's records meet the requirements of an acceptable record as provided in [Para. D and/or E].
 - (d) **Permission.** The insured obtains permission of the other person to use the data in their APH database or obtains copies of the other person's production records for the applicable crop year.

The insured must have a POA or other form of written authorization allowing the insured to use the production records in the other person's APH database.

(2) **Using Another Insured's APH Database Production.**

- (a) **Non-actual yields.** When an insured uses production from another person's APH database, non-actual yields, such as SA T-Yields and assigned yields, cannot be transferred or used as verifiable production evidence. In addition, assigned yields break continuity of records for the insured using the other person's records.
- (b) **Years of production.** When an insured uses production from another person's APH database, data from all years for which acreage and production was reported must be used.

Exception: The number of years of data an insured can use from another person's APH database is limited to the number of years the insured reported production on other units.

Records are generally not available by the cancellation date for the most recent crop year. Therefore, there is a one-year lag in the database; for example, for the 2011 crop year, the base period will begin with the 2009 crop year and may contain up to 10 APH consecutive crop years (begin with 2009 and work backwards).

- (6) **Cranberries.** Truckload weight receipts, berry slips, settlement weight sheets, sales receipts, final or year-end statements from a handler, processor or packing house must indicate net paid barrels of cranberries delivered or stored for each unit.
- (7) **Figs.** Packer or California Advisory Board Summary Sheet must show net paid pounds of marketable Figs (including manufacturing grades). Marketed fresh-fruit production is converted to a dried-fruit basis by dividing the total pounds of fresh fruit by 3.0. For new insureds and policies, which are being transferred, production evidence of acreage and production must be provided to the verifier.
- (8) **Grapes.** Settlement sheets, sales receipts, pick records [see Sec. 14D(6)], final or year-end statements from a winery, cannery or processor must indicate net paid tons of Grapes delivered by variety. **Pick records are the only acceptable documentation for wineries that process their own grapes.** Converting gallons of wine to tons of grapes does not qualify as acceptable records.
 - (a) Remittance or final statement sheets from Raisin packers or the Raisin Administrative Committee must show the net paid tons of clean, dry Raisins; or, the number of insured tons of raisins established on a claim for indemnity. Each pound of Raisins converts to 4.5 pounds of green Grapes.
 - (b) Production for Grapes harvested before normal maturity or for special uses (i.e., sparkling, botrytis affected, ice-wine, etc.) are used for APH purposes when adequate records are available. The production of such Grapes will be adjusted by the factor calculated by dividing the price per ton for such Grapes by the price per ton for fully mature Grapes of the same type and normal use. Reduced grape production under tonnage policies also requires reduction in the RO determined yields. The insured shall timely report cultural practices that will reduce the insured crop's production from previous levels on the PAW. Reductions in the approved yield will be made based upon the terms of the tonnage policy provided.
- (9) **Table Grapes.** Packing house records must be settlement sheets, receiving statements, final sales statements from broker or Table Grape Commission records. Records must show the number of packed lugs by variety. If the fruit is packed in other than standard weight lugs (as stated in the CP), the net weight of the lugs must be noted. Production of Table Grapes damaged by insured causes that could be marketed for any use other than Table Grapes is determined by multiplying the number of tons that could be marketed by the total value per ton of the damaged Table Grapes or \$50.00 per ton, whichever is greater, and dividing that result by the highest price election available on the actuarial table for the type.

- (10) **Macadamia Nuts.** Delivery records, production recaps or sales receipts from processors must indicate weight of sound wet-in-shell nuts by variety, which excludes immature, unsound nuts (floaters and peewees), and foreign material. Sound wet-in-shell is defined as the weight of the macadamia nuts as they are removed from the orchard with the nutmeats in the shells after removal of the husk and before being dried.
- (a) Pick records which indicate total acres and production by crop, crop year and unit [see Sec. 14D(6)] for acceptable pick records] are acceptable if supported by records indicated above and show the information required.
- (b) Records are generally not available by the cancellation date for the most recent crop year. Therefore, there is a one-year lag in the database; for example, for the 2011 crop year, the base period will begin with the 2009 crop year and may contain up to 10 APH consecutive crop years (begin with 2009 and work backwards).
- (11) **Peaches.** Certified records may include a printout or receipt from each first handler of the fruit for that crop year. A printout or receipt from a packing shed, processor, auction, marketing cooperative, jobber, commission merchant, sales broker, pick records [see Sec. 14D(6)] or a warehouse receipt which shows total production and date of transaction is acceptable. Bin count, cartons, crates or weight must be converted to the appropriate unit of measure.
- (12) **Pears.** Certified records including printouts or receipts from each first handler of the fruit for that crop year must show total production in tons by variety. A printout or receipt from a packing shed, processor, auction, marketing cooperative, jobber, commission merchant, sales broker, pick records [see Sec. 14D(6)] or a warehouse receipt which shows total production and date of transaction is acceptable. Bin count, cartons, crates or weight must be converted to the appropriate unit of measure.
- (a) **California Only.** Production for APH purposes must be reported for the applicable grade: first grade canning, U.S. #1 (Summer, Fall, or Processing Pears), Extra #1 or U.S #1 (Winter Pears). If records certified by the production reporting date do not include production by grade, use the following grade factors to convert field-run production to production to count for APH purposes: Type I = 85%, and Type II = 80%. If the grade is certified after the production reporting date, it will be included in the next year's update.
- 1 Actual grade and price record. If an insured provides actual grade and price records by the production reporting date that result in a higher APH yield than using the above factors, the higher yield must be used.
- 2 A production level of at least 6.25 tons per acre of field-run production in at least one of the four previous crop years is sufficient to satisfy the requirement of 5.0 tons per acre at the applicable grade.

- (8) **Additional information.** Refer to the SP, CP and BP for additional information on acreage adjustments for orchards (e.g., orchards with less than a 90% percent stand, etc.).

O Database Administration For Fresh And Processing Apples

(1) The 2011 Apple policy language has raised questions in regards to the development of the appropriate APH databases for apples in situations when both the majority (50 percent or greater) of the unit has been marketed as fresh and when less than 50 percent has been marketed as fresh in one of the most recent four years. To illustrate the appropriate APH database construction of the following examples have been provided:

(a) **Example 1.** In this example the insured has certified 5 years of acreage and production for 10 acres of Apples (0054) in Fresno County, California. The insured has marketed at least 50 percent (minimum policy requirement) of their production in 2008 (one of the four most recent crop years) as fresh. The insured has elected to insure their Apples as Fresh for CY 2012.

2012	CROP: APPLES (0054)		
UNIT #	Practice: Irrigated (002)		
0001 -0001	Type: Fresh (111)		
YEAR	PRODUCTION	ACRES	YIELD
2007	10,650	10	A 1,650
2008	9,850	10	A 985
2009	11,000	10	A 1100
2010	9,600	10	A 960
2011	10,050	10	A 1005
			5700/5
	AVERAGE YIELD:		1140
	APPROVED APH:		1140

(b) **Example 2.** In this example, the insured has certified 5 years of acreage and production for 10 acres of Apples (0054) in Fresno County, California. In CY 2007 more than 50 percent of the unit was sold as Fresh. In CY 2008 through 2011, more than 50 percent was sold as Processing. An AIP transmitted the APH database for the unit of apples as Fresh in CY 2011. **In CY 2011**, the requirement to market the crop as Fresh was met in 2007 when during one or more of the four most recent years, 50 percent of the Apples **in the unit** were sold as Fresh.

For CY 2012, the insured elected to insure the crop as Fresh, **however the unit did not meet the requirements of having more than 50 percent of the crop was sold as fresh within the last four years**, therefore the acreage would be reported as processing in CY 2012. If in subsequent years (e.g. CY 2012, CY 2013, etc.) more than 50 percent of the crop is successfully marketed as Fresh, all the data contained in the Processing APH database would be moved to a Fresh APH database and the acreage could be insured as Fresh.

PRIOR YEAR			
2011	CROP: APPLES (0054)		
UNIT #	Practice: Irrigated (002)		
0001-0001	Type: Fresh (111)		
YEAR	PRODUCTION	ACRES	YIELD
2007	10,650	10	A 1065
2008	9,850	10	A 985
2009	11,000	10	A 1100
2010	9,600	10	A 960
			4110/4
	AVERAGE YIELD:		1028
	APPROVED APH		1028

CURRENT YEAR			
2012	CROP: APPLE (0054)		
UNIT #	Practice: Irrigated (002)		
0001-0001	Type: Processing (112)		
YEAR	PRODUCTION	ACRES	YIELD
2007	10,650	10	A 1065
2008	9,850	10	A 985
2009	11,000	10	A 1100
2010	9,600	10	A 960
2011	10,050	10	A 1005
			5115/5
	AVERAGE YIELD:		1023
	APPROVED APH		1023

(c) **Example 3.** In this example, the insured has certified 5 years of acreage and production for 10 acres of Apples (0054) in Fresno County, California. The insured wants to establish separate blocks for their acreage so that the portion of their apples marketed from the 5 acre block as fresh qualify to be insured as fresh. The insured has a 5 acre block of Gala Apples designated as Fresh (111) (that have met the requirements of selling greater than 50 percent of the production as fresh within one of the last four years) and a 5 acre block designated as Processing (112). In order establish separate blocks for their Fresh acreage, the insured has to recertify their acreage and production for at least the most recent year [see Sec.16G (3)(f)] and establish their actual/assigned yields [see Sec. 16H(1) & H(2)].

2012	CROP: APPLES (0054)		
UNIT #	Practice: Irrigated (002)		
0001-0001	Type: Fresh (111)		
YEAR	PRODUCTION	ACRES	YIELD
2007	5320	10	A 1065
2008	4950	10	A 985
2009	5200	5	A 1040
2010	4200	5	A 840
2011	4500	5	A 900
			4830/5
	AVERAGE YIELD:		966
	APPROVED APH:		966

2012	CROP: APPLE (0054)		
UNIT #	Practice: Irrigated (002)		
0001-0002	Type: Processing (112)		
YEAR	PRODUCTION	ACRES	YIELD
2007	5330	10	A 1065
2008	4900	10	A 985
2009	5800	5	A 1160
2010	5400	5	A 1080
2011	5550	5	A 1110
			5400/5
	AVERAGE YIELD:		1080
	APPROVED APH:		1080