

United States
Department of
Agriculture



Federal Crop
Insurance
Corporation



ACTUAL REVENUE HISTORY (ARH)

STRAWBERRY PILOT INSURANCE STANDARDS HANDBOOK

FCIC 24300

2016 and Succeeding Crop Years

**UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250**

| | |
|---|---|
| TITLE: ARH STRAWBERRY PILOT PROGRAM INSURANCE STANDARDS HANDBOOK | NUMBER: FCIC-24300 |
| EFFECTIVE DATE: 2016 and succeeding crop years | ISSUE DATE: <i>April 29, 2015</i> |
| SUBJECT: Provides the underwriting instructions for the ARH Strawberry pilot insurance program | OPI: Actuarial and Product Design Division |
| | APPROVED: <i>/s/Tim B. Witt</i> Deputy Administrator for Product Management |

Reason for Issuance

This handbook is being issued to provide procedures and instructions for administering the ARH Strawberry pilot insurance program for the 2016 and subsequent crop years.

This handbook contains the official FCIC-issued underwriting instructions under the ARH Strawberry pilot insurance program CP 2016-0154 for the 2016 and succeeding crop years.

In the absence of industry developed, FCIC-approved procedure for this crop, all reinsured companies will utilize these standards for both underwriting and training.

This reissuance also includes clarifications or additional examples with regard to:

- The availability of Master Revenues/Yields for the 2016 crop year in accordance with the instructions in the Crop Insurance Handbook.

ARH STRAWBERRY PILOT PROGRAM INSURANCE STANDARDS HANDBOOK

CONTROL CHART

| ARH Strawberry Pilot Program Insurance Standards Handbook | | | | | | | |
|---|-----------------|---------------|-----------------|-------------------|--------------------|---------|---------------------|
| | TP Page(s) | TC Page(s) | Text Page(s) | Exhibit Number | Exhibit Page(s) | Date | Directive Number |
| Insert | Entire Handbook | | | | | | |
| Current Index | 1-2 | 1-2 | 1-20 | 1 | 1 | 04-2015 | FCIC-24300 |
| | | | | 2 | 1 | 04-2015 | FCIC-24300 |
| | | | | 3 | 1 | 04-2015 | FCIC-24300 |
| | | | | 5 | 1-4 | 04-2015 | FCIC-24300 |

FILING INSTRUCTIONS

This handbook replaces FCIC-24300; ARH Strawberry Pilot Program Insurance Standards Handbook dated April 24, 2014. This handbook is effective for the 2016 and succeeding crop years.

**ARH STRAWBERRY PILOT PROGRAM
INSURANCE STANDARDS HANDBOOK**

TABLE OF CONTENTS

| | Page No. |
|--|----------|
| Part 1 General Information and Responsibilities | |
| 1 General Information..... | 1 |
| 2 Responsibilities | 2 |
| 3-20 (Reserved) | |
| Part 2 Insurability | |
| 21 Acreage Limitations and Eligibility Requirments | 3 |
| 22 Insurable Types and Practices..... | 6 |
| 23 Units and Coverage Levels | 6 |
| 24 Insurance Dates and Causes of Loss | 7 |
| 25 Reports | 10 |
| 26 Alternative Protection | 11 |
| 27 Adjustments to Historic Revenue | 11 |
| 28-30 (Reserved) | |
| Part 3 Applicability of Handbooks | |
| 31 General Overview | 12 |
| 32 Specific Information Regarding the Crop Insurance Handbook..... | 12 |
| 33 Prevented Planting Loss Adjustment Standards Handbook..... | 16 |
| 34 Loss Adjustment Manual | 16 |
| 35 Strawberry Loss Adjustment Standards Handbook | 16 |
| 36-40 (Reserved) | |
| Part 4 Other Information | |
| 41 Determining Annual Price | 17 |
| 42 Unharvested Production Adjustment | 18 |
| 43 Payment Factor | 20 |
| Exhibits | |
| 1 Acronyms | |
| 2 Definitions | |
| 3 Example ARH Form | |
| 4 (Reserved) | |
| 5 Examples | |

This Page Left Intentionally Blank

Part 1 General Information and Responsibilities

1 General Information

A. Purpose

This handbook provides procedure for administering the ARH Strawberry Pilot Program in accordance with the ARH Endorsement and the ARH strawberry crop provisions, and supplements the CIH and LAM via exceptions, changes, and additions. If there is a conflict between this handbook and the CIH or LAM, this handbook controls.

B. Source of Authority

The ARH Strawberry Pilot Program is a RMA developed product approved by the FCIC Board of Directors on September 16, 2009, under Section 523 of the Federal Crop Insurance Act. This handbook provides the FCIC-approved procedures for administering the Pilot.

C. Duration

The ARH Strawberry Pilot Program is available beginning with the 2012 crop year and is authorized until terminated or converted to a permanent program by the FCIC Board of Directors.

D. Pilot Area

See actuarial documents for the pilot area.

E. Applying for Pilot ARH Strawberry Program

AIPs shall use the standard application for ARH Strawberry Pilot Program. The application must indicate the insured has selected ARH Pilot Endorsement and ARH Strawberry Pilot Crop Provisions along with all other required information.

1 General Information (Continued)

F. Related Handbooks

The following table provides handbooks related to ARH Strawberry Pilot Program.

Important: Not all sections of related handbooks or all procedures in a section apply to ARH Strawberry Pilot Program. See Part 3 for more information.

| Handbook | Purpose |
|---|-----------------------------------|
| CIH | General underwriting procedures. |
| LAM | General loss procedures. |
| Strawberry Loss Adjustment Standards Handbook | Loss procedures for strawberries. |

2 Responsibilities

A. AIP Responsibilities

AIPs must use standards, procedures, methods and instructions as authorized by FCIC in the sale and service of crop insurance contracts. Each AIP is responsible for using RMA approved procedure. AIP should report any pilot program issues or concerns to APDD of RMA.

B. Insured's Responsibilities

To be eligible for the ARH Strawberry Pilot Program, insureds must comply with all terms and conditions of the Basic Provisions, ARH Pilot Endorsement, and ARH Strawberry Pilot Crop Provisions.

3-20 (Reserved)

Part 2 Insurability

21 Acreage Limitations and Eligibility Requirements

A. Limitations on Insurable Acreage

Producers are free to plant any number of strawberry acres desired. However, the actuarial documents contain a percentage limitation on the number of acres that may be insurable. This limitation is intended to prevent a speculative increase in planted acreage due to the presence of crop insurance. If a producer's strawberry acreage in the county for the insurance year exceeds the stated threshold, the total production guarantee will be reduced using the acreage factor.

The reduction mechanism does not impact the amount of insurance per acre; instead the mechanism is used to report acreage as either insurable or uninsurable. The producer must report all strawberry acres in the county; the acreage limitation factor is applied pro-rata to the total reported acres to calculate both insurable and uninsurable acres.

Important: The insurance will actually attach to the entire crop because this procedure is not to physically separate out different parcels of the strawberry field. This procedure is used to scale back the overall amount of insurance both in the guarantee determination and also when calculating the revenue to count. To account for the total planted acres, the acreage report for each unit will include both the insured and uninsured acreage amounts.

Example: In the past three crops years and across all units the insured has planted 80, 100, and 90 acres of strawberries. The actuarial documents contain an acreage limitation of 125 percent of the greatest strawberry acreage grown in any of the three preceding crop years. The insured plants two units, Unit 00101 with 80 acres and Unit 00102 with 60 acres; thus total planted acres are 140.

- Calculate the acreage factor:
 - Multiply the greatest number of acres planted in any of the previous 3 years by 125 percent and divide by the total planted acres for the insurance year.
 - Acreage Factor = $100 \times 1.25 / 140 = 0.893$ (three decimals)
- Determine the insurable acreage for each unit by multiplying the total acres for each unit by the acreage factor:
 - 80 acres $\times 0.893 = 71.4$ acres
 - 60 acres $\times 0.893 = 53.6$ acres

A. Limitations on Insurable Acreage (continued)

- Determine the uninsurable acreage for each unit by subtracting the insurable acreage from the planted acreage.
 - 80 acres – 71.4 acres = 8.6 acres
 - 60 acres – 53.6 acres = 6.4 acres
- The entries for the acreage report will show:
 - Unit 00101
 - 71.4 acres insured
 - 8.6 acres uninsured
 - Unit 00102
 - 53.6 acres insured
 - 6.4 acres uninsured

B. Eligibility Requirements**Determining Eligibility by Meeting Requirement for Fumigation**

To be eligible for the ARH Strawberry Pilot Program, all policy requirements must be met. These requirements include a provision unique to strawberries which require the insured to report by the acreage reporting date, **any** changes in the production practices. This provision is specifically concerned with a change in the soil fumigant being applied for the insurance year compared to the soil fumigant that was used for the crop years used to establish the revenue history.

Methyl Bromide has long been used as a very effective soil fumigant for strawberry production. However, as part of the Montreal Protocol, Methyl Bromide is being phased out of use in the United States. There are other soil fumigants that can be used for strawberry production but none are known to be as effective. Accordingly, California has appealed, successfully, to the United Nations for Critical Use Exemptions (CUE). The CUE regulates the amount of Methyl Bromide that can be used by the industry for a given year.

Because of these restrictions Methyl Bromide use for strawberries has been on the decline. Additionally, it is possible that the CUEs could come to an end at some point. There is ongoing research in an attempt to better quantify the yield impact for strawberries produced without Methyl Bromide as a soil fumigant. The ARH Strawberry Crop Provisions provide authority for the AIP to reduce the yield and approved revenue used in the guarantee determination.

B. Eligibility Requirements (continued)

Determining Eligibility by Meeting Requirement for Managing a Commercial Strawberry Farming Operation

The person responsible for growing the strawberries must have a history of growing strawberries for commercial sale, or must have participated in managing a commercial strawberry farming operation in three of the past five crop years. The provision does not mean the insured must be a producer. Anyone with a share in the crop (such as a landlord) may purchase insurance provided the crop is grown by a person experienced in the production of commercial strawberries.

Eligibility as a producer is a two part determination:

- The term commercial sale means a transaction in which possession or ownership of strawberries is transferred to any person, including transfer to a first handler who is the same person as the insured person. The producer does not need to be the person responsible for the commercial sale of the strawberries but the operation managed by that producer must be involved in commercial sales.
- The term manage is not defined in the Crop Provisions, but means the act of determining the quantity and timing for application of inputs for producing the crop. Following orders of someone else with regard to applying inputs does not constitute management. The manager is the decision maker who determines that a certain quantity of a specified input (such as a fungicide) is to be applied to the crop on a specific date or within a specific time period.

Additional Requirements

The insured must report any intention to market the strawberries in a way that is materially different than the basis by which the revenue history was established; and also the insured must report the average number of plants per acre.

The approved yield and revenue will be reduced based on the AIP's estimate of the impact of any changes, including changes in production practices, marketing or number of plants per acre.

The AIP may request an RO determined yield and revenue consistent with procedure from the CIH.

All strawberries must be produced in a field that is acceptable to the AIP, if inspected.

22 Insurable Types and Practices

A. Types Insurable

For the purpose of this pilot, type will be recorded as no type specified (997). Only strawberry varieties produced in annually replanted, raised beds are insurable under the pilot program.

B. Insurable Practices

Insurable practices which denote planting period are listed in the actuarial documents. The following planting periods are insurable in the pilot:

- Winter planted (irrigated) strawberries comprise the majority of the strawberries planted in the state of California and are generally planted not later than the end of November.
- Summer planted (irrigated) strawberries comprise a small percentage of the overall strawberry acreage in the state of California.

Both transitional and organic strawberries are insurable. Follow the appropriate procedures from the Basic Provisions and the CIH.

Strawberries must be irrigated to be insurable.

23 Units and Coverage Levels

A. Units

Basic units are established according to the Basic Provisions. In addition to Section 34(c) of the Basic Provisions, the ARH Strawberry Pilot Crop Provisions, Section 3, allow basic units to be divided into optional units if each optional unit is located on non-contiguous land, unless limited in the actuarial documents. Section 34(c)(2) of the Basic Provisions that provide for basic units by irrigated and non-irrigated practice do not apply.

Basic units are established by planting period (practice).

The Basic Provisions, Section 34, that allow enterprise and whole-farm units do not apply to strawberries.

As with other insurance plans:

- all optional units must be identified on the acreage report

23 Units and Coverage Levels (continued)

A. Units (continued)

- when adjusting a loss, units may be adjusted or combined to reflect the actual unit structure
- acceptable records of revenue and production by optional unit must be available for at least the most recently completed crop year

Note: See paragraph 32 referring to CIH Part 12, Para. 1201-1224 regarding acreage and production evidence requirements for more information.

- records for each optional unit must be maintained in a manner that permits AIP to verify the information.

B. Coverage Levels

Coverage is available in 5 percent (5%) increments from 50 percent (50%) to 85 percent (85%). CAT coverage is not offered, consistent with FCIC policy regarding revenue insurance plans.

24 Insurance Dates and Causes of Loss

A. Insurance Dates

The cancellation, termination, and sales closing dates are July 1.

The contract change date is the April 30 preceding the cancellation date.

The date for the end of the insurance period for physical damage for each crop year is the last day of the final picking period specified in the actuarial documents for the insured planting period.

The date for the end of the insurance period for loss of revenue due to an inadequate market price is the January 15 following the final picking period date as listed in the actuarial documents for the insured planting period. Per the annual price procedure, if the insured has no completely sold production by January 15, the annual price will be the NASS price. The NASS price is generally made available during the last half of January following harvest. Since the crop year will actually span two marketing years as reported by NASS, summer planted strawberries in Ventura County will use the NASS price, as appropriate, released in January of the crop year. All other county offers, as well as winter planted strawberries in Ventura and Santa Barbara Counties, will use the NASS price, as appropriate, released in the calendar year immediately following the crop year.

A. Insurance Dates (continued)

Regardless of the price used to determine the revenue to count, the notice of loss due to an inadequate market price must be filed by March 1 following harvest. This 45 day window to file the revenue loss is consistent with other revenue plans of insurance.

The acreage reporting date is:

- January 15 of the insured crop year; except
- September 15 of the previous year for summer planted strawberries in Ventura County.

The revenue reporting date is the acreage reporting date.

The billing date is May 1 of the year following the sales closing date.

B. Insurable Causes of Loss

The following causes of physical loss are covered under the ARH Strawberry Pilot Program:

- adverse weather conditions
- fire
- wildlife damage
- earthquake
- volcanic eruption
- failure of irrigation water supplies if caused by a cause of loss specified in this subparagraph that occurs during the insurance period
- insects and plant disease, if either of the following apply:
- adverse weather conditions prevent application of control measures or cause control measures to be ineffective after application, and reapplication is not possible or permitted before damage occurs or worsens

B. Insurable Causes of Loss (continued)

- no pesticides effective on the insect or plant disease are registered with the Environmental Protection Agency and labeled for use on strawberries.

Important: Causes of loss due to insects or plant disease are insurable causes of loss only if a natural event, such as rain, either prevents timely application of a pesticide or washes it off the plants before it has had an opportunity to be effective. Further, the insured must have been unable to reapply the control measure before damage occurs or worsens due to continuing natural events, such as adverse weather, or because the label directions limit reapplication for several days after an initial application and there are no substitutes. In addition, a pest or disease may occur for which no pesticide has been registered for use on that disease or pest or, if a pesticide is registered, it has not been labeled for use on strawberries. Insureds must exercise normal and routine care of the field to control insects and disease outbreaks, but if natural events beyond the control of the insured occur and cause a production loss, such losses may be covered if all other requirements are met.

In addition to the causes of loss due to physical damage, loss of revenue due to an inadequate market price is a covered cause of loss for strawberries which are delivered and sold or for strawberries that are valued using the annual price procedure.

Important: Unharvested and/or unsold strawberries must be appraised to determine the pounds of marketable fruit and must be valued as revenue to count using the annual price procedure in accordance with the crop provisions.

C. Uninsurable Causes of Loss

In addition to the uninsurable causes of loss listed in the Basic Provisions, the following are not insurable causes of loss under the ARH Strawberry Pilot Program:

- mechanical damage that occurs during the insurance period
- failure to harvest in a timely manner for any reason, including the inability to obtain harvest labor, unless the failure to harvest is due to a physical peril(s) insurable cause of loss according to subparagraph B

C. Uninsurable Causes of Loss (continued)

Important: Timely notice and timely loss adjustment is extremely important for strawberries because they are highly perishable. AIPs must exercise caution with claims filed late. If the appraisal is made after fruit becomes soft, shriveled or damaged by other causes it will not accurately reflect the condition of the fruit as it was at first maturity.

- inability to market the strawberries for any reason other than actual physical damage from an insurable cause.

Example: An insured's inability to market production due to quarantine, boycott, or refusal of any person to accept production is not an insurable cause of loss.

- soil salinity

25 Reports

The vast majority of California grown strawberries are sold for fresh market consumption through wholesale channels. A small, wholesale freezer market exists, generally as a channel for marketing excess production during peak periods. A minor direct marketing industry also exists. Sales through any of these channels should be aggregated on a unit basis.

Revenue reports must contain insurable acreage amounts, production, appraised production, and revenue; and must be separated in the appropriate manner to support the insurance guarantee. All information contained in the revenue report must be substantiated by verifiable records, such as AIP loss records, settlement sheets, or appraisals. Appraisals and any associated sales records are required for direct marketing.

AIP appraisal of unharvested marketable production will be used in the annual revenue determination. If the producer does not have an annual price from actual sales to use for the valuation of the unharvested marketable production, the NASS price shall be used according to the annual price procedure.

If a loss claim record was filed for a crop year, the revenue to count from the loss record must be used for the revenue report even if the loss was settled using the NASS price and the production was later sold. If there was no loss claim but the revenue report was submitted using a NASS price, the revenue report must be updated in subsequent years. See Paragraph 32 reference to Para. 1401-1402 of the CIH.

25 Reports (continued)

Important: If the total revenue to count was adjusted using the acreage limitation factor; this amount must be appropriately inflated before it can be used for the revenue report in the following season. The acreage limitation factor reduces the producer's total revenue pro-rata based on total acres versus insurable acres. The guarantee calculation would need to use the total acres and the associated total revenues to determine the appropriate revenue per acre.

Acceptable supporting records for delivered and sold strawberries include the settlement sheets provided by the first handler only if the settlement sheet records provide, at a minimum, all the following information:

- gross production
- production net of loose stems and foreign material
- final disposition of the fruit
- revenue net of all post-production costs, such as sorting, culling, cooling, etc.

26 Alternative Protection

Alternative protection as referenced in the ARH Endorsement is not available for strawberries.

27 Adjustments to Historic Revenue

The adjustments to historic revenues as described in Section 5(a)(1) and (2) of the ARH Endorsement do not apply to strawberries.

28-30 (Reserved)

Part 3 Applicability of Handbooks

31 General Overview

This Part identifies information specific to the applicability of the CIH, LAM, and any other issuance that may require supplemental information with regard to strawberries or to the ARH plan of insurance. Unless specifically amended, supplemented, or deleted by information in this handbook, all policy and procedure issuances apply to strawberries and to the ARH plan of insurance.

32 Specific Information Regarding the Crop Insurance Handbook

The general rules of crop insurance, as provided in CIH, apply to the ARH Strawberry Pilot Program with the EXCEPTION THAT REVENUE REPORTED BY THE INSURED PERSON MUST INCLUDE ONLY THEIR REVENUE. The reported revenue will be stated as 100 percent share equivalent revenue for record keeping purposes. This change is needed because two or more persons sharing in the same acreage may not sell at the same time or to the same buyer and may realize different amounts of revenue.

All references to yield apply to both yield and revenue, as appropriate.

The ARH Pilot Endorsement does not allow for written agreements; therefore, any references to written agreements do not apply.

The ARH Pilot Endorsement does not allow for YIELD LIMITATIONS; therefore, any references to the YIELD LIMITATIONS do not apply.

Master revenues/yields will be available beginning with the 2016 crop year. (See CIH Para. 1447-1458)

The following table provides general information, changes, additions, deletions and modifications, termed supplemental instructions, regarding the CIH applicability to ARH Strawberry Pilot Program.

| CIH Reference | Supplemental Instructions |
|-------------------|---|
| Multiple Parts | Relevant underwriting and APH responsibilities provided in CIH apply to revenue. The term “yield” as used therein is replaced by the term “yield and revenue” when appropriate, and the term “APH form” is replaced by the term “ARH form.” |
| Part 3 | Applies to ARH Strawberry Pilot Program. |
| Part 10 & Part 12 | Producers who purchase ARH Strawberry Pilot Program insurance coverage must follow the procedures of this section. The instructions provided pertain to both yield and revenue. |

| CIH Reference | Supplemental Instructions |
|------------------|---|
| | <p>AIPs are responsible for recording the appropriate acreage, yield, and revenue data using any form that meets all requirements. AIPs may elect to use two standard APH forms with the appropriate form labeled as “Revenue” or may elect to use a combined form of its design that meets the requirements stated below. An example form is provided in Exhibit 3.</p> <p>Producers are required to certify only their share of the revenue from the unit. For record keeping purposes, the certified revenue is to be recorded on a 100 percent share equivalent basis to provide continuity in the event the share may change from year to year.</p> <p>Revenue is certified by unit according to the planting period.</p> <p>The following are required for completion of the Production, Revenue, and Yield Report (ARH Form). The elements in this section are the minimum requirements for the ARH form. All of these elements are required.</p> <p>Producer’s Net Revenue - Enter the producer’s share of the revenue from the block/unit net of all non-allowable costs, such as cooling, culling, packing, etc. If non-allowable costs are not identified by unit, such as assessed on the entire quantity sold, allocate those costs pro-rata to the revenue derived from each unit.</p> <p>Average Revenue - Divide Producer’s Net Revenue by acres.</p> <p>Producer’s Share - Enter the producer’s share of the production.</p> <p>100% Share Equivalent Revenue - Divide Average Revenue by Share.</p> <p>Total - Enter the total of the entries.</p> <p>Preliminary Revenue - Enter N/A</p> <p>Prior Revenue - Enter the prior approved ARH revenue, if applicable. Enter N/A if it is not applicable.</p> <p>Approved Revenue - Completed by verifier. Enter the approved ARH revenue after all entries are verified or any applicable adjustments/reductions.</p> |

32 Specific Information Regarding the Crop Insurance Handbook (Continued)

| CIH Reference | Supplemental Instructions |
|-----------------|--|
| | <p>Producers who purchase ARH Strawberry Pilot Program coverage are required to follow the guidelines for acreage and production (revenue) evidence requirements in CIH, and provide records necessary to compute ARH insurance guarantees. Producers are required to certify only their share of the revenue from the unit.</p> <p>To qualify for optional units, acceptable production reports must be filed for each optional unit for the most recent crop year. The following are acceptable evidence of production:</p> <ul style="list-style-type: none"> • receipts from packing houses, processors, or other buyers showing quantities delivered and sold, and the amount paid to the producer • for direct sales, a complete daily accounting of harvested production and sales is acceptable to verify the amount of production and revenue <p>Note: See CIH, Para. 1121, for acceptable Pick Records.</p> <ul style="list-style-type: none"> • acceptable supporting records such as field harvest records may be used to prorate prior and the most recent year's production and revenue the initial year of insurance. |
| Para. 1131-1135 | Does not apply to ARH Strawberry Pilot Program. |
| Para. 1136-1138 | For insured's who also own the receiving facility (cooling shed, etc.) the AIP must apply these procedures. The AIP must verify that the price received is representative of the point of first sale; determinations must be on the same basis as a grower delivering to a disinterested 3 rd party receiving facility. |
| Part 14 | Strawberries are an eligible Category B crop. Category B APH crop procedures apply to both yield and revenue for strawberries with included modifications. |
| Para. 1401-1402 | <p>Apply the procedures to both yield and revenue, as appropriate, and with the following exceptions or clarifications:</p> <ul style="list-style-type: none"> • Revenue pertains only to that paid to the insured. • Include the production and value of unharvested marketable production in the yield and revenue calculation for a unit if an appraisal of unharvested marketable production was completed, regardless whether an indemnity was paid. • If, for whatever reason, the producer does not have a final settlement price by the revenue reporting date, the NASS prices is used to complete the revenue report. In this case, the AIP must timely collect all other information required of the producer to complete the revenue report and finalize the revenue report using the NASS price, when published, according to the annual price procedure. |

32 Specific Information Regarding the Crop Insurance Handbook (Continued)

| CIH Section Reference | Supplemental Instructions |
|-----------------------------|--|
| | <ul style="list-style-type: none"> When an annual price was used to calculate a producer's individual year annual revenue for unsold or partially sold harvested production and the revenue amount was not used for an indemnity claim, the producer's individual year annual revenue must be updated on the following year's revenue report using the producer's actual price received provided the production was later sold. |
| Para. 1407-1408 | <p>T-Revenues and T-Yields are applied on a unit basis instead of on a county crop basis.</p> <p>"T-Revenues" will be available and will be used in the same manner as T-yields are offered under the APH program, according to CIH. This includes adjusted transitional revenues in the same circumstances as an adjusted transitional yield would apply under the APH program.</p> <p>"T-Yields" will be applicable in the same manner as they are offered in the APH program. Approved yields, which may include T-yields and applicable yield adjustments, are used in the determination of unharvested production adjustments and for statistical analysis.</p> |
| Para. 1421-1425 | Does not apply to ARH Strawberry Pilot Program. |
| Para. 1431-1437 | <p>In lieu of the CIH procedure that provides for "new producers" to receive 100 percent of the T-Yields, the variable T-Yields procedure and percentages apply to both T-Yields and T-Revenues.</p> <p>Example: An individual has been an employed farm manager of a commercial operation for the past three growing season; thus meeting the policy requirements. The individual obtains a 20 acre lease and begins a commercial strawberry farming operation. This individual is eligible to participate in the program but under the modified terms for a new producer and would receive only 65% of the county T-Yields and T-Revenue for the initial year of insurance.</p> |
| Para. 1447-1458 | Applies to the ARH Strawberry Pilot Program beginning with the 2016 crop year. |
| Para. 1463-1464 | Does not apply to ARH Strawberry Pilot Program. |
| Para. 1471-1488 | <p>Applies to ARH Strawberry Pilot Program with the following exceptions. For the SA T-Yield procedure ONLY, in lieu of the definition for Existing Units and/or APH Databases contained in the CIH, Existing Units and/or APH Databases shall be all units and/or APH databases for the crop that were in the insured entity's farming operation the previous crop year regardless of whether these remain in the farming operation for the current crop year. If units or APH databases that were in the farming operation the previous crop year are divided or combined for the current crop year, existing units or APH databases are those as structured for the current crop year. Units or APH databases</p> |

32 Specific Information Regarding the Crop Insurance Handbook (Continued)

| CIH Section Reference | Supplemental Instructions |
|--------------------------------------|---|
| | from the previous crop year that are no longer a part of the policyholder's farming operation for the current crop year (sold, lost the lease, no longer renting, etc.) are considered to be existing units or APH databases for the sole purpose of calculating SA T-Yields. Example: An insured cash leases 40 acres and grows strawberries for four years. At the end of four years the insured relinquishes that leases and acquires a new lease on 40 acres in another part of the county. The insured can use the SA T-Yield procedure to establish the database for the new unit using the records from the prior leased land. |
| Part 15 | Does not apply to ARH Strawberry Pilot Program. |
| Para. 1241-1246 | Apply the procedures to the revenues reported by the insured if the insured requests revenue substitution. The terms "yield" and "t-yield" are supplemented by the terms "revenue" and "t-revenue," respectively. Apply the yield substitution ONLY if the revenue substitution is elected AND the individual year actual yield is less than 60 percent of the T-Yield. |
| Para. 1261-1263 | Applies to ARH Strawberry Pilot Program. |
| Part 17 | Does not apply to ARH Strawberry Pilot Program. |

33 Prevented Planting Loss Adjustment Standards Handbook

The Prevented Planting Loss Adjustment Standards Handbook is not applicable to the ARH Strawberry Pilot Program. Prevented planting coverage is not available for strawberries.

34 Loss Adjustment Manual

The procedures identified in the LAM are adopted for the ARH Strawberry Pilot Program.

35 Strawberry Loss Adjustment Standards Handbook

The ARH Strawberry Pilot Program Loss Adjustment Standard Handbook applies to this pilot.

36-40 (Reserved)

Part 4 Other Information

41 Determining Annual Price

The annual price is used to value marketable production that is appraised, unsold, partially sold, or sold at a price that is determined not reasonable. The annual price represents a season average price. In Ventura County the annual price is determined by planting period.

The annual price may first be calculated on a unit basis as the average value per pound of any production sold from the unit if that price is determined to be reasonable. If there are no sales from the unit or the price is determined not reasonable, sales from a representative unit of the same planting period and on the same policy may be used. If there are no sales from a unit of the same planting period that are determined to be reasonable, the annual price may be calculated on a whole farm basis as the average value per pound of any strawberry production of the same planting period sold across units by the producer if that price is determined to be reasonable.

If there are no strawberry sales on the insured's policy or all of the insured's strawberry sales are determined not reasonable, the NASS season average price by insured type shall be the annual price.

Example: An insured has two optional units of winter planted strawberries and one basic unit of summer planted strawberries. An appraisal of 3,000 pounds is made on one of the winter planted optional units because of a missed picking. All other pickings on the unit are completed and sold.

The value of those 3,000 pounds will be established with the season average price calculated from all sales in the winter planting period and from that unit.

Since, there are many pickings involved with strawberry harvest it is unlikely that an insured would have no sales by which to calculate an annual price. However, because the strawberry market will typically exhibit some price seasonality, caution must be used when making an annual price determination. The insured must be able to provide evidence of price seasonality to be considered for an adjustment. The AIP must use appropriate discretion in determining if the strawberries are valued at a reasonable price.

Example: An insured has one unit of winter planted strawberries. Harvest begins on time and the strawberries command an early season price premium. A severe storm damages the plants after only 25 percent of the approved yield is harvested. The loss adjuster determines that 10 percent of the plants will survive and produce strawberries, thus the insured requests approval to abandon the acreage. An appraisal equal to 10 percent of the remaining 75 percent approved yield is made.

41 Determining Annual Price (Continued)

Since the only sold production is from early season sales which received a price premium it may not be appropriate to value the remaining production at that high price. Accordingly, the policy provides for some flexibility whereby the AIP can remove the price seasonality if the producer is able to demonstrate this effect with historical records from at least three prior growing seasons.

42 Unharvested Production Adjustment

The ARH Strawberry Pilot Program adjusts the revenue to count for savings achieved by not harvesting all or a portion of the crop.

Example: Prior to a picking, excessive rain causes the strawberries to mold and become worthless such that the damaged strawberries are dropped. The insured does not employ the same level of care as compared with a normal picking. Recall the annual revenue is based on the income after harvest thus the insured has already incurred harvesting/picking costs.

The guarantee is based on the value of strawberries entering the packing house door because it is possible that a crop could be harvested but an inadequate market price causes a loss to occur. Accordingly, to be equitable, the harvesting cost must be compensated. However, failure to recognize and account for savings from not harvesting/picking the acreage would result in a windfall for the insured.

The unharvested production adjustment amount is an estimated picking cost per pound and is published in the actuarial documents. The unharvested production adjustment amount is assessed to the pounds which represent a production shortfall. The unharvested production adjustment amount is not assessed against marketable pounds which are not harvested because such pounds are appraised and valued at the annual price. The annual price represents a packing house door valuation point.

Important: This procedure is to ensure producers are **not** compensated for harvest cost which they did **not** incur in the insurance year. Historical harvest costs are implicitly included in the revenue guarantee because the price valuation point is the point of first delivery.

42 Unharvested Production Adjustment (Continued)

The following table provides instructions for calculating the unharvested production adjustment amount. See Exhibit 5 for example.

| Step | Action | Result/Purpose |
|------|---|---|
| 1 | Multiply the approved yield by the coverage level, share, and the number of acres damaged solely by uninsured causes. | Pounds associated with an uninsured cause of loss appraisal. The loss procedure will price these pounds at a packing house door valuation point. Therefore, the total pounds associated with such appraisals should be excluded from any unharvested production adjustment. |
| 2 | Add the result from step 1 to the sum of the insured's share of the number of appraised and harvested pounds. | Total pounds appraised, harvested and pounds associated with uninsured cause of loss. Harvest costs are incurred on harvested pounds. Actual harvest costs are not incurred on appraised pounds; however, those pounds are valued at the annual price which is a post-harvest valuation point. As such, adding additional revenue to count to reflect harvest cost not incurred is unnecessary. |
| 3 | Multiply the approved yield by coverage level, share, and the number of insured acres. | Total number of pounds associated with the amount of insurance represented by the revenue guarantee. These pounds represent the threshold amount for when an adjustment will occur. |
| 4 | Multiply the acreage factor by the result of step 2 and subtract this value from the result of step 3. | Determines whether the unharvested production adjustment will apply. Notice that step 3 uses insured acres in the calculation; thus it considers whether acres were reported as uninsurable due to the acreage limitation rules. Similarly, the pounds harvested and appraised must also be scaled according to the acreage factor. |
| 5 | Multiply the result of step 4 by the unharvested production adjustment amount. If the result of step 4 is zero or negative there is no assessment for harvest cost not incurred. | Revenue to count associated with the unharvested production adjustment, if applicable. |

The payment factor is substantially the same as the price election percentage available for other crop insurance coverage plans. However, it must be handled differently than the price election factor.

In the APH insurance plan, for example, the amount of any indemnity is a two-step process: first, the amount of the production loss is calculated and second, the production loss is multiplied by the price election. The price election percentage simply reduces the effective price election, which also reduces the liability and the premium. It does not affect the guarantee, which is a production amount. Hence, the loss inception point remains the same regardless of the level of the price election factor.

To properly calculate an indemnity in ARH, the calculations first must determine the indemnity as though the payment factor were 100 percent (100%). The 100 percent (100%) indemnity then is reduced to reflect the payment factor chosen by the insured. The default value is 1.00.

Acronyms

The following table provides approved acronyms used in this handbook.

| Approved Acronyms | Term |
|-------------------|--|
| AIP | Approved Insurance Provider |
| APDD | Actuarial and Product Design Division |
| APH | Actual Production History |
| ARH | Actual Revenue History |
| CAT | Catastrophic Risk protection |
| CAW | Crop Addendum Worksheet |
| CIH | Crop Insurance Handbook |
| DSSH | Document and Supplemental Standards Handbook |
| ERF | Expected Revenue Factor |
| FCIC | Federal Crop Insurance Corporation |
| LAM | Loss Adjustment Manual |
| NASS | National Agricultural Statistics Service |
| PASS | Policy Acceptance and Storage System |
| PAW | Producer's Pre-Acceptance Worksheet |
| RMA | Risk Management Agency |

Definitions

The following are definitions of terms used in this handbook.

Agent has the same meaning as the term “agent” in the Standard Reinsurance Agreement.

Approved Insurance Provider has the same meaning as the term “approved insurance provider” in the Federal Crop Insurance Act. For the purposes of this handbook, Approved Insurance Provider includes managing general agents as defined in the Standard Reinsurance Agreement.

Completely Sold Production means production for which a final sale price has been determined. This price is generally documented on the producer’s final sales settlement sheet.

Pesticide means a generic term to include fungicides, herbicides, insecticides, rodenticides, etc.

Example ARH Form

The following is an example of an ARH form. See paragraph 32 for related procedure.

| Production, Revenue, and Yield Report (ARH Form) | | | | For Crop Year: | | | | | | | |
|--|----------|--|--|---------------------------|------------------|---------------------|---------------|------------------------|-----------------|------------------|-------------------------------|
| (For Illustration Purposes Only!) | | | | | | | | | | | |
| Producer's Name and Address | | Required Field Review <input type="checkbox"/> Required Inspection <input type="checkbox"/> | | Agent Name and Address: | | | | | | | |
| Phone No: | | SSN Tax No: | | State: | | Phone No: | | Agent Code: | | | |
| | | County: | | Company Name and Address: | | | | | | | |
| Policy No: | | | | | | | | | | | |
| Crop | Section | | | Crop Year | Total Production | Acres | Average Yield | Producer's Net Revenue | Average Revenue | Producer's Share | 100% Share Equivalent Revenue |
| Practice Type | Township | | | | | | | | | | |
| Unit No. | Range | Land Other County <input type="checkbox"/> Yes <input type="checkbox"/> No | | | | | | | | | |
| Other Entity(ies) | | FSA Farm No. | | | | | | | | | |
| | | Cropland Acres | | | | | | | | | |
| Record Type: | | Crop Year: | | | | | | | | | |
| <input type="checkbox"/> Production Sold | | <input type="checkbox"/> Appraisal | | Area Classification | | Total | | | | Total | |
| <input type="checkbox"/> On Farm Storage | | <input type="checkbox"/> Other | | Transitional Yield | | Preliminary Revenue | | Approved Revenue | | | |
| <input type="checkbox"/> Livestock Feeding Records | | | | Transitional Revenue | | Prior Revenue | | | | | |
| <input type="checkbox"/> FSA Loan Record | | | | | | Preliminary Yield | | Approved Yield | | | |
| Processor Number | | Other | | | | Prior Yield | | | | | |

Examples

This Exhibit provides examples of:

- calculating a revenue guarantee to illustrate the difference between the amount of insurance and the value per acre
- calculating an indemnity under an ARH plan of insurance.

The following data applies to examples 1-3:

- insured reports the following eight years of revenue history:

| Production Year | Producer Revenue |
|-----------------|------------------|
| 2006 | \$23,000 |
| 2007 | \$13,000 |
| 2008 | \$24,200 |
| 2009 | \$19,900 |
| 2010 | \$14,700 |
| 2011 | \$25,300 |
| 2012 | \$33,600 |
| 2013 | \$34,300 |
| Total | \$188,000 |

- insured has an approved revenue of \$23,500/acre
- insured has an approved yield of 30,000 pounds/acre
- insured has 10 acres of strawberries
- RMA published ERF equals 1.00
- coverage level equals 0.75
- insured share equals 0.5000
- payment factor equals 0.80.

Examples (Continued)

A. Example 1 - Calculating Revenue Guarantee

The following is an example of calculating a revenue guarantee and is provided to illustrate the difference between the amount of insurance and the value per acre. The value per acre calculation is prior to application of the payment factor and therefore reflects the true loss inception point. The amount of insurance (guarantee) is calculated as follows:

| Step | Action |
|-------------|--|
| 1 | Multiply the approved revenue per acre times the ERF. $\$23,500 \times 1.00 = \$23,500$ |
| 2 | Multiply the result of step 1 times the coverage level. $\$23,500 \times 0.75 = \$17,625$ |
| 3 | Multiply the result of step 2 times the payment factor. $\$17,625 \times 0.80 = \$14,100$ |
| 4 | Multiply the result of step 3 times producer's share. $\$14,100 \times 0.500 = \$7,050$ |
| 5 | Multiply the result of step 4 times the number of acres. $\$7,050 \times 10 = \$70,500$ |

The value per acre is calculated as follows. This amount is used in determining losses.

| Step | Action |
|-------------|--|
| 1 | Multiply the approved revenue per acre times the ERF. $\$23,500 \times 1.00 = \$23,500$ |
| 2 | Multiply the result of step 1 times the coverage level. $\$23,500 \times 0.75 = \$17,625$ |
| 3 | Multiply the result of step 2 times the producer's share. $\$17,625 \times 0.500 = \$8,813$ |
| 4 | Multiply the result of step 3 times the number of acres. $\$8,813 \times 10 = \$88,130$ |

B. Example 2 - Calculating an Indemnity Based on Inadequate Market Price

The following is an example of calculating an indemnity under ARH plan of insurance. An indemnity is owed if the producer's revenue for the insurance year is less than the guarantee. The standard calculation sequence used for crop insurance must be modified for the Strawberry Pilot Program because only the revenue obtained by the insured person can be included in the revenue to count. Therefore, the producer's share must be introduced at an earlier step in the standard calculation.

Examples (Continued)

B. Example 2 - Calculating an Indemnity Based on Inadequate Market Price (continued)

The producer harvests an amount of strawberries that exceeds the approved yield of 30,000 pounds/acre. However, the market price results in revenue to count of only \$50,000 for the insured. The indemnity is calculated as follows:

| Step | Action |
|------|---|
| 1 | Calculate the value per acre for 10 acres, as provided in paragraph A, Example 1. $\$8,130 \times 10 \text{ acres} = \$88,130$ |
| 2 | Subtract the revenue to count from the result of step 1. $\$88,130 - \$50,000 = \$38,130$ preliminary indemnity |
| 3 | Multiply the result of step 2 times the payment factor. $\$38,130 \times 0.80 = \$30,504$ indemnity payment |

The payment factor is not applied to the revenue to count, but instead is applied to the preliminary indemnity amount. In this example, the insured would have received an indemnity of \$38,130 if the insured had elected to use the default payment factor of 1.00. Any payment factor other than 1.00 will reduce the overall producer guarantee and premium amount without altering the loss inception point.

C. Example 3 - Calculating an Indemnity Based on Crop Damage Resulting in Unmarketable Production

For this example, the following data applies:

- insured's share of the total harvested production was 60,000 pounds, and it was sold for \$42,000
- 25,000 pounds of insured's share of unharvested marketable production was appraised and valued with the annual price of \$.070/pound
- herbicide drift, an uninsurable cause of loss, damaged 2 acres of strawberries, making the strawberries unmarketable
- unharvested production adjustment amount in the actuarial documents is \$0.24/pounds.

Because there was a production shortfall, the unharvested production adjustment amount must be calculated in order to calculate the indemnity in this example. The following is the unharvested production adjustment amount calculation.

Examples (Continued)**C. Example 3 - Calculating an Indemnity Based on Crop Damage Resulting in Unmarketable Production (continued)**

| Step | Action |
|------|---|
| 1 | Multiply the approved yield times coverage level times producer share times number of acres damaged by uninsured causes. $30,000 \times 0.75 \times 0.500 \times 2 = 22,500$ pounds production corresponding to the acres damaged by uninsured cause of loss |
| 2 | Add result of step 1 to sum of unharvested marketable appraised production plus harvested/sold production $60,000 \text{ pounds} + 25,000 \text{ pounds} + 22,500 \text{ pounds} = 107,500 \text{ pounds}$ |
| 3 | Multiply approved yield per acre times coverage level times insured's share times number of total acres. $30,000 \times 0.75 \times 0.500 \times 10 = 112,500$ pounds implicit in guarantee |
| 4 | Subtract result of step 2 from result of step 3. $112,500 - 107,500 = 5,000$ pounds implicit in guarantee which are not harvested or otherwise account for with appraisal and valuation. |
| 5 | Multiply result of step 4 times the unharvested production adjustment amount in the actuarial documents. $5,000 \times \$0.24 = \$1,200$ of revenue to count representing the harvest cost not incurred due to the production shortfall. |

After calculating the unharvested production adjustment amount, calculate the indemnity according to the following table.

| Step | Action |
|------|---|
| 1 | Multiply the value per acre times the number of acres damaged by uninsured causes. $\$8,813 \times 2 = \$17,626$ appraisal for uninsured causes |
| 2 | Multiply the cartons of unharvested marketable production times the annual price. $25,000 \times \$0.70 = \$17,500$ appraisal for unharvested marketable production |
| 3 | Sum result of step 1 + result of step 2 + dollar amount received for harvested/sold production + revenue to count representing the harvest cost not incurred due to the production shortfall. $\$17,626 + \$17,500 + \$42,000 + \$1,200 = \$78,326$ total revenue to count |
| 4 | Subtract result of step 3 from amount of insurance. $\$88,130 - \$78,326 = \$9,804$ preliminary indemnity |
| 5 | Multiply result of step 4 times payment factor. $\$9,804 \times 0.80 = \$7,843$ total indemnity |

Important: In an effort to provide continuity between the loss record for the insurance year and the revenue report in future years, the unharvested production adjustment amount is to be included.