United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

BULLETIN NO.: MGR-00-032

TO: All Reinsured Companies
All Risk Management Agency Field Offices

FROM: Kenneth D. Ackerman /s/ Ken Ackerman 11-16-00
Administrator

SUBJECT: Cranberry Marketing Order Effect on Policies Insured Under Cranberry Crop Provisions (99-058) and Adjusted Gross Revenue Pilot Insurance Policy (99-AGR)

ISSUE:

The USDA Cranberry Marketing Order (CMO) for the 2000 crop year effects loss adjustment, Actual Production History (APH) and the Adjusted Gross Revenue (AGR) insurance program.

BACKGROUND:

Insured cranberry producers must comply with the USDA Cranberry Marketing Order (CMO) (Federal Register, Vol. 65, No. 133, 7 CFR Part 929) that went into effect on September 1, 2000, the Cranberry Crop Provisions (99-058), and/or the AGR Pilot Insurance Policy (99-AGR). The marketing order restricts deliveries of 2000 crop year production to not more than 85 percent of each grower's previous sales history as determined by the Cranberry Marketing Committee. Amounts in excess of 85 percent may be sold as fresh fruit or must be destroyed.

ACTION:

A. For cranberries insured under the Cranberry Crop Provisions (99-058):

1. Insurance providers are reminded that all policy provisions, as well as applicable handbooks and procedures including Cranberry Loss Adjustment Standards, FCIC 25100, continue to apply. For loss adjustment purposes, all harvested and appraised production, including appraisals for uninsured causes and abandoned or destroyed acreage, will count as production for determining any indemnity regardless of limits imposed by the CMO on the grower's ability to sell the production (see sections 8(b)(2) and 10(c) of the Cranberry Crop Provisions).

2. Growers may have modified farming practices to reduce yields for the 2000 crop year (e.g., flooding of bogs, applying chemicals to decrease fruit set, withholding of bees, or fertilizer etc.) in anticipation of the CMO. Those who did so without proper notice to the insurance provider (see item 4 below) will be assessed poor farming practices. Similarly, growers who destroyed or abandoned acreage after insurance attached for the 2000 crop year will be considered to have destroyed or abandoned such acreage without consent. In either case, appraisals for uninsured causes will determine production to count for claims purposes. No reduction in premium for such acreage will apply. In accordance with APH procedure, such appraised production is not considered for APH purposes.

3. If notice was given to the insurance provider for the events described in item 2, the insurance provider must reduce liability in accordance with any change in acreage and practices (see section 3 (b) of the Cranberry Crop Provisions) and not assess appraisals for uninsured causes.

4. **For the 2001 crop year**, growers who intend to use farming practices that will reduce production below the yield upon which the insurance guarantee is based must report the change in practices, the number of acres affected, and the age of the vines to the insurance provider by the production reporting date (see section 3(b) of the Cranberry Crop Provisions and section 7 paragraph 7E of the Crop Insurance Handbook). Appropriate adjustments to APH yields will be required.

5. Insurance providers must actively monitor farming practices during the 2001 crop year to assure that any changes that are likely to reduce potential yield are detected. When such conditions are detected and the grower has not accurately reported this information as required under the policy (see item 4), uninsured cause of loss appraisals must be assessed.

B. For cranberries insured under the AGR Policy (99-AGR):

1. Insurance is provided only against loss of income due to any unavoidable peril (naturally occurring causes) and market price fluctuation. Income loss due to complying with the CMO is not covered.

2. In accordance with section 5(a) of the AGR Policy, the insured must provide an accounting of the expected allowable income and market conditions that may reduce the allowable income for the insurance year. If for the 2000 insurance year, the insured included expected income from production in excess of the amount allowed by the CMO, the approved AGR and premium must be reduced accordingly.

For example, for the 2000 insurance year, if the insured reported on the Intended Commodity Report portion of the Annual Farm Report that 40.0 acres of cranberries will produce 180 cwt per acre or a total of 7200 cwt with an estimated value of $20.00 per cwt, the expected commodity value would be $144,000 (shown in item 17 of the Intended Commodity Report). If the CMO limits the amount of production that can be sold to 6,000 cwt or 150 cwt per acre, the commodity value would be reduced to
$120,000 (6,000 cwt X estimated value $20.00 per cwt = $120,000). Subtract $120,000 reduced commodity value from the $144,000 expected commodity value to determine the reduced revenue of $24,000. Subtract the $24,000 reduced revenue from the total expected income shown in item 18 of the Intended Commodity Report and compare this result (reduced total expected income) to the approved AGR shown in item 21. If the reduced total expected income is lower than the approved AGR, use the reduced total expected income as the approved AGR and recompute the premium accordingly. If the reduced total expected income is equal to or greater than the approved AGR, make no change.

DISPOSAL:

The expiration date is December 31, 2001.