

**SUMMARY OF CHANGES FOR THE
ACTUAL REVENUE HISTORY CHERRY PILOT CROP PROVISIONS
(2011-057)**

The following is a brief description of the changes to the ARH Cherry Pilot Crop Provisions that will be effective for the 2011 crop year. Please refer to the ARH Cherry Pilot Crop Provisions for complete information.

Section 1 – Definitions

Revised the definition of “annual price”

Revised the definition of “unharvested production adjustment”

Section 4 (b) was revised to include more current reporting provisions.

Section 4 (e) was revised to correct a specific reference to the Basic Provisions.

Section 8 (b) was revised to include the word “marketable” when referring to the minimum production amount.

Section 10 (a) (8) was revised to specify the terms of an inadequate market price loss.

UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
ACTUAL REVENUE HISTORY
CHERRY PILOT CROP PROVISIONS



If a conflict exists among the policy provisions, the order of priority is as follows: (1) the Special Provisions; (2) these Crop Provisions; (3) the ARH Endorsement; and (4) the Basic Provisions with (1) controlling (2), etc.

1. Applicability.

You must have applied for insurance and have a policy in effect under the Basic Provisions and the ARH Endorsement before you may elect to insure cherries under these Crop Provisions.

2. Definitions.

Adapted variety – A variety of cherries recognized by the Cooperative State Research, Education, and Extension Service as compatible with agronomic and weather conditions in the county.

ARH Endorsement – The Actual Revenue History Pilot Endorsement.

AIP – Approved insurance provider, an entity authorized by FCIC to sell and service federally subsidized crop insurance.

Annual price – In lieu of the definition contained in the Endorsement, the annual price is the value we will use to determine the revenue to count for any appraised or unsold marketable production. We will determine this value for each unit by type as follows:

- (a) the total revenue received from the unit divided by the total pounds sold from that unit; or
- (b) if there was no sold production from that unit or the price is determined not reasonable, the amount determined in (a) for a similar unit of the same type from which you did have sold production; or
- (c) if there is no unit of the same type that is determined to be reasonable, the total revenue to count from all units of the same type divided by the total pounds sold; or
- (d) if there were no sales from any unit or if we determine you did not receive a reasonable price per pound, the season average price per pound received by producers for cherries of the insured type in your state for the crop year as calculated from the data reported by NASS in the publication “Noncitrus Fruits and Nuts YYYY Preliminary Summary” (released in January following the date of harvest) or the price per pound determined by RMA if said publication is not available.

Any annual price based in whole or in part on the NASS season average price is final. We will not recalculate the price even though NASS subsequently may revise that price.

Continuity of coverage – When you insure a cherry crop in a county for consecutive crop years, i. e., you do not cancel the insurance coverage, we do not cancel it, or it does not terminate by action of the policy

once the policy takes affect. Continuity of coverage will still exist if you cancel your policy with us before the cancellation date for a crop year and transfer it to another AIP for that crop year.

Direct marketing – The sale of the insured crop directly to consumers without the intervention of an intermediary such as a wholesaler, retailer, packer, processor, shipper, buyer, or broker. Examples of direct marketing include selling through an on-farm or roadside stand, farmer’s market, and permitting the general public to enter the field for the purpose of picking all or a portion of the crop.

Fresh use – Sales of cherries for human consumption in the form as harvested from the tree.

Harvest – Removal of mature cherries from the trees either by hand or by a machine designed for that purpose.

Marketable – Cherry production that meets or exceeds the grading standards specified in the Special Provisions, or would be accepted by a packer, processor, or other handler even if failing to meet those grading standards.

Mechanical damage – Physical injury to a tree such that the tree is destroyed or its ability to produce a normal crop is reduced, or physical injury to fruit such that it is not marketable, caused by the improper use of tools or machinery.

Pound – A unit of weight equal to 16 ounces avoirdupois.

Predominant end use – A classification determined by the source of the majority of the revenue from sales of cherries from a unit. The majority of sales is based on more than 50 percent of the revenue derived from production sold for processing use or production sold for fresh use.

Processing use – Sales of cherries for human consumption as frozen, canned, dried or anything other than fresh use fruit.

Reasonable price per pound – A value per pound paid by buyers in the local area for cherries of similar variety and quality on the date of sale.

Rootstock – The root and stem portion of a tree to which a scion can be grafted.

Scion – Twig or portion of a twig of one plant that is grafted onto a rootstock.

Type – A grouping of cherry varieties according to predominant end use as listed in the Special Provisions.

Unharvested production adjustment – A dollar amount per pound contained in the Special Provisions that we use to assess a cost for that portion of the approved yield that is not harvested or not otherwise counted as revenue to count (e.g., appraised unharvested marketable production). Since the amount of insurance includes harvesting costs, this value represents our determination of the expenses included in your approved revenue that were not incurred for the insurance year.

Unsold production – Any cherries you have harvested but for which you have not received a final settlement price on the calendar date for the end of the insurance period for losses due to an inadequate market price.

Value per acre – The approved revenue per acre multiplied by the expected revenue factor, the coverage level percent, and your share.

3. Unit Division.

- (a) Section 34(a) of the Basic Provisions does not apply to these Crop Provisions.
- (b) In addition to the provisions of section 34(c) of the Basic Provisions, an optional unit may:
 - (1) Consist of acreage located on non-contiguous land; or
 - (2) Be established by type.

4. Insurance Guarantees, Coverage Levels, and Prices for Determining Indemnities.

In addition to the requirements of section 3 of the Basic Provisions and section 6 of the Endorsement:

- (a) You must report, by the revenue reporting date designated in section 3 of the Basic Provisions:
 - (1) Any damage, removal of trees, change in practices, or any other circumstance that may reduce the quantity or quality of cherries produced on insured acres and the number of affected acres;
 - (2) The ages of the trees, number of bearing trees, and planting patterns on insurable acreage;
 - (3) For the first year of insurance for acreage interplanted with another perennial crop, and any time the planting pattern of such acreage is changed:
 - (i) The age of the interplanted crop and type if applicable;
 - (ii) The planting pattern; and
 - (iii) Any other information that we request; and
 - (4) Your intention to produce or market the crop in a way that materially differs from the basis on which the revenue history is established (e.g., the crop will be produced and sold for processing whereas the revenue history is based on fresh market sales).
- (b) We will reduce the yield and annual revenue used

to establish your value per acre, as necessary, based on our estimate of the effect of any situation listed in sections 4(a)(1) through (a)(4). If the situation occurred:

- (1) Before the beginning of the insurance period, the yield and annual revenue used to establish your value per acre will be reduced for the current crop year regardless of whether the situation was due to an insured or uninsured cause of loss. If you fail to notify us of any circumstance that may reduce your yields and annual revenues from previous levels, we will reduce the yield and annual revenue used to establish your value per acre at any time we become aware of the circumstance;
- (2) Or may occur after the beginning of the insurance period and you notify us by the revenue reporting date, the yield and annual revenue used to establish your value per acre will be reduced for the current crop year only if the potential reduction in the yield and annual revenue used to establish your value per acre is due to an uninsured cause of loss; or
- (3) Or may occur after the beginning of the insurance period and you fail to notify us by the revenue reporting date, production lost due to uninsured causes equal to the amount of the reduction in yield and annual revenue used to establish your value per acre will be applied in determining any indemnity (see section 12(c)(1)(ii)). We will reduce the yield and annual revenue used to establish your value per acre for the subsequent crop year.
- (c) You may not increase your elected coverage level after insurance attaches for any crop year if a cause of loss that could or will reduce the yield of your crop is evident at any time before the cancellation date. You cannot avoid this restriction by cancelling your policy with one AIP and purchasing coverage from another AIP. We may reduce your elected coverage level to the level that was in effect in the previous crop year at any time we become aware that you have violated this restriction.
- (d) The revenue reported for each unit must include all sales irrespective of the disposition of the cherries. For example, if a unit is designated as sweet cherries (fresh) because that is the predominant end use, the reported revenue for that unit must include any revenue derived from sales for processing uses from that unit.
- (e) In lieu of that specific provision of section 3(f) of the Basic Provisions and the definition of revenue reporting date contained in the ARH Endorsement, the revenue reporting date is the acreage reporting date.

5. Contract Changes.

In accordance with section 4 of the Basic Provisions, the contract change dates are the

calendar dates immediately preceding the cancellation dates:

- (a) October 31 in California; and
- (b) August 31 in all other states.

6. Cancellation and Termination Dates.

In accordance with section 2 of the Basic Provisions, the cancellation and termination dates are:

- (a) January 31 in California; and
- (b) November 20 in all other states.

7. Insured Crop.

In accordance with section 8 of the Basic Provisions, the crop insured will be all the cherries in the county for which a premium rate is provided by the actuarial documents:

- (a) In which you have a share;
- (b) That is of varieties (scion and rootstock) adapted to the area;
- (c) That is irrigated, unless the Special Provisions allow a non-irrigated practice;
- (d) That is grown in an orchard that meets the conditions of insurability contained in the Special Provisions and that, if inspected, is considered acceptable by us; and
- (e) That is not direct marketed unless you comply with section 11(c).

8. Insurable Acreage.

- (a) In lieu of the provisions in section 9 of the Basic Provisions that prohibit insurance attaching to a crop planted with another crop, cherries interplanted with another perennial crop are insurable unless we inspect the acreage and determine it is not acceptable.
- (b) In addition to the acreage identified as uninsurable in section 9 of the Basic Provisions, any acreage that has not produced at least the minimum number of pounds of marketable cherries per acre specified in the Special Provisions is not insurable.

9. Insurance Period.

(a) In accordance with the provisions of section 11 of the Basic Provisions, insurance will attach according to the following terms:

- (1) For the crop year you initially apply for insurance, or for the year following a break in continuity of coverage, on the later of ten days after your properly completed application is received in our local office or the date specified below unless we inspect the acreage during the ten day period and determine that it does not meet insurability requirements or:
 - (i) February 1 in California; and
 - (ii) November 21 in all other states.
- (2) For each subsequent crop year you have continuity of coverage, on the day immediately following the end of the insurance period for physical damage for

the prior crop year.

- (b) The calendar date for the end of the insurance period for physical damage to the cherries for each crop year is the date during the calendar year in which the cherries are normally harvested as follows:

- (1) July 31 in California; and
- (2) August 31 in all other states.

- (c) The calendar date for the end of the insurance period for loss of revenue due to an inadequate market price is the January 15 following harvest.

- (d) In addition to the provisions of section 11 of the Basic Provisions:

- (1) If you acquire an insurable share in any insurable acreage after coverage begins, but on or before the acreage reporting date for the crop year, and after an inspection we consider the acreage acceptable, insurance will be considered to have attached to such acreage on the calendar date for the beginning of the insurance period.
- (2) If you relinquish your insurable interest on any insurable acreage of cherries on or before the acreage reporting date of any crop year, insurance will not be considered to have attached to, and no premium will be due, and no indemnity paid, for such acreage for that crop year unless:
 - (i) A transfer of coverage and right to an indemnity, or a similar form approved by us, is completed by all affected parties;
 - (ii) We are notified by you or the transferee in writing of such transfer on or before the acreage reporting date; and
 - (iii) The transferee is eligible for crop insurance.

10. Causes of Loss.

- (a) In accordance with the provisions of section 12 of the Basic Provisions, insurance is provided only against the following causes of loss that occur within the insurance period:

- (1) Adverse weather conditions;
- (2) Fire, unless undergrowth has not been controlled or pruning debris has not been removed from the orchard;
- (3) Insects and plant diseases if:
 - (i) 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; or
 - (ii) No pesticides effective on the insect or the plant disease are registered with the Environmental Protection Agency and labeled for use on cherries.

- (4) Wildlife;

- (5) Earthquake;
 - (6) Volcanic eruption;
 - (7) Failure of the irrigation water supply, if caused by a cause of loss specified in section 10(a)(1) through (6) that occurs during the insurance period; and
 - (8) An inadequate market price on sold cherries or on cherries which are valued with the annual price procedure.
- (b) In addition to the causes of loss excluded in section 12 of the Basic Provisions, we will not insure against damage or loss due to:
- (1) Mechanical damage;
 - (2) Failure to harvest in a timely manner for any reason, including inability to obtain harvest labor, unless the failure to harvest is due to any of the perils specified in section 10(a); and
 - (3) Inability to market the cherries for any reason other than actual physical damage from an insurable cause specified in this section. For example, we will not pay you an indemnity if you are unable to market due to quarantine, boycott, or refusal of any person to accept production.

11. Duties in the Event of Damage or Loss.

In addition to the requirements of section 14 of the Basic Provisions, the following will apply:

- (a) You must notify us at least 3 days before the date harvest should start if the crop will not be harvested.
- (b) If damage occurs when the cherries are mature or at any time during harvest, you must notify us within 3 days after you discover the damage so we can inspect your acreage.
- (c) You must notify us at least 15 days before any production from any unit will be sold by direct marketing.
 - (1) We will conduct an inspection and appraisal, if needed, that will be used to determine your revenue to count for such production.
 - (2) If damage occurs after this inspection, we will conduct one or more additional inspections as needed.
 - (3) These inspections, and any acceptable records provided by you, will be used to determine your revenue to count.
 - (4) Failure to give timely notice that production will be sold by direct marketing will result in an appraisal of not less than the value per acre for each such acre if we are unable to make the required inspection or appraisal as a result.
- (d) You must notify us at least 15 days prior to the beginning of harvest or as specified elsewhere in this section if you expect the production to be harvested per acre will be less than your

approved yield multiplied by the coverage level you selected.

- (e) If there is no damage or loss of production but you anticipate a revenue loss, you must give us notice not later than the March 1 following harvest.
- (f) You must not destroy the damaged crop until we have given you written consent to do so. If you do not meet the requirements of this section and we are unable to inspect the damaged production as a result, an appraisal of not less than the value per acre will apply to each affected acre.
- (g) You may be required to harvest a representative sample selected by us so we can perform our appraisals.

12. Settlement of Claim.

- (a) We will determine your loss separately for each unit specified on your acreage report or that we find to exist in accordance with the Basic Provisions and these Crop Provisions. If you do not or cannot provide acceptable records of revenue or production for the crop year for:
 - (1) Any optional unit, we will combine all optional units for which such records were not provided; or
 - (2) Any basic unit, we will allocate commingled production to each basic unit in proportion to our liability on the harvested acreage for each unit.
- (b) In the event of loss or damage covered by this policy, we will settle your claim by:
 - (1) Multiplying the insured acreage by the value per acre;
 - (2) Subtracting the total revenue to count (see section 12(c));
 - (3) Multiplying the result of section 12(b)(2) by the payment factor if that result is positive or determining the indemnity to be zero otherwise.
- (c) The total revenue to count from all insurable acreage on the unit will be the sum of the following determinations:
 - (1) For appraised acreage or production:
 - (i) Not less than the value per acre for any acreage:
 - (A) That is abandoned;
 - (B) Put to another use without our consent;
 - (C) From which production is sold by direct marketing and you failed to give the notice required by section 11(c) and we consequently were unable to make the required inspection or appraisal;
 - (D) That is damaged solely by uninsured causes; or

- (E) For which you fail to provide acceptable records.
- (ii) The value of any production lost due to uninsured causes, which will be the appraised pounds of such production multiplied by the annual price and by your share.
- (iii) The value of unharvested marketable production which will be the appraised pounds of such production multiplied by the annual price and by your share.
- (iv) The value of your share of potential production on insured acreage you intend to put to another use or abandon if you agree to our appraisal of the value of such production, which will be your share of the quantity of such appraised production multiplied by the annual price. Upon such agreement, the insurance period for that acreage will end when you put the acreage to another use or abandon the crop. If agreement on the appraised value is not reached:
 - (A) If you do not elect to continue to care for the crop, we may give you consent to put the acreage to another use if you agree to leave intact, and provide sufficient care for, representative samples of the crop in locations acceptable to us. The revenue to count for such acreage will be based on the greater of the harvested production or our appraisal in accordance with Section 15(b) of the Basic Provisions from the samples at the time harvest should have occurred. If you do not leave the required samples intact, or fail to provide sufficient care for the samples, our appraisal made prior to giving you consent to put the acreage to another use will be used to determine the revenue to count; or
 - (B) If you elect to continue to care for the crop, the revenue to count for the acreage will be based on your share of the greater of harvested production or our reappraisal in accordance with section 15(b) of the Basic Provisions if additional damage occurs and the crop is not harvested.
- (2) The value of your share of any unsold harvested production, which shall be the quantity of such production multiplied by

the annual price.

- (3) The revenue from all harvested production that you sold if we determine you received a reasonable price for all such production. If we determine the price for any part of the production was not reasonable, the revenue to count shall be the quantity of such production multiplied by the annual price for the crop year. Harvested production that is damaged or defective due to insurable causes and is not marketable will have a value of zero.
- (4) Costs avoided due to unharvested production, which will be computed as follows:
 - (i) Multiplying the approved yield, by the coverage level, and the share by number of acres damaged solely by uninsured causes;
 - (ii) Adding this result to the sum of your share of the number of appraised and harvested pounds;
 - (iii) Multiplying the approved yield by the coverage level, and the share by the number of insured acres;
 - (iv) Subtracting the result of 12(c)(4)(ii) from the result of 12(c)(4)(iii);
 - (v) Multiplying the result of 12(c)(4)(iv) by the unharvested production adjustment if that result is positive or determining the avoided costs to be zero otherwise.
- (d) Example of your insurance protection:

Example 1: You have 100 percent share in 10 acres of cherries in a single unit. You certify revenue for the five most recent crop years. The approved revenue is \$3,500 per acre. RMA has provided the expected revenue factor, which is 1.00. You chose the 75 percent coverage level and a payment factor of 0.85. Your share is 100 percent. The value per acre is \$3,500 approved revenue X 1.00 expected revenue factor x 0.75 coverage level X 1.00 share = \$2,625.

You harvest a crop equal to or greater than the product of your approved yield, coverage level, and share, but an inadequate market price causes your revenue to count to be only \$17,500. No appraisals are necessary and you have no unsold production at the end of the insurance period. Your indemnity is calculated as follows:

- (1) $\$2,625 \times 10 \text{ acres} \times 1.00 \text{ share} = \$26,250$;
- (2) $\$26,250 - \$17,500 \text{ revenue to count} = \$8,750 \text{ difference}$; and
- (3) $\$8,750 \times 0.85 \text{ payment factor} = \$7,438 \text{ indemnity payment}$.

Example 2: All conditions are the same as Example 1, but you harvest only 20,000 pounds and receive total revenue of \$25,000 for that production. Assume your approved yield is 5,000 pounds per acre and the unharvested production adjustment value is \$0.20 per pound. Your indemnity is calculated as follows:

- (1) $\$2,625 \times 10 \text{ acres} \times 1.00 \text{ share} =$
\$26,250 total value;
- (2) $5,000 \text{ lbs.} \times 75\% = 3,750 \text{ lbs}$
- (3) $3,750 \text{ lbs.} \times 10 \text{ acres} = 37,500 \text{ pounds};$
- (4) $37,500 \text{ lbs.} - 20,000 \text{ lbs.} = 17,500 \text{ lbs.};$
- (5) $17,500 \text{ lbs.} \times \$0.20 / \text{lb.} = \$3,500;$
- (6) $\$25,000 + \$3,500 = \$28,500;$
- (7) $\$26,250 - \$28,500 = (\$2,250).$

No indemnity is due.

Example 3: All conditions are the same as Example 1, but 2.3 acres of the cherries were damaged by the drift of pesticide that damaged the cherries and made them unmarketable (acreage damaged solely by uninsured causes). You did not harvest 2,000 pounds of cherries on the remaining acreage (unharvested appraised production). A total of 1,000 lbs. had mechanical damage (production damaged due to uninsured causes). Assume your approved yield is 5,000 pounds per acre and the unharvested production adjustment value is \$0.20 per pound. You sold 21,875 pounds of cherries at an average price (the annual price) of \$0.80 per pound. The product of your approved yield, coverage level and share is $5,000 \times 0.75 \times 1.000 = 3,750$ pounds. Your indemnity in this case will be calculated as follows:

- (1) $\$2,625 \times 2.3 \text{ acres} = \$6,038$ appraised value for acreage damaged solely due to uninsurable cause;
- (2) $1,000 \text{ lbs.} \times \$0.80 / \text{lb.} \times 1.000 \text{ share} =$
\$800 for production lost due to uninsurable causes;
- (3) $2,000 \text{ lbs.} \times \$0.80 \times 1.000 \text{ share} =$
\$1,600 for appraised unharvested production;
- (4) $21,875 \text{ lbs. sold} \times \$0.80 / \text{lb.} = \$17,500$
value for sold harvested production;
- (5) $3,750 \text{ lbs.} \times 2.3 \text{ acres} = 8,625 \text{ lbs.};$
- (6) $8,625 \text{ lbs.} + 1,000 \text{ lbs.} + 2,000 \text{ lbs.} +$
 $21,875 \text{ lbs.} = 33,500 \text{ lbs.}$
- (7) $3,750 \text{ lbs.} \times 10.0 \text{ acres} = 37,500 \text{ lbs.};$
- (8) $37,500 \text{ lbs.} - 33,500 \text{ lbs.} = 4,000 \text{ lbs.};$
- (9) $4,000 \text{ lbs.} \times \$0.20 = \$800;$
- (10) $\$6,038 + \$800 + \$1,600 + \$17,500 +$
 $\$800 = \$26,738$ total value to count;
- (11) $\$26,250 - \$26,738 = (\$488)$

No indemnity is due.

13. Late and Prevented Planting.

The late and prevented planting provisions of the Basic Provisions are not applicable.