

SUMMARY OF CHANGES FOR PEAR CROP PROVISIONS (15-0089)
(Released July 2014)

The following is a brief description of changes to the Crop Provisions that will be effective for the 2015 and succeeding crop years. Please refer to the Crop Provisions for more complete information.

Removed the term “varietal group” and replaced it with the term “type” everywhere it appears.

Removed Basic Provisions section headings referenced throughout the Crop Provisions.

Section 1 – Definitions

- Revised the definitions of “marketable” to specify a minimum grade requirement.
- Removed the definition of “varietal group.”

Section 2 – Unit Division

- Revised to allow optional units either in accordance with section 34(c) of the basic provisions or by non-contiguous land. Revised to allow optional units to be further divided by type if allowed by the Special Provisions.

Section 3 – Insurance Guarantees, Coverage Levels, and Prices for Determining Indemnities

- Revised paragraph (a) to allow separate coverage levels and percentages of price elections to be selected by type. Added a provision to clarify types are not subject to separate administrative fees.
- Revised paragraph (c) to clarify actions that will be taken if situations listed in section 3(b) occur.

Section 8 – Insurance Period

- Reorganized to be consistent with the order of other Crop Provisions.
- Revised the end of insurance period date to apply to Summer & Fall pears and Winter pears unless otherwise provided for specific types in the Special Provisions.

Section 9 – Causes of Loss

- Revised paragraph (a) to allow insects and disease to be insurable causes of loss unless damage is due to insufficient or improper application of control measures.
- Revised paragraph (b) by removing the provisions that exclude insects and disease from insurability.

Section 10 – Duties in the Event of Damage or Loss

- Added a new paragraph (a) to require representative samples to be left in accordance with our procedures.
- Designated the undesignated introductory paragraph as paragraph (b) and redesignated paragraphs (a), (b), and (c) as paragraphs (b)(1), (2), and (3) respectively.
- Added a basic coverage example at the end of the newly redesignated paragraph (b).
- Revised the minimum size in paragraph (c)(3)(iii)(A) from 180 to 165.
- Added a new paragraph (d) to require pears to be graded and appraised prior to the earlier of the time pears are placed in storage or the date the pears are delivered to a packer, processor, or other handler.

Section 13 – Fresh Pear Quality Adjustment Endorsement

- Revised the introductory paragraph to clarify that if the endorsement is elected, the insured cannot receive less than the indemnity due under section 11.
- Added a new paragraph (a)(2) that requires all pear trees in the unit insured under the endorsement to be managed for the production of fresh market pears.
- Redesignated paragraphs (a)(2), (3), and (4) as (a)(3), (4), and (5) respectively.
- Revised paragraph (b) to allow the endorsement to apply to any insurable cause of loss and changed the quality adjustment trigger to U.S. Number 1. Removed reference to cull production.
- Added a new paragraph (b)(3) that requires the greater of the appraised or harvested U.S. Number 1 pear production to be considered production to count.
- Removed paragraphs (c) and (e) that referenced cull production.
- Redesignated paragraph (d) as (c) and revised to be applicable to U.S. Number 1 pears damaged by uninsured causes of loss.
- Added a new paragraph (d) to that states any adjustments that reduce your production to count under this option will not be applicable when determining production to count for Actual Production History purposes.
- Revised the fresh pear quality adjustment example.



**UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
Pear Crop Provisions**

1. Definitions.

Direct marketing - Sale of the insured crop directly to consumers without the intervention of an intermediary such as a wholesaler, retailer, packer, processor, shipper, or buyer. 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.

Harvest - The picking of mature pears from the trees or the collecting of marketable pears from the ground.

Interplanted - Acreage on which two or more crops are planted in any form of alternating or mixed pattern.

Marketable - Pear production that grades U.S. Number 2 processing or better, unless otherwise provided in the Special Provisions, or that is sold (even if failing to meet any U.S. or applicable state grading standard).

Ton - Two thousand (2,000) pounds avoirdupois.

2. Unit Division.

(a) Optional units may either be established in accordance with section 34(c) of the Basic Provisions or by non-contiguous land, but not both.

(b) In addition to establishing optional units in accordance with section 2(a), optional units may be established by type if allowed by the Special Provisions. The requirements of section 34 of the Basic Provisions that require the crop to be planted in a manner that results in a clear and discernable break in the planting pattern at the boundaries of each optional unit are not applicable for optional units by type.

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

In addition to the requirements of section 3 of the Basic Provisions:

(a) You may select different coverage levels and percent of price elections for each type in the county as specified in the Special Provisions, unless you elect Catastrophic Risk Protection (CAT) on any type.

(1) For example, if you choose 75 percent coverage level and 100 percent of the maximum price election for one type, you may choose 65 percent coverage level and 75 percent of the maximum price election for another type. However, if you elect the CAT level of coverage for any pear type, the CAT level of coverage will be applicable to all insured pear acreage for all types in the county.

(2) Notwithstanding section 3(b)(2) of the Basic Provisions, pear types will not be considered as separate crops and will not be subject to

separate administrative fees.

(b) You must report, by the production reporting date designated in section 3 of the Basic Provisions, by type:

(1) Any damage, removal of trees, change in practices or any other circumstance that may reduce the expected yield below the yield upon which the insurance guarantee is based, and the number of affected acres;

(2) The number of bearing trees on insurable and uninsurable acreage;

(3) The age of the trees and the planting pattern; and

(4) 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 in order to establish your approved yield.

(c) We will reduce the yield used to establish your production guarantee, as necessary, based on our estimate of the effect of any situation listed in sections 3(b)(1) through (b)(4). If the situation occurred:

(1) Before the beginning of the insurance period, the yield used to establish your production guarantee 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 from previous levels, we will reduce the yield used to establish your production guarantee at any time we become aware of the circumstance);

(2) After the beginning of the insurance period and you notify us by the production reporting date, the yield used to establish your production guarantee will be reduced for the current crop year only if the potential reduction in the yield used to establish your production guarantee is due to an uninsured cause of loss; or

(3) After the beginning of the insurance period and you fail to notify us by the production reporting date, production lost due to uninsured causes equal to the amount of the reduction in yield used to establish your production guarantee will be applied in determining any indemnity (see section 11(c)(1)(ii)). We will reduce the yield used to

establish your production guarantee for the subsequent crop year to reflect any reduction in the productive capacity of the trees.

- (d) You may not increase your elected or assigned coverage level or the ratio of your price election to the maximum price election if a cause of loss that could or would reduce the yield of the insured crop has occurred prior to the time that you request the increase.

4. Contract Changes.

In accordance with section 4 of the Basic Provisions, the contract change date is October 31 preceding the cancellation date for states with a January 31 cancellation date and August 31 preceding the cancellation date for all other states.

5. Cancellation and Termination Dates.

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

<u>States</u>	<u>Cancellation and Termination Dates</u>
California	January 31
All other states	November 20

6. Insured Crop.

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

- (a) In which you have a share;
- (b) That are of varieties adapted to the area;
- (c) That are grown on trees that have produced an average of at least five (5) tons of pears per acre in at least one of the four previous crop years unless the Special Provisions or a written agreement establishes a lower production level; and
- (d) That are grown in an orchard that, if inspected, is considered acceptable by us.

7. Insurable Acreage.

In lieu of the provisions in section 9 of the Basic Provisions, that prohibit insurance attaching to a crop planted with another crop, pears interplanted with another perennial crop are insurable unless we inspect the acreage and determine that it does not meet the requirements contained in your policy.

8. Insurance Period.

- (a) In accordance with the provisions of section 11 of the Basic Provisions:

- (1) For the year of application, coverage begins:
 - (i) In California, on February 1, except that if your application is received after January 22 but prior to February 1, insurance will attach on the 10th day after your properly completed application is received in our local office, unless we inspect the acreage during the 10-day period and determine that it does not meet insurability requirements (You must provide any information that we require for the crop or to determine the condition of the orchard); or

- (ii) In all other states, on November 21, except that if your application is received after November 11 but prior to November 21, insurance will attach on the 10th day after your properly completed application is received in our local office, unless we inspect the acreage during the 10-day period and determine that it does not meet insurability requirements (You must provide any information that we require for the crop or to determine the condition of the orchard).

- (2) For each subsequent crop year that the policy remains continuously in force, coverage begins on the day immediately following the end of the insurance period for the prior crop year. Policy cancellation that results solely from transferring an existing policy to a different insurance provider for a subsequent crop year will not be considered a break in continuous coverage.

- (3) The calendar date for the end of the insurance period for each crop year is:

- (i) September 15 for all types of summer or fall pears;
- (ii) October 15 for all types of winter pears; or
- (iii) As otherwise provided for specific types in the Special Provisions.

- (4) If your pear policy is cancelled or terminated for any crop year, in accordance with the terms of the policy, after insurance attached for that crop year but on or before the cancellation and termination dates, whichever is later, insurance will not be considered to have attached for that crop year and no premium, administrative fee, or indemnity will be due for such crop year.

- (b) 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 pears 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.

9. 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 weeds and other forms of undergrowth have not been controlled or pruning debris has not been removed from the orchard;
 - (3) Earthquake;
 - (4) Volcanic eruption;
 - (5) Failure of the irrigation water supply, if caused by an insured peril that occurs during the insurance period;
 - (6) Insects, but not damage due to insufficient or improper application of pest control measures; or
 - (7) Plant disease, but not damage due to insufficient or improper application of disease control measures.
- (b) In addition to the causes of loss excluded in section 12 of the Basic Provisions, we will not insure against damage or loss of production due to:
 - (1) Failure of the fruit to color properly; or
 - (2) Inability to market the pears 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.

10. Duties in the Event of Damage or Loss.

- (a) In accordance with the requirements of section 14 of the Basic Provisions, you must leave representative samples in accordance with our procedures.
- (b) In addition to the requirements of section 14 of the Basic Provisions, the following will apply:
 - (1) You must notify us within 3 days of the date harvest should have started if the crop will not be harvested.
 - (2) You must notify us at least 15 days before any production from any unit will be sold by direct marketing. We will conduct an appraisal that will be used to determine your production to count for production that is sold by direct marketing. If damage occurs after this appraisal, we will conduct an additional appraisal. These appraisals, and any acceptable records provided by you, will be used to determine your production to count. Failure to give timely notice that production will be sold by direct marketing will result in an appraised amount of production to count of not less than the production guarantee per acre if such failure results in our inability to make the required appraisal.

- (3) If you intend to claim an indemnity on any unit, you must notify us at least 15 days prior to the beginning of harvest if you previously gave notice in accordance with section 14 of the Basic Provisions, so that we may inspect the damaged production. You must not sell or dispose of the damaged crop until after we have given you written consent to do so. If you fail to meet the requirements of this section, and such failure results in our inability to inspect the damaged production, all such production will be considered undamaged and included as production to count.

11. Settlement Of Claim.

- (a) We will determine your loss on a unit basis. In the event you are unable to provide separate, acceptable production records:
 - (1) For any optional unit, we will combine all optional units for which such production records were not provided; or
 - (2) For any basic unit, we will allocate any commingled production to such units 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 for each type, if applicable, by its respective production guarantee;
 - (2) Multiplying the results of section 11(b)(1) by your price election for each type, if applicable;
 - (3) Totaling the results of section 11(b)(2);
 - (4) Multiplying the total production to be counted of each type, if applicable, by your price election;
 - (5) Totaling the results of section 11(b)(4);
 - (6) Subtracting the result of section 11(b)(5) from the result of section 11(b)(3); and
 - (7) Multiplying the result of section 11(b)(6) by your share.

Basic Coverage Example:

You have a 100 percent share of a 20-acre pear orchard located in a state other than California. You elect 100 percent of the \$500/ton price election. You have a production guarantee of 15 tons/acre; you are only able to produce 10 tons of pears per acre. Your indemnity will be calculated as follows:

- (1) 20 acres x 15 tons/acre = 300-ton production guarantee;
- (2) \$500/ton (100 percent of the price election) x 300-ton production guarantee;
- (3) = \$150,000 value of production guarantee;
- (4) 20 acres x 10 tons = 200-ton production to count;
- (5) \$500/ton (100 percent of the price election) x 200-ton production to count = \$100,000 value of production to count;
- (6) \$150,000 value of production guarantee - \$100,000 value of production to count =

- \$50,000 loss; and
(7) $\$50,000 \times 100 \text{ percent share} = \$50,000$ indemnity payment.

END OF EXAMPLE

- (c) The total production to count (in tons) from all insurable acreage on the unit will include:

- (1) All appraised production as follows:
- (i) Not less than the production guarantee per acre for acreage:
 - (A) That is abandoned;
 - (B) That is sold by direct marketing if you fail to meet the requirements contained in section 10;
 - (C) That is damaged solely by uninsured causes; or
 - (D) For which you fail to provide production records that are acceptable to us;
 - (ii) Production lost due to uninsured causes;
 - (iii) Unharvested production; and
 - (iv) Potential production on insured acreage that you intend to abandon or no longer care for, if you and we agree on the appraised amount of production. Upon such agreement, the insurance period for that acreage will end. If you do not agree with our appraisal, we may defer the claim only if you agree to continue to care for the crop. We will then make another appraisal when you notify us of further damage or that harvest is general in the area unless you harvested the crop, in which case we will use the harvested production. If you do not continue to care for the crop, our appraisal made prior to deferring the claim will be used to determine the production to count; and
- (2) For all states except California, all harvested and appraised marketable pear production from the insurable acreage.
- (3) For California, all harvested and appraised production that:
- (i) Meets the standards for first grade canning as defined by the California Pear Advisory Board or for U.S. Number 1 as defined by the United States Standards for Grades of Summer and Fall Pears, or Pears for Processing, or for U.S. Extra Number 1 or U.S. Number 1 as defined by the United States Standards for Grades of Winter Pears;
 - (ii) Is accepted by a processor for canning or packing; or
 - (iii) Is marketable for any purpose. However, if the pears are damaged by an insured cause, the production to count will be reduced by the greater of the following amounts:
 - (A) The excess over ten percent (10%) of pears that are size 165 or smaller

for varieties other than Forelle, Seckel or Winter Nelis; or

- (B) The result of dividing the value per ton of such pears by the highest price election for the insured type, subtracting this result from 1.000, and multiplying this difference (if positive) by the number of tons of such pears.

- (d) Any pear production not graded or appraised prior to the earlier of the time pears are placed in storage or the date the pears are delivered to a packer, processor, or other handler will not be considered damaged pear production and will be considered production to count.

12. Late and Prevented Planting.

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

13. Fresh Pear Quality Adjustment Endorsement.

In the event of a conflict between the Pear Crop Insurance Provisions and this option, this option will control. Insureds who select this option cannot receive less than the indemnity due under section 11.

- (a) This endorsement applies to any crop year, provided:
- (1) The insured pears are located in a State designated for such coverage on the actuarial documents and for which there is designated a premium rate for this endorsement;
 - (2) All the pear trees in the unit are managed for the production of fresh market pears (Units that are not managed for the production of fresh market pears do not qualify for this endorsement);
 - (3) You have not elected to insure your pears under the CAT Endorsement;
 - (4) You elected it on your application or other form approved by us, and did so on or before the sales closing date for the initial crop year for which you wish it to be effective (By doing so, you agree to pay the additional premium designated in the actuarial documents for this optional coverage); and
 - (5) You or we do not cancel it in writing on or before the cancellation date. Your election of CAT coverage for any crop year after this endorsement is effective will be considered as notice of cancellation of this endorsement by you.
- (b) If the fresh pear production is damaged by an insured cause of loss, and if eleven percent (11%) or more of the harvested and appraised production does not grade at least U.S. Number 1 in accordance with the United States Standards for Grades of Summer and Fall Pears, or United States Standards for Grades of Winter Pears, as applicable, the amount of production to count will be reduced as follows:
- (1) By two percent (2%) for each full one percent (1%) in excess of ten percent (10%), when

- eleven percent (11%) through sixty percent (60%) of the pears fail the grade standard; or
- (2) By one hundred percent (100%) when more than sixty percent (60%) of the pears fail the grade standard.
- (3) If you sell more of your fresh pear production as U.S. Number 1 or better than the quantity of pears determined to grade U.S. Number 1 or better in the appraisal, the quantity of such sold production exceeding the amount determined to grade U.S. Number 1 or better in the appraisal will be included as production to count under this option.
- (c) Marketable production that grades less than U.S. Number 1 due to uninsurable causes not covered by this endorsement will not be reduced.
- (d) Any adjustments that reduce your production to count under this option will not be applicable when determining production to count for Actual Production History purposes.

Fresh Pear Quality Adjustment Example:

You have a 100 percent share of a 20-acre pear orchard. You have a production guarantee of 15 tons/acre. You elect 100 percent of the \$500/ton price election. You are only able to produce 10 tons/acre and only 7.5 tons/acre grade U.S. Number 1 or better (7.5 x 20 = 150 tons). Your indemnity would be calculated as follows:

- (1) 20 acres x 15 tons per acre = 300 tons production guarantee;
- (2) 300 tons production guarantee x \$500/ton = \$150,000 value of production guarantee;
- (3) The value of fresh pear production to count is determined as follows:
 - (i) 200 tons harvested production minus 150 tons that graded U.S. Number 1 or better = 50 tons failing to make grade;
 - (ii) 50 tons failing grade / 200 tons of production = 25 percent of production failing to grade U.S. Number 1;
 - (iii) 25 percent minus 10 percent = 15 percent in excess of 10 percent allowance failing to make grade;
 - (iv) 15 percent x 2 = 30 percent total quality adjustment for pears failing to grade U.S. Number 1;
 - (v) 200 tons production x 30 percent quality adjustment = 60 tons of pears failing to make grade;
 - (vi) 200 tons production minus 60 tons failing to make grade = 140 tons of quality adjusted fresh pear production to count;
 - (vii) 140 tons of quality adjusted fresh pear production to count x \$500/ton price election = \$70,000 value of fresh pear production to count;
- (4) \$150,000 value of production guarantee minus \$70,000 value of fresh pear production to count = \$80,000 value of loss;

(5) \$80,000 value of loss x 100 percent share = \$80,000 indemnity payment.

END OF EXAMPLE