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Product Design
Division

FCIC 24190
(08-2014)

ACTUAL REVENUE HISTORY (ARH)

SWEET CHERRY PILOT

INSURANCE STANDARDS HANDBOOK

2015 and Succeeding Crop Years

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

TITLE: ARH SWEET CHERRY PILOT INSURANCE STANDARDS HANDBOOK	**NUMBER: 24190**
EFFECTIVE DATE: 2015 and succeeding crop years	**ISSUE DATE: 08-27-2014**
SUBJECT: **Provides the Insurance Standards and instructions for the Pilot ARH Sweet Cherry crop insurance program.**	**OPI: Actuarial and Product Design Division**
	APPROVED: */s/ Tim B Witt* **Deputy Administrator for Product Management**

The following list contains significant changes to this handbook, as determined by us.

Major changes: Highlighted text indicates changes made.

Page 10	Exhibit 5	Added Example

ARH SWEET CHERRY PILOT PROGRAM
INSURANCE STANDARDS HANDBOOK

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Part 1 General Information and Responsibilities

1 General Information

A. Purpose

This handbook provides procedure for administering the ARH Sweet Cherry Pilot Program in accordance with the ARH Endorsement and the ARH Sweet Cherry 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 Sweet Cherry Pilot Program is a RMA developed product approved by the FCIC Board of Directors on April 24, 2008, under Section 523 of the Federal Crop Insurance Act. This handbook provides the FCIC-approved procedures for administering the Pilot.

C. Duration

The ARH Sweet Cherry Pilot Program is available beginning with the 2009 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 ARH Sweet Cherry Pilot Program

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

1 General Information (Continued)

F. Related Handbooks

The following table provides handbooks related to ARH Sweet Cherry Pilot Program.

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

Handbook	Purpose
CIH	General underwriting procedures.
LAM	General loss procedures.
Sweet Cherry Loss Adjustment Standards Handbook	Loss procedures for sweet cherries.

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 Sweet Cherry Pilot Program, insureds must comply with all terms and conditions of the Basic Provisions, ARH Pilot Endorsement, and ARH Sweet Cherry Pilot Crop Provisions.

3-20 (Reserved)

Part 2 Insurability

21 Limitations on an Increase in Coverage Levels from Year to Year

Insurance attaches on carryover policies on the day after the day insurance ends for a crop year. This feature provides continuous coverage for the sweet cherries.

Example: The insurance period for physical damage for the 2009 crop year may end on the date harvest of the unit is complete during calendar year 2009. It may end earlier if the crop is completely destroyed. The insurance period for the 2010 crop year begins on the day after the day harvest of the 2009 crop was completed if that was the day insurance for physical damage ended.

The cancellation/sales closing date is January 31 in California and November 20 in all other States, as such an insured could have knowledge that a reduced crop is likely and seek to maximize the coverage level for the next crop year. Accordingly, the Crop Provisions prohibit an increase in the coverage level in such cases. The AIP may reduce the coverage level to the level in effect the previous crop year at any time the AIP becomes aware this limitation has been violated.

The insured cannot avoid this limitation by cancelling the policy with one AIP and purchasing coverage from another AIP. The new AIP must check the PASS to determine if a policy previously was in effect for the insured and enforce the limitation if applicable.

22 Insurable Types and Practices

A. Types Insurable

For the purpose of this pilot, type is a grouping of sweet cherry which indicates the predominant end use. T-Revenues and T-Yields, if applicable, must match the intended use for the insurance year. See actuarial documents for type availability by county. The following types are insurable in the pilot:

- Sweet Cherries (Fresh) include sweet cherry varieties and production practices which produce fruit that is primarily intended for consumption as fresh fruit.

- Sweet Cherries (Processing) include sweet cherry varieties and production practices which produce fruit that is primarily intended for processing.

Example: Incidental sales of sweet cherries for processing due to imperfections of fruit or sweet cherries from a pollinator variety that is not suitable for fresh sales from a unit where the predominant use of the production is for the fresh market will be considered to be of the sweet cherries (fresh) type.

22 Insurable Types and Practices (Continued)

B. Insurable Practices

Sweet cherries must be produced in an orchard that is acceptable to the AIP, if inspected.

Insurable practices are listed in the actuarial documents. Generally, sweet cherries must be irrigated to be insurable under the pilot; however, non-irrigated sweet cherries are insurable in some pilot counties.

Sweet cherries inter-planted with another perennial crop are insurable unless, upon inspection of the acreage by the AIP, it is determined the requirements contained in the policy are not met.

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 Sweet Cherry 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 Special Provisions. Optional units may also be established by type.

As with other insurance plans:

- all optional units must be identified on the acreage report
- when adjusting a loss, units may be adjusted or combined to reflect the unit structure prescribed by the policy
- 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 7 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.

The enterprise and whole-farm unit provisions of Section 34 of the Basic Provisions do not apply to sweet cherries.

23 Units and Coverage Levels (Continued)

B. Coverage Levels

Coverage is available in 5 percent (5%) increments from 50 percent (50%) to 75 percent (75%). 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 date is:

- January 31 in California
- November 20 in all States other than California.

The contract change date is the following "date" immediately preceding the cancellation date:

- October 31 in California
- August 31 in all States other than California.

The date for the end of the insurance period for physical damage for each crop year is the date by which the sweet cherries are normally harvested as follows:

- July 31 in California
- August 31 in all other States.

For all States, the date for the end of the insurance period for a loss of revenue due to an inadequate market price is January 15 following harvest. If a sweet cherry price pool has not closed by this date the pounds associated with that pool will be valued using the annual price procedure. 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. If the price pool closes after January 15, but before March 1, the claim must still be settled based on the annual price procedure because the insurance period ends on January 15.

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

A. Insurance Dates (continued)

The acreage reporting date is:

- March 15 in California
- January 15 in all States other than California.

The revenue reporting date is the acreage reporting date.

"The billing date is August 15 of the crop year in all States."

B. Insurable Causes of Loss

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

- adverse weather conditions

- fire, unless undergrowth has not been controlled or pruning debris has not been removed from the orchard

- 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

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

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 trees before it has had an opportunity to be effective. Further, the insured must

B. Insurable Causes of Loss (continued)

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 sweet cherries. Insureds must exercise normal and routine care of the orchard 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 sweet cherries which are delivered and sold or for sweet cherries that are valued using the annual price procedure.

Important: Unsold sweet cherries 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 Sweet Cherry Pilot Program:

- 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

  Important: AIPs must exercise caution with claims filed late because the insured was attempting to find a market for the sweet cherries. 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. Timely notice and timely loss adjustment is extremely important for sweet cherries because they are highly perishable.

- mechanical damage that occurs during the insurance period

24 Insurance Dates and Causes of Loss (Continued)

C. Uninsurable Causes of Loss (continued)

- inability to market the sweet cherries 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.

25 Reports

Revenue reports must contain insurable acreage amounts, total 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 are required for direct marking acreage and must also be accompanied by sales records.

AIP appraisal of unharvested marketable production may be used in the annual revenue determination. If the grower 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 Part 1556 of the CIH.

If harvested marketable production is rejected by the processor, such production can be used in the annual revenue determination provided acceptable supporting records are provided. The acceptable supporting records must include gross production; percent of damaged fruit, grade, and document the condition of damaged fruit, such as splits, decay, sunscald, etc. The harvested marketable production which was rejected by the processor is valued using the annual price procedure.

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

- gross production
- production net of leaves, loose stems, and foreign material
- any quality grade information
- 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 sweet cherries.

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 sweet cherries.

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 sweet cherries 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 sweet cherries 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 Sweet Cherry 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 CUPS; therefore, any references to CUPS do not apply.

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

CIH Section Reference	Supplemental Instructions
Part 20	Relevant underwriting and APH responsibilities provided in CIH, Part 20, 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.” **Example**: In CIH, Part 20, the phrase “insureds must report on an annual basis all production, acres, and actual yields” would read “insureds must report on an annual basis all production, acres, actual yields, and actual revenues” for sweet cherries.
Part 3	Applies to ARH Sweet Cherry Pilot Program.

CIH Section Reference	Supplemental Instructions
Part 10	Producers who purchase ARH Sweet Cherry Pilot Program insurance coverage must follow the procedures of this section. The instructions provided pertain to both yield and revenue. 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. 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. Revenue is certified according to predominant end use of the production from the unit. The following are required for completion of the Total 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. **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. **Average Revenue -** Divide Producer's Net Revenue by acres. **Enter Producer's Share -** Enter the producer's share of the production (lbs.). **100% Share Equivalent Revenue -** Divide Average Revenue by Share. **Total -** Enter the total of the entries. **Preliminary Revenue -** Enter N/A **Prior Revenue -** Enter the prior approved ARH revenue, if applicable. Enter N/A if it is not applicable. **Approved Revenue -** Completed by verifier. Enter the approved ARH revenue after all entries are verified or any applicable adjustments/reductions.

32 Specific Information Regarding the Crop Insurance Handbook (Continued)

<table>
<tr><th>CIH Section Reference</th><th>Supplemental Instructions</th></tr>
<tr><td></td><td>Producers who purchase ARH Sweet Cherry 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.

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:

• cooperative pool statements, pool summary statements, 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

Note: See CIH, Section Part 11 for acceptable Pick Records.

• 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.</td></tr>
<tr><td>Part 11</td><td>For ARH crop years prior to the most recent crop year, if a new ARH insured is unable to provide separate acceptable production reports on an optional unit basis but provides acceptable records of acreage by unit and production for each basic unit by practice/type; production for optional units within a basic unit may be determined on a prorated basis, except for optional units determined by practice/type, and applied to optional units with planted acres. If a new ARH insured requests optional units and is unable to provide acceptable production reports or records of planted acreage for the prior crop year, it is not acceptable to prorate production for other crop years in the insured’s ARH.

For subsequent crop years, if optional units are requested, acceptable revenue reports must be filed for each optional unit. The following evidence is acceptable:

• cooperative pool statements, pool summary statements, receipts from packing houses, processors, or other buyers showing quantities of sweet cherries delivered and sold and the amount paid to the producer for each optional unit

• pick records are acceptable supporting documentation only when direct market sales are applicable

• for direct sales to consumers, a complete daily accounting of harvested production and sales is acceptable to verify the amount of production and revenue.</td></tr>
</table>

CIH Section Reference	Supplemental Instructions
	The supporting records must indicate production and revenue received for each optional unit and must account for total production and revenue from the planted acreage. See Exhibit 4, example 5, for an example.
Part 14	Does not apply to ARH Sweet Cherry Pilot Program.
Part 15	Sweet cherries are an eligible Category C crop. Category C APH crop procedures apply to both yield and revenue for sweet cherries with included modifications.
Par. 1507	Procedures in this section apply to the pilot program. Blocks consisting of 100 percent Sweet Cherry trees or a mixture of producing, young, dead, or missing Sweet Cherry trees shall be measured according to this procedure. Blocks of Sweet Cherry trees primarily, with other significant amounts of apple, pear, or peach trees, etc.; use net acres for measurement of the block if the other tree crop acreage is 10 percent or greater. Sweet cherries have a base period of ten consecutive crop years preceding the current crop year.
Par. 1520	Apply the procedures in this section with the following supplemental instructions: **Block Number** - Certification of information by block is necessary to document differences in planting date, type, variety, rootstock, etc. List uninsurable block(s) on separate line(s) as needed. **Example**: Blocks 1-3 are similar and were planted in 1994, accordingly these may be recorded on one line or on multiple lines. Block 4 is similar type, variety, and rootstock to Blocks 1-3, but entered on separate line since it was planted in 2000. Blocks 5 and 6 are similar type, variety, and rootstock, planted in 2005, and may be recorded on one line or on multiple lines. **Variety** - Enter both the variety and rootstock.
Par. 1537	Apply the procedures in this section with the following supplemental instructions: **Vigor** - Use the approved yield from the APH when determining vigor. If the approved yield is not a reasonable expected yield for the age and management of the orchard, further explanation must be provided. Apply the procedures in Exhibit 15 of the CIH to complete the CAW with the following supplemental instructions: For sweet cherries, use the following CAW as provided in Exhibit 16 of the CIH: Almond/Citrus/Figs/Fresh Plums/Macadamia Nuts/Pecans/Prunes/Stonefruit/Walnuts.
Par. 1551	Does not apply to ARH Sweet Cherry Pilot Program.

32 Specific Information Regarding the Crop Insurance Handbook (Continued)

CIH Section Reference	Supplemental Instructions
Par. 1556	Apply the procedures to both yield and revenue, as appropriate, and with the following exceptions or clarifications: • 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. See Exhibit 4, example 4, for an example using the unharvested production adjustment when completing the revenue report for next year. • When a sweet cherry price pool remains open on the revenue reporting date, it is possible for an insured to have no completely sold sweet cherries by which to calculate a price for the revenue report. In this case, the AIP must collect all other information required of the grower to complete the revenue report and finalize the revenue report using the NASS price, when published, according to the annual price procedure. • 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.
Par. 1558	T-Revenues and T-Yields are applied on a unit basis instead of on a county crop basis. "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. "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.
Par. 1560,1561, & 1562	Does not apply to ARH Sweet Cherry Pilot Program.

<table>
<tr><th>CIH Section Reference</th><th>Supplemental Instructions</th></tr>
<tr><td>Par. 1641</td><td> <u>Sweet cherries.</u> The following supporting evidence may be used when verifying if acreage meets the minimum production requirements for insurability and when determining the approved yield and revenue:

Cooperative pool statements, pool summary statements, receipts from packing houses, processors, or other buyers showing quantities delivered and sold and the amount paid to the producer.
For direct sales to consumers, a complete daily accounting of harvested production, including pick records, according to CIH, is acceptable to verify the amount of production and revenue.
Pick records according to CIH, are acceptable “field harvest” records to substantiate qualifying for optional units, according to CIH, the first year a producer is insured under the ARH program. See Exhibit 5, example 5.
AIP or FSA appraisals of pounds of marketable production/acre on an approved form.
Acceptable hard copy records of another producer’s acreage, revenue, and production history may be used to establish insurability, revenue, and production whether or not that producer continues to share in the crop.

A minimum production amount is a condition of insurability. When there are adjacent blocks of sweet cherries of differing age that otherwise qualify to be in the same unit, the inured may have a choice as to when the block of young trees becomes insurable.

The insured may combine acreage from a mature producing block with a block of young trees and comingle the entire production within the unit. As provided in CIH, the entire combined acreage must meet the production minimum requirements for insurability. Therefore, if the total insured acreage within the unit meets the pounds/acre insurability requirement all acreage may be insured.

Example: Blocks 1 consists of 20 acres, is in the mature production phase and produced 5,000 lbs/acre last year. Block 2 also consists of 20 acres and was planted only four years ago. Last year block 2 produced 1,000 lbs/acre. The minimum production requirement is 3,000 lbs/acre. The comingled yield for all 40 acres was 3,000 lbs/acre last year. Accordingly these blocks may be combined into one 40 acre unit since the minimum production requirement has been met. </td></tr>
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32 Specific Information Regarding the Crop Insurance Handbook (Continued)

CIH Section Reference	Supplemental Instructions
	• The insured may separate, by line item within the unit, any acreage not meeting insurability because the trees are young and keep the acreage separate until such a time as the acreage meets insurability. Both insured and uninsured acreage must be reported. **Example**: Same scenario as above. The insured may choose to insure only Block 1 until such time as Block 2 has met the minimum production requirement by its own accord. In this case the acreage from Block 2 must be reported as uninsurable. The insured must provide, and certify on the ARH form, records showing the acreage in the unit has met insurability and maintain continuity from that point forward. Once acreage of young trees has met production minimums the subsequent years ARH is reconstructed to include any year with harvested and sold production.
Par. 1241	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. In the case of beginning farmers or ranchers, replace each excluded yield with a yield equal to 80 percent of the applicable transitional yield.
Part 12 Sec. 5	Applies to ARH Sweet Cherry Pilot Program.
Par. 1701	Does not apply to ARH Sweet Cherry Pilot Program.

33 Prevented Planting Loss Adjustment Standards Handbook

The Prevented Planting Loss Adjustment Standards Handbook is not applicable to the ARH Sweet Cherry Pilot Program. Prevented planting coverage is not available for sweet cherries.

34 Loss Adjustment Manual

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

35 Sweet Cherry Loss Adjustment Standards Handbook

The ARH Sweet Cherry 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 is determined by type.

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. This is done because a particular unit may have a unique variety or specific harvesting window. If there are no sales from the unit or the price is determined not reasonable, sales from a representative unit of the same type and on the same policy may be used. If there are no sales from a unit of the same type 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 Sweet Cherry production of the same type sold across units by the producer if that price is determined to be reasonable.

If there are no Sweet Cherry sales on the insured's policy or all of the insured's sweet cherry sales are determined not reasonable, the NASS season average price by most accurate utilization price (i.e. brined or canned prices that are available may be used. Otherwise, use the "Processed" or "Fresh" price").

The annual price procedure is not calculated on a variety basis but rather on a type basis, fresh or processed, and, if appropriate, on a unit basis. This is done, in part, because there are no NASS prices reported by variety. If different varieties are planted in different insurable units, procedure allows AIPs to determine the most appropriate price. The AIP must use appropriate discretion in determining if the sweet cherries are valued at a reasonable price.

Example: An insured has two 40 acre units of sweet cherries. Unit 1 consists of Rainier sweet cherries which are picked and sold for $2.00/lb. Unit 2 consists of Bing sweet cherries. The market for Bing sweet cherries is saturated thus the local market price is $0.50/lb. The insured chooses not to harvest the Bing sweet cherries. These sweet cherries must be appraised to determine the pounds of marketable sweet cherries and also must be valued with the annual price procedure. The AIP must exercise appropriate discretion in this scenario. The Bing sweet cherries should not be valued at $2.00/lb because that price in not reasonable. In this scenario the insured has no other production of sold sweet cherries and the NASS season average price would be used if determined more reasonable.

It is the grower's choice whether to harvest and sell his or her sweet cherries; however, in certain situations it may be reasonable to expect the insured to cease harvest of the sweet cherries. In such cases the remaining unharvested marketable sweet cherries will be appraised and valued with the annual price procedure.

Important: If the annual price for fresh sweet cherries is determined using actual grower sales, the AIP must ensure the production sold is from a legitimate run of sweet cherries, complete with the settlement sheets. The sweet cherries delivered must comprise at least one standard sweet cherry bin (at least 350 pounds) and they must be picked from representative trees identified by the adjuster.

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41 Determining Annual Price (Continued)

See the ARH Sweet Cherry Pilot Loss Adjustment Standards Handbook for Annual Price calculations and an example of the sample loss worksheets.

42 Unharvested Production Adjustment

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

Example: Excessive rain at maturity causes the sweet cherries to split and become worthless and the insured does not harvest the acreage. Because the sweet cherries are not harvested, the insured does not employ harvest labor thereby incurring a revenue savings. 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 sweet cherries 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 Special Provisions. The unharvested production adjustment amount is assessed to the pounds which represent a production shortfall. That is, the unharvested production adjustment amount is assessed to pounds not harvested or pounds not otherwise counted as revenue to count, such as appraised unharvested “marketable” production, when these pounds are less than the approved yield multiplied by coverage level and share.

In some States there will be an unharvested production adjustment amount for both hand and machine harvest. The unharvested production amount that applies must reflect the harvest method of the sweet cherries which comprise the historical revenue. As a general rule, fresh sweet cherries are hand harvested and processing sweet cherries are machine harvested.

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.

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.

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	Subtract the result of step 2 from the result of step 3.	Determines whether the unharvested production adjustment will apply.
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.

43 Payment Factor

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.

Young trees means Sweet Cherry trees which have not met the minimum production standards.

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

Phone No: SSN Tax No:

Required Field Review ☐
Required Inspection ☐
State:
County:
Policy No:

Agent Name and Address:

Phone No: Agent Code:

Company Name and Address:

Crop
Practice
Type
Unit No.

Section
Township
Range

Land Other County
☐ Yes ☐ No

Other Entity(ies)

FSA Farm No.
Cropland Acres

Record Type: Crop Year:
☐ Production Sold
☐ On Farm Storage ☐ Appraisal
☐ Livestock Feeding Records ☐ Other
☐ FSA Loan Record

Area Classification

Transitional Yield

Transitional Revenue

Processor Number

Other

Crop Year	Total Production	Acres	Average Yield	Producer's Net Revenue	Average Revenue	Producer's Share	100% Share Equivalent Revenue
			Total				Total

Preliminary Revenue

Prior Revenue

Preliminary Yield

Prior Yield

Approved Revenue

Approved 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
2007	$5,900
2008	$6,000
2009	$6,200
2010	$5,900
2011	$6,700
2012	$5,350
2013	$6,650
2014	$7,000
Total	$49,700

- insured has an approved revenue of $6,213/acre
- insured has an approved yield of 4,500lbs/acre
- insured has 10 acres of sweet cherries (fresh)
- RMA published ERF equals 1.00
- coverage level equals 0.75
- insured share equals 0.5000
- payment factor equals 0.90.

A. Example 1 - Calculating Revenue Guarantee

This 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 per acre (guarantee) is calculated as follows:

Step	Action
1	Multiply the approved revenue per acre times the ERF. $6,213 x 1.00 = $ 6,213
2	Multiply the result of step 1 times by the coverage level. $6,213 x 0.75 = $4,660

Examples (Continued)

A. Example 1 - Calculating Revenue Guarantee (continued)

Step	Action
3	Multiply the result of step 2 times the payment factor. $4,660 x 0.90 = $4,194
4	Multiply the result of step 3 times producer's share. $4,194 x 0.500 = $2,097
5	Multiply the result of step 4 times the number of acres. $2,097 x 10 = $20,970

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. $6,213 x 1.00 = $ 6,213
2	Multiply the result of step 1 times the coverage level. $6,213 x 0.75 = $4,660
3	Multiply the result of step 2 times the producer's share. $4,660 x 0.500 = $2,330
4	Multiply the result of step 3 times the number of acres. $2,330 x 10 = $23,300

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

This 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 Sweet Cherry 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.

The producer harvests an amount of sweet cherries that exceeds the approved yield of 4,500 pounds/acre. However, the market price results in revenue to count of only $15,000 for the insured. The indemnity is calculated as follows:

Step	Action
1	Calculate the value per acre for 10 acres, as provided in subparagraph A, Example 1. $2,330 x 10 acres = $23,300
2	Subtract the revenue to count from the result of step 1. $23,300 - $15,000 = $8,300 preliminary indemnity
3	Multiply the result of step 2 times the payment factor. $8,300 x 0.90 = $7,470 indemnity payment

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

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 $8,300 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 10,000 pounds, and it was sold for $11,000
- 1,000 pounds of insured's share of unharvested marketable production was appraised and valued with the annual price of $1.10/pound
- herbicide drift, an uninsurable cause of loss, damaged 2 acres of sweet cherries, making the sweet cherries unmarketable
- unharvested production adjustment amount in the Special Provisions is $0.24/pound.

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.

Step	Action
1	Multiply approved yield times coverage level times producer share times number of acres unharvested. 4,500 x 0.75 x 0.500 x 2 = 3,375 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. 3,375 pounds + 1,000 pounds + 10,000 pounds = 14,375 pounds
3	Multiply approved yield per acre times coverage level times insured's share times number of total acres. 4,500 x 0.75 x 0.500 x 10 = 16,875 pounds implicit in guarantee.
4	Subtract result of step 2 from result of step 3. 16,875 – 14,375 = 2,500 pounds implicit in guarantee which are not harvested or otherwise accounted for with appraisal and valuation.
5	Multiply result of step 4 times the unharvested production adjustment amount in the Special Provisions. 2,500 x $0.24 = $600 of revenue to count representing the harvest cost not incurred due to the production shortfall.

Examples (Continued)

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

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. $2,330 x 2 = $4,660 appraisal for uninsured causes
2	Multiply the pounds of unharvested marketable production times the annual price. 1,000 x $1.10 = $1,100 appraisal for unharvested marketable production
3	Sum result of step 1 and result of step 2 plus the dollar amount received for harvested/sold production plus the revenue to count representing the harvest cost not incurred due to the production shortfall. $4,660 + $1,100 + $11,000 + $600 = $17,360 total revenue to count
4	Subtract result of step 3 from amount of insurance. $23,300 - $17,360 = $5,940 preliminary indemnity
5	Multiply result of step 4 times payment factor. $5,940 x 0.90 = $5,346 total indemnity

D. Example 4 - Carrying Forward a Loss Claim with the Unharvested Production Adjustment

This example demonstrates the loss information needed to complete the revenue report for the subsequent year when a complete loss occurred and the unharvested production adjustment procedure is applied. For this example, assume a unit of fresh sweet cherries in Chelan County, WA. The appraisal determines 51 percent damaged fruit due to splits cause by rain. Apply Table B of the Sweet Cherry Loss Adjustment Standards Handbook which results in zero production to count. There is no damage due to uninsurable causes. The grower does not harvest and the unharvested production adjustment is applied to the approved yield. For simplicity this example represents only one (1) acre and the producer approved amounts are identical to the county transitional values. The unharvested production adjustment amount is $.24/lb.

The following data applies:

- insured has an approved revenue of $9,500/acre
- insured has an approved yield of 9,350 lbs/acre
- RMA published ERF equals 1.00
- coverage level equals 0.75
- insured share equals 1.000
- payment factor equals 1.00

- insured's amount of insurance equals $7,125/acre

D. Example 4 - Carrying Forward a Loss Claim with the Unharvested Production Adjustment (continued)

Step	Action
1	Insured's approved yield times coverage level and share equals 7,013 lbs/acre – (0lbs damaged due solely to uninsured causes + 0lbs appraised + 0lbs harvested) = 7,013 lbs subject to the unharvested production adjustment
2	Multiply result of step 1 times the unharvested production adjustment amount. 7,013 lbs x $0.24/lb unharvested production adjustment amount = $1,683 of revenue to count representing the harvest costs not incurred due to the production shortfall
3	Subtract result of step 2 from amount of insurance. $7,125 amount of insurance – $1,683 revenue to count= $5,442 indemnity

The data from the claim form must be used when determining next year's annual revenue:
0 lbs production to count = 0 lb actual yield;
$1,683 revenue to count = $1,683 actual revenue.

Revenue substitution (RS) and yield substitution (YA) are applied if elected by the insured:
60% RS = $9,500 x 0.60 = $5,700;
60% YA = 9,350 x 0.60 = 5,610 lbs.

E. Example 5 – Using Pick Records to Prorate Revenue for a First Year Insured

This is an example of how to use pick records to prorate revenue for a first year insured. For this example, assume two blocks of sweet cherries which qualify for optional units. Each block has both Bing Sweet Cherry trees and Lapin Sweet Cherry trees. The grower has acceptable pick records for each block and acceptable revenue settlement sheet records by variety. Unit 1 is ten (10) total acres with nine (9) acres of Bing trees and one (1) acre of Lapin trees. Unit 2 is five (5) total acres with half (.5) an acre of Bing trees and four and one half (4.5) acres of Lapin trees. A bin equals 400 pounds of fruit.

The following data applies:

Pick records

Unit 1 Bing bins	225 bins
Unit 2 Bing bins	13 bins
Total Bing bins	238 bins
Unit 1 Lapin bins	25 bins
Unit 2 Lapin bins	125 bins
Total Lapin bins	150 bins

Revenue settlement sheet records

Total lbs fruit delivered and sold	155,200 lbs
Total Bing revenue	$104,720
Total Lapin revenue	$48,000

Total bins 388 bins

D. Example 5 – Using Pick Records to Prorate Revenue for a First Year Insured (continued)

The following table provides how to calculate the Bing Sweet Cherry price.

Step	Action
1	238 bins of Bing sweet cherries x 400lbs/bin = 95,200 lbs of Bing sweet cherries
2	$104,720 of Bing Sweet Cherry revenue ÷ 95,200 lbs of Bing sweet cherries = $1.10/lb

The following table provides how to calculate the Lapin Sweet Cherry price.

Step	Action
1	150 bins of Lapin sweet cherries x 400lbs/bin = 60,000 lbs of Lapin sweet cherries
2	$48,000 of Lapin Sweet Cherry revenue ÷ 60,000 lbs of Lapin sweet cherries = $0.80/lb

The following table provides how to calculate the revenue per acre for unit 1**.**

Step	Action
1	225 Bing Sweet Cherry bins x 400lbs/bin = 90,000 lbs @ $1.10/lb = $99,000
2	25 Lapin Sweet Cherry bins x 400lb/bin = 10,000 lbs @ $0.80/lb = $8,000
3	Total revenue = $99,000 + $8,000 = $107,000
4	Revenue per acre = $107,000 ÷ 10 acres = $10,700/acre

The following table provides how to calculate the yield per acre for unit 1**.**

Step	Action
1	Total production = 90,000 lbs + 10,000 lbs = 100,000 lbs
2	Yield = 100,000/10 acres = 10,000 lbs/acre

The following table provides how to calculate the revenue per acre for unit 2**.**

Step	Action
1	13 Bing Sweet Cherry bins x 400lbs/bin = 5,200 lbs @ $1.10/lb = $5,720
2	125 Lapin Sweet Cherry bins x 400lb/bin = 50,000 lbs @ $0.80/lb = $40,000
3	Total revenue = $5,720 + $40,000 = $45,720
4	Revenue per acre = $45,720 ÷ 5 acres = $9,144/acre

The following table provides how to calculate the yield per acre for unit 2**.**

Step	Action
1	Total production = 5,200 lbs + 50,000 lbs = 55,200 lbs
2	Yield = 55,200 ÷ 5 acres = 11,040 lbs/acre

Examples (Continued)

E .Example 6 – When a producer share is less than 100 percent.

Insured has 10 acres of sweet cherries (fresh)
RMA published ERF equals 1.00
Coverage level equals 0.75
Insured share equals 0.5000
Payment factor equals 1.00

Crop Year	Total Production	Acres	Average Yield	Producer's Net Revenue	Average Revenue	Producer's Share	100% Share Equivalent Revenue
2010	104,000.0	10.0	10,400.0	62,400.00	6,240.00	0.50	12,480.00
2011	91,250.0	10.0	9,125.0	45,625.00	4,562.50	0.50	9,125.00
2012	96,350.0	10.0	9,635.0	57,810.00	5,781.00	0.50	11,562.00
2013	108,400.0	10.0	10,840.0	59,620.00	5,962.00	0.50	11,924.00
		Total	40,000.0			Total	45,091.00
		Approved Yield	10,000.0			Approved Revenue	11,272.75

For the current year claim:

Total harvested pounds equals 20,000
<u>Insured's share</u> of total harvested pounds equals 10,000 (divided by 10 acres = 1,000 lbs/acre)
<u>Insured's revenue</u> from harvested pounds equals $8,500
There were no appraised pounds or pounds damaged due solely to uninsured causes

Step	Action
1	Insured's approved yield times coverage level and share equals 3,750 lbs/acre - (0lbs damaged due solely to uninsured causes + 0lbs appraised + 1,000 lbs per acre harvested) = 2,750 lbs subject to the unharvested production adjustment.
2	Multiply result of step 1 times the unharvested production adjustment amount. 2,750 lbs x $0.24/lb unharvested production adjustment amount = $660 of revenue to count representing the harvest costs not incurred due to the production shortfall.
3	Add revenue from harvested pounds to revenue to count from step 2.
	$8,500 + $660 = $9,160 total revenue to count
4	Subtract result of step 3 from amount of insurance
	$42,274 amount of insurance - $9,160 revenue to count = $33,114 indemnity

Data to be rolled to the next year's ARH:

10,000 lbs production to count divided by 0.500

insured share = 20,000 lbs total production

$9160 revenue to count = $9160 actual revenue

Producer's share = 0.500