

United States  
Department of  
Agriculture



Federal Crop  
Insurance  
Corporation



Risk  
Management  
Agency

Actuarial and  
Product Design  
Division

FCIC 24330  
(08-2014)

# **ACTUAL REVENUE HISTORY (ARH)**

# **TART CHERRY FOR PROCESSING PILOT**

# **INSURANCE STANDARDS HANDBOOK**

**2015 and Succeeding Crop Years**



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

<b>TITLE: ARH TART CHERRY FOR PROCESSING PILOT INSURANCE STANDARDS HANDBOOK</b>	<b>NUMBER: 24330</b>
<b>EFFECTIVE DATE: 2015 and succeeding crop years</b>	<b>ISSUE DATE: 08-27-2014</b>
<b>SUBJECT:</b>  <b>Provides the Insurance Standards and instructions for the ARH Tart Cherry For Processing Pilot Crop Insurance Program.</b>	<b>OPI: Actuarial and Product Design Division</b>
	<b>APPROVED:</b>  <i>/s/ Tim B Witt</i> <b>Deputy Administrator for Product Management</b>

**Reason for Issuance**

This handbook provides the official FCIC-approved 2015 and succeeding crop years' underwriting and administration standards for the ARH Tart Cherry For Processing Pilot Program. All approved insurance providers electing to offer the ARH Tart Cherry For Processing Pilot Program must utilize these standards.

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

Major changes: **Highlighted** text indicates changes made.

Page 4	Subsection 23	Updated reference on units
Page 5	Subsection 24	Updated language on annual procedure
Page 8	Subsection 25	Updated language on reporting
Page 8	Exhibit 5	Added Example

**ARH TART CHERRY FOR PROCESSING PILOT PROGRAM  
INSURANCE STANDARDS HANDBOOK**

**TABLE OF CONTENTS**

Page No.

<b>Part 1 General Information and Responsibilities</b> .....	<b>1</b>
1 General Information.....	1
2 Responsibilities.....	2
3-20 (Reserved)	
<b>Part 2 Insurability</b> .....	<b>3</b>
21 Limitations on an Increase in Coverage Levels from Year to Year .....	3
22 Insurable Types and Practices .....	3
23 Units and Coverage Levels.....	4
24 Insurance Dates and Causes of Loss.....	5
25 Reports.....	7
26 Alternative Protection.....	8
27 Adjustments to Historic Revenue .....	8
28-30 (Reserved)	
<b>Part 3 Applicability of Handbooks</b> .....	<b>9</b>
31 General Overview .....	9
32 Specific Information Regarding the Crop Insurance Handbook .....	9
33 Prevented Planting Loss Adjustment Standards Handbook .....	15
34 Loss Adjustment Manual.....	15
35 Tart Cherry For Processing Loss Adjustment Standards Handbook.....	15
36-40 (Reserved).....	
<b>Part 4 Other Information</b> .....	<b>16</b>
41 Determining Annual Price .....	16
42 Unharvested Production Adjustment.....	16
43 Payment Factor.....	17

**Exhibits**

- 1 Acronyms**
- 2 Definitions**
- 3 Example ARH Form**
- 4 Examples**

## Part 1 General Information and Responsibilities

### 1 General Information

---

#### A. Purpose

This handbook provides procedure for administering the ARH Tart Cherry For Processing Pilot Program in accordance with the ARH Endorsement and the ARH tart 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 Tart Cherry For Processing Pilot Program is a RMA developed product approved by the FCIC Board of Directors on Month xx, 2013, under Section 523 of the Federal Crop Insurance Act. This handbook provides the FCIC-approved procedures for administering the Pilot.

#### C. Duration

The ARH Tart Cherry For Processing Pilot Program is available beginning with the 2014 crop year and is authorized until terminated or converted to a permanent program by the FCIC Board of Directors.

#### D. Pilot Area

See actuarial information browser for the pilot area.

#### E. Applying for ARH Tart Cherry For Processing Pilot Program

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

## F. Related Handbooks

The following table provides handbooks related to ARH Tart Cherry For Processing Pilot Program.

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

Handbook	Purpose
CIH	General underwriting procedures.
LAM	General loss procedures.
Tart Cherry For Processing Loss Adjustment Standards Handbook	Loss procedures for tart cherries.

## G. CIAB Compliance Officer's Handbook

A feature of the tart cherry market is the operation of the Federal Tart Cherry Marketing Order. This Marketing Order incentivizes crop diversion in some years. Full details of diversion procedures are identified in the CIAB Compliance Officers Handbook. This public document is updated every year and is available from [www.rma.usda.gov](http://www.rma.usda.gov)

## 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 Tart Cherry For Processing Pilot Program, insureds must comply with all terms and conditions of the Basic Provisions, ARH Pilot Endorsement, and ARH Tart Cherry For Processing 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 tart cherries.

**Example:** The insurance period for physical damage for the 2013 crop year may end on the date harvest of the unit is complete during calendar year 2013. It may end earlier if the crop is completely destroyed. The insurance period for the 2014 crop year begins on the day after the day harvest of the 2013 crop was completed if that was the day insurance for physical damage ended.

The cancellation/sales closing date is November 20 in all 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 tart 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 type is insurable in the pilot:

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

#### **B. Insurable Practices**

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

Insurable practices are listed in the actuarial documents. For some pilot counties tart cherries must be irrigated to be insurable under the pilot.

Tart cherries for processing 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 Tart Cherry For Processing 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.

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 actual unit structure
- acceptable records of revenue and production by optional unit must be available for at least the most recently completed crop year

**Note:** See paragraph 32 referring to **CIH Part 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 Basic Provisions, Section 34, that allow enterprise and whole-farm units do not apply to tart cherries.

### **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.



**A. Insurance Dates**

The cancellation, termination, and sales closing date is:

- November 20 in all States.

The contract change date is the following “date” immediately preceding the cancellation date:

- August 31 in all States.

The date for the end of the insurance period for physical damage for each crop year is:

- August 15 in all pilot states, unless specified otherwise on the special provisions.

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 tart 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 had no sales from any unit by January 15 or did not receive a reasonable price per pound,” the annual price will be the average NASS price for all processed tart cherries for the state published in the Non-Citrus Fruits and Nuts YYYY Preliminary Summary. 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 NASS price 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, the year following harvest. This 45 day window to file the revenue loss is consistent with other revenue plans of insurance.

The acreage reporting date is:

- January 15 in all States.

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 Tart Cherry For Processing 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 tart 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 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 tart cherries or, if a pesticide is registered but cannot be applied because of withdrawal periods prior to harvest date. 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 tart cherries which are delivered and sold or for tart cherries that are valued using the annual price procedure.

**Important:** Unsold tart 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 Tart Cherry For Processing Pilot Program:

- failure to harvest in a timely manner for any reason, including the inability to obtain harvest labor or absence of appropriate machine harvesting equipment, 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 tart cherries. If the appraisal is made after the fruit loses quality or is 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 tart cherries because they are highly perishable.

- mechanical damage that occurs during the insurance period
- inability to market the tart 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, diverted tart cherry production, and revenue from sales of tart cherries for processing. These 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, appraisals, or CIAB diversion certificates.

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, or the annual price procedure for the production from diverted area.

The marketable production from diverted acres is certified by CIAB diversion certificates and the price will be as identified in the Crop Provisions Section 2 for “Annual price for diverted production”.

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 as unsuitable for any processing utilization, 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, and grade; gross production, percent of damaged fruit, and grade of the fruit. The condition of the damaged fruit, such as rots, wind whip, presence of stems, etc, must be documented.” The harvested marketable production which was rejected by the processor is valued using the annual price procedure.

Acceptable supporting records for delivered and sold tart 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 tart 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 tart cherries for processing.

## **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 tart cherries for processing 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 tart cherries for processing 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 Tart Cherry For Processing 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 Tart Cherry For Processing Pilot Program.

CIH Section Reference	Supplemental Instructions
Part 20	Relevant underwriting and APH responsibilities provided in CIH, <b>Part 20</b> , 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.”  <b>Example:</b> In CIH, <b>Part 20</b> , 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 tart cherries for processing.
Part 3	Applies to ARH Tart Cherry For Processing Pilot Program.
Part 10	Producers who purchase ARH Tart Cherry For Processing Pilot Program insurance coverage must follow the procedures of this Section. The instructions provided pertain to both yield and revenue.

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

CIH Section Reference	Supplemental Instructions
	<p>To qualify for optional units, acceptable production reports must be filed for each optional unit for the most recent crop year. The following are acceptable evidence of production:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• the diversion certificates (or authenticated copies) for tart cherries diverted as part of the Tart Cherry Federal Marketing Order (an example is in Annex 1 of the Tart Cherry For Processing Loss Adjustment Standards handbook).</li> </ul> <p><b>Note:</b> See CIH, <b>Part 11</b>, for acceptable Pick Records.</p> <ul style="list-style-type: none"> <li>• acceptable supporting records such as field harvest records may be used to prorate prior and the most recent year's production and revenue for the initial year of insurance.</li> </ul>
Part 11	<p>If a new ARH insured requests optional units and is unable to provide acceptable production reports or records of planted acreage of the crop for the prior crop year, it is not acceptable to prorate production for other crop years in the insured's ARH.</p> <p>However, if the insured is able to provide acceptable production reports for the prior year, and the insured is able to provide acceptable records of acreage by unit, production for optional units within a basic unit may be determined on a prorated basis.</p> <p>For subsequent crop years, if optional units are requested, acceptable revenue reports must be filed for each optional unit. The following evidence is acceptable:</p> <ul style="list-style-type: none"> <li>• cooperative pool statements, pool summary statements, receipts from packing houses, processors, or other buyers showing quantities of tart cherries delivered and sold and the amount paid to the producer for each optional unit;</li> <li>• the diversion certificates (or authenticated copies) for tart cherries diverted as part of the Tart Cherry Federal Marketing Order.</li> <li>• pick records are acceptable supporting documentation only when used to qualify optional units for the first year a producer is insured under the ARH program.</li> </ul> <p>The supporting records must indicate production and revenue received for each optional unit and the total production and revenue from all optional units must account for the total production and revenue from the planted acreage on all units of tart cherries for processing.</p>

<b>CIH Section Reference</b>	<b>Supplemental Instructions</b>
Part 14	Does not apply to ARH Tart Cherry For Processing Pilot Program.
Part 15	Tart cherries are an eligible Category C crop. Category C APH crop procedures apply to both yield and revenue for tart cherries for processing with included modifications.
Par. 1507	<p>Procedures in this section apply to the pilot program. Blocks consisting of 100 percent tart cherry for processing trees or a mixture of producing, young, dead, or missing tart cherry trees shall be measured according to this procedure. For blocks of tart cherry for processing trees, 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.</p> <p>Tart cherries for processing have a base period for the revenue and yield history of ten consecutive crop years preceding the current crop year.</p>
Par. 1520	<p>Apply the procedures in this section with the following supplemental instructions:</p> <p><b>Block Number</b> - 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.</p> <p><b>Example:</b> Blocks 1-3 are similar and were planted in 1999, 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 2002. Blocks 5 and 6 are similar type, variety, and rootstock, planted in 2005, and may be recorded on one line or on multiple lines.</p> <p><b>Variety</b> - Enter both the variety and rootstock.</p>
Par. 1537	<p>Apply the procedures in this section with the following supplemental instructions:</p> <p><b>Vigor</b> - 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.</p> <p>Apply the procedures in Exhibit 16 of the CIH to complete the CAW with the following supplemental instructions:</p> <p>For tart cherries, use the following CAW as provided in Exhibit 16 of the CIH: Almond/Citrus/Figs/Fresh Plums/Macadamia Nuts/Pecans/Prunes/Stonefruit/Walnuts.</p>
Par. 1551	Does not apply to ARH Tart Cherry For Processing Pilot Program.
Par. 1556	<p>Apply the procedures to both yield and revenue, as appropriate, and with the following exceptions or clarifications:</p> <ul style="list-style-type: none"> <li>• Revenue pertains only to that paid to the insured from the sale of tart cherries and diversion certificates and will include revenue from diversion certificates when the handlers/processors initiate the diversion,</li> </ul>



CIH Section Reference	Supplemental Instructions
	<ul style="list-style-type: none"> <li>• Include the production and value of unharvested marketable production other than marketable production from diverted acres in the yield and revenue calculation for a unit if an appraisal of unharvested marketable production was completed, regardless whether an indemnity was paid.</li> <li>• Include the marketable production and value from the acres diverted under the rules governing the Tart Cherry Federal Marketing Order. This production will be valued using the annual price procedure for diverted tart cherries in accordance with the crop provisions (80% of the annual price). Do not include any value for the sale of CIAB diversion certificates where that sale is not part of a commitment to supply tart cherries to handlers/processors.</li> <li>• When a tart cherry price pool remains open on the revenue reporting date, it is possible for an insured to have no completely sold tart 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 for all processed tart cherries for the State, when published, according to the annual price procedure.</li> <li>• 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.</li> </ul>
Par. 1558	<p>T-Revenues and T-Yields are applied on a unit basis instead of on a county crop basis. While yields and T-Yields are not used in the indemnity calculations for the Tart Cherry For Processing Pilot Program, the yield should be entered in the insured’s record.</p> <p>“T-Revenues” will be available and will be used in the same manner as T-yields are offered under the APH program, according to CIH. This includes adjusted transitional revenues in the same circumstances as an adjusted transitional yield would apply under the APH program.</p> <p>“T-Yields” will be applicable in the same manner as they are offered in the APH program.</p>
Par. 1560, 1561, & 1562	Does not apply to ARH Tart Cherry For Processing Pilot Program.
Par. 1641	<p><b><u>Tart cherries for processing.</u></b> 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:</p>

CIH Section Reference	Supplemental Instructions
	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• AIP or FSA appraisals of pounds of marketable production/acre on an approved form.</li> <li>• The diversion certificates (or authenticated copies) for tart cherries diverted as part of the Tart Cherry Federal Marketing Order.</li> <li>• 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.</li> </ul> <p>A minimum production amount is a condition of insurability. When there are adjacent blocks of tart cherries of differing age that otherwise qualify to be in the same unit, the insured may have a choice as to when the block of young trees becomes insurable.</p> <ul style="list-style-type: none"> <li>• 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 the 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.</li> </ul> <p><b>Example:</b> Blocks 1 consists of 20 acres, is in the mature production phase and produced 6,000 lbs/acre last year. Block 2 also consists of 20 acres and was planted only six years ago. Last year block 2 produced 2,500 lbs/acre. The minimum production requirement is 4,000 lbs/acre. The comingled yield for all 40 acres was 4,250 lbs/acre last year. Accordingly these blocks may be combined into one 40 acre unit since the minimum production requirement has been met.</p>
	<ul style="list-style-type: none"> <li>• 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.</li> </ul> <p><b>Example:</b> 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</p>

CIH Section Reference	Supplemental Instructions
	<p>its own accord. In this case the acreage from Block 2 must be reported as uninsurable.</p> <p>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.</p>
Par. 1241	<p>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.</p> <p>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.</p>
Part 12 Sec. 5	Applies to ARH Tart Cherry For Processing Pilot Program.
Par. 1701	Does not apply to ARH Tart Cherry For Processing Pilot Program.

**33 Prevented Planting Loss Adjustment Standards Handbook**

---

The Prevented Planting Loss Adjustment Standards Handbook is not applicable to the ARH Tart Cherry For Processing Pilot Program. Prevented planting coverage is not available for tart cherries.

**34 Loss Adjustment Manual**

---

The procedures identified in the LAM are adopted for the ARH Tart Cherry For Processing Pilot Program.

**35 Tart Cherry For Processing Loss Adjustment Standards Handbook**

---

The ARH Tart Cherry For Processing 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 of tart cherries for processing that is appraised, unsold, partially sold, or sold at a price that is determined not reasonable.

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 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 tart cherry production of the same type sold across units by the producer if that price is determined to be reasonable.

If there are no tart cherry sales on the insured's policy or all of the insured's tart cherry sales are determined not reasonable, the NASS season average price received by producers for all tart cherries for processing in the state for the crop year shall be the annual price.

The AIP must use appropriate discretion in determining if the tart cherries are valued at a reasonable price.

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

**Important:** If the annual price is determined using actual grower sales, the AIP must ensure the production sold is from a legitimate run of tart cherries, complete with the settlement sheets. A small volume of tart cherries brought to the processor warehouse with the sole intent of establishing an annual price does not qualify unless it comprises at least 2 standard tart cherry tanks (1,998 pounds) and is confirmed as picked from representative trees by an adjuster.

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

### 42 Unharvested Production Adjustment

---

No unharvested production adjustment applies for tart cherries for processing.

## **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.

## EXHIBITS

Exhibit 1

### ACRONYMS

The following table provides approved acronyms used in this handbook.

<b>Approved Acronyms</b>	<b>Term</b>
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
CIAB	Cherry Industry Administrative Board
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 tart 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		Required Field Review <input type="checkbox"/> Required Inspection <input type="checkbox"/>		Agent Name and Address:							
Phone No:	SSN Tax No:	State:		Phone No:		Agent Code:					
		County:		Company Name and Address:							
		Policy No:									
Crop	Section		Land Other County <input type="checkbox"/> Yes <input type="checkbox"/> No	Crop Year	Total Production	Acres	Average Yield	Producer's Net Revenue	Average Revenue	Producer's Share	100% Share Equivalent Revenue
	Practice Type	Township									
Unit No.	Range										
Other Entity(ies)			FSA Farm No.								
			Cropland Acres								
Record Type:			Crop Year:	Area Classification			Total			Total	
<input type="checkbox"/> Production Sold	<input type="checkbox"/> On Farm Storage	<input type="checkbox"/> Livestock Feeding Records	<input type="checkbox"/> FSA Loan Record	<input type="checkbox"/> Appraisal	<input type="checkbox"/> Other						
			Transitional Yield	Preliminary Revenue			Approved Revenue				
			Transitional Revenue	Prior Revenue							
Processor Number		Other		Preliminary Yield			Approved Yield				
				Prior Yield							



## EXAMPLES

This Exhibit provides examples of:

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

The following data applies to examples 1-3:

- insured reports the following eight years of revenue history:

<b>Production Year</b>	<b>Producer Revenue</b>
2005	1,500
2006	2,720
2007	1,250
2008	1,330
2009	1,700
2010	1,800
2011	2,170
2012	330
<b>Total</b>	<b>12,800</b>

- Insured has an approved revenue of \$1,600/acre
- Insured has an approved yield of 4,750lbs/acre
- Insured has 10 acres of tart cherries for processing
- RMA published ERF equals 1.00
- Coverage level equals 0.75
- Insured share equals 0.50
- Payment factor equals 0.90.

### A. Example 1 - Calculating Revenue Guarantee

This example 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. $\$1,600 \times 1.00 = \$ 1,600$
2	Multiply the result of step 1 times the coverage level. $\$1,600 \times 0.75 = \$1,200$
3	Multiply the result of step 2 times the payment factor. $\$1,200 \times 0.90 = \$1,080$
4	Multiply the result of step 3 times producer's share. $\$1,080 \times 0.50 = \$540$
5	Multiply the result of step 4 times the number of acres. $\$540 \times 10 = \$5,400$

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. $\$1,600 \times 1.00 = \$ 1,600$
2	Multiply the result of step 1 times the coverage level. $\$1,600 \times 0.75 = \$1,200$
3	Multiply the result of step 2 times the producer's share. $\$1,200 \times 0.50 = \$600$
4	Multiply the result of step 3 times the number of acres. $\$600 \times 10 = \$6,000$

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

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 Tart Cherry For Processing 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 tart cherries for processing that exceeds the approved yield of 4,750 pounds/acre. However, the market price results in revenue to count of only \$5,250 for the insured. The indemnity is calculated as follows:

<b>Step</b>	<b>Action</b>
1	Calculate the value per acre for 10 acres, as provided in subparagraph A, Example 1. $\$600 \times 10 \text{ acres} = \$6,000$
2	Subtract the revenue to count from the result of step 1. $\$6,000 - \$5,250 = \$750$
3	Multiply the result of step 2 times the payment factor. $\$750 \times 0.90 = \$675 \text{ indemnity payment}$

The payment factor is not applied to the revenue to count, but instead is applied to the preliminary indemnity amount. In this example, the insured would have received an indemnity of \$750 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 \$2,600
- 1,000 pounds of insured's share of unharvested marketable production was appraised and valued with the annual price of \$0.26/pound
- Herbicide drift, an uninsurable cause of loss, damaged 2 acres of tart cherries, making the tart cherries unmarketable

<b>Step</b>	<b>Action</b>
1	Multiply the value per acre times the number of acres damaged by uninsured causes. $\$600 \times 2 = \$1,200 \text{ appraisal for uninsured causes}$
2	Multiply the pounds of unharvested marketable production times the annual price. $1,000 \times \$0.26 = \$260 \text{ appraisal for unharvested marketable production}$
3	Sum result of step 1 and result of step 2 plus the dollar amount received for harvested/sold production. $\$1,200 + \$260 + \$2,600 = \$4,060 \text{ total revenue to count}$
4	Subtract result of step 3 from amount of insurance. $\$6,000 - \$4,060 = \$1,940 \text{ preliminary indemnity}$
5	Multiply result of step 4 times payment factor. $\$1,940 \times 0.90 = \$1,746 \text{ total indemnity}$

**D. Example 4 - Calculating an indemnity after crop diversion under the Tart Cherry Federal Marketing Order**

For this example, 2 acres of tart cherries for processing are identified for diversion. They have suffered windwhip and the AIP is notified of a claim and a CIAB appraisal is completed. The appraisal assesses 4,000 lbs to be marketable. There is no damage due to uninsurable causes. The grower harvests the rest of the unit and sells 16,000 lbs.

No final price is available so following the tart cherry for processing provisions the price used is the average price for all tart cherries for processing in the state published in January of the year following harvest by NASS.

The following data apply:

- 2 acres are diverted
- The appraised production from diverted area (after appraisal) is 4,000 lbs.
- The annual price (in this case, as no final price before January 15, it is the average NASS price for all tart cherries for processing in the state - \$0.25/lb.
- Assigned price for diverted tart cherries for processing (0.80 x annual price) - \$0.20/lb.
- Damage due to uninsured causes = 0 lbs.
- Tart cherries harvested = 16,000 lbs.
- Acres on unit = 10
- Approved revenue/acre = \$1,600
- Approved yield/acre = 4,750 lbs.
- ERF = 1.0
- Coverage = 0.75
- Share = 0.5
- Payment factor = 0.9
- Amount of insurance per acre = \$540

Step	Action
1	Calculate the value of the guarantee (approved revenue times coverage level times ERF times share times acres). $\$1,600 \times 0.75 \times 1.0 \times 0.5 \times 10 = \$6,000$
2	Calculate the revenue to count from sold tart cherries for processing. $16,000 \text{ pounds} \times \$0.25 = \$4,000$
3	Calculate the revenue to count from diverted tart cherries for processing. $4,000 \text{ pounds} \times (\$0.25 \times 0.80) = \$800$
4	Sum steps 2 and 3 times share to calculate revenue to count. $\$4,000 + \$800 = \$4,800 \times 0.5 = \$2,400 \text{ revenue to count}$
5	Subtract result of step 4 from amount of insurance. $\$6,000 - \$2,400 = \$3,600 \text{ preliminary indemnity}$
6	Multiply the result of step 5 by the payment factor to establish if indemnity due. $\$3,600 \times 0.90 = \$3,240$

**E. Example 5 – When a producer share is less than 100 percent.**

Insured has 10 acres of tart cherries (processing)

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	91,120.0	10.0	9,112.0	22,780.00	2,278.00	0.50	4,556.00
2011	96,410.0	10.0	9,641.0	9,641.00	964.10	0.50	1,928.20
2012	103,360.0	10.0	10,336.0	20,672.00	2,067.20	0.50	4,134.40
2013	109,110.0	10.0	10,911.0	21,822.00	2,182.20	0.50	4,364.40
		Total	40,000.0			Total	14,983.00
		Approved Yield	10,000.0			Approved Revenue	3,745.75

Amount of insurance equals \$3,746 (approved revenue) x 0.75 (coverage level) x 0.500 (share) x 10 (acres) = \$14,048

For the current year claim:

Total harvested pounds equals 20,000

Insured's share of total harvested pounds equals 10,000 (divided by 10 acres = 1,000 lbs/acre)

Insured's revenue from harvested pounds equals \$3,000

There were no appraised pounds or pounds damaged due solely to uninsured causes

Step	Action
1	Insured's revenue to count is \$3,000 (revenue received from harvested production)
2	Subtract amount in step 1 from amount of insurance \$14,048 amount of insurance - \$3,000 revenue to count = \$11,048 indemnity

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

10,000 lbs (insured's share of production) divided by 0.500 (insured's percent of share) = 20,000 lbs total production

\$3000 revenue to count = \$3000 actual revenue  
Producer's share = 0.500