

United States
Department of
Agriculture



Federal Crop
Insurance
Corporation



Risk
Management
Agency

Actuarial and
Product Design
Division

FCIC 24330
(08-2019)

ACTUAL REVENUE HISTORY (ARH)

TART CHERRY FOR PROCESSING PILOT

INSURANCE STANDARDS HANDBOOK

2020 and Succeeding Crop Years

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

TITLE: ARH TART CHERRY FOR PROCESSING PILOT INSURANCE STANDARDS HANDBOOK	NUMBER: 24330
EFFECTIVE DATE: 2020 and succeeding crop years	ISSUE DATE: 08-31-2019
SUBJECT: Provides the Insurance Standards and instructions for the ARH Tart Cherry For Processing Pilot Crop Insurance Program.	OPI: Product Administration and Standards Division
	APPROVED: <i>/s/ Richard Flournoy</i> Deputy Administrator for Product Management

Reason for Issuance

This handbook provides the official FCIC-approved 2020 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.

Page 13: Changed from 80% of the annual price to the RMA determined price.

Page 26: Changed from 80% of the annual price to the RMA determined price.

CONTROL CHART

Tart Cherry For Processing Pilot Insurance Standards Handbook							
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**ARH TART CHERRY FOR PROCESSING PILOT PROGRAM
INSURANCE STANDARDS HANDBOOK**

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(RESERVED)

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, GSH, and LAM via exceptions, changes, and additions. If there is a conflict between this handbook and the CIH, GSH, or LAM, this handbook controls.

B. Source of Authority

The ARH Tart Cherry For Processing Pilot Program is an RMA-developed product approved by the FCIC Board of Directors on May 9, 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 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.

1 General Information (Continued)

F. Related Handbooks (continued)

Handbook	Purpose
CIH	General underwriting procedures.
GSH	General administrative procedures.
LAM	General loss procedures.
Tart Cherry For Processing Loss Adjustment Standards Handbook	Loss procedures for tart cherries.
Written Agreement Handbook	Provides criteria for written agreements

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.

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 PASD 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 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 2018 crop year may end on the date harvest of the unit is complete during calendar year 2018. It may end earlier if the crop is completely destroyed. The insurance period for the 2019 crop year begins on the day after the day harvest of the 2018 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.

22 Insurable Types and Practices (Continued)

B. Insurable Practices (continued)

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 allows 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:

- (1) all optional units must be identified on the acreage report
- (2) when adjusting a loss, units may be adjusted or combined to reflect the actual unit structure
- (3) 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 10 regarding acreage and production evidence requirements for more information.

- (4) records for each optional unit must be maintained in a manner that permits AIP to verify the information

Provisions in section 34 of the Basic Provisions 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

- (1) The cancellation, termination, and sales closing date is November 20 .
- (2) The contract change date is the following date immediately preceding the cancellation date is August 31.
- (3) The date for the end of the insurance period for physical damage for each crop year is August 15.
- (4) 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.
- (5) Regardless of the price used to determine the revenue to count, the notice of loss must be filed by April 15, the year following harvest. This 45-day window to file the revenue loss is consistent with other revenue plans of insurance.
- (6) The acreage reporting date is January 15.
- (7) The revenue reporting date is the acreage reporting date.
- (8) The billing date is August 15 of the crop year.

B. Insurable Causes of Loss

The following causes of loss due to physical damage are covered under the ARH Tart Cherry For Processing Pilot Program:

- (1) adverse weather conditions
- (2) fire, unless undergrowth has not been controlled or pruning debris has not been removed from the orchard
- (3) wildlife damage

B. Insurable Causes of Loss (continued)

- (4) earthquake
- (5) volcanic eruption
- (6) failure of irrigation water supplies if caused by a cause of loss specified in this subparagraph that occurs during the insurance period
- (7) insects and plant disease, if either of the following apply:
- (8) 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
- (9) 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.

- (10) 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.

24 Insurance Dates and Causes of Loss (Continued)

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:

- (1) 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.

- (2) mechanical damage that occurs during the insurance period
- (3) 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.

24 Insurance Dates and Causes of Loss (Continued)

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 annual price and the production was later sold. If there was no loss claim but the revenue report was submitted using an annual price, the revenue report must be updated in subsequent years. See Paragraph 32 reference to Part 1856 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.

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 producer does not have an annual price from actual sales to use for the valuation of the unharvested marketable production, the annual price procedure or the annual price for diverted acres will be used to determine the price.

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”.

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 sections 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, GSH, 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 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 18	Relevant underwriting and APH responsibilities provided in CIH, Part 18, 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.”
Part 13	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. 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.

32 Specific Information Regarding the Crop Insurance Handbook (Continued)

CIH Section Reference	Supplemental Instructions
Part 13 (continued)	<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>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.</p> <p>Average Revenue - Divide Producer’s Net Revenue by acres.</p> <p>Producer’s Share - Enter the producer’s percent share of the production (lbs.).</p> <p>100% Share Equivalent Revenue - Divide Average Revenue by Share.</p> <p>Total - Enter the total of the entries.</p> <p>Preliminary Yield – Enter the result of dividing the total of the “Average Yield” column by the number of crop years in the database.</p> <p>Approved Yield – Completed by the verifier. Enter the approved ARH yield after all entries are verified or any applicable adjustments/reductions.</p> <p>Preliminary Revenue - Enter the result of dividing the total of the “Average Yield” column by the number of crop years in the database.</p> <p>Approved Revenue - Completed by verifier. Enter the approved ARH revenue after all entries are verified or any applicable adjustments/reductions.</p> <p>Prior Revenue - Enter the prior approved ARH revenue, if applicable. Enter N/A if it is not applicable.</p>
Part 13 (continued)	<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>

32 Specific Information Regarding the Crop Insurance Handbook (Continued)

<p>CIH Section Reference</p>	<p>Supplemental Instructions</p>
<p>Part 13 (continued)</p>	<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"> • 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 • the diversion certificates (or authenticated copies) for tart cherries diverted as part of the Tart Cherry Federal Marketing Order (an example is in Exhibit 8 of the Tart Cherry For Processing Loss Adjustment Standards handbook). <p>Note: See CIH Para. 1421 B for acceptable Pick Records.</p> <ul style="list-style-type: none"> • 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.
<p>Part 14</p>	<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"> • 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; • the diversion certificates (or authenticated copies) for tart cherries diverted as part of the Tart Cherry Federal Marketing Order; • 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. <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>

32 Specific Information Regarding the Crop Insurance Handbook (Continued)

CIH Section Reference	Supplemental Instructions
Part 17	Does not apply to ARH Tart Cherry For Processing Pilot Program.
Part 18	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.
Para. 1807	<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>
Para. 1820	<p>Apply the procedures in this section with the following supplemental instructions:</p> <p>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.</p> <p>Example: 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>Variety - Enter both the variety and rootstock.</p>
Para. 1837	<p>Apply the procedures in this section with the following supplemental instructions:</p> <p>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.</p> <p>Apply the procedures in Para. 1842 & Para. 2154 of the CIH to complete the PAIR.</p>
Para. 1851	Does not apply to ARH Tart Cherry For Processing Pilot Program.
Para. 1856	<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"> • 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.

32 Specific Information Regarding the Crop Insurance Handbook (Continued)

CIH Section Reference	Supplemental Instructions
Para. 1856 (continued)	<ul style="list-style-type: none"> • 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. • 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. 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. • 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 producer to complete the revenue report and finalize the revenue report 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 in subsequent years revenue report using the producer’s actual price received provided the production was later sold.
Para. 1860, 1861, 1862, 1864	Does not apply to ARH Tart Cherry For Processing Pilot Program.
Para. 1941	<p><u>Tart cherries for processing.</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:</p> <ul style="list-style-type: none"> • 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. • 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. • AIP or FSA appraisals of pounds of marketable production/acre on an approved form.

32 Specific Information Regarding the Crop Insurance Handbook (Continued)

CIH Section Reference	Supplemental Instructions
<p>Para. 1941 (continued)</p>	<ul style="list-style-type: none"> • The diversion certificates (or authenticated copies) for tart cherries diverted as part of the Tart Cherry Federal Marketing Order. • 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. <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"> • 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. • Example: 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. • 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. <p>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.</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>
<p>Para. 1541</p>	<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>

32 Specific Information Regarding the Crop Insurance Handbook (Continued)

CIH Section Reference	Supplemental Instructions
Para. 1541 (continued)	Apply the yield substitution ONLY if the revenue substitution is elected and applied 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 15 Sec. 6	Applies to ARH Tart Cherry For Processing Pilot Program.
Part 20	Does not apply to ARH Tart Cherry For Processing Pilot Program.
Para. 1503	<p>Apply the procedures in this section with the following supplemental instructions:</p> <p>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:</p> <p>In addition to A(3)(c):</p> <p>The temporary yield descriptor J is used and is valid up to two crop years. A revenue report indicating the actual price received for that year must be filed by the PRD following the date the final price is received or assigned yield provisions will apply.</p> <p>Note: The temporary yield counts as a year of records for determining percent of T-Yield, T-Revenue, or Yield Floor, if applicable. However, the temporary yield is not eligible for revenue substitution (RS).</p> <p>Example: A unit uses an annual price for CY 2017 because the marketing records are not available by the PRD (January 2018). The temporary yield must be updated by PRD following the date the insured receives a final settlement price or assigned yield provisions will apply to the 2017 revenue. The temporary yield may be used in the ARH database up to the second following year (January 2020).</p>

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 General Standards Handbook

Part 6 of the General Standards Handbook applies to this pilot.

The definition of temporary yield applies with the following amendments:

The temporary yield is valid for up to two years and a revenue report indicating the actual revenue received for that year must be filed by the PRD following the date the final price is received or assigned yield provisions will apply.

37 Written Agreements Handbook

Written Agreement Handbook applies to this pilot.

38-40 (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 annual price procedure will be used to determine the price.

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

It is the producer'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 producer 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.

43 Payment Factor Continued

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
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
FSA	Farm Service Agency
GSH	General Standards Handbook
LAM	Loss Adjustment Manual
PASD	Production Administration and Standards Division
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)			ILLUSTRATION PURPOSES ONLY			For Crop Year:			2017		
Producer's Name and Address Donny Bravo 1776 Liberty Lane Phone No: _____		Required Field Review Required State: WA County: 056 Policy No. 1234567	Agent Name and Address: Ima Agent 124 Somestreet Agent Code: 912-3456-7891ABC		Phone No: 123-456-7891 Company Name and Address: Big Insurance Company 321 Big Street		SSN Tax No: _____				
Crop: 0057 Practice: 002 Type: 416 Unit No: 0001-0001BU	Section: 01 Township T96N Range: R30W	Land Other County <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Crop Year	Acres	Production	Average Yield	Producer's Net Revenue	Average Revenue	Producer's Share	100% Share Equivalent Revenue	
			2011	15	60,000	4,000	\$ 54,900	\$ 3,660	80%	\$ 4,575	
			2012	15	165,000	11,000	\$ 151,995	\$ 10,133	100%	\$ 10,133	
			2013	22	61,996	2,818	\$ 74,998	\$ 3,409	100%	\$ 3,409	
			2014	22	176,000	8,000	\$ 145,002	\$ 6,591	100%	\$ 6,591	
			2015	22	202,004	9,182	\$ 190,014	\$ 8,637	100%	\$ 8,637	
			2016	22	220,000	10,000	\$ 169,994	\$ 7,727	100%	\$ 7,727	
Other Entity(ies)		FSA Farm No. Cropland Acres: 23			Not reported on P15A	"Average acreage production" on P15A	"Annual production" on P15A			"Annual Yield" on P15A	
Record Type <input checked="" type="checkbox"/> Production Sold <input type="checkbox"/> On Farm Storage <input type="checkbox"/> Livestock Feeding Records <input type="checkbox"/> FSA Loan Record	Crop Year <input type="checkbox"/> Appraisal <input type="checkbox"/> Other	Area Classification Transitional Yield: N/A Transitional Revenue: N/A	Preliminary Revenue \$6,845		Total 45,000 \$ 786,903 \$ 40,157		Approved Revenue \$6,845		Coverage Level 75%		
Processor Number 1256	Other: N/A	Preliminary Yield 7,500 Prior Yield N/A	Approved Yield 7,500								

Example ARH Form

The following is an example of an ARH form with Revenue Substitution. See paragraph 32 for related procedure.

Production, Revenue, and Yield Report (ARH Form)			ILLUSTRATION PURPOSES ONLY				For Crop Year: 2017			
Producer's Name and Address Donny Bravo 1776 Liberty Lane Phone No: _____		Required Field Review Required State: WA County: 056 Policy No. 1234567	Agent Name and Address: Ima Agent 124 Somestreet Agent Code: 912-3456-7891ABC		Phone No: 123-456-7891 Company Name and Address: Big Insurance Company 321 Big Street		SSN Tax No: _____			
Crop: 0057 Practice: 002 Type: 416 Unit No: 0001-0001BU	Section: 01 Township T96N Range: R30W	Land Other County <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Crop Year	Acres	Production	Average Yield	Producer's Net Revenue	Average Revenue	Producer's Share	100% Share Equivalent Revenue
			2011	15	60,000	5,610 YA	\$ 54,900	\$ 5,700 RS	80%	\$ 7,125
			2012	15	165,000	11,000	\$ 151,995	\$ 10,133	100%	\$ 10,133
			2013	22	61,996	5,550 YA	\$ 74,998	\$ 5,430 RS	100%	\$ 5,430
			2014	22	176,000	8,000	\$ 145,002	\$ 6,591	100%	\$ 6,591
			2015	22	202,004	9,182	\$ 190,014	\$ 8,637	100%	\$ 8,637
			2016	22	220,000	10,000	\$ 169,994	\$ 7,727	100%	\$ 7,727
Other Entity(ies)		FSA Farm No. Cropland Acres: 23			Not reported on P15A	"Average acreage production" on P15A	"Annual production" on P15A			"Annual Yield" on P15A
Record Type <input checked="" type="checkbox"/> Production Sold <input type="checkbox"/> On Farm Storage <input type="checkbox"/> Livestock Feeding Records <input type="checkbox"/> FSA Loan Record	Crop Year <input type="checkbox"/> Appraisal <input type="checkbox"/> Other	Area Classification Transitional Yield: N/A Transitional Revenue: N/A	Preliminary Revenue \$7,607		Total 49,342 \$ 786,903 \$ 44,218		Approved Revenue \$7,607		Coverage Level 75%	
Processor Number 1256	Other: N/A	Preliminary Yield 8,224 Prior Yield N/A	Approved Yield 8,224							

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
2005	1,500
2006	2,720
2007	1,250
2008	1,330
2009	1,700
2010	1,800
2011	2,170
2012	330
Total	12,800

- 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:

Examples (Continued)

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:

Examples (Continued)

Step	Action
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 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.

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

Examples (Continued)**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 producer 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 is the RMA determined price.

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 RMA determined price for all tart cherries for processing in the state) - \$0.25/lb.
- Assigned price for diverted tart cherries for processing \$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. $4,000 \text{ pounds} \times (\$0.20) = \$800$
4	Sum steps 2 and 3 times share to calculate revenue to count. $\$4,000 + \$800 = \$4,800 \times 0.5 = \$2,400$ revenue to count
5	Subtract result of step 4 from amount of insurance. $\$6,000 - \$2,400 = \$3,600$ 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

Examples (Continued)

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