

**MULTIPLE PERIL CROP INSURANCE
AVOCADO PILOT CROP PROVISIONS**

2002-NCIS 711

This is a pilot risk management program created by the Federal Crop Insurance Corporation. This risk management tool will be insured under the authority provided by the Federal Crop Insurance Act as amended.

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

1. Definitions.

APH - Actual Production History as defined at 7 CFR part 400 subpart G.

Administrative fee - An amount you must pay for catastrophic risk protection, limited, or additional coverage for each crop year as specified in the Basic Provisions and section 12 of these crop provisions.

Amount of insurance (per acre) - The approved average revenue per acre multiplied by the coverage level percentage you elect.

Approved average revenue (per acre) - The average farm revenue divided by the average county revenue and that result times the long term average county revenue.

Average county revenue (per acre) - The county average yields for the years for which you provide APH yields multiplied by the corresponding standardized season average prices as shown in the actuarial table, divided by the number of years for which you provide APH yields.

Average farm revenue (per acre) - The sum of the products of your APH yields for the years for which you provide yields, multiplied by the corresponding standardized season average prices divided by the number of years for which you provide APH yields.

Crop year - The period beginning December 1 of the calendar year prior to the year in which the avocado trees normally bloom, and extending through November of the year following such bloom, and will be designated by the calendar year following the year in which the avocado trees normally bloom.

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

Harvest - Picking of the avocados from the trees or ground by hand or machine.

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

Long term average county revenue - Shown in the actuarial table, and computed by multiplying the standardized season average prices by the corresponding county average yields for prior years and dividing by the number of years of data.

Marketing year - The period from November 1 of a calendar year through October 31 of the succeeding calendar year and designated by the succeeding calendar year.

Pound - A unit of weight equal to sixteen ounces avoirdupois.

Set Out - Transplanting a tree into the grove.

Standardized season average price - The average price per pound determined by dividing the value of all Hass avocados in the state by the pounds of Hass avocados produced in the state for a marketing year, as reported by the California Avocado Commission and announced by FCIC. The price may be adjusted by FCIC to represent prices based on current dollar values.

2. Unit Division.

(a) Provisions in the Basic Provisions that allow optional units by section, section equivalent, or FSA farm serial number and by irrigated and non-irrigated practices are not applicable, unless otherwise allowed by written agreement.

(b) Unless limited by the Special Provisions, optional units may be established only:

(1) By variety;

(2) If each optional unit is located on non-contiguous land.

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

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

(a) You may select only one coverage level for all the avocados in the county insured under this policy unless the Special Provisions provide that you may select one coverage level for each avocado type designated in the Special Provisions.

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

(1) Any damage, removal of trees, change in grove practices, or any other circumstance that may reduce the expected yield per acre to less than the yield upon which the amount of insurance per acre is based, and the number of affected acres;

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

(3) The age of the trees;

(4) Any acreage that is excluded under section 6 of these crop provisions; and

(5) For acreage interplanted with another crop:

(i) The age of the interplanted crop, and type if applicable;

(ii) The planting pattern; and

(iii) Any other information that we request in order to establish your approved average revenue per acre.

(c) We will reduce the approved average revenue used to establish your amount of insurance as necessary, based on the effect of the interplanted perennial crop, removal of trees, damage, or change in practices, on the yield potential of the insured crop. If you fail to notify us of any circumstance that may reduce the expected average revenue per acre to less than the approved average revenue per acre, we will reduce your amount of insurance as necessary, at any time we become aware of the circumstance.

(d) Catastrophic risk protection provided under 7 CFR part 402 is not available. In lieu of section 3 of the Basic Provisions, producers who elect catastrophic risk protection will receive coverage in accordance with section 12.

(e) For the first crop year in which you apply for insurance:

(1) You must certify to your yields for the most recent four or more consecutive years in which you have

produced avocados or receive an assigned yield that is 65 percent of the transitional yield for each year in which you do not certify a yield up to four years. Your average farm revenue will be calculated based on these certified and assigned yields.

- (2) You must have adequate records to support all certified yields or your average farm revenue will be recalculated using an assigned yield for each year in which you do not have adequate records.

4. Contract Changes.

In accordance with section 4 of the Basic Provisions, the contract change date is August 31 preceding the cancellation date.

5. Cancellation and Termination Dates.

In accordance with section 2 of the Basic Provisions, the cancellation and termination dates are November 30 of the calendar year in which the avocado trees normally bloom and are effective for the next crop year.

6. Insured Crop.

(a) In accordance with section 8 of the Basic Provisions, the crop insured will be all the commercially-grown avocados in the county grown on insurable acreage, and for which premium rates are provided by the actuarial documents:

- (1) In which you have a share;
- (2) That are grown for harvest as avocados;
- (3) That are irrigated; and
- (4) That are grown on trees that, if inspected, are considered acceptable to us.

(b) In addition to the avocados not insurable in section 8 of the Basic Provisions, we do not insure any avocados produced on trees that have not reached the sixth growing season after set out. However, we may agree in writing to insure acreage that has not reached this age if it has produced at least 2,000 pounds of avocados per acre.

7. Insurable Acreage.

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

8. Insurance Period.

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

- (1) Coverage begins for each crop year on December 1 of the calendar year prior to the year in which the insured avocado trees normally bloom.
- (2) The calendar date for the end of the insurance period is the second November 30th of the crop year.

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

- (1) If you acquire an insurable share in any insurable acreage on or before the acreage reporting date of any crop year, and if we inspect and consider the acreage acceptable, insurance will be considered to have attached to such acreage on the calendar date for the beginning of the insurance period.
- (2) If you relinquish your insurable interest on any acreage of avocados on or before the acreage reporting date of any crop year, insurance will not be considered to have attached to such acreage for that crop year unless:

- (i) A transfer of right to an indemnity or a similar form approved by us is completed by all affected parties;
- (ii) We are notified by you or the transferee in writing of such transfer on or before the acreage reporting date; and
- (iii) The transferee is eligible for crop insurance.

No premium or indemnity will be due unless there is a properly executed right of transfer.

9. Causes of Loss.

(a) In lieu of the first sentence of section 12 of the Basic Provisions, insurance is provided against a decline in price or unavoidable loss of production due to the following causes of loss that occur within the insurance period:

- (1) Adverse weather conditions;
- (2) Fire, unless weeds and other forms of undergrowth have not been controlled or pruning debris has not been removed from the grove;
- (3) Insects, but not damage allowed because of insufficient or improper application of pest control measures;
- (4) Plant disease, but not damage allowed because of insufficient or improper application of disease control measures;
- (5) Wildlife;
- (6) Earthquake;
- (7) Volcanic eruption; or
- (8) Failure of the irrigation water supply due to an insured cause of loss specified in section 9(a)(1) through (7) occurring during the insurance period.

(b) In addition to the causes of loss excluded in section 12 of the Basic Provisions, we will not insure against damage or loss of production due to:

- (1) Theft; or
- (2) Inability to market the avocados for any reason other than actual physical damage from an insurable cause specified in this section. For example, we will not pay you an indemnity if you are unable to market due to quarantine, boycott, or refusal of any person to accept production.

10. Duties in the Event of Damage or Loss.

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

(a) You must notify us at least 15 days before any production from any unit will be marketed directly to consumers. We will conduct a preharvest appraisal that will be used to determine your production. If damage occurs after the preharvest appraisal, and you can provide acceptable records to us that account for all production removed from the unit after our appraisal, we will conduct an additional appraisal that will be used to determine your production. Failure to give timely notice that production will be marketed directly to consumers will result in an appraised value of production to count of not less than the amount of insurance per acre.

(b) If you intend to claim an indemnity on any unit, you must notify us prior to the beginning of harvest so that we may inspect the damaged production. You must not dispose of the damaged crop or sell the damaged crop until after we have given you written consent to do so, or 15 days, whichever is later. If you fail to meet the requirements of this subsection, all such production will be considered undamaged and included as production to count.

- (c) You must notify us within 3 days of the date harvest should have started if the crop will not be harvested.

11. Settlement of Claim.

- (a) We will determine your loss on a unit basis. In the event you are unable to provide separate production records that are acceptable to us:
 - (1) For any optional unit, we will combine all optional units for which acceptable production records were not provided; or
 - (2) For any basic unit, we will allocate any commingled production to such units in proportion to our liability on the harvested acreage for each unit.
- (b) In the event of loss or damage covered by this policy, we will settle your claim by:
 - (1) Multiplying the insured acreage by the amount of insurance;
 - (2) Subtracting from the result of section 11(b)(1) the total of the dollar value of harvested and appraised production, (see section 11(c):
 - (i) For other than catastrophic risk protection coverage, the total value of production to be counted, or
 - (ii) For catastrophic risk protection coverage, the result of multiplying the total value of production to be counted by fifty-five percent.
 - (3) Multiplying the result in section 11(b)(2) by your share.
- (c) The total value of production to count from all insurable acreage on the unit will include the value of all appraised and harvested production.
 - (1) The value of appraised production to be counted will include:
 - (i) Not less than the amount of insurance for acreage:
 - (A) That is abandoned;
 - (B) Marketed directly to consumers if you fail to meet the requirements contained in section 10 of these crop provisions;
 - (C) Damaged solely by uninsured causes; or
 - (D) For which you fail to provide production records that are acceptable to us;
 - (ii) The season average price for the applicable variety multiplied by:
 - (A) The potential production lost due to uninsured causes and failure to follow good farming practices;
 - (B) The unharvested production; and
 - (C) The potential production on acreage that you intend to abandon or no longer care for, if you and we agree on the appraised amount of production. Upon such agreement, the insurance period for that acreage will end. If you do not agree with our appraisal, we may defer the claim only if you agree to continue to care for the crop. We will then make another appraisal when you notify us of further damage or that harvest is general in the area unless you harvested the crop, in which case we will use the harvested production. If you do not continue to care for the crop, our appraisal made prior to deferring the claim will be used to determine the value of production to count.
 - (2) The value of all harvested production from the insurable acreage will be the dollar amount

obtained by multiplying the pounds harvested by the standardized season average price.

12. Catastrophic Risk Protection Coverage.

- (a) The Catastrophic Risk Protection Endorsement is not applicable. The following provisions in this section are applicable if you have elected the catastrophic risk protection plan of insurance for any insured acreage.
- (b) For the 2001 and subsequent crop years, catastrophic risk protection equals twenty-seven and one-half percent of your approved average revenue.
- (c) Administrative Fees
 - (1) In lieu of section 7 of the Basic Provisions, you will not be responsible to pay a premium, nor will the policy be terminated because the premium has not been paid. FCIC will pay a premium subsidy equal to the premium established for this catastrophic risk protection coverage.
 - (2) In return for catastrophic risk protection coverage, you must pay an administrative fee to us within 30 days after you have been billed (you will be billed by the billing date stated in the Special Provisions):
 - (i) The administrative fee for each crop in the county is \$60.
 - (ii) Payment of an administrative fee will not be required if you file a bona fide zero acreage report on or before the acreage reporting date for the crop (If you falsely file a zero acreage report you may be subject to criminal and administrative sanctions).
 - (3) The administrative fee does not apply if it is determined that you meet the definition of a limited resource farmer. If you qualify as a limited resource farmer and desire to be exempted from paying the administrative fee, you must sign the waiver at the time of application (on or before the sales closing date).
 - (4) If the administrative fee is not paid when due, you, and all persons with an insurable interest in the crop under the same contract, may be ineligible for certain other USDA program benefits as set out in section 12(e), and all such benefits already received for the crop year must be refunded.
- (d) Multiple Benefits
If you are eligible to receive an indemnity under this section and benefits compensating you for the same loss under any other USDA program, you must elect the program from which you wish to receive benefits. Only one payment or program benefit is allowed. However, if other USDA program benefits are not available until after you filed a claim for indemnity, you may refund the total amount of the indemnity and then receive the other program benefit. Farm ownership and operating loans may be obtained from the USDA in addition to crop insurance indemnities.
- (e) Eligibility for Other USDA Program Benefits
You must obtain at least catastrophic risk protection coverage for each crop of economic significance in the county in which you have an insurable share, if insurance is available in the county for the crop, unless you provide a signed waiver of any eligibility for emergency crop loss assistance in connection with the crop. If you do not obtain catastrophic risk protection coverage or sign the waiver, you will not be eligible for:
 - (1) Benefits under the Agricultural Market Transition Act;
 - (2) Loans or any other USDA provided farm credit, including guaranteed and direct farm ownership

loans, operating loans, and emergency loans under the Consolidated Farm and Rural Development Act provided after October 13, 1994; and

- (3) Benefits under the conservation reserve program derived from any new or amended application or contracts executed after October 13, 1994.
- (f) Failure to comply with all provisions of the policy constitutes a breach of contract and may result in ineligibility for the farm program benefits stated in subsection 12(e) for that crop year and any benefit already received must be refunded. If you breach the insurance contract, the execution of a waiver of any eligibility for emergency crop loss assistance will not be effective for the crop year in which the breach occurs.

AVOCADO EXAMPLE

<u>YEAR</u>	<u>YIELD/ACRE</u>	<u>STANDARDIZED SEASON AVERAGE PRICE</u>	<u>YEARLY FARM REVENUE</u>
1	4,559	0.81	3,693
2	2,978	1.04	3,097
3	10,112	0.21	2,124
4	2,014	0.65	1,309
5	2,420	0.82	1,984

AVERAGE FARM REVENUE = 2441

AVERAGE COUNTY REVENUE FOR THESE YEARS = 3,895

LONG TERM AVERAGE COUNTY REVENUE = 4,001

APPROVED AVERAGE REVENUE = $(2,441/3,895 \times 4,001) = 2,507$

Assume this grower selected the 65% coverage level. The amount of insurance per acre is:

2,507 dollars per acre times 65% = 1,630 dollars per acre.

Assume the grower produced 1,500 pounds per acre and the crop year's season average price is .80 cents per pound. The value of production to count is:

1,500 pounds per acre times .80 cents per pound =
1,200 dollars per acre.

The indemnity is calculated as follows:

Amount of insurance per acre	\$1,630
Subtract the value of production per acre	(-) <u>\$1,200</u>
Indemnity per acre	\$ 430