

PECAN REVENUE PILOT CROP PROVISIONS For the 2001 and succeeding crop years

If a conflict exists among the Basic Provisions, these crop provisions, and the Special Provisions, the Special Provisions will control these crop provisions and the Basic Provisions, and these crop provisions will control the Basic Provisions.

1. Definitions

Acreage - The area occupied by the insured crop, excluding roadways, right-of-ways, etc.

AMS - The Agricultural Marketing Service of the United States Department of Agriculture.

Amount of insurance (per acre) - The amount determined by multiplying the individual dollar amount per acre by the coverage level percentage you elect, as provided in the actuarial documents.

Average gross sales (per acre) - Total value of in-shell pecans grown during the crop year divided by the total acres of pecans.

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

Direct marketing - Sale of the insured crop directly to consumers without the intervention of a wholesaler, retailer, packer, processor, sheller, or similar buyer. Examples of direct marketing include selling through an on-farm or roadside stand, farmer's market, permitting the general public to enter the field for the purpose of harvesting all or a portion of the crop, or shelling and packing your own pecans.

Harvest - Collecting mature pecans from the ground.

Hedging - The removal of branch growth to prevent overcrowding of pecan trees.

Individual dollar amount - An amount determined by the average gross sales per acre (in-shell basis) based on at least the most recent consecutive four years of your records. If you provide more than four years of records, they must be either the most recent consecutive 6, 8, or 10 years of records. You will not be allowed to use an odd number of years to establish your individual dollar amount. Your individual dollar amount will be adjusted if more than 12.5 percent of your trees are removed during the two-year coverage module.

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

Market price - The average cash in-shell price per pound for pecans of the same variety or varieties insured offered by at least three buyers in the area in which you normally market the pecans. If 3 buyers are not available in your immediate area, we will use the nearest buyers to your area.

Net acres - The acreage of the insured pecans multiplied by your share.

Pound - A unit of weight equal to sixteen (16) ounces avoirdupois of pecans (in-shell basis).

Set Out - The transplanting of pecan trees into the grove.

Scion - The detached living portion of one pecan variety that is joined to the stock of another variety when grafting.

Sequentially thinned - A method of systematically removing alternate pecan trees when tree canopies begin to overcrowd for the purposes of improving sunlight penetration and maintaining the proper spacing necessary for continuous production.

Top work - To graft scions of one pecan variety on the stock of pecan trees of another variety.

Two-year coverage module - A two-crop-year subset of a continuous policy in which the insured agrees to insure the crop for both years of the module and we agree to offer the same rate, amount of insurance, coverage level, terms and conditions for each year of the coverage module, except for legislatively-mandated changes or if more than 12.5 percent of the trees are removed. Your policy may be canceled before the end of the two-year coverage module for non-payment of premium or if you are on an ineligible list.

2. Unit Division

In lieu of the definition of basic unit in section 1 of the Basic Provisions, a unit will be all insurable acreage of pecans in the county in which you have a share on the date coverage begins for the crop year.

3. Insurance Guarantees and Coverage Levels for Determining Indemnities

(a) Your average gross sales are the basis of your insurance guarantee. You are required to provide at least the most recent consecutive four years of sales records to determine your individual dollar amount. If you provide more than four years of records, they must be either the most recent consecutive 6, 8, or 10 years of records. You will not be allowed to use an odd number of years to establish your average gross sales. If you do not provide at least four years of sales records, you will only be allowed to purchase insurance at the lowest available dollar span provided by the actuarial table. Your insurance guarantee will be determined by taking your average gross sales multiplied by the coverage percent, acres, and your share.

(b) You may select only one amount of insurance for all the pecans in the county insured under this policy for both years of the two-year coverage module.

(c) In lieu of section 3 (c) of the Basic Provisions, you must report gross sales to us for each year of the two-year coverage module on or before the acreage reporting date. If you do not report gross sales, we will assign a gross sales amount for any year that you do not report. The gross sales amount assigned by us will not be more than 75 percent of the individual dollar amount used to determine your amount of insurance for the current coverage module. The sales reports or your assigned sales amount will be used to compute your sales history for the next two-year coverage module. If you filed a claim for any crop year, the value of harvested production and appraised potential production used to determine your indemnity payment will be the gross sales report for that year.

(d) In lieu of section 3 (b) of the Basic Provisions, the following apply:

(1) Your amount of insurance per acre will remain the same for each year of the two-year coverage module as long as no more than 12.5 percent of the acres are thinned, or you do not add more than 12.5 percent to your previous year's acreage.

(2) You may select only one coverage level offered by us for the insured crop for the two-year coverage module. By giving us written notice, you may change the coverage level for the succeeding two-

year coverage module not later than the sales closing date of the next two-year coverage module.

- (e) If more than 12.5 percent of the total acres are thinned (not removal of a contiguous block), your average gross sales for those acres thinned will be multiplied by .70 for the first harvest after thinning and .85 for the second harvest after thinning. No reduction will be assessed following the second harvest after thinning. In lieu of Section 3 (a) of the Basic Provisions, amounts of insurance may be different than those stated in the Summary of Coverage. If a contiguous block of trees has been removed, only the insurable acres will be adjusted.
- (f) Insurance will attach to acreage added to a unit for the second year of a two-year coverage module at the same amount of insurance per acre that has been established on the original insurable acreage provided no more than 12.5 percent of the previous year's acreage has been added and the added acreage is inspected and accepted by us. If more than 12.5 percent of the previous year's acreage is added, and sales records for the added acreage are provided, a new individual dollar amount will be calculated for the total acreage. If records are not provided for the added acreage, the average gross sales per acre for the added acreage will be no greater than 65 percent of the previous year's average gross sales per acre and a new individual dollar amount will be calculated for the total acreage.
- (g) Catastrophic risk protection provided under 7 CFR part 402 is not available. In lieu of section 3 of the Basic Provisions producers who select catastrophic risk protection will receive coverage in accordance with section 12.

4. Report of Acreage

- (a) In addition to the requirements of section 6 of the Basic Provisions you must report, by the acreage reporting date designated in the Special Provisions:
 - (1) Any damage to trees, removal of trees, change in grove practices, sequential thinning or any other action that may reduce the expected gross sales below the gross sales upon which the amount of insurance is based and the number of affected acres;
 - (2) The number of bearing trees on insurable and uninsurable acreage;
 - (3) The age of the trees and the planting pattern;
 - (4) Any acreage that is excluded under section 7 of the Crop Provisions; and
 - (5) Your gross sales receipts;
- (b) We will reduce the amount of your insurable acreage, based on our estimate of removal of a contiguous block of trees; damage to trees or a change in practices on the coverage of the insured crop. If you fail to notify us of any circumstance that may reduce your coverage from previous levels, we will reduce your insurable acreage or your individual dollar amount as necessary, at any time that we become aware of the circumstance.

5. Contract Changes

In lieu of section 4 of the Basic Provisions, the contract change date is August 31 preceding the next two-year coverage module.

6. Cancellation and Termination Dates

In lieu of section 2 of the Basic Provisions the following applies:

- (a) This is a continuous policy with a two-year coverage module.

- (b) This contract may be canceled by either you or us for the next two-year coverage module by giving written notice on or before October 31 of the second crop year of each two-year coverage module. October 31 of each crop year is the termination date.

- (c) Premium is due annually for each year of the two-year insurance period.

- (d) This contract may be canceled for non-payment of premium or if you are included on an ineligible list.

7. Insured Crop

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

- (1) In which you have a share;
- (2) That are growing in an orchard that is inspected and accepted by us;
- (3) That are growing on trees that have reached at least the 12th growing season either after being set out or replaced by transplants, or that are in at least the 5th growing season after top work, unless acceptable records are provided that show that these trees have produced at least 600 pounds of nuts per acre during a prior year;
- (4) That are not direct marketed to consumers (unless allowed by the Special Provisions or by written agreement);
- (5) That are not growing on trees that are or have been (unless allowed by the Special Provisions or by written agreement):
 - (i) Hedged; or
 - (ii) Interplanted with another perennial crop.
- (6) That are not growing in an indistinguishable pattern.

- (b) Insurance by written agreement will be allowed only in counties where the pecan actuarial documents have been filed.

8. Insurance Period

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

- (1) Coverage begins on November 1 preceding the crop year, except for the first year of insurance, if your application is accepted by us after November 1, insurance will attach on the 10th day after the application is received by the local agent's office.
- (2) The calendar date for the end of the insurance period is December 31 of the calendar year in which the crop is normally harvested.

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

- (1) If you acquire an insurable share in any insurable acreage after coverage begins, but on or before the acreage reporting date for the crop year, and our inspection determines that the acreage is acceptable, insurance will be considered to have attached to such acreage at the beginning of the insurance period.
- (2) If you relinquish your insurable interest on any insurable acreage of pecans on or before the acreage reporting date for the crop year, insurance will not be considered to have attached to, and no premium will be due for, 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) You or the transferee notifies us in writing of such transfer on or before the acreage reporting date.

(iii) The transferee is eligible for crop insurance.

9. Causes of Loss

(a) In lieu of the first sentence of section 12 of the Basic Provisions insurance is provided against an unavoidable decline in revenue 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) Earthquake;
- (4) Volcanic eruption;
- (5) Failure of the irrigation water supply, if caused by an insured peril that occurs during the insurance period;
- (6) Decline in market price;
- (7) Insects, but not damage due to insufficient or improper application of pest control measures; or
- (8) Plant disease, but not due to insufficient or improper application of disease control measures.

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

- (1) The inability to market the pecans 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;
- (2) Wildlife; or
- (3) Your failure to follow any recommendations or instructions contained in the Cooperative State Research, Education, and Extension Service's Pecan Pest Management Guide.

10. Duties in the Event of Damage or Loss

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

- (1) You must notify us within 3 days of the date harvest should have started if the crop will not be harvested.
- (2) You must notify us at least 15 days before harvest begins if any production from any unit will be marketed directly to consumers. We will conduct an appraisal that will be used to determine your production to count for direct marketed production. If damage occurs after this appraisal, we will conduct an additional appraisal. These appraisals and any acceptable records provided by you will be used to determine the dollar value of your production to count. Failure to give timely notice that production will be marketed directly to consumers will result in an appraised dollar value of production to count that is not less than the amount of insurance per acre if such failure results in our inability to make the required appraisal.
- (3) If you intend to claim an indemnity on a unit, you must notify us prior to the beginning of harvest, or immediately if a loss occurs during harvest, so that we may inspect the damaged production. You must not sell or dispose of the damaged crop until after we have given you written consent to do so. If you fail to meet the requirements of this subsection, all such production will be considered undamaged and included as production to count.

11. Settlement of Claim

- (a) Indemnities will be calculated annually.
- (b) We will determine your loss on a unit basis.
- (c) In the event of loss or damage covered by this policy, we will settle your claim by:
 - (1) Multiplying the net acres of the insured pecans by the amount of insurance;
 - (2) Subtracting the dollar value of the total production to be counted (see section 11(d)) in the unit as follows:
 - (i) For other than catastrophic risk protection coverage, the dollar value of the total production to count; or
 - (ii) For catastrophic risk protection coverage, the result of multiplying the dollar value of the total production to count by fifty-five percent.
- (d) The dollar value of the total production to count from all insurable acreage will include your share of:
 - (1) Not less than the dollar amount of insurance per acre for acreage:
 - (i) That is abandoned;
 - (ii) Marketed directly to consumers if you fail to meet the requirements contained in section 10;
 - (iii) Damaged solely by uninsured causes; or
 - (iv) For which no sales records or unacceptable sales records are provided to us;
 - (2) The value of the following appraised production:
 - (i) Potential production lost due to uninsured causes and failure to follow good farming practices;
 - (ii) Unharvested production; and
 - (iii) Potential production on insurable 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.
 - (iv) The market price, as determined by us, multiplied by the appraisals will be used in determining the value of the appraised production in section 11(d)(2).
 - (3) The total dollar value of all harvested production from the unit will be:
 - (i) The dollar amount obtained by multiplying the number of pounds of pecans sold by the in-shell price received; and
 - (ii) The dollar amount obtained by multiplying the number of pounds of harvested, but not sold, by the market price as determined by us.
 - (iii) We will review the price(s) that you receive for your pecans relative to AMS published prices during the week you sold your pecans. If we determine that the price you reported that you received for your pecans is inconsistent with the quality of pecans we determined when we adjusted your loss, we will determine the value of your sold production based on the average AMS prices or machine harvested blends

published during the week that you sold your pecans.

12. Catastrophic Risk Protection Coverage

(a) Definitions

- (1) Additional coverage - An amount of protection greater than or equal to 65 percent of your approved individual dollar amount.
- (2) Catastrophic risk protection - The minimum level of coverage offered by FCIC.
- (3) Limited coverage - An amount of protection that is greater than or equal to 50 percent of your approved individual dollar amount per acre, but less than 65 percent of your approved individual dollar amount.
- (4) Limited resource farmer - A producer or operator of a farm, with an annual gross income of \$20,000 or less derived from all sources of revenue, including income from your spouse or other members of the household, for each of the prior two years, or a producer on a farm or farms of less than 25 acres aggregated for all crops, where a majority of the producer's gross income is derived from such farm or farms, but the producer's gross income from farming operations does not exceed \$20,000.

(b) Catastrophic risk protection coverage will terminate:

- (1) If you fail to pay the applicable administrative fees when due as specified in section 12 (d), effective on the termination date immediately subsequent to the billing date for the crop year;
- (2) For the crop year for which you elect to purchase limited or additional coverage for the insured crop; or
- (3) For the crop year for which you cancel your coverage by the cancellation date.

(c) Catastrophic risk protection equals 27.5 percent of your approved individual dollar amount.

(d) Administrative Fees

- (1) In lieu of section 7 (c) 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 the insurance provider 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 is equal to \$10 plus the greater of either \$50 or 10 percent of the premium subsidy provided for the catastrophic risk protection coverage.
 - (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.
- (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(f), and all such benefits already received for the crop year must be refunded.

(e) 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 file a claim for indemnity, you may refund the total amount of the indemnity and receive the other program benefits. Farm ownership and operating loans may be obtained from the USDA in addition to crop insurance indemnities.

(f) Eligibility for Other USDA 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.

(g) 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(f) for that crop year and any benefit already received must be refunded.

Pecan Revenue Example		AVERAGE POUNDS PER ACRE	AVERAGE GROSS SALES
YEAR	ACRES		
1996	100	750	\$1050
1995	100	625	\$625
1994	100	200	\$250
1993	100	1250	\$750
Individual Dollar Amount = \$669			

At the 65% coverage level, amount of insurance per acre is:
 $\$669 \times 65\% = \435 per acre

Assume the insured produced 400 pounds/acre with an average price of \$0.75/ pound. Production to count is:
 $400 \text{ pounds per acre} \times \$0.75 \text{ per pound} = \$300 / \text{acre}$

The indemnity would be:	Amount of insurance:	\$435 / acre
	Value of production	- \$300 / acre
	Indemnity	\$135 / acre