

**SUMMARY OF CHANGES FOR THE
ACTUAL REVENUE HISTORY CITRUS PILOT CROP PROVISIONS
(2016-0227-ARH Citrus)**

The following is a brief description of the changes to the ARH Citrus Pilot Crop Provisions that will be effective for the 2016 crop year. Please refer to the ARH Citrus Pilot Crop Provisions for complete information.

Section 2 Definition of annual price revised.

Section 2 Definition of crop year revised.

Section 2 Definition of unharvested production adjustment revised.

Section 12 The term marketable added throughout the section.

UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
ACTUAL REVENUE HISTORY
CITRUS PILOT CROP PROVISIONS



1. **Applicability.**

You must have applied for insurance and have a policy in effect under the Basic Provisions and the ARH Endorsement before you may elect to insure a crop under these Crop Provisions.

2. **Definitions.**

Adapted variety – A variety of the insured crop recognized by the Cooperative State Research, Education, and Extension Service as compatible with agronomic and weather conditions in the county.

Annual price – In accordance with the definition contained in the ARH Endorsement, in the event you do not have any sold production for a crop year, the California season average equivalent packinghouse door (PHD) price per box (converted to carton equivalent for all navel and miscellaneous oranges reported by NASS for the crop year for the insured crop in the publication "Citrus Fruits YYYY Summary" (released in September of the crop year) or the price per carton determined by RMA if said publication is not available. Please see the Special Provisions to get the factor to convert the price per box listed by NASS. Any annual price based on the price reported by NASS in the cited publication is final. The price will not be recalculated even though NASS subsequently may revise that price. In the event that NASS does not report a specific price for the insured crop the Special Provisions will designate the price reported by NASS that will be used.

ARH Endorsement – The Actual Revenue History Pilot Endorsement.

Carton – A box designed to enable citrus to be sent from the origin to a destination without the contents being handled and for navel oranges weighs 38 net pounds.

Crop – Citrus fruit as listed in the Special Provisions.

Crop year – The period beginning with the date insurance attaches to an insured citrus crop and extending through normal harvest time. It is designated by the calendar year following the year in which the bloom is normally set.

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

Harvest – Removal of mature fruit of the insured crop from the trees either by hand or by a machine designed for that purpose.

Marketable – Production of the insured crop that meets or exceeds the grading standards specified in the Special Provisions.

Mechanical damage – Physical injury to a tree that results in its destruction or reduces its ability to produce a normal crop, or injury to fruit such that it is not marketable, caused by the improper use of tools or machinery.

NASS - National Agricultural Statistics Service, an agency within USDA, or its successor, which publishes official United States Government crop estimates.

Pound – A unit of weight equal to 16 ounces avoirdupois.

Reasonable price – A value per carton paid by buyers in the local area for the insured crop having similar quality on the date of sale.

Rootstock – The root and stem portion of a tree to which a scion can be grafted.

Set out – Transplanting a tree into the grove or grafting a scion onto rootstock.

Scion – Twig or portion of a twig of one plant that is grafted onto a rootstock.

Type – If applicable, a grouping of varieties within a crop as listed on the Special Provisions.

Unharvested production adjustment – A dollar amount per carton contained in the Special Provisions that we use to assess a cost for average yields that are lower than the approved yield. Since the amount of insurance includes harvesting and haulage costs, this value represents our determination of the expense you did not incur.

Unsold production – Any insured citrus produced during the crop year that is either harvested or unharvested for which you have not received a final settlement price on or before the calendar date for the end of the insurance period for losses due to an inadequate market price.

Value per acre – The approved revenue per acre multiplied by the expected revenue factor, the coverage level percent, and your share.

3. **Unit Division.**

(a) Section 34(a) of the Basic Provisions does not apply to these Crop Provisions.

(b) Provisions in the Basic Provisions that allow optional units by section, section equivalent, or FSA farm serial number and by irrigated and non-irrigated are not applicable.

(c) Optional unit may:

(1) Consist of acreage located on non-

2016-0227-ARH Citrus

contiguous land; or

- (2) Be established by type if type is specified in the Special Provisions.

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

- (a) In addition to the requirements of section 3 of the Basic Provisions, you may select only one coverage level percentage for each crop that you elect to insure.
- (b) In addition to the requirements of section 3 of the Basic Provisions and section 6 of the Endorsement, you must report, by the revenue reporting date:
 - (1) Any damage, removal of trees, change in practices, or any other circumstance that may reduce the quantity or quality of the insured crop produced on insured acres and the number of affected acres;
 - (2) The revenue from sales of the insured crop for the prior year by type from insurable and uninsurable acreage;
 - (3) The ages of the trees, number of bearing trees, and planting patterns on insurable acreage;
 - (4) For the first year of insurance for acreage interplanted with another perennial crop, and any time the planting pattern of such acreage is changed:
 - (i) The age of the interplanted crop and type if applicable;
 - (ii) The planting pattern; and
 - (iii) Any other information that we request.
 - (5) Your intention to produce or market the crop in a way that materially differs from the basis on which the revenue history is established (e.g., the crop will be produced and sold for a domestic market whereas the revenue history is based on export market sales with a price premium).
- (c) We will reduce your approved revenue as necessary, based on our determination of the effects of the conditions listed in section 4(b) on the quantity or quality of the insured crop produced. If you fail to notify us of any circumstance that may affect your production or potential revenue of the insured crop, we will reduce your amount of insurance as necessary at any time we become aware of such circumstances.
- (d) In lieu of that specific provision of section 3(f) of the Basic Provisions and the definition of revenue reporting date contained in the Endorsement, the revenue reporting date is the acreage reporting date.
- (e) In lieu of that specific provision in section 3(f) of the Basic Provisions, you are required to report the revenue for the crop year that ended immediately preceding the cancellation date.

For example, you must report your revenue for the 2009 crop year by the revenue reporting date for the 2011 crop year.

- (f) Any records used to make any determinations under these Crop Provisions will be converted to cartons using the weights specified in section 2 if necessary.

5. Contract Changes.

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

6. Cancellation and Termination Dates.

In accordance with section 2 of the Basic Provisions, the cancellation and termination dates are the November 20 of the second calendar year before the insured crop normally is harvested.

7. Insured Crop.

In accordance with section 8 of the Basic Provisions, the crop insured will be all the insurable acreage of each crop in the county that you elect to insure for which a premium rate is provided by the actuarial documents:

- (a) In which you have a share;
- (b) That is of varieties (scion and rootstock) adapted to the area;
- (c) That is irrigated, unless the Special Provisions allow a non-irrigated practice;
- (d) That is grown in a grove that meets the conditions of insurability that may be contained in the Special Provisions and that, if inspected, is considered acceptable by us;
- (e) That has reached at least the sixth growing season after being set out into the grove; and
- (f) That is not direct marketed unless you comply with section 11(c).

8. Insurable Acreage.

In lieu of the provisions in section 9 of the Basic Provisions that prohibit insurance attaching to a crop planted with another crop, acreage of the insured crop interplanted with another perennial crop are insurable unless we inspect the acreage and determine it is not acceptable.

9. Insurance Period.

- (a) In accordance with the provisions of section 11 of the Basic Provisions, insurance will attach according to the following terms:
 - (1) For the crop year you apply for insurance, on the later of ten days after your properly completed application is received in our local office or the first November 21 of the crop year, unless we inspect the acreage during the ten day period and determine that it does not meet insurability requirements; or
 - (2) For each subsequent crop year, on the first November 21 of the crop year.
- (b) The calendar date for the end of the insurance

2016-0227-ARH Citrus

period for physical damage to the insured crop is the August 31 of the calendar year in which the insured crop normally is harvested.

- (c) The calendar date for the end of the insurance period for loss of revenue due to an inadequate market price is the August 31 of the calendar year in which the insured crop normally is harvested.
- (d) In addition to the provisions of section 11 of the Basic Provisions:
 - (1) If you acquire an insurable share in any insurable acreage of the insured crop after coverage begins, but on or before the acreage reporting date for the crop year, and after an inspection we 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 insurable acreage of the insured crop on or before the acreage reporting date of any crop year, insurance will not be considered to have attached to, and no premium will be due, and no indemnity paid, for such acreage for that crop year unless:
 - (i) A transfer of coverage and 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.
 - (3) If you anticipate destroying the trees on any acreage prior to harvest:
 - (i) You may report all planted acreage when you report your acreage for the crop year and specify any acreage to be destroyed as uninsurable acreage. (By doing so, no coverage will be considered to have attached on the specified acreage and no premium will be due for such acreage. If you do not destroy such acreage, you will be subject to the under-reporting provisions contained in section 6 of the Basic Provisions); or
 - (ii) You may report all planted acreage as insurable when you report your acreage for the crop year. Premium will be due on all the acreage except as set forth herein. You may qualify for a reduction in premium only if you notify us of your intention to destroy trees in writing on or before the date designated in the Special Provisions, and do not claim an indemnity on the acreage. No premium reduction will be allowed if the required notice is not

given or if you claim an indemnity for the acreage. Upon receiving timely notice, insurance coverage on the acreage you do not intend to harvest will cease and we will revise your acreage report to indicate the applicable reduction in premium. If you do not destroy the crop as intended, you will be subject to the under-reporting provisions contained in section 6 of the Basic Provisions.

- (iii) The trees that are destroyed must be contiguous and must equal at least the lesser of 10 percent of the acreage in the unit or at least five acres.

10. Cause of Loss.

- (a) In accordance with the provisions of section 12 of the Basic Provisions, insurance is provided only against the following causes of loss that occur within the insurance period:
 - (1) Adverse weather conditions;
 - (2) Fire, unless undergrowth has not been controlled or pruning debris has not been removed from the grove;
 - (3) Insects and plant diseases if:
 - (i) 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; or
 - (ii) No pesticides effective on the insect or the plant disease are registered with the Environmental Protection Agency and labeled for use on the insured crop.
 - (4) Wildlife;
 - (5) Earthquake;
 - (6) Volcanic eruption;
 - (7) Failure of the irrigation water supply, if caused by a cause of loss specified in section 10(a)(1) through 10(a)(6) that occurs during the insurance period; and
 - (8) An inadequate market price.
- (b) In addition to the causes of loss excluded in section 12 of the Basic Provisions, we will not insure against damage or loss due to:
 - (1) Mechanical damage;
 - (2) Failure to harvest in a timely manner for any reason, including inability to obtain harvest labor, unless the failure to harvest is due to a peril(s) specified in section 10(a)(1) through 10(a)(6); and
 - (3) Inability to market the insured crop 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

2016-0227-ARH Citrus

person to accept production.

11. 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 3 days before the date harvest should start if the crop will not be harvested.
- (b) If damage occurs when the crop is mature or at any time during harvest, you must notify us within 3 days after you discover the damage so we can inspect your acreage.
- (c) You must notify us at least 15 days before any production from any unit will be sold by direct marketing.
 - (1) We will conduct an inspection and appraisal, if needed, that will be used to determine your revenue to count for such production.
 - (2) If damage occurs after this inspection, we will conduct one or more additional inspections as needed.
 - (3) These inspections, and any acceptable records provided by you, will be used to determine your revenue to count.
 - (4) Failure to give timely notice that production will be sold by direct marketing will result in an appraisal of not less than the value per acre for each such acre if we are unable to make the required inspection or appraisal as a result.
- (d) You must notify us at least 15 days prior to the beginning of harvest or as specified elsewhere in this section if you expect the production to be harvested per acre will be less than your approved yield multiplied by the coverage level you selected.
- (e) If there is no damage or loss of production but you anticipate a revenue loss, you must give us notice not later than the September 30 of the calendar year in which the insured crop normally would be harvested.
- (f) You must not destroy the damaged crop until we have given you written consent to do so. If you do not meet the requirements of this section and we are unable to inspect the damaged production as a result, an appraisal of not less than the value per acre will apply to each affected acre.

12. Settlement of Claim.

- (a) We will determine your loss separately for each unit you defined on your acreage report or that we find to exist in accordance with section 3 of these Crop Provisions. If you do not or cannot provide acceptable records of revenue or production for the crop year for:
 - (1) Any optional unit, we will combine all optional units for which such records were not provided; or

- (2) Any basic unit, we will allocate commingled production to each basic unit 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 value per acre;
 - (2) Subtracting the total revenue to count (see section 12(c));
 - (3) Multiplying the result of section 12(b)(2) by the payment factor if that result is positive, or determining the indemnity to be zero otherwise.
 - (c) The total value of production to count from all insurable acreage on the unit will be the sum of the following determinations:
 - (1) All appraised acreage or production:
 - (i) Not less than the value per acre multiplied by the number of affected acres for any acreage:
 - (A) That is abandoned;
 - (B) Put to another use without our consent;
 - (C) From which production is sold by direct marketing and you failed to give the notice required by section 11(c) and we consequently were unable to make the required inspection or appraisal;
 - (D) That is damaged solely by uninsured causes; or
 - (E) For which you fail to provide acceptable records.
 - (ii) The value of any marketable production lost due to uninsured causes, which will be the appraised cartons of such production multiplied by the annual price and by your share.
 - (iii) The value of unharvested marketable production which will be the appraised cartons of such production multiplied by the annual price and by your share.
 - (iv) Potential marketable production on insured acreage you intend to put to another use or abandon, if you agree to our appraisal of the value of such production, which will be the quantity of such production multiplied by the annual price. Upon such agreement, the insurance period for that acreage will end when you put the acreage to another use or abandon the crop. If agreement on the appraised value is not reached:
 - (A) If you do not elect to continue to care for the crop, we may give you

2016-0227-ARH Citrus

consent to put the acreage to another use if you agree to leave intact, and provide sufficient care for, representative samples of the crop in locations acceptable to us. The revenue to count for such acreage will be based on the greater of your share of the harvested marketable production or our appraisal in accordance with section 15(b) of the Basic Provisions from the samples at the time harvest should have occurred multiplied by the annual price. If you do not leave the required samples intact, or fail to provide sufficient care for the samples, our appraisal made prior to giving you consent to put the acreage to another use will be used to determine the revenue to count; or

- (B) If you elect to continue to care for the crop, the revenue to count for the acreage will be based on the greater of the amount you received for the harvested production or our reappraisal in accordance with section 15(b) of the Basic Provisions multiplied by the annual price if additional damage occurs and the crop is not harvested.
- (2) The value of your share of any unsold marketable production, which shall be the quantity of such marketable production multiplied by the annual price.
- (3) The revenue you derived from all harvested production that was sold if we determine you received a reasonable price for all such production. If we determine the price for any part of the marketable production was not reasonable, the revenue to count shall be the quantity of such production multiplied by the annual price. Harvested production that is damaged or defective due to insurable causes and is not marketable will have a value of zero.
- (4) Costs avoided due to unharvested production, which will be computed as follows:
- (i) Multiplying the approved yield by the coverage level, by the number of acres damaged solely by uninsured causes, and by your share;
 - (ii) Adding this result to the sum of your share of the number of appraised and harvested cartons;

- (iii) Multiplying the approved yield by the coverage level, the number of insured acres, and your share;
 - (iv) Subtracting the result of 12(c)(4)(ii) from the result of 12(c)(4)(iii);
 - (v) Multiplying the result of 12(c)(4)(iv) by the unharvested production adjustment if that result is positive or determining the avoided costs to be zero otherwise.
- (d) Example of your insurance protection:

Example 1: You have 100 percent share in 10 acres of navel oranges in a unit. You certify revenue for the five most recent crop years. The average of that revenue is \$3,500 per acre. RMA has provided the expected revenue factor, which is 1.00. You chose the 75 percent coverage level and a payment factor of 0.85. The value per acre is \$3,500 approved revenue X 1.00 expected revenue factor x 0.75 coverage level X 1.00 share = \$2,625.

You harvest a crop equal to or greater than the product of your approved yield, coverage level, and share, but an inadequate market price causes your revenue to be only \$17,500. No appraisals are necessary and you have no unsold marketable production at the end of the insurance period. Your indemnity is calculated as follows:

- (1) $\$2,625 \times 10 \text{ acres} \times 1.00 \text{ share} = \$26,250$;
- (2) $\$26,250 - \$17,500 \text{ revenue to count} = \$8,750 \text{ difference}$; and
- (3) $\$8,750 \times 0.85 \text{ payment factor} = \$7,438 \text{ indemnity payment}$.

Example 2: All conditions are the same as Example 1, but you can harvest only 2,000 cartons and receive total revenue of \$17,500 for that marketable production. Assume your approved yield is 560 cartons per acre and the unharvested production adjustment value is \$0.70 per carton. The product of your approved yield, coverage level and share is $560 \times 0.75 \times 1.000 = 420$ cartons per acre. Your indemnity is calculated as follows:

- (1) $\$2,625 \times 10 \text{ acres} \times 1.00 \text{ share} = \$26,250 \text{ total value}$;
- (2) $560 \text{ cartons} \times 0.75 \times 1.00 \text{ share} = 420 \text{ cartons}$;
- (3) $420 \text{ cartons} \times 10 \text{ acres} = 4,200 \text{ cartons}$;
- (4) $4,200 \text{ cartons} - 2,000 \text{ cartons} = 2,200 \text{ cartons}$;
- (5) $2,200 \text{ cartons} \times \$0.70 \text{ per cartons} = \$1,540$;
- (6) $\$17,500 + \$1,540 = \$19,040$;
- (7) $\$26,250 - \$19,040 = \$7,210$.

2016-0227-ARH Citrus

- (8) $\$7,210 \times 0.85$ payment factor = $\$6,129$ indemnity payment.

Example 3: All conditions are the same as Example 1, but 2.3 acres of the navel oranges were damaged by the drift of pesticide that damaged the oranges and made them unmarketable (acreage damaged solely by uninsured causes). You did not harvest 150 cartons of oranges on the remaining acreage (appraised unharvested marketable production). A total of 100 cartons had mechanical damage (marketable production damaged due to uninsured causes). Assume your approved yield is 560 cartons per acre and the unharvested production adjustment is \$0.70 per carton. The product of your approved yield, coverage level and share is $560 \times 0.75 \times 1.000 = 420$ cartons per acre. You sold 2,000 cartons of oranges for \$17,500, which is an average price (the annual price) of \$8.75 per carton. Your indemnity in this case will be calculated as follows:

- (1) $\$2,625 \times 2.3$ acres $\times 1.000$ share = \$6,038 appraised revenue to count for acreage damaged solely due to uninsurable cause;
- (2) 100 cartons $\times \$8.75$ per carton $\times 1.000$ share = \$875 appraised revenue for production lost due to uninsured causes;
- (3) 150 cartons $\times \$8.75 \times 1.000$ share = \$1,313 for appraised revenue for unharvested production;
- (4) \$17,500 revenue to count for sold harvested production;
- (5) 420 cartons $\times 2.3$ acres $\times 1.000$ share = 966 cartons;
- (6) 966 cartons + 100 cartons + 150 cartons + $2,000$ cartons = 3,216 cartons;
- (7) 420 cartons $\times 10.0$ acres = 4,200 cartons;
- (8) $4,200$ cartons - $3,216$ cartons = 984 cartons subject to unharvested production adjustment;
- (9) 984 cartons $\times \$ 0.70 = \689 ;
- (10) $\$6,038 + \$875 + \$1,313 + \$17,500 + \$689 = \$26,415$ total value to count;
- (11) $\$26,250 - \$26,415 = (\$165)$

No indemnity is due.

13. Late and Prevented Planting.

The late and prevented planting provisions of the Basic Provisions are not applicable.