Apple Crop Insurance Update

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Introduction

• In 2011, the Risk Management Agency (RMA) made changes to the apple crop insurance provisions
  – Definition of “fresh apple production” and the verifiable records needed to support this designation
  – Allow optional units, by type
Introduction

• “If you designate fresh apple acreage on the acreage report you are certifying at least 50 percent of the production from acreage reported as fresh apple acreage, by unit, was sold as fresh apples in one or more of the four most recent crop years…. and that you have the records to support such production.”
  – From 11-0054 Apple Crop Insurance Provisions (Section 6)
Introduction

• Although changes made in 2011, language is not new…

If the insured selects Fresh Fruit Option B (FB), they must provide one year of fresh fruit records from at least one of the two previous crop years.
Introduction

• Why the specific interest in this provision?
  – Incentive to certify acres as fresh:
    • 2013 Fresh price election $11.70
    • 2013 Processing price election $ 3.60

• Mere intent to grow fresh no longer sufficient; must show proven capacity to produce fresh market apples
Goal today

• Provide information about apple production record requirements that would likely meet standards of the provision
  – Allow producers to adjust recordkeeping systems and make claims process smoother
RMA Compliance Review

2012 Limited Review Results

- Records Sufficient: 49 policies
- Records Not Sufficient: 15 policies

- 19.7% of policies reviewed have sufficient records
- 25% of policies reviewed have records not sufficient

61 Total Policies Reviewed
20 North Carolina Policies Reviewed
Disclaimer

- Information based on RMA documentation. Examples provided are for educational purposes only. The presence or absence of specific records or record types neither suggests blanket acceptance or non-acceptance. When in doubt, consult the CIH, the apple policy provisions, and talk to your crop insurance agent.
Pertinent References

2012 CIH: Sect 14, 16
2012 Apple Policy
PM-10-071
Pertinent References

MGR-11-0015

FAD 172

NOTE: All references available at: http://www.rma.usda.gov
Crop Insurance Handbook

2013 CIH, Sec 14, Para D(1)(a)

D Acceptable Verifiable Records.

(1) Records of Production Commercially Sold to or Stored by a Disinterested Third Party.

(a) Records. The following records of commercially sold or stored production are acceptable, provided they include all the information in [Para. (1)(b)]:

1. Gin records.
2. Warehouse or elevator receipts, ledger sheets, settlement sheets or load summaries.
3. Records from marketing outlet, storage facility, processor, packer, buyer, broker, distiller, boiler house, or first handler.
Crop Insurance Handbook

• 2013 CIH, Sec 14, Para D(1)(b)

(b) Required information. The following information must be included on the record for the record to be acceptable (if items 6 through 8 below are not provided on the record, the insured must provide this information separately).

1. Crop

2. Quantity of production that can be converted to the proper unit of measure, if necessary

3. Name of insured

4. Date of transaction

5. Name of warehouse, elevator, marketing outlet, storage facility, processor, packer, buyer, broker, distiller, boiler house or first handler, as applicable
Crop Insurance Handbook

- Contd… 2013 CIH, Sec 14, Para D(1)(b)

6  Practice and type of crop;

7  Crop year commodity was produced; and

8  Planting period from which production was produced, if SP designates separate planting periods for the crop.
Crop Insurance Handbook

• 2013 CIH also provides guidance for use of pre-harvest appraisal, daily sales records, pick records etc. as acceptable verifiable records

• See 2013 CIH, Sec 14, Para D(6)
Crop Insurance Handbook

(a) **Pre-Harvest Appraisals.**

1. A pre-harvest appraisal, performed by the AIP or RMA, may be required by the policy if production is marketed directly to consumers. This appraisal is used as supporting documentation in conjunction with pick records, machine harvest records, and/or daily sales records.

(d) **Daily Sales Records.** Daily sales records alone are considered acceptable production records unless the policy requires a pre-harvest appraisal.

Daily sales records must meet both of the following to be acceptable.

1. Photocopy of daily account ledger. A photocopy of the insured’s actual daily account ledger is required.

2. Verification of income. Daily sales records must be accompanied by tax forms or other receipts verifying income from the sale of the crop.
Crop Insurance Handbook

• To summarize, acceptable records include:
  – Crop
  – Quantity, type/practice
  – Name of insured
  – Date of transaction
  – Name of 1st handler (purchaser)
  – Crop year apples produced, AND….
Crop Insurance Handbook

— …price to be reflected on the record (See 2013 CIH, Sec 16, Para J(2)):

Record Requirements by Type. When requested by the AIP, the insured must certify and provide verifiable records used to meet the fresh apple production requirement. These records must indicate the crop, name of the insured, name of the buyer, the minimum production sold as fresh, date the production was sold, the amount of production sold in the applicable unit of measure, and the price. Verifiable records may include: packer or buyer records, daily sales records, and records from a State Marketing Program.
Manager’s Bulletin

- MGR 11-015 also requires price to be commensurate with the value of fresh apples

A verifiable record must reflect the value received was commensurate with the value of fresh apples versus processing apples. It is incumbent upon the policyholder to provide records, when requested, that demonstrate the value received for sold production is consistent with the value of fresh apple production. Section 16J(2) of the 2012 FCIC 18010 Crop Insurance Handbook provides guidance regarding what is considered an acceptable verifiable record.
Optional Unit Records Needed

• 2013 CIH, Sec 16, Para K(1)(a)

(a) OUs by Type. OUs are available for Apples by Fresh and/or Processing types as specified in the SPs. In order to establish OUs for the Fresh type, the insured must certify and, if requested by the AIP, provide verifiable records to support that at least 50 percent of the production from acreage reported as Fresh apple acreage from each unit, was sold as Fresh apples in one or more of the four most recent crop years [see Sec. 16J(2)].

When a producer does not have separate records by unit of fresh apple production in one of the last four years, but does have records of total Fresh apple production, they may still qualify for the fresh apple price.
Final Agency Determination 172

- Definition of “sold”
  - “… to give up (property) to another for something of value (as money). Therefore, simple delivery of the apples to a fresh fruit packer is not the sale of those apples until grower receives payment for the apples. If the fresh fruit packer pays the grower a price commensurate with fresh apples, then apples are considered as fresh apple production.”
Examples

• From RMA Compliance (2012 Limited Scope Review of Apple Insurance)

• **Note:**
  – Records labeled as *unacceptable* in the examples were viewed as “stand-alone” documents (i.e., no additional supporting documents were received)
  – See Disclaimer (in slide 8)
Examples

- Record unacceptable as a pick or daily sales record
- Spreadsheets & logs are ok, but must be verifiable (i.e. w/ receipts)

<table>
<thead>
<tr>
<th>Block</th>
<th>Variety</th>
<th># of Trees</th>
<th>Bushels Picked</th>
<th>Bushels Sold</th>
<th>$ per Bushel</th>
<th>Total $</th>
<th>Bushels Sold For Deer</th>
<th>$ per Bushel</th>
<th>Total $</th>
<th>Bushels Not Sold</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Rome</td>
<td>115</td>
<td>1086</td>
<td>400</td>
<td>$10.00</td>
<td>$4,000.00</td>
<td>500</td>
<td>$5.00</td>
<td>$2,500.00</td>
<td>186</td>
</tr>
<tr>
<td>B</td>
<td>Rome</td>
<td>87</td>
<td>0</td>
<td>0</td>
<td>$10.00</td>
<td>$0.00</td>
<td>0</td>
<td>$5.00</td>
<td>$0.00</td>
<td>0</td>
</tr>
<tr>
<td>C</td>
<td>Rome</td>
<td>105</td>
<td>50</td>
<td>20</td>
<td>$10.00</td>
<td>$200.00</td>
<td>0</td>
<td>$5.00</td>
<td>$100.00</td>
<td>0</td>
</tr>
</tbody>
</table>

Type/Prac verified on policy/PAW

CY critical if stored before sold

Crop ✔
Quantity ✔
Name ✗
Date ✗
Sold to ✗
Type/Prac *
CY Produced *
Price ✔
Examples

• More unacceptable records...

<table>
<thead>
<tr>
<th>Pick Date</th>
<th># of bins</th>
<th>date sorted</th>
<th>bins</th>
<th>sorted by roadside fresh sales</th>
<th>fresh sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept 2009</td>
<td>3</td>
<td>09/03/09</td>
<td>09/04/09</td>
<td>1</td>
<td>12 bargain 3 better</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>09/04/09</td>
<td>2</td>
<td>28 bargain 6 better</td>
<td>147.00</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>09/05/09</td>
<td>09/06/09</td>
<td>2</td>
<td>21 bargain 12 better</td>
</tr>
</tbody>
</table>

All are missing at least some of the required info …

- Crop
- Quantity
- Name
- Date
- Sold to
  - Type/Prac
  - CY Produced
- Price
Examples

- Quantity listed as “9”… 9 of what? Unit of measure is needed to accurately evaluate price
- Unacceptable
Examples

• Size of unit (bin, box, etc.) must be referenced somewhere in the records
• Price needs to be on sales records
Examples

- **Unacceptable daily sales record**

  - How can quantity be determined?
  - How can price be determined

<table>
<thead>
<tr>
<th></th>
<th>Apples</th>
<th>Taxable</th>
<th>Tax</th>
<th>Jelly</th>
<th>Honey</th>
<th>Syrup</th>
<th>Bakery</th>
<th>Specials</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$135.25</td>
<td></td>
<td></td>
<td>$18.01</td>
<td>$19.20</td>
<td>$11.50</td>
<td>$17.09</td>
<td>$39.99</td>
</tr>
<tr>
<td>2</td>
<td>$128.60</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>$123.25</td>
<td></td>
<td></td>
<td>$11.80</td>
<td>$13.60</td>
<td></td>
<td>$32.48</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>$270.98</td>
<td></td>
<td></td>
<td>$13.50</td>
<td></td>
<td></td>
<td>$73.66</td>
<td></td>
</tr>
</tbody>
</table>
Examples

• May use tax records together with daily sales records to substantiate sales (2013 CIH, Sec 14, Para 6(e))
  – “Fruit” may not be acceptable to support sales unless only apples were produced by the entity
Examples

<table>
<thead>
<tr>
<th>Lot</th>
<th>Variety</th>
<th>Red Delicious</th>
<th>Total Bu</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>17</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>18</td>
<td></td>
<td>46</td>
<td>828</td>
</tr>
<tr>
<td>19</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>20</td>
<td></td>
<td>10</td>
<td>200</td>
</tr>
<tr>
<td>22</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>25</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Bu</td>
<td></td>
<td>1028</td>
<td></td>
</tr>
</tbody>
</table>

Grower Settlements

October 18 2010
- Pack Out: 26%
- Juice: 21%
- Canner: 21%
- 2.50" Bag: 27%
- Tree Run: 27%
- Loose: 26%
- 113 tray: 26%
- 100/Larger: 27%
- Totes: 26%
- 10Lb. Bag: 100%

Settlement: $9,539.84
Price/Bu: $9.28

Separates fresh and processing apples

ACCEPTABLE

Crop
Quantity
Name
Date
Sold to
* Type/Pract
* CY Produced
Price

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NC Cooperative Extension
Concluding Thoughts

• Important to develop a recordkeeping system that works for you and your business
• But consult with your agent to make sure it meets crop insurance requirements
• Also consult your buyers and see what type of records they have that may help
Concluding Thoughts

• Leads to better claims process and less headaches…

• Universities may consider developing an acceptable receipt or recordkeeping template for growers

• Develop a State Marketing Program similar to NY (legislative process?)
  – “The amount of production sold under a State Marketing Program would be an acceptable verifiable record.” (See RMA PM-10-071)
Additional Resources

• USDA RMA Website:
  – All references cited in this presentation are in the website
  – Special thanks to Sam Coburn and Brian Roshitsh at RMA Raleigh Office

• Talk to your crop insurance agent!
Thank You!

• Questions? Contact:

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