Peach Federal Crop Insurance: Updates and Issues

Rod M. Rejesus
Associate Professor and Extension Specialist
Dept. of Ag. and Resource Economics
NC State University
Introduction

• In 2012, the Risk Management Agency (RMA) made changes to the peach crop insurance provisions
  – Definition of “fresh peach production” and the verifiable records needed to support this designation
  – Language about US Extra No. 1 grade
Introduction

• “…and if requested by us, provide verifiable records to support, that at least 50 percent of the production from acreage reported as fresh peach acreage was sold as fresh peaches in one or more of the four most recent crop years….”

– From 13-0034 Peach Crop Insurance Provisions (Section 1: Definition of Fresh Peach Production)
Introduction

• “...you must provide verifiable records to show that the price received was at least the amount paid by buyers for fresh peaches in the area in which you sell your peaches....”
  – From 13-0034 Peach Crop Insurance Provisions (Section 1: Definition of Fresh Peach Production)
Introduction

• Why the specific interest in this provision?
  – Incentive to certify acres as fresh:
    • 2013 Fresh price election $19.25
    • 2013 Processing price election $ 6.25

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

• Provide information about peach 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: Apple

2012 Limited Review Results

- Records Sufficient
  - 49 Total Apple Policies Reviewed
  - 12

- Records Not Sufficient
  - 20 North Carolina Apple Policies Reviewed
  - 5

19.7%

25%
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

NOTE: All references available at: http://www.rma.usda.gov
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.
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- 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;
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• 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.
• 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)
Acceptable Verifiable Records

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

– ...price (See Peach Policy Provisions, Section 1, Definition of Fresh Peach Production):

(6) Is sold or could have been sold for a price that is not less than the applicable fresh peach price election for the applicable crop year in the actuarial documents. If the fresh peach production is sold or could have been sold for a price less than the applicable fresh peach price election for the applicable crop year in the actuarial documents, you must provide verifiable records to show that the price received was at least the amount paid by buyers for fresh peaches in the area in which you sell your peaches.
Manager’s Bulletin

• MGR 12-019 also requires price to be commensurate with the value of fresh peaches in the area

Additionally, if requested, the peach producer may be required to demonstrate the price received was a price commensurate with the fresh peach price election or an amount paid by buyers for fresh peaches in the area. If there are no processing peach outlets in the area and there is no question peaches are direct marketed or sold to retailers as fresh peaches, there should be no prerequisite requirement to request such records.
Manager’s Bulletin

• MGR 12-019 also mentions some examples of acceptable production records...

Acceptable production records include, but are not limited to, records from a packer or buyer, or daily sales records from policyholders who market production directly to the consumer. Records that detail a policyholder sold peaches to an entity whose primary purpose is resale to consumers such as a major food chain or grocer would be indicative of fresh peach sales.
US Extra No. 1

• “Grades at least U.S. Extra No. 1 or better, and consisting of a 2-1/4 inch minimum diameter, unless otherwise specified in the Special Provisions”
  – From 13-0034 Peach Crop Insurance Provisions (Section 1: Definition of Fresh Peach Production)
• In MGR 12-019, recognized that there may be some cases where sales and production records do not demonstrate the grade or that fruit sold do not satisfy the diameter requirement.

While RMA was placing greater discipline in the requirements for qualifying to insure fresh peaches, it was not the intent to require those specific grade criteria formally exist for all peaches when such specific grading criteria is not a customary or accepted marketing practice during the standard course of business in marketing fresh peaches.
For the 2013 crop year, if requested, peach producers must provide past records showing at least 50 percent of their fresh peach production was sold as fresh peaches, even though no grade or size may be shown on their marketing and production records, to have sufficient documentation verifying their past production as fresh. This only applies if that is the customary or accepted marketing practice in the normal course of business for the area.
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)

Type/Prac verified on policy/PAW

CY critical if stored before sold

<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 $</th>
<th>Bushels Sold For Deer Apples</th>
<th>$ 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>186</td>
</tr>
<tr>
<td>C</td>
<td>Rome</td>
<td>105</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>186</td>
</tr>
</tbody>
</table>

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

Young Cooper produced a pleasant solution.
Examples

• More unacceptable records...

1. 

<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></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>09/03/09</td>
<td>3</td>
<td>09/04/09</td>
<td>1</td>
<td>12 bargain 3 better</td>
<td>69.00</td>
</tr>
<tr>
<td>09/04/09</td>
<td>3</td>
<td>09/05/09</td>
<td>2</td>
<td>28 bargain 5 better</td>
<td>147.00</td>
</tr>
<tr>
<td>09/05/09</td>
<td>4</td>
<td>09/06/09</td>
<td>2</td>
<td>21 bargain 12 better</td>
<td>168.00</td>
</tr>
</tbody>
</table>

2. 

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

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

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

Unacceptable
Examples

• Unacceptable daily sales record

How can quantity be determined?
How can price be determined?
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 peaches 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>Bu Bins</td>
<td>Total Bins</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>17</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>18</td>
<td>46</td>
<td>828</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>20</td>
<td>10</td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>25</td>
<td>0</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

- Juice: 26%
- Canner: 21%
- 2.50" Bag: 21%
- Tree Run: 27%
- Loose: 27%
- 113 tray: 27%
- 100/Larger: 27%
- Totes: 27%
- 10lb. Bag: 27%

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

Separates fresh and processing

Acceptable

Crop
Quantity
Name
Date
Sold to
* Type/Pract
* CY Produced Price
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 programs deemed appropriate by RMA (legislative process?)
Additional Resources

• USDA RMA Website:
  – www.rma.usda.gov
  – 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:
  Rod M. Rejesus
  Dept. of Agricultural and Resource Economics
  NC State University
  Tel. No. (919)513-4605
  Email: rod_rejesus@ncsu.edu
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.