

2024 Apple Crop Insurance Policy

Proposed Changes



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Presentation Disclaimer

This presentation is for general guidance only and does not replace reading the specific crop provisions, special provisions or basic provisions.

While we have made every attempt to ensure the information is accurate, please refer to the policy for details.

We also encourage you to consult with our agents for guidance concerning your specific situation.



General Information

- The Risk Management Agency (RMA) is a USDA agency - regulates the Apple Crop Insurance program.
- Authorized Insurance Providers administer the program and work on claims.
- Crop Growers and other agencies educate producers on the program and write policies through these insurance providers.
- Premiums for these policies are subsidized by the federal government up to 67%.

Background

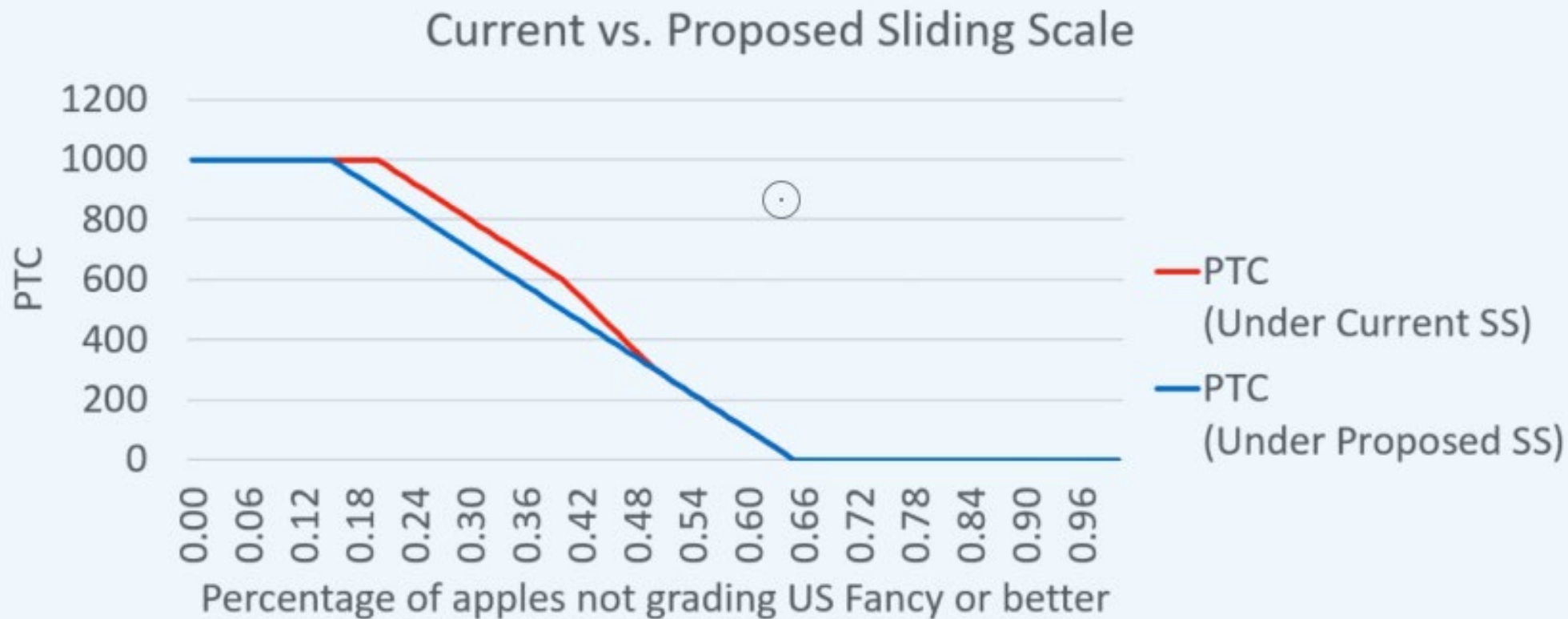
- In 2017, RMA initiated an evaluation of the apple policy to determine what changes were needed.
- In 2018, they held listening sessions with growers and visited some orchards.
- In 2020, RMA presented their findings and potential policy changes to the public.
- In 2021, the proposed changes were published in the Federal Register for public comment.
- In 2022, the public comment period ended with over 200 (mostly negative) comments received.
- In 2023, RMA will be holding listening sessions in the Northeast in March to clarify the proposed changes.

What is driving these proposed changes?

- ▶ Historically high loss ratio for the policy in the Eastern US which has significantly increased premiums.
 - ▶ When RMA started the process, the Eastern US 10-year loss ratio (2007-2016) was 170%.
 - ▶ 8 of the 10 years had a loss ratio over 100%.
 - ▶ However, the most recent 10-year loss ratio (2012-2021) is 123%.
 - ▶ 4 of the 10 years had a loss ratio of over 100%.
- ▶ RMA feels that the high loss ratios are a result of program vulnerabilities.
- ▶ Fewer severe weather events and increased premiums have resulted in a reduced loss ratio since their study began.
- ▶ Some of these proposed changes will reduce payable claims.

Proposed Changes to the policy (from beneficial to most impactful)

Change sliding scale so it is linear, starting at 15% damage and zeroing out at 65% damage.



Coverage Level by “Type”

- ▶ Elect different coverage levels by type.
- ▶ Types are defined as Processing, Fresh, Varietal Groups.
- ▶ Example if you have Fresh and Processing (available now):
 - ▶ Fresh acreage could be at 50%.
 - ▶ Processing acreage could be at 60%
- ▶ Example if you have Varietal Groups and Processing.
 - ▶ Processing acreage could be at 50%
 - ▶ Varietal Group C could be at 55%
 - ▶ Varietal Group B could be at 65%
 - ▶ Varietal Group A could be at 60%

Premium Pricing – Direct Market & Processing

- Option to elect higher price for Premium Processing and fruit sold via Direct Marketing.
 - Premium Processing fruit - sold for baby food, hard cider, slicers, etc. which commands a higher price.
 - Direct Market operations – able to sell their fruit at prices significantly above wholesale.
 - Apple Supplemental Report – additional price will be based on this report (to be discussed later).
 - Regionally Based – only to be available in certain areas.
 - Maximum Additional Price - to be established by region.



Revised Acreage Report

- ▶ Provide a deadline of March 31st to report acreage changes.
 - ▶ January 15th - is current deadline - report acreage removed from production, new acreage planted, production, etc.
 - ▶ After this deadline - decisions are often made to either graft or push out trees.
 - ▶ March 31st – a subsequent deadline - report only acreage that was removed from production after January 15th.
 - ▶ Premium will be reduced for these acres, but the amount is unknown at this time.



Apples sold for the Slicer market

- Current policy - slicers can be considered fresh production to meet the 50% requirement.
- Proposed policy – they will not be considered fresh production for the 50% requirement unless they are sold with a grade of US Fancy or better.
- RMA contracted a study which indicates that pricing for slicer apples is closer to processing than fresh.
- RMA also feels that slicers have contributed to higher loss ratios in some areas.

Apple Supplemental Report

- A required annual report as a condition of having a Fresh policy.

PRICE COLLECTION TOOL: APPLES 2020 CROP YEAR				
Policy #: XX-XXX-XXXX		Insured State :		Insured County :
Insured/Policy Holder Information		AIP Information		Agency/Agent Information
Insured Name		Name		Agent Name
Insured Address		Address		Agent Address
Insured's Phone Number		Land Identification		Agent's Phone Number
Identification Number and Type		Area Classification		Company Name
Other Entity(ies) Sharing In Crop				Company Address
Class	Buyer Type	Production Sold (Bushels)	Gross Revenue \1	Actual Revenue \2
Identify your Variety from List	A: Fresh Market (less Direct Marketing)			
	B: Processing			
	Slicers			
	Baby Food			
	Hard Cider			
	All Other #1 Processing or better			
	C: Direct Marketing			
<i>Cortland</i>				
<i>Empire</i>				
<i>Honeycrisp</i>				
<i>Fuji</i>				
<i>Mixed</i>				
Ability to Add				

Apple Supplemental Report

- ▶ Some possible questions/concerns:
 - ▶ Will the final document be the same as the example?
 - ▶ Will this report be allowed for a Fresh Review to meet the 50% rule?
 - ▶ Gross Revenue vs Actual Revenue – not all self-packers track packing costs but they must certify same (not industry standard).
 - ▶ If fruit is sold through a packinghouse, then the figures can be accurate.
 - ▶ A much smaller % in the Northeast move fruit through a packer vs the Northwest.
 - ▶ How will the information be used for policy purposes?

Fresh Fruit Factor (FFF)

- Current policy - only fruit sold/appraised as US Fancy is counted as production in a claim – other fruit sold is not counted.
- Proposed policy – all fruit sold will be production to count – the FFF will determine how much is counted.
 - For fruit sold as US Fancy, no change, full production.
 - Fruit sold as Fresh without a grade will be counted as full production.
 - For fruit sold at any other grade, the factor will be determined regionally.
 - For New York State, it is estimated to be about 27% for most policies.
 - For Varietal grouping, it would be 9% for Variety A, 22% for Variety B, and 30% for Variety C.

FFF and USDA Graders

- There was an opinion by an insurance company that any fruit sold that is not graded by a USDA (or USDA authorized) grader will be considered “sold Fresh without a grade”.
- If so, and the fruit was sold through a Fresh market, it will be counted as full production.
- Not an industry standard – the use of USDA graders in the Northeast or the U.S. for that matter.
- Washington State at one time - did have a WA State grader presence in their packing houses.
- That practice has since been abandoned.
- We are expecting RMA to clarify this at their listening sessions.

Direct Market and Fresh Fruit Factor (FFF)

- Based on earlier meetings with RMA, fruit that is sold by Direct Marketing will be considered “Sold Fresh Without a Grade”.
- All fruit sold will therefore be counted as 100% in a claim, regardless of the damage.
- In a claim scenario for Direct Market operations
 - Sold fruit will be counted as full production.
 - However, this is not to exceed the Actual Undamaged Production from the appraisal.
 - Once the production from sales = Unadjusted Production, the remaining fruit sales will have a FFF applied to it.

Commercial & Direct Market

Loss Scenarios

There are 2 sets of 3 examples

- 1 set for Commercial
- 1 set for Direct Market

- 50% Actual Damage
- 60% Actual Damage
- 70% Actual Damage

Adjustment Percentages for Optional Coverage Appraisals

UNADJUSTED DAMAGE	ADJUSTED DAMAGE
Actual Percent Damage	Quality Adjusted Percent Damage
0 -20	00
21	02
22	04
23	06
24	08
25	10
26	12
27	14
28	16
29	18
30	20
31	22
32	24
33	26
34	28
35	30
36	32
37	34
38	36
39	38
40	40
41	43
42	46

UNADJUSTED DAMAGE	ADJUSTED DAMAGE
Actual Percent Damage (continued)	Quality Adjusted Percent Damage (continued)
43	49
44	52
45	55
46	58
47	61
48	64
49	67
50	70
51	72
52	74
53	76
54	78
55	80
56	82
57	84
58	86
59	88
60	90
61	92
62	94
63	96
64	98
65-100	100

Commercial Operation, Fruit Sold With a Grade

Current Policy Claim Example 2023

A	Unit Prod	% Actual Damaged	% Adjusted Damaged	% Adjusted Undamaged	Sliding Scale Prod to Count
	10,000	50%	70%	30%	3,000
B	Fancy or XF Sold	Bushels Sold for less than U.S Fancy	Fresh Fruit Factor	Salvage Bushels	Sold Prod to Count
	3,000	7,000	N/A	0	3,000
Indemnity	Unit Guarantee	Prod to Count Higher of A or B	New Deficit	1000Bushel Price	Claim \$
	6,000	3,000	3,000	\$12.50	\$37,500.00

Proposed Policy Claim Example 2024

A	Unit Prod	% Actual Damaged	% Adjusted Damaged	% Adjusted Undamaged	Sliding Scale Prod to Count
	10,000	50%	70%	30%	3,000
B	Fancy or XF Sold	Bushels Sold for less than U.S Fancy	Fresh Fruit Factor	Salvage Bushels	Sold Prod to Count
	3,000	7,000	27%	1,890	4,890
Indemnity	Unit Guarantee	Prod to Count Higher of A or B	New Deficit	Bushel Price	Claim \$
	6,000	4,890	1,110	\$12.50	\$13,875.00

Commercial Operation, Fruit Sold With a Grade

Current Policy Claim Example 2023

A	Unit Prod	% Actual Damaged	% Adjusted Damaged	% Adjusted Undamaged	Sliding Scale Prod to Count
	10,000	60%	90%	10%	1,000
B	Fancy or XF Sold	Bushels Sold for less than U.S Fancy	Fresh Fruit Factor	Salvage Bushels	Sold Prod to Count
	1,000	9,000	N/A	0	1,000
Indemnity	Unit Guarantee	Prod to Count Higher of A or B	New Deficit	1000Bushel Price	Claim \$
	6,000	1,000	5,000	\$12.50	\$62,500.00

Proposed Policy Claim Example 2024

A	Unit Prod	% Actual Damaged	% Adjusted Damaged	% Adjusted Undamaged	Sliding Scale Prod to Count
	10,000	60%	90%	10%	1,000
B	Fancy or XF Sold	Bushels Sold for less than U.S Fancy	Fresh Fruit Factor	Salvage Bushels	Sold Prod to Count
	1,000	9,000	27%	2,430	3,430
Indemnity	Unit Guarantee	Prod to Count Higher of A or B	New Deficit	Bushel Price	Claim \$
	6,000	3,430	2,570	\$12.50	\$32,125.00

Commercial Operation, Fruit Sold With a Grade

Current Policy Claim Example 2023

A	Unit Prod	% Actual Damaged	% Adjusted Damaged	% Adjusted Undamaged	Sliding Scale Prod to Count
	10,000	90%	100%	0%	0
B	Fancy or XF Sold	Bushels Sold for less than U.S Fancy	Fresh Fruit Factor	Salvage Bushels	Sold Prod to Count
	0	10,000	N/A	0	0
Indemnity	Unit Guarantee	Prod to Count Higher of A or B	New Deficit	1000Bushel Price	Claim \$
	6,000	0	6,000	\$12.50	\$75,000.00

Proposed Policy Claim Example 2024

A	Unit Prod	% Actual Damaged	% Adjusted Damaged	% Adjusted Undamaged	Sliding Scale Prod to Count
	10,000	90%	100%	0%	0
B	Fancy or XF Sold	Bushels Sold for less than U.S Fancy	Fresh Fruit Factor	Salvage Bushels	Sold Prod to Count
	0	10,000	27%	2,700	2,700
Indemnity	Unit Guarantee	Prod to Count Higher of A or B	New Deficit	Bushel Price	Claim \$
	6,000	2,700	3,300	\$12.50	\$41,250.00

Direct Market Operation -Fruit Sold Without a Grade

Current Policy Claim Example 2022

A	Unit Prod	% Actual Damaged	% Adjusted Damaged	% Adjusted Undamaged	Sliding Scale Prod to Count
	10,000	50%	70%	30%	3,000
B	BU Sold Direct Market	Prod Actual Undamaged	Bushels sold at 100%	Bushels sold @ the FFF	Sold Prod to Count
	7,000	5,000	N/A	N/A	N/A
Indemnity	Unit Guarantee	Prod to Count Higher of A or B	New Deficit	Bushel Price	Claim \$
	6,000	3,000	3,000	\$12.50	\$37,500.00

Proposed Policy Claim Example 2024 - Fresh Fruit Factor of 27%

A	Unit Prod	% Actual Damaged	% Adjusted Damaged	% Adjusted Undamaged	Sliding Scale Prod to Count
	10,000	50%	70%	30%	3,000
B	BU Sold Direct Market	Prod Actual Undamaged	Bushels sold at 100%	**Bushels sold @ 27% FFF	Sold Prod to Count
	7,000	5,000	5,000	540	5,540
Indemnity	Unit Guarantee	Prod to Count Higher of A or B	New Deficit	Bushel Price	Claim \$
	6,000	5,540	460	\$12.50	\$5,750.00
		**Bushels sold above "Prod. Actual Undamaged" =	2,000 BU		

Direct Market Operation -Fruit Sold Without a Grade

Current Policy Claim Example 2022

A	Unit Prod	% Actual Damaged	% Adjusted Damaged	% Adjusted Undamaged	Sliding Scale Prod to Count
	10,000	60%	90%	10%	1,000
B	BU Sold Direct Market	Prod Actual Undamaged	Bushels sold at 100%	Bushels sold @ the FFF	Sold Prod to Count
	7,000	4,000	N/A	N/A	N/A
Indemnity	Unit Guarantee	Prod to Count Higher of A or B	New Deficit	Bushel Price	Claim \$
	6,000	1,000	5,000	\$12.50	\$62,500.00

Proposed Policy Claim Example 2024 - Fresh Fruit Factor of 27%

A	Unit Prod	% Actual Damaged	% Adjusted Damaged	% Adjusted Undamaged	Sliding Scale Prod to Count
	10,000	60%	90%	10%	1,000
B	BU Sold Direct Market	Prod Actual Undamaged	Bushels sold at 100%	**Bushels sold @ 27% FFF	Sold Prod to Count
	7,000	4,000	4,000	810	4,810
Indemnity	Unit Guarantee	Prod to Count Higher of A or B	New Deficit	Bushel Price	Claim \$
	6,000	4,810	1,190	\$12.50	\$14,875.00
		**Bushels sold above "Prod. Actual Undamaged" =	3,000 BU		

Direct Market Operation -Fruit Sold Without a Grade

Current Policy Claim Example 2022


A	Unit Prod	% Actual Damaged	% Adjusted Damaged	% Adjusted Undamaged	Sliding Scale Prod to Count
	10,000	70%	100%	0%	0
B	BU Sold Direct Market	Prod Actual Undamaged	Bushels sold at 100%	Bushels sold @ the FFF	Sold Prod to Count
	7,000	3,000	N/A	N/A	N/A
Indemnity	Unit Guarantee	Prod to Count Higher of A or B	New Deficit	Bushel Price	Claim \$
	6,000	0	6,000	\$12.50	\$75,000.00

Proposed Policy Claim Example 2024 - Fresh Fruit Factor of 27%

A	Unit Prod	% Actual Damaged	% Adjusted Damaged	% Adjusted Undamaged	Sliding Scale Prod to Count
	10,000	70%	100%	0%	0
B	BU Sold Direct Market	Prod Actual Undamaged	Bushels sold at 100%	**Bushels sold @ 27% FFF	Sold Prod to Count
	7,000	3,000	3,000	1,080	4,080
Indemnity	Unit Guarantee	Prod to Count Higher of A or B	New Deficit	Bushel Price	Claim \$
	6,000	4,080	1,920	\$12.50	\$24,000.00

**Bushels sold above "Prod. Actual Undamaged" =

4,000 BU



Call to Action

RMA Listening Sessions in March

<p>Tuesday, March 14, 2023 10:00 AM – 12:00 PM</p>	<p>Irondequoit Public Library (Room #115) 1290 Titus Ave. Rochester, NY 14617</p>
<p>Wednesday, March 15, 2023 10:00 AM – 12:00 PM</p>	<p>Hudson Valley Research Laboratory (Conference Room) 3357 US Highway 9W Highland, NY 12528</p>
<p>Thursday, March 16, 2023 10:00 AM – 12:00 PM</p>	<p>Hillsborough County Extension Office (Large Conference Room) 329 Mast Rd. Goffstown, NH 03045</p>