

Cornell Cooperative Extension **Lake Ontario Fruit Program**

How does Actual Production History (APH) Crop Insurance for Apples Work?

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Objectives

- Outline how Actual Production History (APH) crop insurance for apples works.
- Show how a loss is calculated.
- Discuss how to decide on using the Varietal Group Option.
- Demonstrate using blocks as the basis for insurance units.
- Illustrate advantages of multiple, smaller insurance units.
- Review record-keeping for crop insurance

What is Crop Insurance?

Crop insurance is a policy that the farmer purchases yearly to protect their crop yield or revenue from production risk.

Providers of Crop Insurance

- Private Insurers
 - Single Peril / Named Peril
 - “Crop-hail” is very common
- USDA/RMA (Risk Management Agency)
 - Multi-Peril
 - Premium is Subsidized
 - Purchased via Private Insurers

Crop Insurance for Apples – Actual Production History (APH)

Actual Production History (APH) policies insure producers against yield losses due to natural causes such as drought, excessive moisture, hail, wind, frost, insects, and disease.

Crop Insurance for Apples – RMA Fact Sheet


Regional Office Fact Sheet for Apples:

<https://www.rma.usda.gov/Fact-Sheets/Raleigh-Regional-Office-Fact-Sheets/Apples-2018-CT-WV>

National Fact Sheet for Apples

<https://www.rma.usda.gov/Fact-Sheets/National-Fact-Sheets/Apples>

7/30/2019 Apples | RMA


 Risk Management Agency Fact Sheet
 2018 Crop Year
 Raleigh Regional Office — Raleigh, NC
 August 2018

Apples

Connecticut, Maine, Massachusetts, Maryland, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, Vermont, Virginia, West Virginia

Crop Insured

All apples in a county are insurable if:

- A premium rate is provided by the actuarial documents;
- You have a share;
- They are grown on trees varieties that are adapted to the area;
- Average yield produced at least 100 bushels per acre in 1 of the past 4 years; and
- They are grown for fresh apple production or processing apple production.

Counties Available

See your state's actuarial documents at Actuarial Information Browser (<https://webapp.rma.usda.gov/actuarialinformationbrowser/>) for insurable counties. Apples may be insurable in other counties by written agreement if specific criteria are met. Contact a crop insurance agent for more details.

Causes of Loss

You are protected against the following:

- Adverse weather conditions, including hail, frost, freeze, wind, drought, excess precipitation, and excess sun causing sunburn;
- Failure of irrigation water supply, if caused by an insured party during the insurance period;
- The caused by an insured party in the insured period;
- Insect damage and plant disease (except for negligent or improper application of control measures); or
- Wildlife.

Insurance Period

Coverage begins on November 21 and ends with the earliest occurrence of one of the following:

- Total destruction of the crop;
- Harvest of the crop;
- Final adjustment of a claim;
- Abandonment of the crop; or
- November 5.

Important Dates

Sales Closing Date	November 20, 2017
Production Reporting Date	January 15, 2018
Average Reporting Date	January 15, 2018
Premium Billing Date	August 15, 2018

Duties in the Event of Damage or Loss

Notice of Loss – If a loss occurs notify your crop insurance agent:

- Within 72 hours of initial discovery of damage;
- If you previously gave notice of crop damage, you must also provide notice at least 15 days before the beginning of harvest to claim an indemnity; or
- At least 3 days before the date harvest should have started if the crop will not be harvested.

Coverage Levels and Premium Subsidies

Coverage levels range from 50 to 75 percent of your average yield and are subsidized as shown below. For example, an average actual production history (APH) yield of 500 bushels per acre would result in a guarantee of 300 bushels per acre at the 50-percent coverage level. You may choose different coverage levels for fresh and processing apples.

Item	Percent					
Coverage Level	50	55	60	65	70	75
Premium Subsidy	67	54	54	50	50	55
Your Premium Share	33	36	36	41	41	45

Catastrophic Risk Protection (CAT) coverage is fixed at 50 percent of your average yield and 55 percent of the price election. The cost for CAT coverage is an administrative fee of \$300.

Price Elections

An established price used to calculate your premium and indemnity. Contract pricing options are available for certified organic crops grown under guaranteed contracts. For price elections see your state's actuarial documents at Actuarial Information Browser (<https://webapp.rma.usda.gov/actuarialinformationbrowser/>).

<https://www.rma.usda.gov/Fact-Sheets/Raleigh-Regional-Office-Fact-Sheets/Apples-2018-CT-WV> 1/2

Finding a Crop Insurance Agent

RMA Agent Locator:

<https://www.rma.usda.gov/Information-Tools/Agent-Locator-Page>

Apple APH – Coverage Levels

Coverage percentage levels of 50, 55, 60, 65, 70, and 75.

APH – Price Elections

An established price used to calculate your premium and indemnity.

Insurance Units

Basic Unit - A basic insurance unit includes all your insurable apple acreage in the county in which you have 100-percent share or which is owned by one person and operated by another person on shares

Optional Units - Optional units may be established if you can provide separate records for each unit, and the acreage is not insured under a CAT policy. Optional units may be established by:

- Non-contiguous land;
- Farm Service Agency Farm Serial Numbers;
- Irrigated or non-irrigated practice; or
- By type: Fresh, Processing, Varietal Group A, Varietal Group B, or Varietal Group C

Apple APH – Varietal Option

2020 Crop Year:

Varietal Groups Are Defined As:

- **Varietal Group A** - Honeycrisp, Pazazz, and SweeTango/Minneiska;
- **Varietal Group B** - Cortland, Empire, Fuji, Gala, Jonagold, Macoun, McIntosh, Ozark Gold, Paula Red, Cripps Pink (Pink Lady), Red Rome, RubyFrost, SnapDragon, and Zestar; and
- **Varietal Group C** - All other apple varieties not specified in Varietal Group A or Varietal Group B.

Apple APH – Price Elections

2019 Crop Year:

Fresh: \$12.15

Processing: \$3.25

Varietal Group A: \$37.90

Varietal Group B: \$15.40

Varietal Group C: \$11.40

2020 Crop Year:

Fresh: \$12.50

Processing: \$3.45

Varietal Group A: \$37.00

Varietal Group B: \$15.00

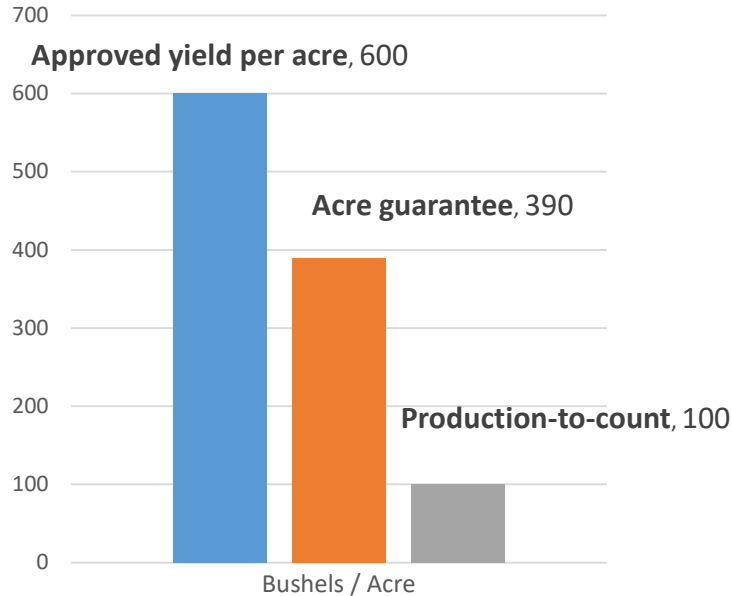
Varietal Group C: \$11.00

Loss Example – APH for Apples

Assume 2020CY fresh apples with an approved yield of 600 bushels per acre, 65-percent coverage level, non-irrigated, 100-percent share and a one-acre fresh apple unit.

600	Approved yield per acre
x 0.65	Coverage level
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390	Acre guarantee
- 100	Production-to-count
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290	Loss per acre
x \$12.50	Price election (fresh)
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\$3,625	Indemnity/acre

Loss Example – APH for Apples



Loss per acre is the difference between the Acre guarantee and Production-to-count

Loss per acre:

Acre Guarantee:	390
- Production-to-count:	100
Loss:	290

$$290 \text{ bushels} \times \$12.50 = \$3,625$$

Records

- Farm Maps
- Block Records
- Harvest Records (Picking records)
- Bills of Lading (Shipping from field to storage/packhouse/retailer)
- Packout Reports
- Returns

It is very useful to track production by block.

Insurance units can be assembled from block records.

Records – Farm Map

- Maps of all farms
- Location of farms – which county, which Farm Service Agency Farm Serial Numbers
- Block locations on map
- Varieties in each block – useful
- For crop insurance, map of blocks essential to comprise each insurance unit

Records – Block Records

- Block ID – I recommend numbers. Varieties you have planted there may change.
- Area of Block
- Location on farm map
- Variety
- Processing or Fresh
- Irrigated or Non-Irrigated
- Bearing or Non-Bearing
- Density of block – spacing – row-width, tree spacing, number of trees
- May need to keep track of rows – different varieties, top-work/grafting, new planting
- You will need to have production history for each block.

Records – Block Records – Useful optional data

- History of block – Year of planting
- Leaf – 2nd-leaf, 3rd-leaf, etc.
- Last year's yield – useful; or projection of this year's yield
- Additional Notes.

Records – Harvest Records

- By block
- Block ID
- Harvest Date
- May need to keep track of rows – different varieties
- Number of Bins picked
- Bin tags – if you have a tag system
- Bill of Lading numbers – Connect bins harvested to truckload – connects harvested fruit to destination

Records – Production History

- Harvest Record History for each block
- Block, Year, Variety, Processed or Fresh, Total Production for Year, Yield per Acre, Final Disposition
- Notes on changes from prior year – reason for reduction in yield, changes in bearing, grafting, re-planting
- May need to keep track of rows – different varieties
- For Crop Insurance, used to determine your Approved Yield.

Records – Production History

- For crop insurance, essential to track production history by block.
- Also, insurance units will change – as varieties are added to variety groups, or when you install irrigation, re-plant, or switch to variety group option.
- So to report production history for new insurance units, you can put the history together from the production history of the blocks that make up the insurance unit.

Records – Bill of Lading (Shipping)

- By truckload
- If you don't issue a Bill of Lading, record Block ID on the receiving ticket the storage warehouse issues.
- Bin records:
 - Variety
 - Block ID
 - Destination (Packing House Name)
 - Number of Bins
 - Date
 - Bin Tags, if you use a bin tag system
 - Any Notes for yourself or destination – e.g. for immediate packing, short-term storage, or long-term storage
- For crop insurance, important to record the block, for verification of production later in case of a claim

Records – Packout Reports & Returns

- Sales Receipts of packed fruit
- At the least will connect to apple variety
- Good Bill of Lading records and Packing House records will connect to block
- For crop insurance, essential for verification of final disposition (packing house), and processing vs. fresh.
- Packout rate to confirm production-to-count.

Record-Keeping Systems

- Paper
 - Spreadsheets
 - Management Software
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- If paper, creating standard forms for use in the office or field will make life easier.
 - Same with Spreadsheets.
 - Management Software connects all the data together and eliminates duplication of record-keeping.

Creating Insurance Units

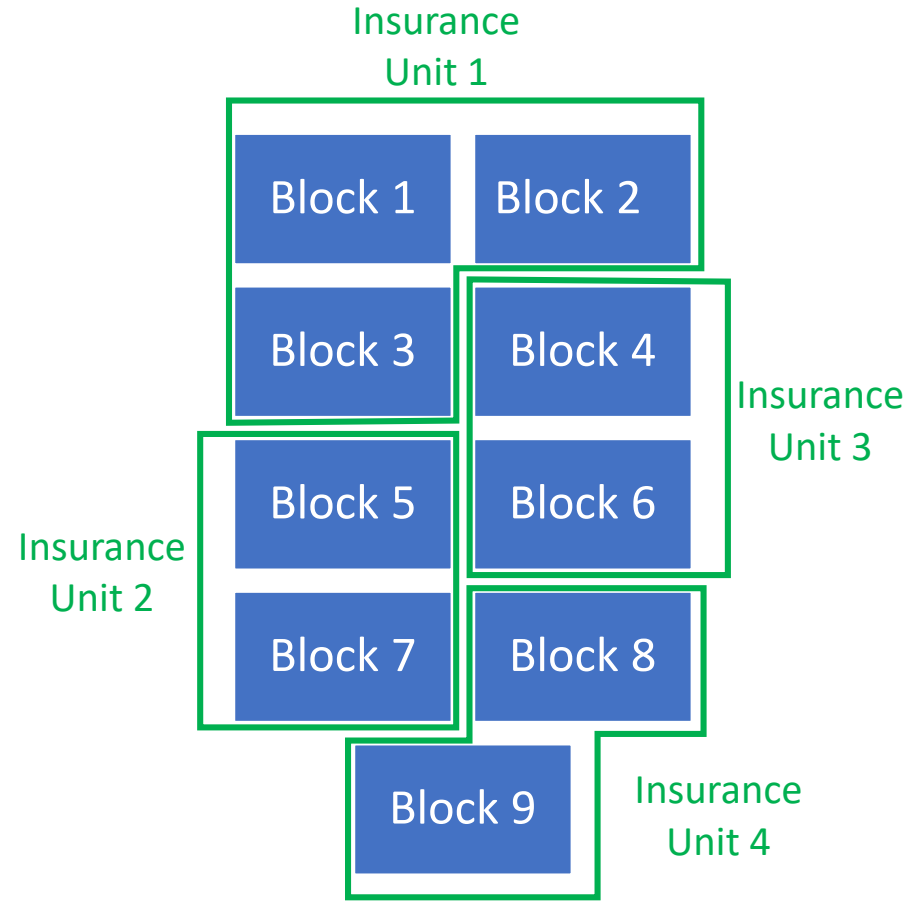
Work with Crop Insurance Agent

- Crop Insurance Agent will have software – digital mapping, database records, GPS.
- Map out and measure the acreage of each insurance unit.
- If you have your blocks documented, can assemble those blocks into insurance units.

Creating Insurance Units from Blocks

Optional Units:

- Non-contiguous land;
- Farm Service Agency Farm Serial Numbers;
- Irrigated or non-irrigated practice; or
- By type: Fresh, Processing, Varietal Group A, Varietal Group B, or Varietal Group C



Should I go with the Varietal Group Option?

- How much Varietal Group A do I have? (Honeycrisp, Pazazz, and SweeTango/Minneiska)?
 - Risk Management – Insuring the true high-value of the crop.
- Will I create more insurance units?
 - Multiple, smaller insurance unit advantage
- Setting up and tracking units may be complicated, especially if you have multiple Varietal Groups in one block (tracking / measuring tree count, row count).
 - Allot time for this.
- Will need to report acreage for more insurance units each year.
 - Allot time for this.

Multiple smaller insurance units

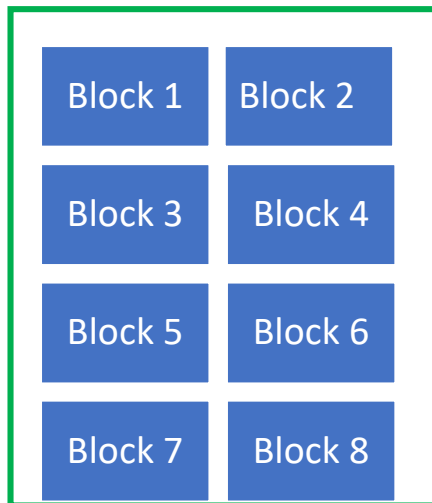
Scenario 1: 1 insurance unit

Insurance
Unit X



Scenario 2: 2 insurance units

Insurance
Unit Y



Insurance
Unit Z

If:

- Hail causes 100 % loss in blocks 9 and 10.
- But 0% damage in the other blocks.

Then:

Scenario 1:

20% damage for the insurance unit
Doesn't meet coverage level. No claim.

Scenario 2:

0% damage for Insurance Unit Y
100% damage for insurance unit Z
Unit Z is 100% loss on claim.

Filing a Claim

- Need to be able to verify yields accurately from your records.
- Need to be able to verify production, final disposition, and sales from your records.
- Harvest Records
- Bills of Lading / Warehouse receipts
- Production History
- Packout Reports
- Returns

Summary

- APH crop insurance compensates you for part of your loss
- Varietal Group Option protects risk against loss of high-value varieties.
- Multiple smaller insurance units are more likely to have a claim against localized risks such as hail.
- Keep good records of blocks.
- Set up a good record-keeping system now so you can use it later in case of a claim.

Important Dates

Sales Closing Date:	November 20, 2019
Production Reporting Date:	January 15, 2020
Acreage Reporting Date:	January 15, 2020
Premium Billing Date:	August 20, 2020
End of Insurance Date:	November 5, 2020

Additional Information:

Cornell Crop Insurance & Risk Management Education Project
Resources Website: agriskmanagement.cornell.edu

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