Production Insurance
Plan Overview

Tree Fruit and Grape Production

Agricorp®
An agency of the Government of Ontario

A good plan bears fruit

Apples and apple trees
Grapes and grape vines
Peaches and nectarines
Pears
Plums
Sweet cherries
Sour cherries

Connecting producers with programs

What you need to know about protecting your tree fruit and grapes under Production Insurance.

As an agency of the Government of Ontario, Agricorp works with partners to contribute to a vibrant and sustainable agriculture industry. We deliver programs that help producers manage risk and remain financially secure.

ABOUT PRODUCTION INSURANCE

Agricorp administers Production Insurance (PI) on behalf of the Government of Ontario and Agriculture and Agri-Food Canada.

Production Insurance is available for commercially grown crops in Ontario in the following sectors:

- Forage
- Tree fruit and grapes
- Strawberries
- Honey
- Grains and oilseeds
- Vegetables
- Seed corn, sugar beets, hemp and tobacco

ABOUT THIS PUBLICATION

This plan overview contains general information only and does not represent an insurance contract. This information is subject to change.

Refer to the following for additional information about the Production Insurance plan for tree fruit and grape production:

1. Contract of Insurance
2. Production Insurance Documents:
   - Apple Production Insurance coverage options
   - Apple Tree and Grape Vine Riders
   - Quality Factors for Grapes and Tender Fruit
   - Grape Production Insurance claim prices

For copies of these documents, visit **agricorp.com** or call Agricorp at 1-888-247-4999.

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Why should I have Production Insurance?

As a producer, you have to deal with many factors that are beyond your control. Things like adverse weather, disease, wildlife, and insect infestations can have a serious impact on your production and your income.

Production Insurance (PI) adds a measure of predictability to an unpredictable business. It protects your business from yield reductions and crop losses caused by insured perils. More than 16,000 Ontario producers with more than 5 million acres of farmland enjoy the financial security provided by PI.

Production Insurance helps you:

- Maintain your cash flow in poor crop years with claim payments that compensate you for crop damage or low yields.
- Manage your operation with a more predictable cash flow.
- Provide collateral required to secure loans.
- Stabilize your AgriStability program reference margin over time.
- Gain affordable peace-of-mind by paying tax-deductible premiums that are cost-shared with government.

The AgriStability, Self Directed Risk Management (SDRM) and Production Insurance connection

AgriStability, SDRM and Production Insurance are complementary programs that address different risks faced by Ontario producers. Participating in AgriStability, SDRM and Production Insurance lets you enjoy the full benefits of the government risk management programs available to you:

- Production Insurance claim payments count as income in calculating your AgriStability reference margin and allowable net sales for the SDRM.

How do I get PI coverage?

New applications

If this is your first time applying, or if you are adding new crops, contact Agricorp at 1-888-247-4999. An Agricorp representative will then visit you to review your coverage and claim price options and complete your application.

Applications and premium deposits for both new and renewing coverage must be received by December 20.

Renewals

If you already have PI coverage, a renewal notice will be sent to you in November that outlines your coverage options and indicates your deposit amount. To make coverage changes or cancel your coverage, contact Agricorp by the deadline stated in your renewal package.

Final premium payments are calculated by May 1. They are based on information you provide to the Agricorp adjuster while calculating your final average yield.

What are my responsibilities?

Deadlines

To ensure that your PI contract remains in good standing, please note these important dates and deadlines in the life cycle of your insurance contract:

DESCRIPTION	DATE
Renewal notice sent to existing customers.	November
Deadline to make coverage changes or cancel existing coverage, apply for Production Insurance and pay the premium deposit.	December 20 of the year before your new or renewed Production Insurance coverage takes effect*
Deadline to pay your premium.	May 1
An Agricorp adjuster will visit your farm to collect your yields and settle any applicable claims.	July to December

* **Example:** To apply for insurance on a crop to be harvested in 2014, you must apply to Agricorp by December 20, 2013.

Good farm management practices

You are expected to use good farm management practices at all times. If you use practices that contribute to a production loss, you may lose some or all of your insurance coverage. You must report to Agricorp, in advance, any significant changes in the scale of your operation or the farm management practices you use.

Changes to your business structure

If you make changes to your business structure, including changes to name, address, or shareholders, you must report them to Agricorp by **May 1** of the insurance year.

Reporting damage

You must report all crop damage as soon as it occurs. An Agricorp adjuster may visit your farm to inspect the damage for the purposes of your claim. Failing to report damage as soon as it occurs may cause your claim to be denied.

What are the plan details?

Apples

The PI plan for apples provides protection for all fresh and juice crops against these insured perils:

- Drought
- Excessive moisture
- Excessive wind*
- Freeze
- Frost
- Hail
- Pollination failure*
- Russeting*
- Tornado

* More details on these perils are available in the *Contract of Insurance, Part III - Fruit Crops Insuring Agreement*.

Customizable plan features

You can choose between two plans with several features to tailor your Production Insurance plan to best suit your business risk management needs:

1. Coverage level options of 70, 75, or 80 percent.
2. Four fresh claim price options and a juice price.
3. Ability to insure either fresh and juice production combined or fresh production only.
4. Two plans to choose from: 1: Basic coverage with hail rider or 2: Enhanced basic coverage.

"FRESH" VS. "JUICE"

FRESH – apples intended for either fresh consumption or processing, but not intended for juice or cider.

JUICE – apples intended for juice or cider production only.

FRESH-ONLY CLAIMS

If you choose to insure only your fresh production, your historical fresh and juice production is collected but your guaranteed value (GV) does not include juice production. Any claim calculation also does not include juice production unless it exceeds its historical production. When the juice yield is greater than the juice guaranteed production, the surplus is added to the fresh yield in the claim calculation.

Fresh-only claim = fresh GV – (fresh yield + juice surplus*)

* Where juice surplus = juice yield – juice GV

Basic coverage with hail rider

Basic coverage with hail rider provides protection against production losses, caused by insured perils on a whole farm basis (see list above), plus the added benefit of separate orchard protection against a reduction in the quality of your apples due to hail damage.

If one of your orchards receives a minimum of 10 percent hail damage, a hail rider claim may be paid regardless of the hail damage in your other orchards and whether or not your overall production has decreased.

You may switch from basic coverage with hail rider to enhanced basic coverage until June 10.

Learn more about hail rider claims on page 13 and in Appendix A: Example calculation of a hail rider claim (apples only).

Enhanced basic coverage

Enhanced basic coverage provides protection against production losses caused by insured perils (see list, page 4) plus the added advantages of a write-off and salvage benefit:

You may switch from enhanced basic coverage to basic coverage with hail rider up until the time an adjuster visits to calculate your final average yield in the spring.

Write-off provision

Sometimes hail can damage a crop making it no longer economically worthwhile to harvest the fresh apples. If hail damage exceeds the write-off provision value of 70 per cent, you are not required to harvest any of the undamaged fruit as fresh grade. This undamaged fruit can be harvested for the juice market. Agricorp will use the harvested yield of apples as the declared yield.

Example:

If your adjuster assessed that 85 per cent of your apples were reduced to juice grade by hail damage and 100 per cent of the apples are harvested as juice, the production claim is paid on a 100 per cent juice yield.

Salvage benefit

An apple can have lighter hail damage (i.e. skin damage) and still be considered juice grade for the purpose of the hail count. With additional cost and effort, you may be able to salvage this juice grade apple into the processing non-juice market.

The salvage benefit compensates you for additional input costs required to salvage the crop and reduces the production claim payable. The salvage claim price equals the difference between your harvesting cost to salvage damaged apples and the harvesting cost for juice apples.

Learn more about salvage claims on page 14 and in Appendix B: Example calculation of a salvage claim (apples only).

Apple tree rider

Whether you choose the basic or enhanced basic coverage, an apple tree rider is added to your coverage if:

- You have been insured under the apple Production Insurance plan for the current and preceding crop year; or if you were not insured the previous year, notify Agricorp by September 1 so that Agricorp can assess the orchard for insurance purposes
- You meet the eligibility criteria described in Appendix C: Apple tree and grape vine riders.

Apple tree rider coverage begins December 20 and ends December 19 of the following year.

The rider gives you the advantage of additional protection if your apple trees die as a result of any of the following insured perils:

- Excessive moisture
- Excessive wind*
- Fire blight*
- Freeze
- Frost
- Hail
- Ice damage
- Plant disease*

* More details on these perils are available in the *Contract of Insurance, Part III - Fruit Crops Insuring Agreement*.

A claim under this rider may be paid if you meet all three of the following conditions:

1. The number of trees that died from an insured peril meets or exceeds the deductible of 7.5 percent of guaranteed value.

To learn more about the terms of this rider, turn to Appendix C: Apple tree and grape vine riders.

2. Good farm management practices have been followed.
3. (a) A significant number of growers of the same varieties located within a radius of 7.5 kilometers of your dead trees also suffered dead trees at the same time due to the same insured peril; OR

   (b) Tree death occurred to a variety that has been grown with proven rootstock within a radius of 7.5 kilometers from where your trees are located for a minimum of 10 years, for which the peril can be independently verified.

Grapes

The PI plan for grapes provides protection for all fresh and processing varieties of grapes against these insured perils:

- Blossom set failure*
- Drought
- Excessive heat
- Excessive moisture
- Excessive rainfall
- Excessive wind*
- Freeze
- Frost
- Fungal disease (Niagara & Concord varieties only)*
- Hail
- Tornado
- Lady beetles
- Wildlife

* More details on these perils are available in the *Contract of Insurance, Part III - Fruit Crops Insuring Agreement.*

Coverage level options

You can choose a coverage level of 70, 75, 80 or 85 percent for all categories:

- Labrusca
- French hybrid
- Vinifera

However, each category is covered separately. If an insured peril reduces the yield of one category below the guaranteed production, you are eligible for a claim on the difference, regardless of the yield of your other categories. You must insure all the categories you grow.

Grape vine rider

A grape vine rider is added if:

- You have been insured under the grape Production Insurance plan for the current and preceding crop year; if you were not insured the previous year, notify Agricorp by September 1 so that Agricorp can assess the vineyard for insurance purposes
- You meet the eligibility criteria described in Appendix C: Apple tree and grape vine riders. The rider gives you the advantage of additional protection if your grape vines die as a result of any of these insured perils:

- Drought
- Excessive wind*
- Flood
- Freeze
- Hail
- Ice damage
- Lightning

* More details on this peril are available in the *Contract of Insurance, Part III - Fruit Crops Insuring Agreement.*

A claim under this rider may be paid if you meet all three of the following conditions:

1. The number of vines that died from an insured peril meets or exceeds the deductible of 12.5 percent guaranteed value.
2. Good farm management practices have been followed.
3. (a) A significant number of growers with the same varieties within a radius of one kilometer of your dead vines also suffered dead vines at the same time due to the same insured peril; OR

   (b) Vine death occurred to a variety that has been grown with proven rootstock within the same climate sub-zone.

To learn more about the terms of this rider, turn to Appendix C: Apple tree and grape vine riders.

Grape vine rider coverage begins December 20 and ends December 19 of the following year.

Peaches and nectarines

The PI plan for peaches and nectarines lets you select one of two plan designs for all fresh and processing crops:

1. **Single-peril coverage for hail only**

   This plan design provides protection for customers who have limited risks. Hail counts and production estimates are conducted to quantify any losses in production due to uninsured perils.

   #### Coverage level options

   You choose a coverage level of 70, 75, or 80 per cent for your fresh or fresh and processing crops.

2. **Multi-peril coverage**

   This plan design provides protection against these insured perils:

   - Bacterial leaf spot*
   - Drought
   - Excessive moisture
   - Excessive heat
   - Excessive wind*
   - Freeze
   - Frost
   - Hail
   - Tornado
   - Pollination failure*

   * More details on these perils are available in the *Contract of Insurance, Part III - Fruit Crops Insuring Agreement*.

   #### Coverage level options

   You choose a coverage level of 70, 75, 80 or 85 per cent for your fresh or fresh and processing crops.

   Peaches and nectarines are covered separately. For example if an insured peril reduces the yield of your nectarines below your guaranteed production, you are eligible for a claim on the difference, regardless of the yield of your peaches.

   You must insure all of your peaches and nectarines (both fresh and processing). This applies to both single peril and multi-peril plans.

Pears

The PI plan for pears lets you select one of two plan designs for all fresh and processing crops:

1. **Single-peril coverage for hail only**

   This plan design provides protection for customers who have limited risks. Hail counts and production estimates are conducted to quantify any losses in production due to uninsured perils.

   #### Coverage level options

   You choose a coverage level of 70, 75, or 80 percent for your fresh or fresh and processing crops.

2. **Multi-peril coverage**

   This plan design provides protection against these insured perils:

   - Drought
   - Excessive moisture
   - Excessive wind*
   - Excessive heat
   - Fire blight*
   - Freeze
   - Frost
   - Tornado
   - Hail
   - Pear psylla*
   - Pollination failure*

   * More details on these perils are available in the *Contract of Insurance, Part III - Fruit Crops Insuring Agreement*.

   #### Coverage level options

   You choose a coverage level of 70, 75, 80 or 85 percent for your fresh or fresh and processing crops.

   All of your pears (i.e. both fresh and processing) must be offered for insurance in both the single peril and multi-peril plans.

Plums

The PI plan for plums provides protection for all fresh crops against these insured perils:

- Drought
- Excessive moisture
- Excessive wind*
- Freeze
- Frost
- Hail
- Tornado
- Pollination failure*
- Excessive heat

* More details on these perils are available in the Contract of Insurance, Part III - Fruit Crops Insuring Agreement.

Coverage level options

You choose a coverage level of 70, 75, or 80 percent.

Sour cherries

The PI plan for sour cherries provides protection for processing sour cherries against these insured perils:

- Drought
- Excessive moisture
- Excessive wind*
- Excessive heat
- Freeze
- Frost
- Hail
- Tornado
- Pollination failure*
- Rain split
- Wildlife

* More details on these perils are available in the *Contract of Insurance, Part III - Fruit Crops Insuring Agreement.*

Coverage level options

You choose a coverage level of 70, 75, or 80 percent.

Sweet cherries

The PI plan for sweet cherries provides protection for both fresh and processing sweet cherries against these insured perils:

- Drought
- Excessive moisture
- Excessive wind*
- Excessive heat
- Freeze
- Frost
- Hail
- Tornado
- Pollination failure*
- Rain split
- Wildlife

* More details on these perils are available in the Contract of Insurance, Part III - Fruit Crops Insuring Agreement.

Coverage level options

You choose a coverage level of 65, 70, 75, or 80 percent.

All of your sweet cherries (both fresh and processing) must be covered by Production Insurance.

How is Production Insurance coverage determined?

The following factors are used to determine 1) how much damage you are protected against from insured perils; and 2) the dollar amount of the claim you may be entitled to if damage occurs:

- Final average yield
- Final average Brix – for processing grapes only
- Claim price
- Coverage level
- Guaranteed production
- Guaranteed value

Final average yield

Agricorp calculates a final average yield (FAY) for you that is used as a benchmark to determine if your actual production is below average for insurance purposes.

FAY for existing plan participants

Depending on the crop, your FAY is based on your five, six, or ten most recent years of your actual yields:

CROP	YEARS OF PRODUCTION IN FAY
Peaches and nectarines	5
Apples, pears, plums, sour and sweet cherries	6
Grapes	5-10*

* Grapes are assigned an underwritten FAY and a final average Brix (FAB) for the first five years of production. Your actual yields will begin to replace underwritten yields in your FAY starting in year six.

FAY for new plan participants

If you are new to the PI plan, you are assigned an underwritten FAY that is based on:

- Location of orchard/ vineyard
- Tree/vine health
- Irrigation capabilities
- Acreage
- Spacing of trees/vines
- Regional weather patterns
- Age of trees
- Soil type
- Available production records
- Varieties grown
- Drainage
- Other management practices
- Rootstocks

Each year that you participate in the plan, your actual yield replaces an underwritten yield until your FAY is composed entirely of your own actual yields.

Reporting yields

If you have not reported crop damage, an Agricorp adjuster visits your farm before May 1 each year to collect yields for the previous year, update your tree or vine inventory and calculate your FAY. If you have reported damage to your crop, your yields are collected at harvest time to determine if your production is below your guarantee. It is critical that you keep accurate yield records.

For all fruit, except grapes, yields are reported in pounds. For grapes, yields are reported in kilograms.

Added and removed production

Annual adjustments are made to your historical production to account for tree or vine removals, new plantings, production capacity based on age, and other management changes.

- Your FAY may be increased to reflect anticipated increases in your production capability due to the added production potential of new plantings.
- Your FAY may be decreased to reflect decreases in your production capability due to the removal of trees or vines.

Allocation adjustment (apples only)

As an apple grower, you have the added advantage of an allocation adjustment, which gives you a separate FAY for fresh and juice crops. Adjusting your fresh percent allocation of fresh apples helps stabilize fresh to juice allocations from year to year to lessen the impact of uncharacteristically low or high yields on your FAY. See Appendix D for a complete example.

Yield buffering (tender fruit only)

Yield buffering stabilizes and lessens the impact of extreme yields on your final average yield. If any of your yields in your FAY falls more than 30 per cent above or below your average opening yield, the yield will be adjusted. See Appendix E for a complete example.

To see how allocation adjustments for apples works to your advantage, turn to Appendix D: Example calculation of fresh allocation adjustment for apples.

Final average Brix (grapes only)

Agricorp calculates a final average Brix (FAB) along with the FAY for processing grapes on a Brix schedule. FAB will be used to determine your claim price as per the Brix schedule. FAY and FAB are factors used to determine how much damage you are protected against from insured perils and the dollar amount of the claim you may be entitled to if damage occurs.

See Appendix F for a complete example.

Reporting yields and accurate record keeping

If you have not reported crop damage, an Agricorp adjuster visits your farm before May 1 each year to collect Brix for the previous year, update your tree or vine inventory and calculate your FAB. If you have reported damage to your crop, your Brix are collected at harvest time to determine if your production is below your guarantee. It is critical that you keep accurate yield records.

Claim price

For the purpose of calculating a claim, you select a claim price at the time of application or renewal. That claim price is then used to determine your guaranteed value and convert your yields in pounds or kilograms to a dollar value.

Fresh and processing claim price options (certain tender fruit only)

Customers with peaches, pears, nectarines and sweet cherries can choose separate claim prices for fresh and for processing crops:

Only fresh production can be insured at the fresh claim price.

- **Fresh claim price option** - your fresh production is valued at the fresh claim price and your processing production is valued at the processing claim price.
- **Processing claim price option** - both processing and fresh production are valued at the processing claim price.

When choosing a claim price option, it is important to note that fresh crops may be insured at the lower processing claim price, but processing crops may not be insured at the higher fresh claim price.

PI coverage is automatically renewed at the claim price option you selected the previous year. To choose a different claim price option, contact Agricorp by December 20 of the year before your new or renewed PI coverage takes effect.

FYI

Agricorp uses commodity group annual reports, OMAFRA statistics, and marketing information to determine claim prices by crop each year. In most cases a three-year or five-year average, minus harvesting costs and board fees, is used.

Coverage level

At the time of application or renewal, you choose a coverage level from one of several options available for each crop plan:

FRUIT PLAN	AVAILABLE COVERAGE LEVELS				
	65%	70%	75%	80%	85%
Apples, plums and sour cherries	N/A	•	•	•	N/A
Grapes	N/A	•	•	•	•
Pears, peaches/nectarines	N/A	•	•	•	•*
Sweet cherries	•	•	•	•	N/A

* coverage only offered on peach, nectarine and pear multi-peril plans

Guaranteed production

Guaranteed production is determined by multiplying your FAY by your selected coverage level.

Guaranteed value

Guaranteed value converts your guaranteed production into a dollar amount for the purpose of calculating your premiums and paying a production claim. Guaranteed value is determined by multiplying your guaranteed production by your selected claim price. If an insured peril causes your actual yield to fall below your guaranteed value, a production claim may be paid on the difference.

Plan information sheets are available at **agricorp.com.** They provide more information on coverage levels, claim prices and other details for the current plan year.

Linden Farms: Example I

Calculating FAY, guaranteed production, and guaranteed value

Linden Farms is a fresh pear customer in the process of renewing its Agricorp PI plan for the coming year, 2016. The production history for the past six years is listed on the right.

CROP	YIELD (LB)
1	62,000
2	51,000
3	90,000
4	65,700
5	84,000
6	26,000
Total	**378,700**

Final average yield (FAY)

Since Linden Farms has participated in the PI plan for more than a decade and did not have any new plantings or removals in year 1, their FAY for 2016 is based on their actual yields for the past six years.

FAY = sum of yields for each year ÷ # of years
= 378,700 ÷ 6
= 63,117 lb (rounded to the nearest lb)

Guaranteed production (GP)

Linden Farms selected a coverage level of 80 percent. The guaranteed production is calculated as:

GP = FAY x coverage level
= 63,117 x 80%
= 50,494 lb

If Linden Farms produces less than 50,494 pounds of fresh pears in 2016, a production claim may be paid.

Guaranteed value (GV)

Linden Farms chose the fresh claim price option. For the 2016 crop year, the fresh pear claim price is $0.54/lb.

GV = GP x claim price
= 50,494 lb x $0.54/lb
= $27,266.76

How are PI premiums determined?

Your annual premium depends on the type of production covered under your PI plan and the choices you make, including:

- Plan design (where applicable)
- Coverage level
- Claim price
- Optional riders

The annual PI premium calculation is based on:

- Premium rate
- Discount/surcharge
- Guaranteed value

Refer to agricorp.com or your renewal notice for base premium rates specific to the crop year.

Note: Minimum premium payment is $100.

Base premium rate

Base premium rates are determined annually at the time of renewal. Rates may change based on factors like past performance of the plan, changes to claim price, and level of the Production Insurance Reserve Fund.

CROP YEAR	CUSTOMER'S ACCUMULATED LIABILITY
1	62,000
2	51,000
3	90,000
4	65,700
5	84,000
6	26,000
TOTAL	378,700

Discounts and surcharges

If you have been enrolled in a PI plan for more than one year, your premium rate may be discounted or surcharged. Discounts and surcharges are determined by comparing your individual claim rate to the claim rate for the crop plan as a whole:

- If your individual claim rate is **greater** than the claim rate for the crop plan, you may have a surcharge applied to your premium price.
- If your individual claim rate is **less** than the claim rate for the crop plan, you may have a discount applied to your premium price.

The claim rate measures the total dollar value of all claims paid, as a percentage of the total insured liability. Liability is the total guaranteed value of the insured crop, multiplied by the claim price, or the amount Agricorp would pay if you had a total crop loss.

CALCULATING DISCOUNT OR SURCHARGE

$$= 100 \times \frac{\text{\# of years enrolled in plan}}{25} \times \left(\frac{\text{individual claim rate}}{\text{plan claim rate}} - 1 \right)$$

Note:

- The maximum annual discount/surcharge is capped at +/- 25 percent of the base premium. This applies to all crops except peaches and nectarines, which are capped at +/- 35 percent.

Your individual claim rate takes into account the total value of all the claims you have received and the total liability you have insured during your enrolment in the plan. The claim rate for the plan takes into account the total liability insured and the value of all claims paid over the years that the plan has been in existence.

Linden Farms: Example II

Calculating premium discounts and surcharges

After five years of enrolment in the plan, Linden Farms had accumulated $252,000 of insured liability ($50,400 per year) and received $35,000 in claims. As a result, in year six they had a surcharge of 15.61 percent.

Over the next few years, the annual liability and the claim rate for the plan remained constant. Linden Farms also enjoyed a number of claim-free years. As a result, their surcharge changed to a discount in just a few short years.

YEARS OF ENROL.	CUSTOMER'S ACCUMULATED LIABILITY	CUSTOMER'S ACCUMULATED CLAIMS	CUSTOMER'S CLAIM RATE (%)	PLAN CLAIM RATE (%)	CUSTOMER'S DISCOUNT (-) OR SURCHARGE (+)
5	$252,000	$35,000	13.89%	7.80%	+15.61%
6	$302,400	$35,000	11.57%	7.80%	+11.61%
7	$352,800	$35,000	9.92%	7.80%	+7.61%
8	$403,200	$35,000	8.68%	7.80%	+3.61%
9	$453,600	$35,000	7.72%	7.80%	-0.37%

Note: If the claim rate for the plan had been falling, if Linden Farm had received any additional claims, or if their actual starting surcharge had been greater than the 25 percent cap, it would have taken longer to move from a surcharge to a discount.

Guaranteed value

Your guaranteed value is determined by multiplying your guaranteed production by your selected claim price. Your premium is then determined by multiplying your guaranteed value by your discount or surcharge and your premium rate to determine the annual premium for your PI coverage.

Linden Farms: Example III

Calculating annual premium

In Example I, the guaranteed value for Linden Farms was calculated as $27,266.76

For the 2016 crop year, the multi-peril customer premium rate for pears at 80 percent coverage is 6.65 percent.

Based on a discount of 0.37%, the annual premium (AP) for Linden Farms is calculated as:

AP = guaranteed value x base premium rate x discount/surcharge

= $27,266.76 x 6.65% x (100-0.37%)

= $1,806.53

Cost sharing

Premiums are cost-shared with the federal and provincial governments. Governments fund up to 60 percent of the annual premium for production plans depending on the risk profile and plan design. They fund 100 percent of the premium for the apple tree and grape vine riders. Your annual premium does not include any fees for administrative costs, which are funded entirely by the provincial and federal governments.

Premium deposit

Since your total premium is not calculated until the spring, a premium deposit is required to secure your coverage over the winter.

- If you are returning to the PI plan, your premium deposit is 25 percent of the premium you paid last year for each crop.
- If you're new to the plan, or adding a new crop, the premium deposit is 25% of an estimated premium. An adjuster will estimate a premium at time of application.
- A minimum premium deposit of $100 is required per crop.

Premium deposits are due by December 20 of the year before your new or renewed PI coverage takes effect. They are not refunded if you later decide to cancel your coverage.

What happens when a crop is damaged?

Reporting damage

You must report crop damage to Agricorp as soon as it occurs by calling 1 888-247-4999, Monday to Friday from 7 a.m. to 5 p.m.

To be eligible for a claim, you must report damage to Agricorp before harvest.

Claim eligibility

You are expected to follow the obligations outlined in the section *What are my responsibilities?* on page 3.

Eligibility criteria for different claim types are as follows:

1. **Production Claims**

   Production claims cover reductions in yield caused by insured perils. Agricorp may pay a claim if:

   - Damage was reported to Agricorp before harvest;
   - Yield loss was due to an insured peril; and
   - Your declared yield falls below your guaranteed value.

   A claim is triggered when the dollar value at harvest time is less than the guaranteed value as a result of an insured peril.

   Production claims are calculated on a whole farm basis.

2. **Determining dollar value at harvest (processing grapes only)**

   Brix will be collected along with yield at harvest. Dollar value will be determined at harvest based on the declared yield and achieved Brix, at the corresponding claim price on the Brix pricing schedule.

   For varieties that are not negotiated on Brix pricing schedules, base Brix at the corresponding price will be used to determine the final claim price.

The following types of claims cover reductions in quality caused by insured perils for apples only.

3. **Hail rider claim (apples Separate orchard Rider plan only)**

   To be eligible for an apple hail rider claim, a single orchard must receive a minimum of 10 percent hail damage. When the hail damage occurs, you must report the damage immediately to Agricorp. An Agricorp adjuster will complete a hail count percentage, using grading standards, as close to harvest as possible. Final hail claims are settled after harvest. A hail rider claim may be paid even if the total yield is above the guaranteed value.

For more details, turn to Appendix C: Example calculation of a hail rider claim (apples only).

4. **Salvage benefit (apples Enhanced basic plan only)**

   You must open a damage report before harvest for damage to be assessed. To qualify for a salvage benefit, you must have salvaged the apples reduced to juice grade into either of the processing non-juice or fresh markets, and your hail count must exceed 10 percent damage to your whole farm.

For more details, turn to Appendix B: Example salvage claim calculation (apples only).

5. **Write-off provision (apples Enhanced Basic plan only)**

   If hail damage exceeds 70 percent on a weighted hail count of all your orchards due to severe hail damage, you are not required to harvest the undamaged fruit as fresh grade. A production claim will be calculated based on your insured yield. However, if you choose to harvest and market the apples as fresh, Agricorp will use the harvested yield of apples as your declared yield. For example: If you had 85 per cent damage and harvested 100 percent of the apples as juice, the production claim would reflect the 100 per cent juice yield.

Harvesting practices for apples:

Notify Agricorp five days before you intend to harvest if you are changing your harvesting practices (such as changing to tree run) so that Agricorp can conduct a quality assessment of your orchard prior to harvest.

Linden Farms: Example IV

Calculating claims

In Example I, the guaranteed value for pears for Linden Farms was calculated as $27,266.76. Because their actual yield was 40,000 lb, Linden Farm is eligible for a production claim.

A claim price of $0.54/lb is used to convert the yield to a dollar value:

40,000 lb x $0.54/lb = $21,600

The amount of the production claim (PC) is calculated as follows:

PC = guaranteed value - yield value
= $27,266.76 - $21,600
= $5,666.76

Grading standards for hail counts

The PI plan requires hail counts to be performed on:

- Apples
- Peaches and nectarines
- Pears

You must report hail damage as soon as it occurs. Once the report is made, an adjuster may visit your farm to look at the damage. However, the actual hail count does not take place until after hand thinning is completed and as close to harvest as possible, since the purpose of the hail count is to assess hail damage to the fruit that is to be harvested.

A hail count procedure is used to grade the fruit in an orchard damaged by hail. Designations for fresh/juice or fresh/processing grading standards are determined using the Fresh Fruit and Vegetable Regulations under the *Canada Agricultural Products Act*.

The grading of fresh fruit for hail counts is based on the following:

Apples

An apple is designated for juice if hail injury caused one or more of the following to occur as per the Canadian Grade for Extra Fancy:

- Broken skin
- Discoloration
- An individual hail mark exceeds 1/8 of an inch in diameter
- The aggregate area of hail marks exceeds 1/4 of an inch in diameter

Peaches and nectarines

A peach or nectarine is designated hail damaged if hail injury caused one or more of the following to occur as per the Canada No. 1 Grade:

- Free from hail marks

Pears

A fresh pear is designated hail damaged if hail injury caused one or more of the following to occur as per the Canadian Grade for Extra Fancy:

- Broken skin
- Discoloration
- An individual hail mark exceeds 1/8 of an inch in diameter
- The aggregate area of hail marks exceeds 1/4 of an inch in diameter

Hail counts are not required for grapes, plums, sour and sweet cherries.

Quality factoring

If an insured peril reduces the quality of a crop, a quality factor (QF) may be applied to the yield to better reflect the price you receive. This factored yield is used for claim purposes as well as FAY calculations in the future and is applied whether or not a claim is payable.

Grapes - non Brix schedule varieties only

Grape yields may be factored down to reflect a decrease in the price you receive if:

- a grape crop is damaged by hail near harvest, and the grapes must be harvested prematurely at a lower Brix value, or;
- the Brix value of a variety of grapes falls below 100% Brix due to an insured peril.

The quality factor is determined by dividing the negotiated price for harvested Brix by the negotiated price at 100% Brix for that variety in the current crop year.

Factoring is not applied to grapes used for ice wine or processing grade.

Peaches, nectarines, pears, and plums

If the crop is reduced in quality but can still be sold, the yield will be factored down to reflect the loss in revenue. The quality factor is determined by dividing the price received for the crop by the processing price. For plums quality factor is determined by dividing the price received for the crop by the fresh price.

Sweet cherries

If a sweet cherry crop is sold to a winery or distiller for less than the price of undamaged fruit, the yield of damaged cherries will be reduced by 50 percent to reflect this loss.

For more details, refer to the Quality factoring for grape and tender fruit Production Insurance document.

How do I resolve a PI dispute?

Agricorp has a dispute resolution process for PI disagreements:

- If you disagree with a decision about your file, a claim or your eligibility for Production Insurance, please call us at **1-888-247-4999**.
- If your issue remains unresolved after talking to us, you can request that Agricorp review your issue further. A customer service representative will review the required steps with you.
- For appeals on a claim, you must file your appeal with the Agriculture, Food and Rural Affairs Appeal Tribunal within one year from the day you submit your Proof of Loss form (or any equivalent form provided by Agricorp on which you are affirming details of a loss).

APPENDIX A: Example calculation of a hail rider claim (apples only)

For this example, assume a 2016 crop year with the following data:

1. PI coverage level of 80 percent
2. Fresh claim price of \$0.27/lb and juice claim price of \$0.03/lb
3. Yield information:

DESCRIPTION	QUANTITY (LB)
Fresh harvested yield	360,000
Juice harvested yield	540,000
Total harvested yield	**900,000**
Fresh final average yield	504,705
Juice final average yield	286,042
Total final average yield	**790,747**

4. Fresh final average yield expressed as a percentage of total final average yield (Fresh %)

Fresh % = fresh final average yield ÷ total final average yield x 100
= (504,705 lb / 790,747 lb) x 100
= 63.8% Damage from other perils is calculated first as a production claim

Step 1: Establish guaranteed fresh value before hail storm

Hail rider claims compensate you for reductions in **quality** due to hail damage. Any decreases in **yield** are compensated through production claims. For this reason, hail rider claims are paid based on your fresh guaranteed production (lb) or allocated fresh production (lb), whichever is less.

Fresh guaranteed production (FGP) is calculated as:

FGP = final fresh average yield x coverage level
= 504,705 lb x 80%
= 403,764 lb

Allocated fresh production (AFP) aims to estimate what your fresh yield would have been if you hadn't experienced any hail damage. It is calculated as:

AFP = total harvested yield x fresh %
= 900,000 x 63.8%
= 574,200 lb

The hail rider claim is based on the lower of either the fresh guaranteed production or allocated fresh production. In this case, it is the FGP amount of 403,764 lbs.

The FGP is then multiplied by the fresh claim price to calculate the guaranteed value (GV) for the hail rider claim:

GV for hail rider claim = 403,764 lb x \$0.27/lb
= \$109,016.28

Step 2: Establish new value of production after fresh apples are reduced to juice grade

The next step is to calculate new yields in pounds based on the percentage of damaged (reduced to juice grade) and undamaged apples derived from the hail count. Assuming the adjuster assessed your hail damage at 55 percent for juice grade and 45 percent for fresh grade:

Damaged yield = fresh guaranteed production x juice grade hail damage percentage
= 403,764 lb x 55%
= 222,070 lb

Undamaged yield = fresh guaranteed production x fresh grade hail damage percentage
= 403,764 x 45%
= 181,694 lb

These new yields are multiplied by their corresponding 2009 claim prices to convert them to a dollar amount:

Damaged yield = 222,070 lb x $0.03/lb
= $6,662.10

Undamaged yield = 181,694 lb x $0.27/lb
= $49,057.38

The yields (in dollars) are then added together to calculate the total value of the fresh portion of the crop.

Total value of production after hail = $6,662.10 + $49,057.38
= $55,719.48

Step 3: Calculate your claim amount

To get your claim amount, subtract the total value of production after hail damage from the guaranteed value for the hail rider claim from step 2:

Claim = Guaranteed value for the hail rider claim – total value of production after hail damage
= $109,016.28 – $55,719.48
= $53,296.80

Notes:

- Each orchard is underwritten with its own fresh and juice guaranteed values.
- Each orchard receives its own hail count.
- A hail rider claim is calculated for each orchard with hail damage exceeding 10 percent.
- The hail rider claim amount for each orchard is then added together to produce one claim payment.
- A hail rider claim may be paid even if the total yield is above the guaranteed production.
- Agricorp may amend or adjust fresh/juice yields and allocation to reflect the quality of apples in an orchard.

Hail count is conducted at harvest time.

APPENDIX B: Example calculation of a salvage claim (apples only)

For this example, assume a 2009 crop year with a salvage price of $0.015/lb and the following data:

ORCHARD 1	TOTAL	FRESH	JUICE	FRESH-JUICE ALLOCATION
GP*	311,000 lb	230,000 lb	81,000 lb	74%-26%
Yield	504,400 lb	174, 000 lb	330,400 lb	34%-66%

Hail count = 80 percent damage (20 percent fresh)

ORCHARD 2	TOTAL	FRESH	JUICE	FRESH-JUICE ALLOCATION
GP*	900,000 lb	700,000 lb	200,000 lb	78%-22%
Yield	1,550,000 lb	650,000 lb	900,000 lb	42%-58%

Hail count = 70 percent damage (30 percent fresh)

ORCHARD 1 AND 2 COMBINED	TOTAL	FRESH	JUICE	FRESH-JUICE ALLOCATION
GP*	1,211,000 lb	930,000 lb	281,000 lb	77%-23%
Yield	2,054,400 lb	824,000 lb	1,230,400 lb	40%-60%

***GP = guaranteed production**

Step 1: Calculate the whole farm hail count

Salvage claims are calculated on the whole farm level. For this reason, Agricorp calculates a hail count for all apples.

Hail count = sum of (% of total guaranteed production x hail count) by orchard
= sum of [(Orchard GP/Total GP) x hail count) by orchard
= [(311,000/1,211,000) x 80%] + [900,000/1,211,000 x 70%]
= 0.20 + 0.52
= 0.72 (72%)

Therefore, your fresh hail count percentage is 28 percent (100% - 72%) .

Step 2: Calculate the trigger

If your total fresh yield is greater than the trigger, you will receive a salvage claim.

Trigger = total yield x fresh GP allocation x fresh % from hail count
= 2,054,400 lb x 77% x 28%
= 442,929 lb

Because your total fresh yield is 824,000 lb, it is greater than the trigger and you may receive a salvage claim.

Step 3: Calculate the salvage claim

Salvage claim = [(sum of lesser of fresh GP or fresh yield) – trigger] x salvage claim price
= (824,000 lb – 442,929 lb) x $0.015/lb
= $5,716.07

Note: Any reductions in yield from insured perils are compensated through production claims.

APPENDIX C: Apple tree and grape vine riders

The apple tree rider and grape vine rider protects you from catastrophic tree and vine deaths caused by insured perils.

You are eligible for coverage if you:

- are insuring apples or grapes, as applicable for the current crop year, and
- are insuring apple trees or grape vines, as applicable, that were insured in the previous crop year; or, if they were not insured the previous crop year, notify Agricorp by September 1 prior to the crop year, so that Agricorp can do an inspection and determine eligibility

Trees and vines are eligible for insurance if they are:

- in third leaf (planted in the orchard or vineyard for at least two winters). For example, to be eligible for 2016 vine coverage, a vine must have been planted in the vineyard no later than early 2014.
- free of disease, harmful insect infestation and pre-existing injury
- managed according to good farm management practices relative to location and variety

When is a tree or vine considered dead for coverage purposes?

For coverage purposes, a tree or vine is dead when about 90 per cent of its growth above ground is dead, and the graft does not produce scion growth In other words, there is no opportunity exists to re-establish the tree or vine as a viable production unit.

What happens when trees or vines die?

After Agricorp has received a damage report an Agricorp adjuster will work with you to verify that the death was caused by an insured peril and that good farm management practices were being followed and approve for removal. Removal of all dead trees or vines must be done in a manner satisfactory to Agricorp before any claim is payable.

Delayed Death

Tree or vine death due to freeze injury may not be apparent until the tree or vine has been allowed to proceed through a growing cycle. If all affected trees or vines have not died by the end of the crop year, coverage may carry over until August 1, of the next crop year provided damaged trees or vines have been identified and documented by Agricorp in the crop year the peril occurred. If the damaged trees or vines do not die before August 1, they will no longer be eligible for coverage.

How is claim elibigility determined?

To receive a claim payment, the number of trees or vines approved for removal must exceed the deductible. You may be eligible for a claim if:

- the number of dead trees exceeds 7.5 per cent of your apple tree liability
- the number of dead vines exceeds 12.5 per cent of your whole farm vine liability For example, if one variety of grapevines represents five per cent of the total farm liability for grapevines and 100 per cent of that variety dies, no claim is triggered. Only five per cent of the total value died, which falls below the deductible on a whole farm basis.

If you rent or lease an orchard or vineyard, you are eligible for the actual incurred costs of removing a tree or vine. Written permission from the landlord for removal may be required by Agricorp prior to claim payment.

Block feature

If an insured peril destroys 80 per cent or more of the trees or vines in a block, you may choose to remove all the trees or vines in the block and receive a claim payment for the entire block. Sections within the block that are easily separated, with less than 80 per cent damage, may not be eligible for this feature.

APPENDIX D: Example calculation of fresh allocation adjustment for apples

Example of a growers yield history:

CROP YEAR	ACTUAL YIELDS			PERCENT ALLOCATION	
	FRESH	JUICE	TOTAL	FRESH	JUICE
2008	148,248	89,372	237,620	62.39%	37.61%
2007	580,250	433,200	1,013,450	57.25%	42.75%
2006	507,228	194,030	701,258	72.33%	27.67%
2005	805,190	310,054	1,115,244	72.20%	27.80%
2004	422,070	158,344	580,414	72.72%	27.28%
2003	513,420	583,074	1,096,494	46.82%	53.18%
Average	**496,068**	**294,679**	**790,747**	**62.73%**	**37.27%**

Step 1: Establish which years require yield adjustments

Your fresh yield would be adjusted if one of the fresh yields making up your final average yield is lower than your low trigger or higher than your high trigger:

Low trigger = total fresh % of average yield minus 10
= 62.73% – 10
= 52.73%

High trigger = total fresh % of average yield plus 10
= 62.73% + 10
= 72.73%

Because the 2003 fresh percentage of 46.82% is lower than the low trigger of 52.73%, the 2003 fresh and juice yields will be adjusted, while the total 2003 yield remains the same.

Step 2: Calculate your adjusted yields

Difference between low trigger and fresh percentage = 52.73% – 46.82% = 5.91

Adjustment factor = 80 percent of the above difference = 80% x 5.91 = 4.73

Adjusted fresh percentage = adjustment factor plus original fresh percentage = 4.73% + 46.82% = 51.55%

Adjusted fresh = total yield multiplied by the adjusted fresh percentage = 1,096,494 lb x 51.55% = 565,243 lb

Adjusted juice = total yield minus adjusted fresh yield = 1,096,494 lb – 565,243 lb = 531,251 lb

Step 3: Recalculate your final average yield using the adjusted yields

CROP YEAR	ADJUSTED YIELDS			ADJUSTED PERCENTAGE ALLOCATION	
	FRESH	JUICE	TOTAL	FRESH	JUICE
2008	148,248	89,372	237,620	62.39%	37.61%
2007	580,250	433,200	1,013,450	57.25%	42.75%
2006	507,228	194,030	701,258	72.33%	27.67%
2005	805,190	310,054	1,115,244	72.20%	27.80%
2004	422,070	158,344	580,414	72.72%	27.28%
2003	565,243	531,251	1,096,494	51.55%	48.45%
2009 final average yield (lb)	**504,705**	**286,042**	**790,747**	**63.83%**	**36.17%**

APPENDIX E: Yield buffering for tender fruit

Yield buffering stabilizes and lessens the impact of extreme yields on your final average yield. If your yield falls more than 30 per cent above or below your average opening yield, the yield will be adjusted.

The table below shows the average buffered yield for Orchard 1 after all buffering calculations have been completed.

CROP YEAR	OPENING YIELD (LBS.)	BUFFER	BUFFERED YIELD (LBS.)
2013	66,950	Down	65,650
2012	8,633	Up	26,212
2011	40,350	No buffering	40,350
2010	89,942	Down	73,313
2009	11,661	Up	27,221
2008	82,463	Down	70,820
Average opening yield	**50,000 lbs**	**Average buffered yield**	**50,594 lbs***

***This represents your average buffered yield before applying added or removed production pounds**

Yields outside of the upper or lower thresholds will be buffered to reduce their impact on final average yield calculations. To buffer a yield, thresholds must first be set. The upper threshold is set at 130 per cent of the average opening yield for the orchard and the lower threshold is set at 70 per cent.

For example, if Orchard 1 has an average opening yield of 50,000 lbs, the upper threshold would be 65,000 lbs and the lower threshold would be 35,000 lbs. See the calculation below.

Determining thresholds

Upper threshold	=	Average opening yield	×	130%
	=	50,000	×	1.3
	=	**65,000 lbs**		
Lower threshold	=	Average opening yield	×	70%
	=	50,000	×	0.7
	=	**35,000 lbs**		

Once thresholds have been determined, buffering is applied to opening yields that are above or below the thresholds. Buffered yields are adjusted by two-thirds of the difference between the opening yield and the threshold.

Buffering a yield up for 2012 crop year

Buffered yield	=	((Lower threshold	-	Opening yield)	×	Two-thirds)	+	Opening yield
	=	((35,000	-	8,633)	×	0.6667)	+	8,633
	=	(26,367	×	0.6667)	+	8,633		
	=	17,579	+	8,633				
	=	**26,212 lbs**						

Buffering a yield down for 2012 crop year

Buffered yield	=	Opening yield	-	(Opening yield)	-	Upper threshold	×	Two-thirds)
	=	89,942	-	((89,942	-	65,000)	×	0.6667)
	=	89,942	-	24,942	×	0.6667)		
	=	89,942	-	16,629				
	=	**73,313 lbs**						

Yields outside of the upper or lower thresholds will be buffered to reduce their impact on final average yield calculations. To buffer a yield, thresholds must first be set. The upper threshold is set at 130 per cent of the average opening yield for the orchard and the lower threshold is set at 70 per cent.

APPENDIX F: using Brix in your FAY and dollar value at harvest

Final average Brix is calculated using the customer's Brix history. All growers started with five years of Brix history in 2013. In 2015, this average will be for approximately six years of Brix history including last year's reported values and will continue to build until Brix history reaches 10 years to match the yield history.

Guaranteed value ($)	=	Final Average Yield (kgs)	×	Final Average Brix ($)	×	Coverage level

Customers new to insurance will be assigned an underwritten FAY and final average Brix at a five-year average. Each year the reported FAY and final average Brix will replace an underwritten value until their FAY and final average Brix is composed entirely of their own actual yields.

Determining dollar value at harvest

Brix will be collected along with yield at harvest. Dollar value will be determined at harvest based on the declared yield and achieved Brix, at the corresponding claim price on the Brix pricing schedule.

For varieties that are not negotiated on Brix pricing schedules, base Brix and the corresponding price will be used to determine the final claim price.

Dollar value at harvest ($)	=	Declared yield (kgs)	×	Achieved Brix ($)

How payments are determined using Brix

A claim is triggered when the dollar value at harvest time is less than the guaranteed value as a result of an insured peril.

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Monday to Friday, 7 a.m. to 5 p.m.

Version française disponible

2016-02-04

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