March 26, 2018

The following are our observations from the listening session in Highland, NY on 3/23 that was held to discuss the Federal Crop Insurance Apple Policy. The listening session was conducted by Agralytica, Inc., a private company contracted by the USDA - Risk Management Agency (RMA) to gather comments on the existing apple policy and in turn make recommendations to the existing apple policy. In addition to a representative from Agralytica, three employees from RMA were also in attendance.

A handout (attached) was distributed to everyone in attendance. Attendees included apple growers (NY & CT) and Federal Crop Insurance agents and reinsured company representatives. Here is a summary of the items specifically discussed at the 3/23 meeting:

1. Existing Varietal Groups and varieties placed in each group were discussed. There are three Varietal Groups on the current apple policy. Varietal Group A: Honeycrisp and Pazazz; Varietal Group B: Cortland, Empire, Fuji, Gala, Jonagold, Macon, McIntosh, Ozark Gold, Paula Red, Cripps Pink (Pink Lady), Red Rome and Zestar; and, Varietal Group C: all other apple varieties not specified in Varietal Group A or B. Suggestion made to include Sweet Tango in Group A otherwise consensus appeared that the Varietal Groups were fine as is though with newer varieties continually being brought on board, careful consideration was needed to determine which varietal groups these new varieties were placed in.
2. Varietal Group Prices. Current prices, Group A: $51.50/box; Group B: $15.60/box; and Group C: $11.40/box. It was noted that the prices represent the price of the varieties "on the tree" and do not include harvesting, packaging, etc., costs. The consensus of the NY growers in attendance was that the Group A price was high; mixed comments as to whether Group B was too high or too low; and Group C was in the ballpark though slightly on the higher side. One area of concern were prices for hard cider varieties with several growers and crop insurance agents noting that most of these prices fell into Group C and the actual prices/ worth of these hard cider varieties are very low at the present time.
3. To qualify for the Fresh Fruit option, a grower would have had to have sold at least 50% of their apples as "Fresh" in 1 of the last 4 years. This did not seem to be an issue.
4. Definition of "Fresh" apples. Apples in which there is no change to the physical composition of the apple. Obviously apples used for juice, cider and sauce are not considered "Fresh". Apples that are sliced then packaged and sold as slices are also not considered "Fresh" since the composition of the apple has changed.
5. Timing of claims settlements. Currently a grower has to have packed out all their apples before the claim is finalized and submitted for indemnity payment. As one grower pointed out this is a hardship for him since he has financial obligations (loan repayments, etc.) that are due in many instances several months before the final claim is adjudicated and submitted for payment which then forces the grower to have to borrow additional money to meet those obligations. Growers present echoed similar sentiments. Comments were made that perhaps an advance indemnity payment could be issued to growers to help address this issue. A lot of discussion also took place on why RMA could not simply settle claims earlier by basing production to count on appraisals of the apples in storage and used those appraised figures to

settle claims earlier rather than waiting for final disposition of the apples on the part of the producer.

6. Comments were made by growers that some sort of premium reduction should be made for growers who spend money to reduce risks on such items as wind machines, hail nets, drip irrigation, etc. These investments lower the risk that RMA has to insure under a Federal Crop Insurance policy.

As is generally the case, a lot of discussion takes place prior to and upon conclusion of meetings and oftentimes that discussion provides additional opportunities to see what the real issues are. Below are some of our observations from these discussions:

1. A consensus of comments were that a significant percentage of wholesale growers were the types of growers that have attended listening sessions already conducted in other states. One agent stated a conversation that the agent had with a wholesale grower, who had an obvious bias against direct marketers. We believe that it is critical that direct marketers express their feelings on the apple policy and what changes could be made to improve the apple policy for direct marketers. This is especially critical in New England! It is really difficult to have one policy that attempts to fit all apple growers into one policy.
2. An agent told me that this agent has heard that there may be an effort to remove the "Fresh Fruit" option from the existing apple policy and establish a pilot program to include the "Fresh Fruit" option for direct marketers. This particular agent said while this sounds good, if RMA determines the pilot program is not working and eliminates the pilot program, then the Fresh Fruit option would not be available anymore which would be devastating to direct marketers. It would make more sense to establish a pilot program but keep the "Fresh Fruit" option in the existing apple policy.
3. There is an obvious concern on the part of RMA on the loss ratios in several states. Included in the other attachment is a listing of selected states and their loss ratios. The loss ratios are determined by dividing the indemnities paid by the total premium (which includes the premium subsidies). RMA gets concerned when the loss ratio exceeds 1.00 especially when it occurs on a frequent basis. This doesn't appear to be a problem in any New England State with 2016 being a drought year. I would have to look back to see what the weather event(s) were in 2012. States with the most concern are North Carolina, Virginia, West Virginia and to a lesser extent, New York.
4. Discussion took place on whether producers should receive a premium discount based on the individual loss ratio of a producer. Producers who had favorable loss ratios would receive a premium discount. Not sure what criteria would be, but worth noting. Nothing was discussed about producers who had less than favorable loss ratios.
5. Corn (silage & grain) has a revenue option available in addition to the yield option. Could this work for apples?

Our goal is to make sure that the feelings of Massachusetts and New England growers are heard. While we are in a minority it is critical that our growers voice their sentiments, both good and bad, on the existing apple policy as well as ideas and suggestions to either improve the existing policy or suggestions for a pilot program. One opportunity is to attend the listening session below:

Friday, March 30, 2018
10:00 am - Noon
UNH Cooperative Extension
329 Mast Road
Goffstown, NH

Producers who cannot attend the listening session are welcome and encouraged to submit comments to Tom Earley of Agralytica at tearley@agralytica.com. Feel free to reach out to me if you have any questions.

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