INFORMATIONAL MEMORANDUM

TO: Reinsured Companies servicing Alabama, Florida, Georgia & South Carolina

FROM: Michael Moore
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Director

SUBJECT: 2005 Regional Underwriting Guidelines for Category C Perennial Crops Apples, Blueberries & Peaches

ISSUE:

For 2005, the following Risk Management Agency (RMA) Valdosta Regional Office (RO) Guidelines are issued to more accurately target perennial crop policies needing field inspections and to limit the number of field inspections to only those cases requiring further analysis and possible yield adjustment by the Valdosta RO.

Please note we have changed the format of this memo.

1 General Requirements:

When the policy triggers pre-acceptance field inspection selection criteria (tolerance guidelines) outlined in Section 7 F (2) in the 2005 Crop Insurance Handbook (CIH) requiring Regional Office (RO) yield determination, the following information, for all applicable units by practice, type and variety (P/T/V) must be acquired:

A Supporting documentation as outlined in Section 7 F (6): Actual Production History forms (FCI-19A, NCIS-765 or APH equivalent), hard copy records of acreage and production, Producer’s Pre-Acceptance Worksheet(s), Pre-Acceptance Perennial Crop Inspection and Applicable Crop Addendum Worksheet(s), Block Production Worksheet(s), Unit Summary Worksheet(s), and if applicable, RMA RO Determined Yield Request(s).
B  A current perennial crop inspection (five years old or less) as outlined in the chart shown in Section 7 F (1) (C).

B(1) If the current inspection on file is more than five years old (inspections for the 1999 crop year and prior), or a current copy cannot be obtained from the ceding company/FSA office, the units(s) in question must be field inspected for 2005.

B(2) A new inspection when the insured answers ‘YES’ to question 22 contained on the Producer’s Pre-Acceptance Worksheet. The purpose of the perennial crop inspection review is to assess yield potential of the unit. High yield variability, downward trending yields or both, would be indicative of a lower yield potential for the unit.

Emphasis should be placed on the following numbered items of the inspection report (Section 7, page 159, 2005 CIH):

(2)(a) Item #27 - Percent Stand - number of trees, vines, or bushes and the percent stand. If the “Less Than 50%, or the 50-60% box is checked, the unit is likely in a state of decline.

(2)(b) Item #28 - Yield potential – is the yield potential for the unit stable, declining, or increasing? The box checked “Declining” represents plants that are past their prime production potential, and a lower yield for the unit may be expected.

(2)(c) Item #29 - Do the trees, vines, bushes, or bogs have sufficient vigor to produce the average yield for this unit? Fruit yields will decline if certain cultural practices are not used. Evidence of this would be poor weed control, low fertility, limited use of bees for crop pollination, soil limitations-poor drainage, incorrect soil pH, or moderate to severe insect and disease infestations). If the “No” and/or “Poor” blocks are checked, then lower than average yields may be expected.

(2)(d) Item #36 (A&B) – The inspector’s independent evaluation of the growers’ management, and the condition of the unit. The yield potential for the unit would be considered in decline if the “Below Average” block is checked in either “A” or “B” of item #36.

Note: When completing any field activities (i.e.: field appraisals, loss adjustment, etc.) if there have been any noticeable significant changes to the orchard, vineyard, plantation or bog, since the last inspection, an updated inspection should be performed, regardless of the date of the last inspection. It is critical that company inspectors accurately assess the current condition of the orchard, vineyard, bog, or plantation, and evaluate the level of management for the insured unit.
2 Additional Perennial Crop Instructions for the 2005 Crop Year

A Yield limitations (cups) [Section 7(J)(6)], and Sixty percent (60%) T-Yields [Section (13(D)(7)] generally do not apply to units (by P/T/V) in special cases referred to the RMA RO for yield determination, including those cases waived for company approval. Cases identified in Section 7(F)(2)(b)(2) and submitted to the RMA RO as a request for higher yield may be eligible for Sixty percent (60%) T-Yields if qualified and elected by the insured, as determined by the RMA RO. However, all other Crop Insurance Handbook procedures apply.

B Requests for Higher Yields. CIH procedures in Section 7F(2)(a) allow the insured to request a yield greater than the average/adjusted APH yield with reasonable cause. The request must contain all information identified in 1 (General Requirements) and a detailed written justification for the higher yield. The Regional Office will issue written authorization to Insurance Providers as to the correct method of yield determination.

C This memorandum does not waive requirements for units when “RO Coverage Review” is marked on question 37 in the Pre-Acceptance Perennial Crop Inspection Report (12-P).

3 Organic or Sustainable Practices (Pre-Acceptance Work Sheet Question #23 – Organic and Non-Conventional Practices)

A Insurance providers are authorized to approve the average APH yield using APH procedure stated in Exhibit 38 for all units {identified in 7F(2)(d)} grown with the transitional organic or organic production practice. For units/blocks meeting criteria specified elsewhere in 7F(2) {except (2)(d)}, the insurance provider will follow the procedures in this letter or the CIH.

B Insurance providers are also authorized to approve the average yield using standard Category C APH procedure for all units {identified in 7 F (2)(d)} grown with the sustainable production practice.

4 Utilization of Block Production Procedure:

When block production records are used to calculate the approved yield for cases identified in CIH Section 7F2(b) and (d) and item 3B above, use the corresponding yield determination formula for only those blocks meeting the applicable tolerance test.

A Standard APH procedures apply to blocks not meeting applicable tolerance tests.

B Final approved APH yield is transferred from Unit Summary Worksheet (19-A-APH-USW).
5 Peaches; Georgia, South Carolina

In consideration of the continuous rating actuarial structure in place for peaches in the Southeast, yield variance table applications and the above yield trend calculations are not required. Companies are authorized to calculate yields for peaches using standard APH procedure. However, the following provisions still apply.

A Units with more than a 10% change in acreage due to changes in tree age, tree population (density), tree variety and/or tree vigor, require an updated inspection regardless of the last inspection.

B Any block of trees within an orchard that is 15 years of age or older and/or exhibits a significant downward yield trend, requires an annual inspection for insurability.

6 WAIVER

A Insurance providers are authorized to approve average yields for situations via guidelines outlined under Organic and Sustainable Practices identified above and CIH Sections 7F(2),(b) and (d) and item 2B above.

B The waiver is not applicable to policy units when answering either ‘YES’ to question 22 or ‘NO’ to question 24 of the Producer Pre-Acceptance worksheet (12-PAW) or marking the RMA RO Coverage Review on question 37 of the Pre-Acceptance Perennial Crop Inspection Report (12-P).

Any policy forwarded to the RMA Valdosta RO must include supporting documentation as outlined under item 1 of the General Requirements above. If you have any questions or if we can be of any assistance, please do not hesitate to contact our office.