United States Department of Agriculture

Farm and Foreign Agricultural Services

Risk Management Agency

Davis Regional Office

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INFORMATIONAL MEMORANDUM

TO: Approved Insurance Providers

FROM: Jeff Yasui */s/*
Director

SUBJECT: Reinsurance Year 2015, Regional Underwriting Guidelines for Category C Perennial Actual Production History (APH) Crops in the Davis RO Region

BACKGROUND:

The 2015 FCIC 18010 Crop Insurance Handbook (CIH) provides Regional Offices (ROs) with the authority to issue RO underwriting procedures for regional exception(s) in the form of RO Underwriting Guidelines for Category C crops.

These RO Underwriting Guidelines apply for the: 1) 2016 crop year Citrus and Avocados; 2) 2016 crop year Macadamia Nut; and 3) 2015 crop year for all other Category C APH crops in Arizona, California, Hawaii and Utah.

ACTION:

A. Higher Yield Requests:

Par. 1581A of the CIH allows the insured to request a RO determined yield higher than the average APH yield with reasonable cause. The Davis Regional Office (DRO) will accept higher yield requests for orchards that have recently become insurable and have less than four years of actual yields in their APH Database. In addition, the DRO will accept requests for orchards/vineyards that have at a minimum four years of actual yields in the APH database (with the exception of higher yield requests for added land).

In these situations, the request for higher yields must meet one of the following conditions for the DRO to consider:

1. Contains bearing acreage coming into insurable production;

2. Orchard(s)/vineyard(s) purchased or leased from another grower; or

3. Removal of older block(s), or portions of block(s).

If the insured meets the conditions in 2 or 3 above, they must provide their own last two years of actual yields that reflect a change that is greater than 125% of the preliminary yield.

However, if the insured does not meet any of the conditions identified above, the AIP will use standard APH procedures in approving the yield, in lieu of submitting an RMA RO Determined Yield request.

B. Higher Yield Requests for Almonds only:

For orchards that have less than four years of actual yields, the grower may request a higher yield. Instead of forwarding the request to the DRO for 7th, 8th and 9th leaf acreage, the AIP may establish the approved yield using the following procedures. AIPs shall submit the APH database to RMA using the Special Case Yield Indicator "H" [see Para. 1581A of the CIH].

Higher yield requests for 5th and 6th leaf acreage, must be forwarded to the DRO.

1. Yield History Requirement. In order to establish a higher yield per these procedures, growers are required to provide all of their yield history to the AIP. The AIP will use **Table 1** below in establishing a higher yield.

   If the grower doesn't provide all their yield history, the AIP must use standard APH procedures in calculating the insured's approved yield.

   Exception: AIPs may not establish a higher yield if the grower has not followed recommended post-harvest irrigations in all Central Valley Project or State Water Project irrigation districts south of the delta (see **C.1.** to approve the yield when recommended post-harvest irrigation is not followed).

Table 1. Multiplicative factors by age and maximum yields.

		Maximum Yield Allowed		
AGE	Multiplicative Factor	**Region I** (Butte, Colusa, Glenn, Solano, Sutter, Tehama, Yolo and Yuba counties)	**Region II** (Merced, San Joaquin and Stanislaus	**Region III** (Fresno, Kern, Kings, Madera and Tulare counties)
7th leaf	1.10	2400	2900	3400
8th leaf	1.10	2600	3100	3600

9th leaf	1.10	2900	3400	4000

2. Approving a higher yield.

a. Determine the age of the acreage that will be insured for the current crop year.

b. Using Table 1, find the age of that acreage and the corresponding Multiplicative Factor.

c. Determine the calculated yield using the following procedure:

(NOTE: Leaf age production must be in the database.)

1 If 7th leaf, use the single 6th leaf production. If 5th leaf was insured, then use the two year average (5th and 6th). Multiply the result by 1.10 to give you the calculated yield.

2 If 8th leaf, use the two year average of 6th and 7th leaf production. If 5th leaf was insured, then use the three year average (5th, 6th and 7th). Multiply the average by 1.10 to give you the calculated yield.

3 If 9th leaf, use the three year average of 6th, 7th, and 8th leaf production. Multiply the average by 1.10 to give you the calculated yield. If 5th leaf was insured, then use the four year average (5th, 6th, 7th, and 8th) as the approved yield.

d. Determine the approved yield by using the calculated yield in step c above and the maximum yield shown for the appropriate age and region in Table 1, **approve the LOWEST of** either the calculated yield or the maximum yield allowed for the region. Use Special Case Yield Indicator "H".

However, if the approved yield exceeds the maximum yield allowed for the region, the grower may request an RMA RO Determined Yield from the DRO.

Example 1. An insured in Fresno County has an orchard that was planted in 2008. The first year of insurance is 6th leaf. The orchard produced 2,400 lbs. /acre in 6th leaf; 2,800 lbs. /acre in 7th leaf. The new insured requests a higher yield for their 8th leaf orchard.

1. It is determined that the orchard will be 8th leaf in 2015. [(2015 – 2008) + 1]
2. Per Table 1, use the multiplicative factor of 1.10 for an orchard going from 7th to 8th.
3. The average yield is 2,600 lbs. /acre (2,400 + 2,800/2).

4. The average yield (2,600 lbs.) times the multiplicative factor (1.10) equals 2,860
5. The orchard is in region III.
6. The maximum yield allowed is 3,600.
7. The calculated yield of 2,860 is less than the maximum yield of 3,600.
8. Approve 2,860 lbs. /acre.

Example 2. An insured in Fresno County applies for an orchard that was planted in 2007. The acreage was insured in 5th leaf. In 5th leaf, it produced 1,400 lbs. /acre. The orchard produced 2,400 lbs. /acre in 6th leaf; 2,800 lbs. /acre in 7th leaf; and 3,200 lbs. acre in 8th leaf.

1. It is determined that the orchard will be 9th leaf in 2015. [(2015 – 2007) + 1]
2. No multiplicative factor will be used since there are four years of actual yield history.
3. The four year average yield is 2,450 lbs. /acre [(1400+2400+2800+3200)/4].
4. The approved yield is 2,450 lbs. /acre.

In this case, the simple four year average yield is approved.

However, the grower may request an RMA RO Determined Yield from the DRO for a higher yield.

C. Change in Practice or Production Methods-Post Harvest Irrigation:

1. The Producers Acceptance Worksheet (PAW) is an insured's self-certification of the planting and other conditions of the perennial crop. The PAW is used by the AIP to determine insurability and other policy requirements. If the grower doesn't post-harvest irrigate the same amount they have in the past to establish the yield in the APH database, the grower should mark "YES" on the PAW question:

   "Have Practices or Production Methods (e.g., Removal, Dehorning, Grafting, or Transitioning to Organic) Been Performed that Will Reduce the Insured Crop's Production from Previous Crop Years?"

2. If the insured marks "YES" to the PAW question shown in Section C. 1 above **only** as a result of the grower not post-harvest irrigating the same amount they have in the past, then the AIP will use **Table 2** below in establishing a yield.

   However, if the insured marks "Yes" on this question for any reason other than that stated above, a PAIR and subsequent RMA RO Determined Yield may be required (see Para. 1523 of the CIH).

Table 2. Almond Post Harvest Irrigation APH Adjustment

	% of Post-Harvest (PH) Irrigation			% of APH Yield
1	0	to	24%	60%
2	25%	to	49%	70%
3	50%	to	74%	80%
4	75%	to	90%	90%
5	91%	to	100%	100%

3. The following procedure will be used by the AIP to establish a yield for a unit/block where the grower indicates that a change in practice occurred that will result in a reduction in yield due to post harvest irrigation.

Example 1. A grower normally applies 16 inches of water to his orchard at post-harvest (PH). For 2014, the grower is only able to apply 7 inches of water post-harvest. The APH Yield is 2800.

Calculations:
(2014 PH Irrigation Amount) / (Normal PH Irrigation Amount) x 100 = (% of PH Irrigation (Round to whole number)

1. 7/16 x 100 = 44 % of PH Irrigation
2. Per Table 2, 44% of PH Irrigation = 70% of APH Yield
3. The approved yield is: (2800 x .70) = **1960**

The AIP enters the approved yield of 1960 with the appropriate Special Case Yield Indicator "N".

D. Change in Practice or Production Methods-Acreage Transitioning from Organic Back to Conventional:

1. The Producers Acceptance Worksheet (PAW) is an insured's self-certification of the planting and other conditions of the perennial crop. The PAW is used by the AIP to determine insurability and other policy requirements.

When acreage is transitioning from organic back to conventional the grower should mark "YES" on the PAW question:

"Have Practices or Production Methods (e.g., Removal, Dehorning, Grafting, or Transitioning to Organic) Been Performed that Will Reduce the Insured Crop's Production from Previous Crop Years?"

2. If the insured marks "YES" to the PAW question shown in Section D. 1 above **only** as a result of the acreage transitioning from organic back to conventional, the AIP may establish the APH database and approve the yield. AIP's should follow the procedures outlined in Section D. 3 below to establish the conventional APH database. The organic APH database may be deleted.

   However, if the insured marks "YES" on this question for any reason other than that stated above, a PAIR and subsequent RMA RO Determined Yield may be required (see Para. 1523 of the CIH).

3. To establish an APH database for acreage transitioning to conventional:

   a. If more than three years of organic production history is available for that acreage use 100% of the conventional T-Yield to complete the four year minimum APH database;

   b. If less than three years of actual organic yield history use the applicable conventional variable T-Yield to complete the APH database.

4. Calculate the approved yield and submit the APH database to RMA using the Yield Indicator "F".

E. Yield Trend Exceptions:

The APH database test for High Variability of Actual Yields guidelines contained in CIH Par. 1562, are modified as follows:

1. An AIP may approve the Average APH Yield for an APH Database that meets the downward trend testing guidelines (see CIH Par. 1562 E) and does not meet any of the following criteria (Assigned Yields are used in the same manner as actual yields when calculating APH yields):

   a. Both of the previous two years are less than 75% of the Average APH Yield; or

   b. Three or more years are less than 75% of the Average APH Yield in the last four or five years; or

   c. One or more years in the most recent five years contains an Assigned Yield (P Yield Type).

2. When an APH database does not meet the additional criterion provided in

Section E.1, AIPs shall submit the APH database to RMA using the Special Case Yield Indicator "F". The AIP may use yield adjustment (YA) procedures if selected by the insured (see CIH Part 12, Sect. 3).

When using YA, indicate only on the P11 record and use the appropriate flag of 12 on the P15 when submitting to RMA.

3. When an APH database meets either criterion in Section E. 1. a., b., or c., the following table (Table 3) and formula are used by the AIP to determine an Approved APH yield:

   a. Determine the downward trend factor by dividing the most recent three-year average yield by the Average APH Yield.

   b. Find the corresponding yield adjustment factor (YAF) in Table 3.

   c. Use the corresponding YAF in **Table 3** to determine the Approved APH Yield.

Table 3. Downward Trend Factor and Yield Adjustment Factor

Approved APH Yield = Average APH Yield x YAF	
Downward Trend Factor*	**YAF**
1.0-	1.00
.74-	0.80
.64-	0.70
.54-	0.60
.44-	0.50
.34-	0.40
.24-	0.30

*round to the nearest 100th

   d. If adjusted by the above formula, AIPs must submit the APH database to RMA with Special Case Yield Indicator "DF" and YA's do not apply.

Example: An insured submits the following APH database, which meets the criteria for High Variability of Actual Yields guidelines. Using the Downward Trend Factor and Yield Adjustment Factor in Table 3, the following approved APH Yield was determined and submitted to RMA with the Special Case Yield Indicator "DF":

Year	Yield	Calculations
2009	1,500	Simple Average Yield: 950
2010	1,800	Low Years 950 x .75 = 713, 3 years in 5 years
2011	**500***	Three year average = 633
2012	1,250	Trend Factor = 633/950 = .67
2013	**550***	Use a YAF = .80
2014	**100***	950 x .80 = 760 DF

If the insured can show that the high variability yield adjustment was not appropriate, a RO Determined Yield may be requested.

F. Policy Exceptions for Grapes and Stonefruit:

In Section 7(e) of the Grape crop provisions (CP), a minimum production requirement has been established. The CP states:

> *"That have produced an average of at least two tons of grapes per acre (or as otherwise provided in the Special Provisions) in at least one of the three crop years immediately preceding the insured crop year, unless we inspect and allow insurance on acreage that has not produced this amount."*

In Section 6(b)(5) of the Stonefruit crop provisions (CP), a minimum production requirement has been established. The CP states:

> *"Have produced at least 200 lugs of fresh market production per acre, or at least 2.2 tons per acre for processing crops, in at least one of the four most recent actual production history crop years, unless we inspect such acreage and give our approval in writing"*

For Grape and Stonefruit APH databases submitted that have not met the minimum production requirement, the AIP may approve the preliminary yield provided it meets the following requirements:

1. Database that has 4 – 10 years of actual production history;

2. Does not meet the criteria for the yield variance and/or the downward trend adjustment; and

3. YA's are not allowed in the approval of the preliminary yield.

When the preliminary yield is approved, AIPs must submit the APH database to RMA using the Yield Indicator "F".

G. Deadline Extension:

1. In accordance with CIH Par. 1540, the deadline for submitting PAIR's to the RO is extended to 60 days after the Production Reporting Date (PRD). The extended submission date only applies to PAIRs performed for RO determined yield requests.

2. Policies submitted to the RO for Higher Yield requests outlined in this underwriting guide, received in the RO later than 60 days after the PRD will receive an approved yield based on the procedures either within the CIH or these guidelines.

3. Requests received after the extension in Para. G. 1 above will still be accepted by the RO when the request results in a lower Approved APH yield.

Please contact the RMA Davis RO if you have any questions.