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Agriculture**

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August 4, 2015

**INFORMATIONAL MEMORANDUM**

**TO:** Approved Insurance Providers

**FROM:** Jeff Yasui /s/  
Director

**SUBJECT:** Reinsurance Year 2016, Regional Underwriting Guidelines for Category C  
Crops in the Davis Region

**BACKGROUND:**

The 2016 FCIC 18010 Crop Insurance Handbook (CIH) provides Regional Offices (ROs) with the authority to issue RO Underwriting Guidelines for regional exception(s).

These Guidelines apply to: 1) 2017 crop year Citrus, Avocados and Macadamia Nut; and 2) 2016 crop year for all other Category C crops in Arizona, California, Hawaii and Utah.

**ACTION:**

**A. Higher Yield Requests:**

CIH Par. 1881A allows the insured to request a RO Determined Yield higher than the average APH yield with reasonable cause.

**1. APH Databases with less than four years of APH actual yields:**

Requests for higher yields will be accepted by the Davis Regional Office (DRO) for orchards/vineyards that have become insurable and have less than four years of actual yields in their APH Database, for:

- a. APH databases with less than or equal to one actual yield.
- b. APH databases with two or three actual yields: when the most recent crop year's actual yield is at least 95% of the previous crop year's actual yield.

## 2. APH Databases with 4 or more actual yields:

Requests for higher yields will be accepted by the DRO for orchards/vineyards with four or more crop years of actual yields in the APH database, excluding added land, if the APH database meets one of the following conditions:

- a. Contains bearing acreage coming into insurable production;
- b. Orchard(s)/vineyard(s) purchased or leased from another grower; or
- c. Removal of older, unproductive block(s), or portions of block(s).

Actual Yield Requirements for A.2.b. and c.:

- a. The most recent actual yield in the APH database must be at least 95% or more of the previous crop year's actual yield.
- b. The insured must provide their own most recent two crop years of actual yields, these yields must exceed 125% of the preliminary approved APH yield.

If these conditions are not met, the AIP must use standard APH procedures, an RO Determined Yield request will not be accepted.

## 3. Higher Yield Requests for Almonds Only:

Requests for higher yields must be submitted to the DRO for orchards:

- a. With less than four years of actual yields in an APH database; and
- b. For 5<sup>th</sup> and 6<sup>th</sup> leaf year acreage.

AIPs are authorized to establish the approved APH yield for 7<sup>th</sup>, 8<sup>th</sup> and 9<sup>th</sup> leaf year acreage when the requested acreage meets the requirements specified in this bulletin.

- a. Production History Requirement. Hard copy records do not need to be sent to the DRO. Insureds requesting higher yields for an APH database must provide the actual yields for that APH database. In addition, the 2015 crop year's APH actual yield in the APH database must reflect a yield that is at least 95% of the 2014 crop year's APH actual yield. If these conditions are not met, the AIP must use standard APH procedures.

*Exception: AIPs may not establish a higher yield if the insured 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.*

- b. Approving a higher yield.
- 1) The 2015 crop year's actual yield in the APH database must be at least 95% of the 2014 crop year's actual yield.
  - 2) Determine the age of the acreage to be insured for the current crop year.
  - 3) Determine the calculated yield as follows:
    - a) If 7<sup>th</sup> leaf, use the single 6<sup>th</sup> leaf year production. If 5<sup>th</sup> leaf was insured, then use the two year average (5<sup>th</sup> and 6<sup>th</sup>). Multiply the result by 1.10 to determine the calculated yield.
    - b) If 8<sup>th</sup> leaf, use the two year average of 6<sup>th</sup> and 7<sup>th</sup> leaf year production. If 5<sup>th</sup> leaf year was insured, then use the three leaf year average (5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup>). Multiply the average by 1.10 to determine the calculated yield.
    - c) If 9<sup>th</sup> leaf, use the three year average of 6<sup>th</sup>, 7<sup>th</sup>, and 8<sup>th</sup> leaf production. Multiply the average by 1.10 to determine the calculated yield.
    - d) If 9<sup>th</sup> leaf and 5<sup>th</sup> leaf was insured, use standard APH procedures on the four years of production (5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup>, and 8<sup>th</sup>) provided to determine the approved yield.
  - 4) The Approved APH yield is **the LOWER** of either the calculated yield in b.3 or the maximum yield allowed in the table below.

Maximum Yield Allowed			
Age	Region I (Butte, Colusa, Glenn, Solano, Sutter, Tehama, Yolo and Yuba counties)	Region II (Merced, San Joaquin and Stanislaus counties)	Region III (Fresno, Kern, Kings, Madera and Tulare counties)
7 <sup>th</sup> leaf	2400	2900	3400
8 <sup>th</sup> leaf	2600	3100	3600
9 <sup>th</sup> leaf	2900	3400	4000

AIP established approved APH yields must be submitted to RMA using Special Case Yield Indicator "H" [see Para. 1881A of the CIH].

- 5) If the APH yield calculated by these procedures exceeds the maximum yield allowed, the insured may request a RO Determined Yield.

**Example 1.** An insured in Fresno County has an orchard that was planted in 2009. The first year of insurance is 6<sup>th</sup> leaf. The orchard produced 2,400 lbs. /acre in 6<sup>th</sup> leaf; 2,800 lbs. /acre in 7<sup>th</sup> leaf. The insured requests a higher yield for their 8<sup>th</sup> leaf orchard.

1. The 7<sup>th</sup> leaf actual yield (2,800 lbs. /acre) is higher than 6<sup>th</sup> leaf actual yield (2,400 lbs. /acre).
2. It is determined that the orchard will be 8<sup>th</sup> leaf in 2016.  $[(2016 - 2009) + 1]$
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 as the Approved APH Yield.

**Example 2.** Same scenario as example 1 but 6<sup>th</sup> leaf actual yield is 2,800 lbs. /acre and 7<sup>th</sup> leaf yield is 2,400 lbs. /acre.

1. The 7<sup>th</sup> leaf actual yield (2,400 lbs. /acre) is less than 6<sup>th</sup> leaf actual yield (2,800 lbs. /acre).
2. Use standard APH procedures.

**Example 3.** An insured in Fresno County applies for an orchard that was planted in 2008. The acreage was insured in 5<sup>th</sup> leaf. In 5<sup>th</sup> leaf, it produced 1,400 lbs. /acre. The orchard produced 2,400 lbs. /acre in 6<sup>th</sup> leaf; 2,800 lbs. /acre in 7<sup>th</sup> leaf; and 3,200 lbs. /acre in 8<sup>th</sup> leaf.

1. It is determined that the orchard will be 9<sup>th</sup> leaf in 2016.  $[(2016 - 2008) + 1]$
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.

**B. Almonds - Change in Practice or Production Methods for Post-Harvest Irrigation:**

The Producers Pre-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 insured did not post-harvest irrigate using the same amount of water used to establish the yield in the APH database, the insured 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?"*

If the insured marks "Yes" on this question for any reason other than post-harvest irrigating, a PAIR and subsequent RO Determined Yield is required, see CIH Para. 1823.

When the insured applied less water throughout the year due to a shortage of water, the AIP must follow Section F of this bulletin.

If the insured marks "YES" to the PAW question **only** as a result of the insured not post-harvest irrigating the same amount of water used to establish the yield in the APH database and applied their normal allocation during the remainder of the growing season, then the AIP must use the following **Table** to determine the approved APH yield.

*Almond Post Harvest Irrigation APH Adjustment*

<b>% of Post-Harvest(PH) Irrigation</b>	<b>% of Average APH Yield</b>
<b>0%</b> to <b>9%</b>	<b>50%</b>
<b>10%</b> to <b>19%</b>	<b>55%</b>
<b>20%</b> to <b>29%</b>	<b>60%</b>
<b>30%</b> to <b>39%</b>	<b>65%</b>
<b>40%</b> to <b>49%</b>	<b>70%</b>
<b>50%</b> to <b>59%</b>	<b>75%</b>
<b>60%</b> to <b>69%</b>	<b>80%</b>
<b>70%</b> to <b>79%</b>	<b>85%</b>
<b>80%</b> to <b>89%</b>	<b>90%</b>
<b>90%</b> to <b>100%</b>	<b>100%</b>

**Example 1.** An insured normally applies 16 inches of water to his orchard at post-harvest (PH). For 2015, the insured is only able to apply 7 inches of water post-harvest. The Average APH Yield is 2800.

Calculations:  $(2015\ PH\ Irrigation\ Amount) / (Normal\ PH\ Irrigation\ Amount) \times 100 =$   
*(% of PH Irrigation (Round to whole number))*

1.  $7/16 \times 100 = 44\%$  of PH Irrigation
2. Per Table, 44% of PH Irrigation = 70% of Average APH Yield
3. The approved APH yield is:  $(2800 \times .70) = \mathbf{1,960}$

The AIP enters the approved APH yield of 1960 with Special Case Yield Indicator “N”.

**C. Change in Practice or Production Methods-Acreage Transitioning from Certified Organic or Transitional Back to Conventional:**

The 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 certified organic or transitional back to conventional, the insured 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?”*

**If the insured marks “YES” only as a result of the acreage transitioning from certified organic or transitional back to conventional, the AIP may establish the APH database and approve the yield.** If the insured marks “YES” for any other reason, a PAIR and subsequent RO Determined Yield may be required (see Para. 1523 of the CIH).

AIPs must establish an APH database for acreage transitioning to conventional:

- a. If three or more years of certified organic or transitional production history is available for the acreage, use 100% of the conventional T-Yield to complete the four year minimum APH database; or
- b. If less than three years of actual certified organic or transitional production history is available, use the applicable conventional variable T-Yield to complete the APH database; and
- c. AIPs must submit the APH database with Yield Indicator “F”.

**D. High Variability - Downtrending:**

The APH database test for High Variability of Actual Yields in CIH Par. 1862, is modified as follows:

1. An AIP may issue the approved APH Yield for an APH database that meets the downward trend testing guidelines, CIH Par. 1862E, if the APH database does not meet any of the following criteria (Assigned Yields are used in the same manner as actual yields when calculating approved APH yields):
  - a. Both of the previous two most recent crop years actual yields are less than 75% of the Average APH Yield;
  - b. Three or more crop years actual yields are less than 75% of the Average APH Yield in the last four or five years; or
  - c. One or more crop years in the most recent five crop years contains an Assigned Yield (P Yield Type).

AIPs must submit the APH database using Special Case Yield Indicator “F”. The AIP may use yield adjustment (YA) procedures if selected by the insured, see CIH Part 12, Sect. 3. If YA is applicable, AIPs must identify this option code ONLY on the P11 acreage record and must use yield limitation flag “12” on the P15 yield record when submitting to RMA.

2. When an APH database meets the criteria in Section D. 1. a., b., or c., the AIP may determine the Approved APH yield as follows:
  - a. Determine the downward trend factor by dividing the most recent three-year average of actual yields contained in the APH database by the Average APH Yield.
  - b. Find the yield adjustment factor (YAF) in the following table.
  - c. Use the YAF to determine the Approved APH Yield.

*Downward Trend Factor and Yield Adjustment Factor*

Approved APH Yield = Average APH Yield x YAF	
Downward Trend Factor*	YAF
0.75 - 1.00	1.00
0.65 - 0.74	0.80
0.55 - 0.64	0.70
0.45 - 0.54	0.60
0.35 - 0.44	0.50
0.25 - 0.34	0.40
0.00 - 0.24	0.30

\*round to the nearest 100<sup>th</sup>

- d. AIPs must submit the APH database with Special Case Yield Indicator “DF” and YA does not apply.

**Example:** An insured submits the following APH database, which meets the criteria for High Variability of Actual Yields. Using the Downward Trend Factor and YAF, the following approved APH Yield was determined and submitted to RMA with the Special Case Yield Indicator “DF”:

Year	Yield	Calculations
2010	1,500	Simple Average Yield: 950
2011	1,800	Low Years $950 \times .75 = 713$ , 3 years in 6 years
2012	<b>500*</b>	Three year average = 633
2013	1,250	Trend Factor = $633/950 = .67$
2014	<b>550*</b>	Use a YAF = .80
2015	<b>100*</b>	$950 \times .80 = 760$ DF

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

#### E. Policy Exceptions for Grapes and Stonefruit:

The Grape crop provisions (CP) Section 7(e), acreage insurability requires the crop to *“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.”*

The Stonefruit CP Section 6(b)(5), acreage insurability requires the crop to: *“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 that have not met the minimum production requirement, the AIP may issue the approved APH yield provided if the APH database:

1. Contains 4 – 10 years of actual production history; and
2. Does not meet the criteria for the high variability adjustment(s).

AIPs must submit the APH database to RMA using the Yield Indicator “F”. YA’s are not authorized.

#### F. Producer’ Pre-Acceptance Worksheet (PAW) – CIH Par. 1823

A PAW triggers a PAIR and a RO Determined Yield when the insured answers: “Yes” to whether *“...practices or production methods (e.g. removal, dehorning, grafting, transitioning to organic) been performed that will reduce the insured crop’s production from previous crop years?”* For example, if an insured experienced a shortage of water in 2015 Reinsurance Year (RY), there is a possibility that the orchard/vineyard will experience



reduced productivity. In this situation, the AIP must submit a RO Determined Yield request. The request must include the following additional information:

1. Amount of rainfall in inches received in the 2015 RY for the unit/block.
2. Amount of water from all sources (inches/acre) other than rainfall applied in the 2015 RY for the unit/block.
3. List all water sources used for the unit/block in RY 2015.
4. Amount of water (inches/acre) applied in a normal year for the unit/block.

If the insured answers “No” to “... *the current water supply (surface allotment/well) adequate to produce a normal crop for the crop year being certified above?*” For example, the insured has received information to indicate they will have insufficient water for the current year. In this situation, the AIP must submit a RO a determined yield request. The request must include the following additional information:

1. Amount of rainfall (inches) received in the 2015 RY for the unit/block.
2. Amount of water from all sources (inches/acre) other than rainfall applied in the 2015 RY for the unit/block.
3. List sources for the unit/block.
4. Amount of water (inches/acre) applied in a normal year for the unit/block.
5. Amount of water insured expects to receive for the 2016 RY.
6. Documentation from the insured’s irrigation district supporting a reduction in water supply.

#### **G. Deadline Extension:**

In accordance with CIH Par. 1840, the deadline for submitting PAIR’s to the RO is extended to 60 calendar days after the Production Reporting Date (PRD). The extension only applies to PAIRs performed for RO Determined Yield requests. Requests received after this extension, will be accepted by the RO if the request results in a lower approved APH yield.

For further information, please contact the RO.