United States Department of Agriculture

Farm and Foreign Agricultural Services

Risk Management Agency

Davis Regional Office

430 G Street
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August 22, 2016

INFORMATIONAL MEMORANDUM

TO: Approved Insurance Providers Writing in the States of Arizona, California, Hawaii and Utah

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

SUBJECT: Regional Underwriting Guidelines for Category C Crops within the Davis Region for the 2017 Reinsurance Year.

BACKGROUND

The 2017 FCIC 18010 Crop Insurance Handbook (CIH) provides regional offices (ROs) with the authority to issue RO Underwriting Guidelines for regional exception(s).

For the Davis RO, these Underwriting Guidelines apply to: 1) 2018 crop year Citrus, Avocados and Macadamia Nut crops; and 2) 2017 crop year for all other Category C crops in Arizona, California, Hawaii and Utah.

ACTION

A. Higher Yield Requests:

CIH Paragraph 1881A allows the insured to request an RO Determined Yield higher than the average Actual Production History (APH) yield with reasonable cause.

1. Young Orchards or Vineyards:

Requests for higher yields will be accepted by the Davis RO for orchards or vineyards that have recently become insurable because they have met the insurability requirements within the last four years 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.

The insured may not request a higher yield in these situations if the orchard or vineyard meets the criteria in sections B or E of this document or had a paid claim due to a failure of the irrigation source in the previous crop year.

2. Older Orchards or Vineyards:

Requests for higher yields will be accepted by the Davis RO for mature orchards or vineyards that should have at least four years of actual yields in the APH database but may or may not have. They must meet one of the following conditions:

NOTE: Higher yield requests do not apply to Added Land/New Producers as defined in the CIH, Part 18, Paragraph 1861.

a. Added insurable acres combined with an older unit;

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

c. Removal of older, unproductive block(s), or portions of block(s); or

d. Organic or transitional organic transitioning back to conventional.

The actual yield requirements for A.2.b., c. and d. above are:

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.

The insured may not request a higher yield in these situations if the orchard or vineyard meets the criteria in Sections B or E of this document or had a paid claim the previous year due to a failure of the irrigation source.

3. Higher Yield Requests for Almonds Only:

Requests for insuring 5th leaf orchards must be submitted to the Davis RO for yield approval.

AIPs are authorized to establish the approved APH yield for 6th, 7th, 8th and 9th 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 Davis RO. Insureds requesting higher yields for an APH database must provide the actual yields for that APH database. In addition, the 2016 crop year's APH actual yield in the APH database must reflect a yield that is at least 95% of the 2015 crop year's APH actual yield. For 6th leaf orchards, the insured must provide 4th and 5th leaf production on a block production worksheet to make the comparison. If 5th leaf wasn't insured, these yields do not need to be reported in the APH database. If 5th leaf was insured, then include only 5th leaf production in the APH database. If these conditions are not met, the AIP must use standard APH procedures.

   Exception: AIPs may not establish a higher yield if the insured meets the criteria in Sections B or E in this document or had a paid claim the previous year due to a failure of the irrigation source.

   b. Approving a higher yield.
      1) The 2016 crop year's actual yield in the APH database must be at least 95% of the 2015 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 6th leaf, multiply the 5th leaf production by 1.15 to determine the calculated yield.
         b. If 7th leaf apply the applicable calculation:
            - Use the single 6th leaf year production. Multiply the result by 1.10 to determine the calculated yield.
            - If 5th leaf was insured, then use the two year average (5th and 6th). Multiply the result by 1.10 to determine the calculated yield.
         c. If 8th leaf, apply the applicable calculation:
            - Use the two year average of 6th and 7th leaf year production. Multiply the average by 1.10 to determine the calculated yield.

- If 5th leaf year was insured, then use the three leaf year average (5th, 6th and 7th). Multiply the average by 1.10 to determine the calculated yield.

d. If 9th leaf, apply the applicable calculation:
- Use the three year average of 6th, 7th, and 8th leaf production. Multiply the average by 1.10 to determine the calculated yield.
- If 5th leaf was insured, use standard APH procedures on the four years of production (5th, 6th, 7th, and 8th) provided to determine the approved APH yield.
- If the simple three year average exceeds the maximum yield, use the three year simple average to determine the approved APH yield.

4) The approved APH yield is **the lower** of either the calculated yield in b.3 above, or the maximum yield allowed in the table 1 below.

Table 1

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)
6th leaf	2850	2900	3350
7th leaf	2900	3200	3650
8th leaf	3050	3400	3700
9th leaf	3350	3700	4100

AIP-established approved APH yields must be submitted to RMA using special case yield indicator "H" (see Paragraph 1881A of the CIH). Use a yield limitation flag of "01."

Example 1.

An insured in Fresno County has an orchard that was planted in 2010. 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 insured requests a higher yield for their 8th leaf orchard.

1. The 7th leaf actual yield (2,800 lbs. /acre) is higher than 6th leaf actual yield (2,400 lbs. /acre).
2. It is determined that the orchard will be 8th leaf in 2017. [(2017 – 2010) + 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 3,700.
7. The calculated yield of 2,860 is less than the maximum yield of 3,700.
8. Approve 2,860 lbs. /acre as the approved APH yield.

Example 2.

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

1. The 7th leaf actual yield (2,400 lbs. /acre) is not within 95% of 6th leaf's actual yield (2,800 lbs. /acre).
2. Use standard APH procedures.

Example 3.

An insured in Fresno County has an orchard that was planted in 2009.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 2017. [(2017 – 2009) + 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 the approved APH yield.

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 at least the same amount of water used to establish the yield in the APH database, the insured should mark "YES" to 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" to this question for any reason other than post-harvest irrigation, a Perennial Crop Pre-Acceptance Inspection Report (PAIR) and subsequent RO Determined Yield is required, see CIH Paragraph 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 (table 2) to determine the approved APH yield.

Table 2.

Almond Post-Harvest Irrigation APH Adjustment

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

Example 1.

An insured normally applies 16 inches of water to the orchard at post-harvest (PH). For

2016, the insured is only able to apply 7 inches of water post-harvest. The average APH yield is 2800.

Calculations: (2016 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 the table above (table 2), 44% of PH irrigation 70% of average APH yield
3. The approved APH yield is: (2800 x .70) = **1,960**

The AIP enters the approved APH yield of 1,960 with special case yield indicator "N." Use a yield limitation flag of "11."

C. High Variability – Downward trending:

The APH database test for high variability of actual yields in CIH Paragraph 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 Paragraph 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 "D". The AIP may use yield adjustment (YA) procedures if selected by the insured, see CIH Part 15, 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 C. 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 (table 3).
    c. Use the YAF to determine the approved APH yield.

d. AIPs must submit the APH database with special case yield indicator "F" and YA does not apply. Use yield limitation flag "11."

Table 3.

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 100th

Example 1.

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 "F":

Year	**Yield**	**Calculations**
2011	1,500	Simple average yield: 950
2012	1,800	Low years 950 x .75 = 713, 3 years in 6 years
2013	**500***	Three year average = 633
2014	1,250	Trend factor = 633/950 = .67
2015	**550***	Use a YAF = .80
2016	**100***	950 x .80 = 760 F

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

D. 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 and have had an inspection completed by the AIP, then the AIP may issue the simple average as the approved APH yield provided in the APH database when:

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

Exception: For 4th leaf Grapes that have produced a minimum of 1.5 tons per acre in 3rd leaf, the AIP may issue an approved yield of 2.0 tons per acre.

AIPs must submit the APH database to RMA using the yield indicator "F," special case yield indicator "PB," and a yield limitation flag "01." YA's are not authorized.

E. Producer' Pre-Acceptance Worksheet (PAW) – CIH Paragraph 1823

A PAW triggers a PAIR and an RO Determined Yield when the insured answers "YES" to whether "…*practices or production methods (e.g. removal, dehorning, grafting, transitioning to organic)[have] 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 the 2016 reinsurance year (RY), there is a possibility that the orchard/vineyard will experience reduced productivity. In this situation, the AIP must submit an RO Determined Yield request. The request must include the following additional information:

1. Amount of rainfall (inches/acre) in a normal year (2012 RY).
2. Amount of water (inches/acre) applied in a normal year (2012 RY) for the unit/block.
3. List all water sources used for the unit/block in RY 2016 RY.
4. Amount of rainfall (inches/acre) in 2016 RY for the unit/block.
5. Amount of water (inches/acre) applied from all sources in 2016.

A PAW also triggers the need for a PAIR and a RO Determined Yield for insurability when 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 from their irrigation district that indicates they will have insufficient water for the 2017 RY current year. In this situation, the AIP must submit an RO a determined yield request. The request must include the following additional information:

1. Amount of rainfall (inches) received in the 2016 RY for the unit/block.
2. Amount of water from all sources (inches/acre) other than rainfall applied in the 2016 RY for the unit/block.
3. List all water sources for the unit/block.
4. Amount of water (inches/acre) applied in a normal year (2012 RY) for the unit/block.
5. Amount of water insured expects to receive for the 2017 RY.
6. Documentation from the insured's irrigation district supporting a reduction in the water supply for the 2017 RY.

F. Revisions to the Insured's APH Database.

Procedure requires the insured to submit an RO Determined Yield request to remove yield history from the APH database. In the following situations, the AIP may remove the production and acreage from the APH database:

1. Remove only prior uninsurable production and acreage.
2. Remove only prior production and acreage from a previous owner.

For further information, please contact the Davis RO at rsoca@rma.usda.gov.

DISPOSAL DATE
August 31, 2021