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United States
Department of
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INFORMATIONAL MEMORANDUM

Risk Management
Agency

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TO: Pacific Northwest Approved Insurance Providers

FROM: Dave P. Paul /S/ *Dave P. Paul*
Director

SUBJECT: 2010 Regional Underwriting Guidelines for Grafted Apples.

ISSUE:

The FCIC 18010 Crop Insurance Handbook (CIH) Sections 7D(1) and F(3)(b) authorize the RMA Regional Office's (RO's) to issue Perennial Crop Underwriting Guidelines which waive forwarding of Pre-Acceptance Perennial Crop Inspection reports and Actual Production History forms for RMA RO yield determination.

Included below are Underwriting Guidelines for Determined Yield calculations on Grafted Apple acreage in Idaho, Oregon, and Washington.

BACKGROUND:

The CIH Section 7F(2) identifies underwriting criteria which trigger selection of a policy for field inspection and submission to the RO for calculation of an RO Determined Yield.

Specifically, CIH Sec. 7F(2)(c) requires Approved Insurance Providers (AIP's) to conduct field inspections and requires the AIP to forward the Actual Production History (APH) form to the RO for determined yield calculation when the insured has answered YES to question #22 on the Producer's Pre-Acceptance Worksheet. This identifies that either damage has occurred or cultural practices have been performed (e.g., "grafting") that would reduce the insured crop from previous production levels.

Section 7F(2)(c) further specifies that for crop acreage modified by **grafting**, the month and year it was completed must be used to determine the applicable leaf-year (age) and T-Yield (**unless an alternative T-Yield and procedures for approving an RMA RO Determined Yield is provided, shown on the actuarial documents or RMA RO Underwriting Guidelines**).



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Additionally, a producer’s pre-acceptance worksheet (PAW) may identify units or blocks that were previously grafted during the current base period.

ACTION:

The following Underwriting Guidelines are provided for units or blocks with grafted acreage.

A post grafting AIP perennial crop inspection must be on file for any acreage grafted within the APH base period; however, submission of the inspection and supporting documentation to the RO is not required.

County Actuarial Table - FCI-35 COVERAGE AND RATES

Grafted acreage will have the following percentages of the applicable T-Yield corresponding to the LEAF YEAR and SET OUT YEAR of initial planting:

	Density (trees/acre)	
	0-299	300 & greater
Year of Grafting	0 %	0 %
First year after grafting	0 %	10 %
Second year after grafting	30 %	50 %
Third year after grafting	60 %	70 %
Fourth year after grafting	90 %	100 %
Fifth year after grafting	100 %	100 %

AIP’s should report Blocks or Units with acreage that has been grafted and have adjusted T-Yields applied as outlined above with yield descriptor F*, RMA RO determined yield indicator F**, and special case yield indicator R***

*Yield descriptor “F”: CIH, Exhibit 5

**RMA RO Determined Yield indicator “F”: CIH, Section 7 H(11)(b)

***Special case yield indicator “R”: CIH, Section 7 H(11)(b)

EXAMPLES:

Given – 10 acre apple orchard in Area 1 of Chelan County, Washington with a density of 360 trees per acre set out in May of 2003 and the year of insurance is 2010; the correct age and density from the T-Table on the FCI-35 is determined as follows:

$$2010 \text{ (leaf year)} - 2003 \text{ (set out year)} = 7 + 1 = 8$$

$$\text{Age} = 8 \text{ and Density} = 360 \text{ Trees/Ac}$$

The correct T-Yield for **un-grafted** acreage of this age and density as determined from the FCI-35 is 905 Boxes per AC (see highlight below)

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FCI-35 COVERAGE AND RATES
 2010 AND SUCCEEDING CROP YEARS

ST: WASHINGTON (53)
 CO: Chelan (007)

CROP: APPLES (0054)*1
 PLAN: APH (90)

2010	111 FRESH	002 I	300	599	6	001	600.00
2010	111 FRESH	002 I	300	599	7	001	760.00
2010	111 FRESH	002 I	300	599	8	001	905.00
2010	111 FRESH	002 I	300	599	9	001	1000.00
2010	111 FRESH	002 I	300	599	10	001	1055.00

Grafted Acreage Example 1 – The entire 10 acres was grafted in 2007.

- Prior APH history is maintained in a separate database documenting the previously insurable production from the pre-grafted acreage until it rolls out of the database (maintained for spot check purposes).
- A new APH database for the grafted acreage is started and it must meet policy minimum production requirements of 250 boxes per acre before it can be insured.
- Once the grafted acreage meets policy minimums, the APH database for the following year (1st year of insurance) will be a combination of one year actual and three years of T-Yield derived using the grafted acreage table on the FCI-35.

Grafted T-Yield = (Un-grafted T-Yield) 905 x (Grafting T-Yield Factor) .70 = 634

New 2010 - APH Database
Unit 00100

Prior APH Database
Unit 08100

	AC	PROD	YLD
2005	0.0		
2006	0.0		634 F*
2007	10.0		634 F*
2008	10.0	800	634 F*
2009	10.0	3800	<u>380 A</u>
			2282

	AC	PROD	YLD
2005	10.0		750
2006	10.0	3000	300 A
2007	0.0		
2008	0.0		
2009	0.0		

APPROVED YLD 2282 ÷ 4 = 571 F**

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Grafting Example 2 – Five out of ten acres were grafted in 2007; the correct age and density from the T-Table for the un-grafted acreage on the FCI-35 is as follows:

$$2010 \text{ (leaf year)} - 2003 \text{ (set out year)} = 7 + 1 = 8$$

Age = 8 and Density = 360 Trees/Ac

The correct T-Yield for the **un-grafted** five acres of this age and density as determined from the FCI-35 is **905** Boxes per AC (see un-grafted determination above).

For the grafted five acres that were originally planted, instead of receiving a T-Yield based solely on the year the trees were grafted i.e. four year old trees (2010-2007 = 3 + 1 = 4) **the grafted five acres receives** an adjusted T-Yield using the accelerated grafting table which gives credit for the age and reserves of the rootstock results in a T-yield of **634** as follows:

$$\text{Grafted T-Yield} = (\text{Un-grafted T-Yield } 905 \times (\text{Grafting T-Yield Factor } .70) = 634$$

New 2010 - APH Database
Unit 00100 – Grafted Acreage
 (Block B)

	AC	PROD	YLD
2005	0.0		
2006	0.0	0	634 F*
2007	5.0	0	634 F*
2008	5.0	400	634 F*
2009	5.0	1900	<u>380 A</u>
			2282

$$\text{APPROVED YLD } 2282 \div 4 = 571 \text{ F**}$$

New 2010 - APH Database
Unit 00100 Un-Grafted acreage
 (Block A)

	AC	PROD	YLD
2005	10.0	750	
2006	10.0	3000	300 A
2007	5.0	2250	450 A
2008	5.0	3125	625 A
2009	5.0	3700	<u>740 A</u>
			2115

$$\text{APPROVED YLD } 2115 \div 4 = 529$$

If the producer fails to keep grafted production records separate, the APH is developed using standard procedures, i.e., total production ÷ total acres.

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2010 - APH Database
Unit 00100 – Grafted Acreage not kept separate

	AC	PROD	YLD
2005	10.0	750	
2006	10.0	3000	300 A
2007	10.0	2250	225 A
2008	10.0	3525	353 A
2009	10.0	5600	<u>560</u> A
			1438

APPROVED YLD $1438 \div 4 = 360$

AIP Reporting

Pre-grafted APH Database

APH databases maintained to document pre-grafted production and acreage or uninsurable acreage are not required to be submitted to Data Acceptance System (DAS).

Grafted APH Database

*The individual year yield descriptor “F” identifies the T-Yield as an RO determined yield;

**RMA RO Determined yield indicator F identifies the approved yield was based on RO Underwriting Guidelines and;

*** Special case yield indicator R identifies productivity is reduced (FCIC Appendix III - Type 15 record, field 93); YA and Cups are not applicable, CIH, Section 7 H(11)(b) when special case yield indicator R is in effect.

If less than 4 years of records have been provided (considering records provided from both before and after grafting), standard percent of variable T-Yield is applied to the grafted acreage T-Yield, CIH, Section 7H(1) and 7K.

Please contact the Spokane Regional Office if you have any questions.