



United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

BULLETIN NO.: MGR-99-037

TO: All Reinsured Companies
All Risk Management Agency Field Offices
All Other Interested Parties

FROM: Kenneth D. Ackerman /s/ Ken Ackerman 10-7-99
Administrator

SUBJECT: Actual Production History (APH) Yield Procedure for Indexed-APH for Georgia and South Carolina Peaches

BACKGROUND:

The Risk Management Agency (RMA), in response to a Congressional Directive (House Report 104-613, Page 48, and Senate Report 104-317, page 65) and requests from peach growers and grower associations, initiated studies to develop alternatives to improve the peach crop insurance program for area producers. The Georgia and South Carolina Peach Council believes the present process for determining an approved yield is not reasonable because the relatively short 5-year base period is adversely impacted by extreme losses. RMA coordinated with the University of Clemson in South Carolina to conduct research and to test the viability of Actual Production History (APH), Dollar, and Income Protection plans of insurance for peaches.

The University concluded that indexing the APH yields to the regional yields may result in improved yield guarantees for producers in areas that have experienced low yields in recent years. Indexing producer yields helps lessen the impact of very low yields for some producers.

ACTION:

Beginning with the 2000 crop year, the current APH program for qualifying databases (blocks, if Block Production Worksheets are used) is replaced with Indexed APH yields for fresh and processing peaches in all counties in Georgia and South Carolina. The Approved Indexed APH Yield is calculated by comparing the average of the producer's reported actual/assigned yields for each database (block) against the average of the County Yields for the same years, and then adjusting the Expected Yield. (See instructions below).



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County Yields and Expected Yields are published on the county actuarial table (FCI-35). An Indexed APH yield is calculated for each database (block) containing at least 4 years of actual/assigned yields for the 1993 - 1997 crop years. Databases (blocks) containing less than 4 years of actual/assigned yields for the 1993 - 1997 crop years are not indexed, and standard APH procedures apply.

Insureds must continue to file acceptable production reports for the most recent APH crop year by the production reporting date. However, due to the unavailability of the 1998 regional yield data until after the actuarial filing date, a 2-year lag for Indexed Yields is required. The base period for indexed yields for the 2000 crop year is 1993 - 1997 (standard APH base period is 1995 - 1999). Production history for the 1993 crop year that was removed to conform with the standard APH base period for the 1999 crop year may be restored for databases (blocks) to qualify for indexing. Production records provided for the 1998 and 1999 crop years will be used to calculate approved yields if standard APH is applicable and used for Indexed APH Yields for the 2001 and 2002 crop years.

Following are instructions and an example of calculating the Approved Indexed APH Yield on the Production and Yield Report, FCI-19-A (APH).

STEP 1: Review the APH Form for each database (block) containing a minimum of four actual/assigned yields for the 1993 - 1997 crop years and calculate the average APH Yield, per the instructions in Section 7 (Category C APH Crops) and Exhibit 16, 4A Peaches of the 2000 FCIC 18010 Crop Insurance Handbook (CIH).

STEP 2: (WORKSHEET)

- (a) Complete Item 15 (Crop Year) for the same crop years as in Step 1.
- (b) Items 16 and 17 are not applicable.
- (c) From the County Actuarial Table, refer to the County Yield Table and obtain the county yields for the same crop years. County Yields are not Practice, Type specific. Copy the County Yields to Item 18 (County Yield).
- (d) In Item 19 (Total), enter the total of the county yields shown in Item 18;
- (e) In Item 20 (Average County Yield), determine the Average County Yield by dividing the total in Item 19 (Total) by the number of yields in Item 18;

- (f) In Item 20(A) (Yield Difference), enter the Yield Difference, determined as follows:
- (1) If the producer's Average Yield (Item 20, Step 1 or Item 18, Block Production Worksheet) **is less than** the Average County Yield (Item 20, Step 2) subtract the producer's Average Yield from the Average County Yield, or
 - (2) If the producer's Average Yield (Item 20, Step 1 or Item 18, Block Production Worksheet) **is more than** the Average County Yield (Item 20, Step 2) subtract the Average County Yield from the producer's Average Yield.
- (g) In Item 20(B) (Preliminary Yield), determine the Preliminary Yield as follows:
- (1) If the producer's Average Yield (Item 20, Step 1 or Item 18, Block Production Worksheet) **is less than** the Average County Yield (Item 20, Step 2), **subtract** the Yield Difference from the Expected Yield found on the county FCIC 35, or
 - (2) If the producer's Average Yield (Item 20, Step 1 or Item 18, Block Production Worksheet) **is more than** the Average County Yield (Item 20, Step 2) **add** the Yield Difference to the Expected Yield found on the county FCIC 35.

Enter the applicable result of (1) or (2) in Item 20(B) Preliminary Yield.

- (h) If Block Production Worksheets (see Example 2) are applicable, for each block containing at least 4 years of actual/assigned yields after disregarding 1998 and 1999:
- Step 1 Calculate the block's average yield,
- Step 2 Determine the yield difference and calculate the block's indexed average yield as outlined in Step 2 above, and
- Step 3 Complete a Unit Summary Worksheet containing all applicable blocks. Transfer Weighted Average Indexed APH Yield to Preliminary Weighted Average Indexed APH Yield (Item 20C, Step 2).
- (i) In Item 21 - The company verifier enters the Approved Indexed APH Yield.

DISPOSAL:

This Memorandum is for the purpose of transmitting information and the expiration date is August 12, 2001.

EXAMPLE 1: UNIT 00100-ONE BLOCK

APH FORM			
STEP 1 (1999 Peach County, Georgia, Peaches)			
15 Crop Year	16 Total Production	17 Acres	18 Yield
1993	22,920	120.0	A191.0
1994	20,760	120.0	A173.0
1995	18,240	120.0	A152.0
1996	0	120.0	A0.0
1997	20,040	120.0	A167.0
			19 Total 683.0
			20 Average Yield 137.0

STEP 2 WORKSHEET			
15 Crop Year	16 Total Production	17 Acres	18 County Yield
1993			174.0
1994			186.0
1995			173.0
1996			8.0
1997			182.0
			19 Total 723.0
20(A) Yield Difference 145 - 137 = 8		20 Average County Yield 145.0	
20(B) Preliminary Yield *150 - 8 = 142			
20(C) Preliminary Weighted Average APH Yield			
21 Approved Indexed APH Yield 142			

***Expected Yield**

EXAMPLE 2: STEP 1

OMB NO. 0563-0053

☼FCI-19-A (APH-BPW)
(6-97)

BLOCK PRODUCTION WORKSHEET

USDA/FCIC

NOTE: REPORT ALL UNINSURABLE BLOCKS SEPARATELY ON THIS FORM.
INCLUDE PRODUCTION THAT IS LESS THAN MINIMUMS AND ZERO PRODUCTION.

1 NAME I. M. INSURED	2 POLICY NUMBER MPCI	3 UNIT NUMBER 00200
4 CROP PEACHES	5 STATE GA	6 LEGAL DESCRIPTION
7 CROP YEAR 2000	8 COUNTY PEACH	9 FARM NUMBER 8912

10 YEAR	11 12 <u>6</u>	13 <u>109</u>	14 PROD.	15	16 YIELD
1993					
1994					
1995					
1996	0	10.0	T185		
1997	0	10.0	T185		
1998	1,600	10.0	A160		
1999	2,000	10.0	A200		
			TOTAL		730

10 YEAR	11 12 <u>12</u>	13 <u>121</u>	14 PROD.	15	16 YIELD
			3,400	20.0	A170
			3,800	20.0	A190
			3,380	20.0	A169
			0	20.0	A0
			3,560	20.0	A178
			3,600	20.0	A180
			3,700	20.0	A185
			TOTAL		707

10 YEAR	11 12 <u>9</u>	13 <u>109</u>	14 PROD.	15	16 YIELD
					**C108
					**C108
			1530	15.0	A102
			1635	15.0	A109
			TOTAL		427

17 T-YIELD ADJ. *185 NO STAND ADJ.
18 AVERAGE YIELD 730 ÷ 4 = 183

17 T-YIELD ADJ. N/A
18 AVERAGE YIELD 707 ÷ 5 = 141

17 T-YIELD ADJ. **135 x .80 = 108
18 AVERAGE YIELD 427 ÷ 4 = 107

(STEP 2 FROM WORKSHEET)

INDEXED BLOCK 146
YIELD

** 100 percent "T" Yield used because at least four years of records are provided for the unit.

EXAMPLE 2: STEP 2

APH FORM			
STEP 1 (1999 Peach County, Georgia, Peaches)			
15 Crop Year	16 Total Production	17 Acres	18 Yield
1993	3,400	20.0	A170.0
1994	3,800	20.0	A190.0
1995	3,380	20.0	A169.0
1996	0	20.0	A0.0
1997	3,560	20.0	A178.0
			19 Total 707.0
			20 Average Yield 141.0

STEP 2 WORKSHEET			
15 Crop Year	16 Total Production	17 Acres	18 County Yield
1993			174.0
1994			186.0
1995			173.0
1996			8.0
1997			182.0
			19 Total 723.0
20(A) Yield Difference 145 - 141 = 4		20 Average County Yield 145.0	
20(B) Preliminary Yield *150 - 4 = 146			
20(C) Preliminary Weighted Average APH Yield			
21 Approved Indexed APH Yield			

***Expected Yield**

EXAMPLE 2: STEP 3

OMB No. 0563-0053

☼ FCI-19-A (APH-USW)
6-97

U. S. DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
UNIT SUMMARY WORKSHEET

1 NAME: <p style="text-align: center;">I. M. INSURED</p>				2 POLICY NUMBER: <p style="text-align: center;">MPCI</p>		3 UNIT NUMBER: <p style="text-align: center;">00200</p>	
4 CROP: <p style="text-align: center;">PEACHES</p>				5 STATE: <p style="text-align: center;">GA</p>		6 LEGAL DESCRIPTION:	
7 CROP YEAR: <p style="text-align: center;">2000</p>		8 COUNTY: <p style="text-align: center;">PEACH</p>			9 FARM NUMBER: <p style="text-align: center;">8912</p>		
WEIGHTED AVERAGE TRANSITIONAL ("T") YIELD				WEIGHTED AVERAGE APH YIELD			
10 UNIT NUMBER:				17 UNIT NUMBER: <p style="text-align: center;">00200</p>			
BLOCK 11	"T" YIELD 12	ACRES 13	EXTENSIONS 14	BLOCK 18	YIELD 19	ACRES 20	EXTENSIONS 21
				1	183	10.0	1,830
				2	146	20.0	2,920
				3	107	15.0	1,605
		15 TOTALS:				22 TOTALS: <p style="text-align: center;">45.0</p>	
16 WEIGHTED AVERAGE TRANSITIONAL YIELD TOTAL EXTENSIONS/TOTAL ACRES =				23 WEIGHTED AVERAGE APH YIELD TOTAL EXTENSIONS/TOTAL ACRES = <p style="text-align: center;">141</p>			

Result of Item 23 Weighted Average APH Yield is entered in Item 20(C) Preliminary Weighted Average APH Yield.

RMA/R&D/PDD/PB:SVollrath:09/21/99:816-926-7965:s:/ud/rd/pb/indxaph3.wpd

Gdaniels BSmith BStewart TH VOC DH FO NM/JLD TW

RMA/R&D/SVollrath/wcd/690-4494/10-4-99

CORRECTIONS per Iris Thompson - RMA/R&D/SVollrath/wcd/690-4494/10-5-99