



United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

BULLETIN NO.: MGR-00-019.3

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

FROM: Kenneth D. Ackerman /s/ Ken Ackerman 1-18-01
Administrator

SUBJECT: Administering Added Land Determinations and Actual Production History (APH)
Adjustments

BACKGROUND:

The Risk Management Agency (RMA) has received a number of questions from RMA Regional Offices (RO), industry representatives, agents, and producers on issues related to administering 2001 crop year added land and yield adjustment procedures. These issues are addressed in the form of questions and answers.

ACTION:

The attached questions and answers respond to issues raised in implementing Bulletins MGR-00-019, MGR-00-019.1, MGR-00-019.2, and MGR-00-020.3.

DISPOSAL DATE:

This bulletin is for transmitting information and the expiration date is December 31, 2001.

Attachment



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The Risk Management Agency Administers and Oversees
All Programs Authorized Under the Federal Crop Insurance Corporation

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2000 and 2001-crop year Added Land Issues

Question 1. A producer has corn and soybeans insured and both crops have 2000 APH databases established using reference unit yields. Unit's 00101 - 00103 were part of the existing operation prior to the 2000 crop year. Soybean unit 00103 was established in the 2000 crop year using Added Land procedures and reference unit yields. Although unit 00103 was added in 1995, the soybean database qualified for Added Land procedures because soybeans had not been grown for more than two crop years. Corn had been produced on unit 00103 since 1995. Unit 00104 was added for the 2000 crop year. How is existing added land acreage using planted acres determined for the purposes of applying the 50 percent/640 limitation?

Answer: The following is an acceptable method using planted acres when restructuring databases. For the 50 percent comparison purposes the planted acreage of the insured crop on the added land is compared to the total planted acreage of the insured crop in the existing basic unit. For the 640 acre limit determination the total planted acreage of all crops are used. Example:

	<u>Unit</u>	<u>2000 Acres</u>	<u>Restructured 2000 APH</u>
CORN			
Existing	00101	150	130
Existing	00102	250	120
Existing(Added 95)	00103	175	125
Added in 2000	00104	190	125L new acreage to operation
SOYBEANS			
Existing	00101	125	50
Existing	00102	230	45
Added 2000	00103	100	48L first time SB planted
Added in 2000	00104	100	48L new acreage to operation

Total existing acres in unit/operation 00100:

$$(00101 [150 + 125], 00102 [250 + 230], 00103 [175 + 100]) = 1030$$

Restructured **00103** soyb. (100) = $100 \div 1030 = 10\%$ (<**50%** review not required)

Restructured **00104** corn (190) = $190 \div 1030 = 18\%$ (<**50%** review not required)

Restructured **00104** soyb. (100) = $\frac{100}{390} \div 1030 = 10\%$ (<**50%** review not required)

Total added land acres = 390 (<**640** acre limitation, review not required)

Question 2. An initial database was established for a crop for the 2000 crop year using reference unit yields for acreage added to the operation prior to the 2000 crop year. The land not added in 2000 but was considered "Added Land" for the crop under the 2000 definition. Does this new database for the crop have to be restructured for 2001?

Answer: Yes, if the database has any acreage/production history, prevented planting determinations, or will be planted in 2001 must be restructured according to the procedures in MGR-00-019.1. This includes the 50 percent/640 acreage limit comparison. However, if not planted in 2000, no previous planting acreage and is not being planted in 2001, the database may be deleted instead of being restructured. For deleted databases that would have required restructuring, in future years when an approved APH yield is required for the crop a variable "T" Yield will apply unless the insurance provider performs the required added land underwriting review.

Question 3. Based upon the illustration in question 2, what is the APH yield for unit 00103 soybeans and unit 00104 corn and soybeans?

Answer: The approved yield for unit 00103 soybeans is $(50 + 45 \div 2) = 48$

The approved yield for unit 00104 corn is $(130 + 120 + 125 \div 3) = 125$

The approved yield for unit 00104 soybeans is $(50 + 45 \div 2) = 48$

Question 4. Is there a yield indicator for producers with 2001 added land who do not request added land (AL) "T" Yields and to which a variable "T" Yield is assigned by the insurance provider for the 2001 crop year?

Answer: A yield indicator of "B" will be used for tracking purposes. This will be incorporated into the CIH when we update it.

Question 5. Draft procedures indicated that when calculating AL "T" Yields where the 60 percent "T" Yield plug has been implemented on some or all of the optional units within the basic unit structure, the yield substitution is done first, then the approved yield for the optional units within the same basic unit structure is calculated and then is averaged for the AL "T" Yield. The final procedures have dropped this statement off. How do we proceed?

Answer: That is the correct procedure. The AL "T" Yield is derived from the simple average of the existing optional unit approved APH yields within the basic unit structure. Any yield substitution (or cup or yield floor) is applied before the final result is determined and is the "approved APH yield."

Question 6. When restructuring databases for land added for the 2000 crop year, the 50 percent/640 acreage limitations can be determined by means other than Farm Service Agency (FSA) [documents #1 in MGR-00-019.1]. Do we have those same options as we determine 50 percent/640 acreage limitations for the 2001 crop year?

Answer: No, use of "planted acres" is just for restructuring 2000 databases (to try to make that process easier). Use cropland acres for 2001 and subsequent years. Cropland acres may be determined from insurance records that accurately account for all

cropland acres.

Question 7. When submitting requests for an RMA RO review, is supporting documentation ALL of the items in 8A(2)(a)-(f)?

Answer: The following should always be available and provided: (a) signed request; (b) current year's APH form; (d) cropland acreage documentation; and (f) aerial photos and legal descriptions [or other detailed maps identifying the acreage]. Information that may not always be available: (c) program payment yields; (e) previous operator's APH. An Added Land Request Checklist has been provided on RMA's public web site. Go to publications/Managers/2000/MGR-00-019.2.

Question 8. Specifically what does the insured need to send to the insurance provider to verify the acreage percentage being added? Will certification by the insured suffice, and the documentation be maintained in the agent's office?

Answer: Documentation indicating the acreage that is being added and acreage contained in the existing unit. Where the documentation is maintained is up to the insurance provider and the agent.

Question 9. How should insurance providers track added land in order to make sure that the 50 percent/640 acre limitations are not exceeded?

Answer: The insurance provider must have some kind of cropland acreage documentation in file folder (though not currently a space on APH form for cropland acres). Yield descriptors and yield indicators will serve as some tracking of whether the added land qualified for something other than the variable "T" Yield.

Question 10. How are acreage limitations applied for policies that are Fall only, Spring only, both, or if all crops are not insured with one insurance provider? Scenario: Acres added in the fall that do not exceed limitations and a Schedule of Insurance is issued with coverage based on the information as it was in the fall. What happens if they have added land in the spring and with this added land included, the limitations are exceeded?

- C Go back and requalify all the units? If so, then what?
- C Leave fall as it was issued and "T" Yield the spring added land?
- C Change the fall to "T" Yields too?

If all the crops are for one entity and insured with our company we might be able to try to track with some type of program. But how would we be able to track if we did not have all crops insured with us?

Answer: Land added **after** the fall Production Reporting Date (PRD) will not affect how the added land databases were set up for fall crops. Spring APH databases may need RO review (or use the variable "T" Yield instead of the AL "T" Yield) while fall APH databases did not if more land is added in the spring that results in the limits being exceeded.

Added land is not crop-specific. Whether or not all crops are insured with the same insurance provider, the insured must report any and all land added to the operation.

Question 11. For crops that have Enterprise units- does the added land have to qualify to the 50 percent limitation by the underlying units or the Enterprise unit?

Answer: Policies with an enterprise unit may have more than one database (transmitted to RMA) so the total added acres for each unit database would be compared to the total existing acres of the applicable underlying basic unit for the purpose of the 50 percent limitation.

Question 12. How is the APH determined for land added to an enterprise unit?

Answer: The added land uses the production history of the applicable underlying basic unit if the added land is comparable in productivity, otherwise the variable "T" Yield applies.

Question 13. Please clarify 5 and 6 on page 404. Why wouldn't 6 just be added land? Added land is not by P/T/V. Will there be special indicators for these? Does it have to qualify for the 50 percent/640 acre rule.

Answer: The CIH Exhibit 36, paragraph 5 addresses an added P/T/V that does not involve added land. There are no special procedures for a new P/T/V not previously carried out anywhere on the insured's farming operation except for Irrigated and Summer fallow practices. Otherwise, the choices are to use the other person's records (if any) or the variable "T" Yield. Paragraph 6 deals with the situation when a new database is needed for a particular P/T/V and unit, not involving added land but where there are other units within the same basic unit structure for the P/T/V. In that case, the new database can use the simple average Added P/T/V "T" Yield. The 50 percent/640-acre limits DO NOT apply unless added land is involved.

Question 14. Is it correct to say that if a unit is marked as added land, there will be no actual yields (A, J, P) in the unit's database?

Answer: No. Restructured 2000 databases are one example. The added land "yield indicator" will remain in the database.

Question 15. MGR-00-019.1, Page 2, #2: It would create administrative difficulties to recalculate 2000 added land units using 2001 rules. We assume we would need to create a second APH history for the added land unit in the system (for the 2000 crop year) using the 2001 rules.

- a. How would we handle transfer-in crops?
- b. Would we have to create an APH history in 2000 for a crop we did not have insured?

Answer:

- a. There will not be two APH databases for the recalculated 2000 databases. The database will be updated in two steps – first, recalculating as if for the 2000 crop year; second, updating with the 2000 crop year’s actual/assigned production and acres. The first step is necessary in order to have a recalculated “prior” APH yield in case the yield limitation (cup) would apply for 2001.
- b. Do not create an additional 2000 database for transferred policies. Follow the two-step process as above.

Question 16. On Page 401, 2A(2), it talks about how added land units will be updated in subsequent years. It says the variable “T” Yield percentage will change as actual/assigned yields are added. What if the “T” Yield changes from one year to the next?

- c. For example, in 2001 the Simple Average Yield is 100 and the “T” Yield is 101 (they qualify for 100 percent of the “T” Yield). In this case the Variable “T” Yield (101) is higher than the Simple Average Yield (100) so we would use the Variable “T” Yield.
- If in 2002 the “T” Yield is changed to 95, do we continue to use 100 percent of the “T” Yield that was in effect the year the added land unit was created? Or do we re-calculate using 100 percent of the new “T” Yield, which would mean non-actual yields would be 95. Now the “T” Yield is less than the Simple Average Yield that would have applied in 2001.

OR

- If in 2002 the “T” Yield is changed to 105, again, do we continue to use 100 percent of the “T” Yield that was in effect the year the added land unit was created? Or, do we re-calculate using 100 percent of the new “T” Yield, which would mean non-actual yields would be 105?
- The “T” Yield changing could adversely affect the policyholder regardless of which way this rule is implemented.

Answer: Except as provided in Exhibit 36 Paragraph 8 A, added land procedures apply

only for the crop year the land is added. Once the AL “T” Yield is applied to a unit, the AL “T” Yield remains set. Variable “T” Yields applied to a unit are not set. If the database uses the variable “T” Yield, it may change in subsequent years, if the variable “T” Yield percent increases (based on the number of actual/assigned yields for the crop/county) or because the “T” Yield itself changes (on the actuarial documents).

Question 17. Page 402, 2B(3), it says that AL “T” Yields are set in the database in subsequent crop years, ‘unless a correction or change in the yield for the basic unit originally used to determine the AL “T” Yield is made.’ How are we supposed to implement that?

- Does this only apply the initial year the unit is added land?
- If a yield for a unit that was originally used to determine the AL “T” Yield is changed after the initial year the added land unit was created, do we leave the AL “T” Yields as is?

For example: There are two existing units for 2001 crop year, units 00101 and 00102. Let’s say the Simple Average Yield is the ‘higher of’ so we use that as the “T” Yield for the added land unit in 2001. In 2003, due to an APH review, a change is made to unit 00101. Per compliance review procedure we should change the APH yield history for 2003 and succeeding crop years for unit 00101, but should not make any changes in prior years. Does this affect the “T” Yields used for the added land unit?

- Answer:
- a. All errors are corrected.
 - b. Depends on the reason for the change/correction. If an error exceeds tolerances, the identified errors are corrected for that year. If the error affected the AL “T” Yield, it must also be corrected. If an insured brings in additional records after PRD, those records may be used the following crop year. However, the AL “T” Yield is not changed (the AL “T”Yield is set unless an error exists.)

Question 18. Per paragraph 6B of Exhibit 36, P/T/V “T” Yields are not recalculated (are set) in subsequent crop years. If the only existing unit is 00101 and has 1 actual yield for 2001, the new P/T/V unit would use 80 percent of the “T” Yield. In 2002, if there are now two years of actual yields for the crop in the county, would the new P/T/V unit be allowed to use 80 percent of the “T” Yield? If the Variable “T” Yield is greater than the simple average yield, why would anyone choose new P/T/V? They would be better off to use standard variable “T” Yield calculations because they would be able to have a higher “T” Yield in subsequent crop years.

Answer: If the existing APH for the P/T/V in 2001 crop year has one actual and three variable “T” Yields, the new database may be eligible to use the same approved APH yield or use the variable “T” Yield which ever is higher. Once the P/T/V “T” Yield applies, it is set (exception errors) and subsequent crop year changes in the variable “T” Yield percentage do not affect it.

Question 19. Example 4 in MGR-00-019.1 indicates the APH database must be restructured for 2000 crop year using higher of the “T” Yield or AL “T” Yield prior to updating for 2001 crop year. This is the only place in the bulletin that has the “higher of” indicated. Shouldn’t that be part of the action requirements rather than just briefly mentioned in an example?

Answer: It is indicated in the attached Exhibit 36, with references to using the “higher of” the AL “T” Yield or variable “T” Yield: 2A, situation 3) [page 400], and 2B(1)(a) [page 401].

Question 20. Previous draft documents indicated use of a two-position yield descriptor, is that still going to be required? [can’t quite tell from Ex. 36 section 2A (1)(b)]? Could we see some examples on how the “C” and “B” yield indicators should be used?

Answer: No, instead of the two-position yield descriptor, the procedure was changed at the request of the industry to use a combination of existing yield descriptors and new yield indicators. See Ex. 36, 2A(1) chart on page 400 for yield indicators used with variable “T” Yield situations. The last sentence of 2B(3) on page 402 should refer to using yield indicator “A” (with yield descriptor “L”) for optional units using the simple average AL “T” Yield.

Question 21. An NCIS e-mail was sent on the clarification on the 50 percent acreage limitation being applied on an optional unit basis. Is this by crop or do you take all the FSN’s of added land for all crops within the farming operation? If you take all the FSN’s of added land for all crops under a particular SSN how will that be edited or be determined to verify the added land is not exceeded when you could have multiple crop policies for one insured?

Answer: 2001 crop year added land procedures are not crop-specific so cropland acres for all crop policies will have to be considered. However, 2000 crop year added land procedures were crop specific.

Question 22. Exhibit 36 Section 2 C(2) indicates if the added land exceeds 50 percent of the total cropland in the existing unit or total cropland acres exceed 640 acres we are to set up the database using regular “T” Yield procedure and enter a “B” as a yield indicator? Why would we do this? Why wouldn’t you just assign the variable yield descriptor (T, E, N, S)?

Answer: Yield descriptor identifies “T” Yield percent (T, E, N, S); yield indicator is used for tracking purposes. The “B” identifies it as added land that did not qualify for anything other than the variable “T” Yield and must be kept on a separate database as long as “T” Yields remain.

Question 23. Regarding the documentation needed for determination of the added land from FSA, does the request and retrieval of the documents have to come from the insured? Or is it the insurance provider’s responsibility for contacting the FSA for the documents?

Answer: Ultimately it is the insured’s responsibility – see 8A. We understand some insurance providers may assist the farmer in obtaining FSA information, but it is not their responsibility.

Question 24. Section 8A(2)(a) indicates a “Written Request containing the following statement.” Is there going to be a required format or form that this will need to be composed on?

Answer: RMA is not developing such a form at this time. Insurance providers may duplicate this language and use it.

Question 25. When reconstructing the added land APH from crop year 2000 you calculate the yield and do not apply any yield limitations, and then place that restructured APH yield in the previous year’s approved yield on the Type 15 record for the current year’s database. So will we need to retain and report two databases for the 2001 crop year to RMA when this applies?

Answer: No, this is a two-step process to get to the final 2001 APH database. Only transmit final 2001 APH record.

Question 26. MGR-00-19.1 provided requests for RMA RO reviews of added land exceeding the 50 percent/640 acre had to be submitted by the PRD. Will the rule of postmarked within 20 calendar days of the applicable date and received in the RMA RO within 10 calendar days thereafter apply to these requests?

Answer: MGR-00-19.2 provides that requests postmarked within 20 days of the PRD and received in the RMA RO within 10 calendar days thereafter will be accepted by the RMA RO this includes restructured databases for the 2000 crop year and requests for the 2001 crop year.

Question 27. Do P/T/V databases (no added land) containing reference unit yields have to be restructured?

Answer: No, only those databases meeting the definition of "Added Land" contained in the 2000 crop year CIH, Ex. 36, must be restructured. The definition did not apply to P/T/V's but it was crop-specific so it did include a "new crop" database in 2000.

Note: Reference unit P/T/V yields cannot be established for 2000 crop year databases for which such yields were not established in 2000. Reference unit yields (added land or P/T/V's) are not applicable for the 2001 crop year.

Question 28. Land which another producer enrolled in the Conservation Reserve Program (CRP) is added to the insured's operation prior to the 2000 crop year. For the 2000 crop year, an added land APH database was established using reference unit yield procedure. When the database is restructured, can the existing units in the basic unit for the 2000 crop year be used to determine the 50/640 trips?

Answer: Yes. Since the insured obtained the new land after it was enrolled in CRP by the previous operator, the 2001 crop year Added Land procedures apply and not CIH Exhibit 10. When the land came out of CRP in 2000, it is treated as land added to the operation in 2000.

If the land had been in the current insured's operation before it was enrolled in CRP, it would have been considered part of the existing operation and the APH set up according to Exhibit 10.

Question 29. MGR-00-19.1, Example 1 indicates the cropland acres for two farms that are added as two optional units will be added together before determining if the amount of added land exceeds the 50 percent trip. Exhibit 36, item 2B(1) indicates that the amount of added land is determined for each unit when making the 50 percent determination. Which procedure applies?

Answer: MGR-00-19 indicates that the 50 percent acreage limitation for land added as a separate optional unit is determined by comparing the added cropland acreage in each **individual** unit to the existing cropland acreage in the overall basic unit, which is consistent with Exhibit 36. In this example, each of the new units are within the 50 percent limit and are eligible to use the Added Land "T" Yield instead of the variable "T" Yield.

Question 30. A 2000 database with added land reference unit yields is being restructured. The 2000 information is as follows:

- 00101 - Existing operation and established history
- 00102 - Existing operation and established history
- 00103 - Established as Added P/T/V with reference unit database (doesn't require restructuring nor 50/640 limits)
- 00104 - Established as added land with reference unit database (does require restructuring and 50/640 limits)

Assuming unit 00104 is within the 50/640 tolerance, all units represented the same P/T/V/"T" Yield map area, and AL "T" Yields were applied, how would the added land yield be established? Would units 00101 and 00102 be averaged? Or, would units 00101, 00102, and 00103 be averaged?

Answer: Only units 00101 and 00102 would be used as they represent the existing land in the operation at the beginning of the 2000 crop year. Unit 00103 was created for the 2000 crop year, apparently out of 00101 or 00102.

Question 31. Is grass included in cropland acreage determinations? Is this something that would vary from county to county and state to state? Are there some other criteria that may require it be included in the cropland acreage determination in some areas? Assuming the current grass acreage had never been broken for a crop (so it was not previously broken acreage turned CRP), should the cropland acreage determination/verification for the 2001 crop year added land be based on whatever basis the county's FSA office used - even if it does vary from region to region?

Answer: Yes, use the cropland acreage as established by the FSA office.

Question 32. The insured/insurance provider has chosen to use 2000 planted acreage for acreage limitation comparisons in the restructuring process. Do 2000 prevented planted (PP) acres get added into the total acreage in the existing basic unit for the 50 percent acreage comparison? This question came from the Dakotas where there was quite a bit of PP acreage. On one hand, all references are made to planted acreage - but on the other, the PP acreage was accepted for premium and loss purposes for the unit.

Answer: Include the PP acreage. It represents cropland acreage as documented by insurance records.

Question 33. The added land definition in the 2001 CIH (Section 3) does not agree with the definition contained MGR-00-19.1, Exhibit 36. Which applies?

Answer: The definition of added land contained in Exhibit 36 supersedes the definition contained in Section 3 of the CIH.

Question 34. Do the added land procedures (tolerances, RO reviews etc.) apply to crops utilizing Master Yields?

Answer: No. Refer to page 232 of the 2001 CIH. However, planted acres for crops utilizing Master Yields are used when determining the acreage tolerances for other insured crops under the APH program.

Question 35. The CIH Exhibit 36, paragraph 1, (page 399) indicates in the definition of Added land or new database for a P/T/V “T” Yield when the simple average is used instead of the RMA “T” Yield to calculate the approved APH yield for added land and new databases for P/T/V that an “A” yield indicator and a “C” yield indicator should be used respectively. Paragraph 2B(3) (page 402) refers to yield descriptor “A” for Added Land “T” Yields. Should the yield indicator and yield descriptor be the same for added land? If not, what should the yield indicators and descriptors be?

Answer: The “T” yield indicators for both added land or new database for a P/T/V when using the simple average “T” yield should be an “A” yield indicator. An “L” yield descriptor for added land and a “C” yield descriptor for new P/T/V “T” yield applies when using the simple average “T” yield.

Question 36. What should the yield descriptor be in Exhibit 36, paragraph 9, Example 2 [bottom of the page 408] in the Subsequent Crop Year Databases for unit 00101 crop year 2001?

Answer: The yield for 2001 should appear as A32. Additionally, the tables in the subsequent crop year databases portion of the example should be identified as year 2002 instead of 2001.

Question 37. Which APH yield do we use in calculating the summerfallow added land “T” Yield when the continuous cropping database is being duplicated for the summerfallow practice when the latter has less than three years of actual history?

Answer: Use the continuous cropping approved APH yield, which in this case will be the one duplicated from the continuous cropping database.

Question 38. What are the distinctions between adding land to an existing unit and combining units in a previous crop year?

Answer: Units with a valid APH databases set up in a previous crop year that contain at least one actual or assigned yield may be combined for the current crop year according to Exhibit 15 of the CIH. For land meeting the definition of added land in 2000 or 2001 added land procedures apply. For 2002 RMA will review procedures for splitting existing units into optional units and likely will require that only the history from each optional unit be taken to the appropriate unit.

2001 Crop Year Actual Production History (APH) Yield Adjustment Issues

Question 1. California Avocado Revenue Insurance can only be insured if they have four years of APH, so there is no “T” Yield published in the Perennial Crop “T” Yield listing. How do we calculate 60 percent “T” Yield if they select the option?

Answer: To determine 60 percent of the “T” Yield for CA Avocado Revenue:

1. Divide the avocado revenue for the crop year by the season average price to get the average county yield for the year.
2. That yield X .48 = 60 percent of “T” Yield.

“T” Yields for perennials in CA are set at 80 percent of average yields to account for alternate bearing, etc. [$.80 \times .60 = .48$]

Example: San Diego county, 1999.
 County Average Revenue = 6378. Season Average Price = 1.29.
 $6378 / 1.29 = 4944 \times .48 = 2373$ (60 percent “T” Yield).
 A separate county “T” Yield is determined for each year.
 The 65 percent “T” Yields on the FCI-35s are calculated by the same method ($.80 \times .65 = .52$). [$4944 \times .52 = 2571$]

Question 2. In Action Item 6.A of MGR-00-020.3, would the “average APH yield prior to any yield substitutions” be after applying any cups or yield floors, or simply the straight average of the APH yields?

Answer: Average APH yield is the true average of the annual APH yields before applying any cups or yield floors.

Question 3. If an insured has a additional coverage policy and elects to exclude the High Risk Land with an High Risk Exclusion and insures the high risk land under a CAT policy, can the insured choose the APH yield adjustment election on one policy and not the other policy, by crop or by county?

Answer: Yes. APH yield adjustments are elected by policy, crop and county. (This is also true if an insurance provider provides CAT and additional coverage for this situation under the same policy.)