



United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

BULLETIN NO.: MGR-00-020.3

TO: All Reinsured Companies
All Risk Management Agency Field Offices

FROM: Kenneth D. Ackerman /s/ Kenneth D. Ackerman 9/15/00
Administrator

SUBJECT: Implementation of the Agricultural Risk Protection Act of 2000 (ARPA) Actual
Production History (APH) Adjustments

BACKGROUND:

The following guidelines are provided to address implementation of actual production history (APH) adjustments as required by the Agricultural Risk Protection Act of 2000 (ARPA). For APH yield calculation purposes, ARPA allows producers to substitute 60 percent of the applicable transitional yield (T-Yield) for actual yields that are less than 60 percent of the applicable transitional yield to mitigate the effect of catastrophic year(s).

ACTION:

Beginning with the 2001 crop year, producers insuring crops (including pilot program crops) using approved APH yields to calculate insurance guarantees, may elect to substitute 60 percent of the applicable T-Yield (APH Adjustment Election) for low actual yields caused by drought, flood, or other natural disasters. APH yields calculated for Revenue Assurance, Income Protection, Crop Revenue Coverage, and Avocado Revenue plans of insurance are also eligible for APH adjustments. Calculate approved APH yields and determine premium rates for APH adjustments according to the following guidelines:

1. **Eligible county crop programs.** County crop programs with a contract change date for the 2001 crop year:
 - A. Prior to April 30, 2000, will be eligible for the APH Adjustment Election (election) beginning with the 2002 crop year.



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- B. Of April 30, 2000, will be eligible for the election for the 2001 crop year only for producers that mutually agree with their reinsured company to be bound by changes made by ARPA regarding subsidies and administrative fees.
 - C. Later than April 30, 2000, will be eligible for the election for the 2001 crop year.
2. **Administration of the election** is similar to administration of options that producers may elect to change their insurance contracts. The election must be signed no later than the applicable sales closing date, except for the 2001 crop year. For the 2001 crop year, the election must be made no later than November 15, 2000, for any crop with a 2001 sales closing date of September 30, 2000, or earlier. The election is:
- A. Applicable on a crop and county basis as elected by the insured.
 - B. Continuous unless canceled by the cancellation date for the applicable crop year.
 - C. Available for CAT and additional coverage policies.
 - D. Applicable to Category B (annual) and C (perennial) APH crops. Refer to the FCIC 18010 Crop Insurance Handbook (CIH) for the list of Category B and C APH crops.
3. **Definitions used in the context of the APH Adjustment Election:**
- A. Actual yields, are considered actual, assigned and temporary yields as defined in the CIH. These yields are identified by the yield descriptors A, P, or J in APH databases.
 - B. Applicable T-Yields, are T-Yields for the current crop year for the county (including T-Yield Map Areas) and crop by practice, type, variety (P/T/V), age, density, etc., as indicated by the County Actuarial Document; Perennial Crop Transitional Yield and Acreage Tolerance Listing; assigned by Risk Management Agency's (RMA) Regional Office (RO); or calculated according to FCIC guidelines by insurance providers.
 - C. Approved APH yields, the amount of production per acre computed and approved by the verifier after substitution of 60 percent of the applicable T-Yield and in accordance with the Actual Production History Program 7 CFR part 400 subpart G, or for crops not listed under 7 CFR part 400 subpart G, the yield used to determine the guarantee in accordance with the crop provisions or the Special Provisions.

- D. Rate Yield, the per acre yield (average APH yield prior to any yield substitutions) used to determine the premium rate if different from the approved APH yield.

4. **Reporting Requirements.**

- A. Insureds must continue to provide to their insurance providers, production reports (APH forms) indicating actual acres and production as required by the crop insurance contract and APH procedures (no change).
- B. Insurance providers must continue to establish APH yields and maintain APH databases according to the CIH and report the actual production history to RMA. Insurance providers will submit to RMA the Type 15 Yield Record through the Data Acceptance System (DAS) containing:
- (1) Actual production history (prior to APH adjustments);
 - (2) Rate yield;
 - (3) Approved APH yield;
 - (4) Applicable T-Yield other than those indicated by the Actuarial Data Master (Y-record). Examples include:
 - (a) Added land/P/T/V T-Yields,
 - (b) Determined factored irrigated T-Yields,
 - (c) Simple or weighted average T-Yields,
 - (d) Personal T-Yields (Montana Pilot),
 - (e) T-Yields assigned by RMA RO's, and
 - (f) Perennial Crop T-Yields.
 - (5) Option code (YA) indicating that yield adjustments were elected.
 - (6) Yield limitation flag (09) identifying each approved APH yield that has been adjusted under the election; and
 - (7) Other Information and codes required by the DAS and indicated by the M-13 Data Acceptance System Handbook.

5. Calculating Approved APH Yields Under the Election.

- A. For Category B APH Crops (see Par. D for Category C Crop instructions) for each APH database:
- (1) Make the following calculations:
 - (a) Calculate the average adjusted APH yield by substituting 60 percent of the applicable T-Yield for actual yields that are less than 60 percent of the applicable T-Yield (yield substitutions);
 - (b) Calculate the cupped yield, if applicable;
 - (c) Calculate the yield floor (not applicable for CAT coverage), if applicable.
 - (2) Each insured may choose by the production reporting date, the method used to determine the approved APH yield:
 - (a) For CAT coverage, the average adjusted APH yield or the cupped yield as calculated under APH procedure.
 - (b) For additional coverage, the average adjusted APH yield or the higher of the yield floor or cupped yield calculated under APH procedure.
 - (3) APH yields (databases) that do not contain yield substitutions are eligible for cups or yield floors.
- B. If Master Yields are applicable, make yield substitutions after the individual unit data have been summarized on the Master Yield Summary. Separate Master Yields are required for T-Yield map areas, designated homogeneous Master Yield areas, and by P/T/V. (See Exhibit 7 of the CIH for Master Yield instructions and Par. 3D specifically for APH Master Yield Summary Form requirements).
- (1) Insurance Providers must submit ONE Type 15 Yield Record (Master Yield Summary Record) for EACH Master Yield to RMA. The Master Yield Summary Record must contain the SUMMARIZED data prior to APH adjustments. RMA will validate Master Yield Summary Records for which yield substitutions are applicable. It is NOT necessary to submit individual unit Type 15 records. For data reporting/processing purposes:

- (a) Each Master Yield will be assigned a Master Yield summary record number.
 - (b) The Master Yield summary record number will be entered on the Type 11 acreage record (by line) to identify the applicable approved Master Yield.
 - (2) Yield substitutions, approved yields, and rates will be determined at the Master Yield level.
- C. For a Summerfallow (SF) practice using the special instructions in Sec. 6, Par. J(13)(h)3 of the CIH, make yield substitutions (if applicable) to both the SF practice and the continuous cropping practices (CC) prior to determining the “higher” yield to be used for the SF practice. Continue to duplicate the CC data if higher, identify it as SF, and submit the duplicated data (Type 15 record) to RMA.
- D. Additional instructions for Category C APH (perennial) crops. APH adjustments will be made as follows:
- (1) Beginning with the 2001 crop year, indexed yield methodology for Georgia and South Carolina peach producers has been discontinued (R&D-00-037). Peaches in these states have been placed under standard APH procedures and are eligible for APH adjustments.
 - (2) For Avocado Revenue, the APH adjustment will adjust the average farm revenue. Refer to Par. 5A and make actual yield substitutions prior to calculating the average farm revenue. Follow the reporting requirements in Par. 4B by substituting average farm revenue for the actual production history in 4B(1) and the approved average revenue for the approved APH yield in 4B(3).
 - (3) The RMA RO will calculate approved APH yields if the Pre-acceptance Field Inspection (Sec. 7, Par. F(1)) or the Pre-acceptance Selection Criteria (Sec. 7, Par. F(2)) as indicated by the CIH is met or exceeded unless, the RO issues guidelines indicating how the approved APH yields will be calculated and gives insurance providers the authority to calculate the approved APH yields.
 - (a) Insurance Providers must determine variability of actual yields(Par. F(2)(b) of the CIH) prior to any APH yield adjustments.
 - (b) The RO or Insurance Provider as authorized will make appropriate APH yield adjustments.

- (i) When alternate bearing cycles are identified for crops that are subject to alternate bearing cycles (e.g., apples), yield substitutions will not be made for low yields occurring during the alternate bearing years.
 - (ii) If yields are declining (e.g., past peak production, orchard/grove/vineyard/bog is diseased, in poor condition, being renovated, etc.) the RO will determine whether yield substitutions should be made.
- (4) Yield substitutions will be made for actual yields reported on APH Forms/Type 15 records. Yield substitutions are not made on Block Production Worksheets when Block Production Worksheets are applicable.
 - (a) A weighted average T-Yield (See Unit Summary Worksheet, Exhibit 16, Par. 3B, Example 4) for the current crop year must be calculated for each APH yield/Type 15 record, if more than one T-Yield is applicable (e.g., different ages, density, types that have different T-Yields are applicable). Weighted average T-Yield calculations will be based on the acres and T-Yields applicable for the current crop year.
 - (b) Weighted average T-Yields are applicable T-Yields for yield substitution purposes. They are not “set” and may change from year to year. If significant changes have occurred to Trees/Vines/Bushes/Bog as identified on the FCI-12-PAW Producer’s Pre-Acceptance Worksheet; FCI-12-P Pre-acceptance Inspection Report; and the applicable Crop Addendum Worksheet, then questions concerning appropriate T-Yields on which to base the applicable T-Yield for yield substitution purposes, may be referred to the RMA RO.
 - (c) Sixty percent of the applicable T-Yield will be substituted for actual yields which are less than 60 percent of the applicable T-Yield. For each APH database:
 - (i) Calculate the average adjusted APH yield (after yield substitutions are made);

- (ii) Calculate the cupped yield (applicable for almonds, cranberries, citrus (AZ-CA), figs, grapes, Macadamia nuts, pears, plums, prunes, stonefruit, table grapes, Texas citrus fruit, and walnuts), if applicable;
 - (iii) Calculate the weighted average APH yield using Unit Summary Worksheets, if applicable.
 - (iv) Each insured may choose by the production reporting date the method used to determine the approved APH yield, either the average adjusted APH yield or, if applicable, the higher of the cupped yield or the weighted average APH yield calculated under APH procedure.
 - (d) APH yields (databases) that do not contain yield substitutions remain eligible for cups, caps, or the weighted average APH yield determined using Unit Summary Worksheets consistent with current procedure.
 - E. DAS will process the data and verify that approved APH yields for which yield substitutions were made are calculated correctly.
6. **Determining premium rates.** If the approved APH yield calculation chosen by the insured (by unit/P/T/V/T-Map area, etc.) includes at least one 60 percent T-Yield that was substituted for an actual yield:
- A. For a continuous rated crops and counties, the rate yield (average APH yield prior to any yield substitutions) is used to determine the premium rate. The average yield for continuous rated crops, is divided by the current year's reference yield to determine current year's yield ratio and the result (rounded to nearest hundredth) is then used in the continuous rating formula.
 - B. For crops and counties not utilizing continuous rating methodology, a 5 percent (1.05 factor) surcharge will be applied to the premium calculation unless the actuarial document indicates an APH adjustment surcharge. If an APH adjustment surcharge is indicated, the APH adjustment surcharge will apply to the premium calculation.

If you have questions, please contact Tim Hoffmann at 816-926-7829.

DISPOSAL:

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