



United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

BULLETIN NO.: MGR-01-016

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

FROM: Phyllis W. Honor /s/ Phyllis W. Honor 6-7-01
Acting Administrator

SUBJECT: Unreasonable Forage Production Yields Certified by Policyholders

ISSUE:

RMA is concerned that questionable certified yields are being accepted without requesting supporting production records or performing APH reviews to verify their accuracy.

BACKGROUND:

Last fall, excessive non-irrigated forage production certified yields were discussed at a minimum of two crop insurance industry meetings. Insurance providers were reminded at that time that questionable certified yields should not be accepted without verification of the accuracy, reasonableness, and acceptability of supporting production records.

The Risk Management Agency (RMA) has received information from the Farm Service Agency (FSA) and the Office of Inspector General that producers of non-irrigated forage production in Nebraska and South Dakota are certifying actual yields for insurance purposes that are unreasonable when compared to RMA T-yields or historical average yields for the crops. These certified yields exceed RMA T-yields by as much as 200 percent or more.

Section 5, paragraph E of the FCIC-18010 Crop Insurance Handbook (CIH) and Section 2, paragraph 19 of the Loss Adjustment Manual (LAM) state that reinsured companies are required to verify the actual production history (APH) prior to or during farm inspections. Subparagraph E(2) of the CIH states that reinsured companies will:

- (a) Review the actual yields certified by the insured for reasonableness.



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- (b) Perform a cursory review to determine if the APH yield was calculated accurately.
- (c) Compare the approved APH yield to the acreage report. Verify that the correct APH yields have been entered on the acreage report (by unit, Practice/Type/Variety, map area, etc.).
- (d) Conduct additional reviews and/or make corrections, as appropriate, if:
 - 1 Current approved APH yield is not on file;
 - 2 Yields certified do not appear to be reasonable; or
 - 3 The approved APH yield appears to have been calculated incorrectly.

Section 9B(3) of the CIH states that in relevant part

When the crop is selected for review. Supporting evidence (records) of acreage and production will be required by unit for all crop years' acreage and production certified on the form.

When established tolerances have been exceeded as determined on the field review, the APH form will be corrected.

Section 9B(5) of the CIH states in relevant part “[w]hen selected for an APH review, the INSURED is responsible for furnishing production evidence to support the production as reported on the APH form.” Any FSA information or supporting documentation for the production report must be furnished at the time of review.

Section 9B(6) of the CIH states in relevant part “[t]he verifier must correct the yields reported on the APH form for the current crop year if yield tolerances are exceeded based on the results of an APH review. The verifier must correct the APH yield the following year if discrepancies exist but are within the tolerances.”

Under Section 14 of the CIH states in relevant part “The percentage difference for an approved APH yield is calculated by dividing the approved APH yield by the APH yield determined to be correct by the reviewer. A correction to the approved APH yield must be made for the current crop year if the correction changes the APH Yield (prior to rounding) by more than the **tolerance established for the crop category.**” Under Section 14C, the tolerance for forage production is 2 percent.

ACTION:

Insurance providers must conduct and complete APH reviews of irrigated and non-irrigated forage production certified actual yields in the States of Nebraska and South Dakota in accordance with the CIH and LAM. The standard contained in Manual 14 regarding when APH yield tolerance reviews must be conducted is 150 percent. This figure should be used to determine the reasonableness of the certified yields. Certified yields that exceed the RMA T-yield by 150 percent or more must be reviewed. Producers must provide the production records to determine if they are acceptable and support the certified yield. The adequacy of the production records should be determined in accordance with Section 10 of the CIH.

If acceptable supporting records do not exist for the certified yield, transitional or assigned yields must be used in accordance with Section 6 of the CIH. The approved APH yield for the unit must be determined using the applicable transitional or assigned yields. If adequate records exist, the approved APH yield must be determined based on the records. Any corrected APH yield must be compared to the approved APH yield for the applicable crop year to determine whether they are within the 2 percent tolerance. If the difference exceeds the 2 percent tolerance, the approved APH yield must be corrected for the 2000 and 2001 crop years, as applicable.

Insurance providers are reminded that tolerance reviews would apply to any crop, within any state, exceeding the tolerances per Manual 14, CIH, and LAM. Sufficient documentation of each review and any corrective action taken must be maintained in the insurance provider's files to permit follow-up spot checks by RMA Risk Compliance.

DISPOSAL DATE:

This bulletin is for transmitting/updating information and the disposal date is December 31, 2001.