



United States of Agriculture
Farm and Foreign Agriculture Services
Risk Management Agency

December 11, 2003

INFORMATIONAL MEMORANDUM: R&D-03-052

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

FROM: Tim B. Witt /s/ Rodger M. Matthews, Sr., for
Deputy Administrator

SUBJECT: Crop Appraisals for Actual Production History (APH) Purposes Only

BACKGROUND:

The Risk Management Agency (RMA) issued the 2004 FCIC-18010 Crop Insurance Handbook (CIH) on June 27, 2003. The procedure contained in Section 10, Paragraph 10D(2) provides that, "Yields for APH purposes based on appraised potential production (appraisals) will not exceed the approved yield for the crop year, unless a claim for indemnity was filed and a loss occurred." This procedure was developed to address excessively high yield appraisals reported for APH purposes that have been discovered during maximum yield edit reviews.

Numerous inquiries have been received indicating the CIH is unclear regarding whether the limit applies to 2003 or 2004 crop year appraisals. Concerns have also been expressed that limiting the appraisal to the APH yield does not recognize the normal variation of yields above the average yield and thus the limit is inequitable.

ACTION:

Yields from **appraisals for APH purposes only** will not be limited as provided in the 2004 CIH. The maximum yield edit process remains in place to identify APH yields that must be reviewed and it is the Insurance Provider's responsibility to determine if they are reasonable and acceptable for insurance purposes. Insurance Providers are reminded this process includes high yields that are identified as exceeding the lower yield limitation and that due diligence must be used in applying the reasonable and acceptability standards to such yields. Insurance Providers must maintain documentation for inspection



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by the Office of Compliance sufficient to demonstrate the thoroughness of such reviews and to support yields that are processed as reasonable and acceptable.

DISPOSAL DATE:

This Informational Memorandum is for the purpose of transmitting information and its disposal date is December 31, 2004.