



August 27, 2009

United States  
Department of  
Agriculture

INFORMATIONAL MEMORANDUM

Risk Management  
Agency

To: Approved Insurance Providers

Davis, California  
Regional Office

From: Nancy Beaumont/Director/s/*Nancy Beaumont*

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SUBJECT: 2010 Regional Approved Insurance Provider (AIP) Underwriting Guidelines for Category C Perennial APH Crops (2011) crop year for Citrus and Macadamia Nuts)

**ISSUE:**

For the 2010/2011 crop year, the Davis Regional Office (RO) is issuing AIP Underwriting Guidelines. These procedures apply to states serviced by the Davis RO: Arizona, California, Hawaii, and Utah.

**BACKGROUND:**

The 2007 FCIC 18010 (6-05) and 18010-1 (6-06) Crop Insurance Handbook (CIH) Sections 7D(1) and 7F(3) authorizes the Risk Management Agency (RMA) Regional Offices (RO) to issue Perennial Crop Underwriting Guidelines and provide authorization to AIPs for calculating approved Actual Production History (APH) yields. CIH Section 7F(2)(b) provides procedure and formulas designed to identify and adjust high variability perennial crop yields that indicate patterns of alternate bearing years or downward trends in productivity. Section 7F(2)(a) and (c) through (f) outlines instances when RMA RO approved yields are required; this includes instances when RO coverage review is marked on question 37 on the Pre-Acceptance Perennial Crop Inspection Report. To expedite the approved yield process and to decrease the number of requests received in the RMA RO, we set forth the following guidelines.

**ACTION:**

**A. GENERAL REQUIREMENTS:**

When a policy triggers pre-acceptance field inspection selection criteria (tolerance guidelines) outlined in CIH Section 7F(2) requiring Regional Office (RO) yield determination, the following information, for all **applicable** blocks/units by practice, type, and variety (P/T/V) must be acquired by the AIP, and if applicable submitted to the RO:

1. Supporting documentation as outlined in Section 7F(6): RMA RO Determined Yield Request(s), updated Actual Production History forms, hard copy records of acreage and production, Producer's Pre-Acceptance Worksheet(s), Pre-Acceptance Perennial Crop Inspection Report, and



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Applicable Crop Addendum Worksheets(s). Do not send hard copy records into the Davis RMA RO, unless requested.

2. A current Pre-Acceptance Perennial Crop Inspection (five years old or less) as outlined in Section 7F(1)(c). Also, note in the Additional Procedures section of this letter, the RMA RO is requesting a recent inspection (2009 [2010 Citrus/Macadamia Nuts] crop year or newer) according to Section 7F(1)(c) for **reconsideration** regarding blocks or units being adjusted according to high variability or downward trend procedures.

**B. Yield Substitution (YA) (Sixty percent Transitional Yields (T-Yields) :** Yield Substitution (YA) (60% T-Yields), CIH Section 13D(7) generally do not apply to blocks or units (by P/T/V) in special cases referred to the RMA RO for yield determination, including those cases waived for AIP approval see also Section 7H(11)(b). Cases identified in Section 7F(2)(b) that are waived by the RMA RO may be eligible for Yield Substitution if qualified and elected by the insured, as determined by the RMA RO. In these cases, the AIP may use YA by showing only the RMA RO approved yield indicator “F” with no special case yield indicator and the appropriate flag when yield substitution is elected.

For example, a unit meets the definition of a downward trend in the CIH; however, this letter waives (see Section D below) the application of the downward trend yield adjustment.

Year	Yield	YA Yield	Calculations
2005	1,800		Simple Average Yield: 1,040
2006	1,500		Low years: $1040 \times .75 = 780$ , Years <780*, 2 years in 5 years.
2007	100*	720	T Yield: 1,200
2008	550*	850	Three Year. Ave: 633, Trend Factor: $633/1040 = .61$
2009	1,250		Approved Yield = 1,224 F

Therefore, the grower receives a RMA RO determined approved yield of 1,224 coded with yield indicator ‘F’ and appropriate flag for yield substitution.

**C. Higher Yield Requests:**

CIH procedures in Section 7F(2)(a) allow the insured to request a RMA RO determined yield greater than the average APH yield with reasonable cause. Cases requesting a higher yield than the average yield require the information requested in item 1 above. In addition, the insured must provide written explanation as to the reasonable cause for the higher yield. For older blocks or units that should have four years of insurable yield history, approve the Average APH Yield using standard APH procedures if none of the following conditions apply:

- 1) Contains bearing acreage coming into insurable production,
- 2) Changes in farming, management, or cultural practices; or
- 3) Removal of older block(s) or portions of block(s).

**D. Yield Trend Exceptions:**

Trend tolerance guidelines contained in Section 7F(2)(b)2 of the CIH apply to individual blocks or units by P/T/V, which meet the criterion of a downward trend. The following modified procedures apply:

AIP approves the Average APH Yield for a block or unit that meets the definition of a downward trend and does not meet any one of the following three additional criteria (Note: Use Assigned Yields in the same manner as actual yields when calculating APH yields):

- 1) Both of the previous two (2) years are less than 75% of the Average APH Yield: or
- 2) Three (3) years or more years are less than 75% of the Average APH Yield in the last four (4) or five (5) years: or
- 3) One or more years in the most recent five years contains an Assigned Yield (P Yield).

For all databases meeting either criterion 1, 2 or 3 in determining whether a block or unit requires an RMA RO determined yield use the table below.

Determine the downward trend factor by dividing the most recent three-year average yield by the Average APH Yield and finding the corresponding yield adjustment factor. Use the Yield Adjustment Factor to determine the Approved APH Yield.

Approved APH Yield = Average APH Yield x Yield Adjustment Factor	
<b>Downward Trend Factor<sup>1</sup></b>	<b>Yield Adjustment Factor (YAF)</b>
1.0 - .75	1.00
.74 - .65	0.80
.64 - .55	0.70
.54 - .45	0.60
.44 - .35	0.50
.34 - .25	0.40
.24 - 0.0	0.30

<sup>1</sup>Round to the nearest 100<sup>th</sup>

Example: Grower Reports the following

Year	Yield	Calculations
2004	1,500	Simple Average Yield: 950
2005	1,800	Low Yrs $950 \times .75 = 713$ , 3 yrs in 5 yrs
2006	<b>500*</b>	Three year average = 633
2007	1,250	Trend Factor = $633/950 = .67$
2008	<b>550*</b>	Use a YAF = .80
2009	<b>100*</b>	$950 \times .80 = 760$

**Blocks or units meeting the CIH selection criteria in 7F(2)(b)2, that do not meet the additional criteria in 1, 2 or 3 above, shall be reported as RMA RO determined yields with a “F” yield indicator and with no special case yield indicator and appropriate flag when “YA” applies. If adjusted by the above formula report as a RMA RO determined yield with an “F” yield indicator and special case “F” yield indicator.**

**E. Additional Procedures:**

1. The Crop Insurance Handbook in Section 7F(5)(a) states that the information must be submitted to the AIP or RMA RO 30 days after the Production Reporting Date (PRD). Paragraph (5)(b) allows the RMA RO to extend the date for submission to the RMA RO to 60 days past the PRD. The extended submission date applies only to those contracts, blocks, or units requiring RMA RO review and yield determination.

Crop	PRD	+ 60 Days
Almonds	1/31	3/31
Apples AZ/UT	1/4	3/4
Apples CA	1/31	3/31
Avocados	1/4	3/4
Figs	4/14	6/14
Stonefruit	3/1	5/1
Citrus	1/4	3/4
Grapes	3/17	5/17
MacNuts	2/14	2/14
Pears	1/31	3/31
Plums	3/1	5/3
Prunes	3/1	5/3
Sweet Cherries	1/31	3/31
Table Grapes	3/17	5/17
Walnuts	3/17	5/17

Contracts submitted to the RMA RO for Higher Yield requests outlined in this letter received more than 60 days after the PRD will receive an approved yield based on the CIH procedures or this letter.

2. RMA RO Approved Yields determined from formulas stated in the Crop Insurance Handbook or this letter will follow administrative review deadlines

stated in CIH Section 11A. Please include a copy of the written notification to the insured of the adverse decision. If a grower requests that the yield be reviewed by the RMA RO, the AIP must submit the grower's request in writing, a recent (2009 [2010 Citrus/Mac Nuts] crop year or newer pre-acceptance inspection report, and all other documentation as outlined in A.1 General Requirements above). The grower's letter must provide justification to approve the average APH yield.

Please contact the RMA RO if you have any question or if we can be of any assistance.