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Department of
Agriculture

Farm and Foreign
Agricultural
Services

Risk
Management
Agency

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MARCH 19, 2012

INFORMATIONAL MEMORANDUM

TO: Approved Insurance Providers New Mexico, Oklahoma and Texas

FROM: Debra Bouziden
Director

SUBJECT: 2012 Regional Approved Insurance Provider (AIP) Underwriting
Guidelines for Category C Perennial Crops – Peaches, Pecans and Grapes in
New Mexico, Oklahoma and Texas

BACKGROUND:

The 2012 FCIC 18010 Crop Insurance Handbook (CIH) authorizes the Risk Management Agency (RMA) Regional Offices (ROs) to issue Perennial Crop Underwriting Guidelines that modify procedure for high variability of yields and provide additional underwriting procedure for regional exceptions. CIH Section 16H(8)(c) provides procedure and formulas designed to identify and adjust high variability perennial crop yields that indicate patterns of alternate bearing.

As a result of severe weather conditions in 2009 and 2011, combined with excellent crop conditions throughout the region in 2010, Category C perennial crops may have been inadvertently identified for high variability adjustments. To expedite the approved yield process and decrease the number of determined yield requests received in our office, the Oklahoma City RO has issued these guidelines.

ACTION:

1. PEACHES, PECANS AND GRAPES: New Mexico, Oklahoma and Texas

- A. For APH Databases meeting the criteria for high variability of actual yields in CIH Section 16H(8)(b) and (c) for yield variance and alternate bearing, the AIP may approve the yield using the standard Category C APH procedure without adjustment of the approved APH yield by the formula if the AIP verifies the high variability is due to weather related events in 2009 and 2011, resulting in lower yields, and 2007 and 2010, resulting in higher yields. If applicable, yield substitution (YA) is authorized; however CUP procedure is not applicable for any APH database identified for high variability of actual yields.



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- B. The approved APH yield must be reported to the Policy Acceptance and Storage System (PASS) with RMA RO determined yield indicator “F” and no special case yield indicator. Yield limitation code “12” must be reported if any actual yield in the APH database was substituted using YA procedures; rate yield must equal the average yield prior to the application of YA.
- C. A new Perennial Crop Pre-Acceptance Inspection Report (PAIR) is not required for APH Databases meeting the criteria for high variability of actual yields in CIH Section 16H(8)(c) unless the inspection is triggered by other requirements as outlined in CIH Section 16E(1)(a) or (b), or any additional requirement contained in these underwriting guidelines.

These guidelines do not waive or modify procedures in CIH Section 16H(8)(d) for databases or units that meet the criteria for downward yield trend.

2. ADDITIONAL PROCEDURES AND CLARIFICATION

In addition to requirements for a PAIR outlined in CIH Sections 16E(1)(a) and (b), unless otherwise waived in these underwriting guidelines, a new inspection will be required in the following situations:

- A. An insured unit that has more than a 10 percent change in acreage from the prior year due to changes in tree/bush age, population (density), or variety requires an updated inspection regardless of the date of the last inspection.
- B. For peaches, any block of trees within an orchard that is greater than 15 years of age or exhibits downward yield trend requires an annual inspection for insurability.

If you have any questions or if we can be of any assistance, please contact our office.