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United States
Department of
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INFORMATIONAL MEMORANDUM

Risk Management
Agency

TO: Pacific Northwest Approved Insurance Providers

Spokane Washington
Regional Office

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SUBJECT: 2014 Regional Underwriting Guidelines for Grafted Apples
(Revised)

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BACKGROUND:

The 2014 FCIC 18010 Crop Insurance Handbook (CIH) Paragraph 2002 C authorizes the Risk Management Agency (RMA) Regional Office (RO) to issue Perennial Crop Underwriting Guidelines which may waive forwarding of Perennial Crop Pre-Acceptance Inspection Reports (PAIRs) and Actual Production History (APH) databases for RMA RO yield determination.

CIH Paragraph 1538 identifies underwriting criteria which triggers selection of a policy for a PAIR. Furthermore CIH Paragraph 1523 requires Approved Insurance Providers (AIP) to conduct PAIRs and requires an RO Determined Yield in select cases. This includes when the insured has answered YES to the CIH questions in Paragraph 1523 (2) of the Producer's Pre-Acceptance Worksheet (PAW) regarding situations where practices or production methods (e.g., "grafting") have been performed that will reduce the insured crop's production from previous crop years.

Paragraph 1558 A. further specifies that for crop acreage that has been modified by grafting, the month and year it was completed must be used to determine the applicable leaf-year (age) and Transitional Yields (T-Yield) (unless an alternative T-Yield and procedures for approving an RMA RO Determined Yield is provided on the actuarial documents or RMA RO Underwriting Guidelines).

ACTION:

For units (or blocks) with acreage that has been completely grafted a post grafting PAIR must be performed (and filed) if the grafting has been performed within the APH base period; however, submission of the PAIR and supporting documentation to the RO is not required, unless otherwise requested by the RMA RO.

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NOTE: RMA RO Determined Yields are still required for acreage when only a portion of each tree is grafted.

The following Determined Yield calculations are provided for Grafted Apple acreage in Idaho, Oregon, and Washington.

A. ACTUARIAL DOCUMENTS COVERAGE AND RATES

The following percentages will be applied to the applicable T-Yield (as determined from the Actuarial Document) corresponding to the LEAF YEAR and SET OUT YEAR of initial planting of the grafted acreage:

| Density (trees/acre) | 1 st year after grafting | 2 nd year after grafting | 3 rd year after grafting | 4 th year after grafting | 5 th year after grafting # |
|----------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|
| 0-299 | 0 % | 30 % | 60 % | 90 % | 100 % |
| 300 & greater | 10 % | 50 % | 70 % | 100 % | 100 % |

Also applicable for succeeding leaf and set out years.

APH databases that have adjusted T-yields, per the procedures stated above, must be submitted to the Policy Acceptance Storage System (PASS) with Special Yield Descriptor F*, Yield Indicator F**, and Special Case yield Indicator R***

*Special Yield Descriptor "F": CIH, Exhibit 12 V. (5)

** Yield indicator "F": CIH, Exhibit 12 U. (1)

***Special Case Yield indicator "R": CIH, Exhibit 12 U. (2)

These adjusted T-yields will be validated by RMA once the year and month for both grafting and the original set out for the trees within the Unit (or Block) has been submitted to PASS.

EXAMPLES:

For a 10 acre apple orchard in Area 1 of Chelan County, Washington with a density of 360 trees per acre set out in April of 2007 and the policy crop year is 2014; the correct age and density from the Actuarial Document is determined as follows:

$$2014 \text{ (leaf year)} - 2007 \text{ (set out year)} = 7 + 1 = 8$$

$$\text{Age} = 8 \text{ and Density} = 360 \text{ Trees/Ac}$$

Based on the age and density of the un-grafted acreage, the 2014 T-Yield as determined from the Actuarial Document is 905 Boxes per acres (see yellow highlight below):

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| T-Yield Selection Criteria | | |
|----------------------------|--------------------------|------------------------|
| Year: 2014 | Commodity: Apples (0054) | State: Washington (53) |
| Data: Released | Plan: APH (90) | County: Chelan (007) |

| Types / Practices | |
|-------------------------|------------------------------|
| Type | Fresh 111 |
| Practice | Irrigated 002 |
| Type/Practice # (T/P #) | T/P 3 |
| | Show Map (1) |

| Transitional Yields | | | | | |
|---------------------|------------|---------|------|-----------|---------|
| Year | Sub County | Density | | Leaf Year | Box |
| | | Low | High | | |
| 2014 | 001 | 300 | 599 | 7 | 760.00 |
| | | | | 8 | 905.00 |
| | | | | 9 | 1000.00 |

Grafted Acreage Example 1 – The entire 10 acres was grafted in May 2011.

- Prior APH history is maintained in a separate APH database documenting the previously insurable production from the pre-grafted acreage until it rolls out of the database (maintained for spot check purposes). [PASS 15 Record field 23 = 200704; Field 30 = 201105]
- A new APH database for the grafted acreage is started and it must meet policy minimum production requirements of 250 boxes per acre before it can be insured.
- Once the grafted acreage meets policy minimums, the APH database for the following year (1st year of insurance) will be a combination of one year actual and three years of T-Yield derived using the table on the Actuarial Document.

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Grafted T-Yield = (Un-grafted T-Yield) 905 x (Grafting T-Yield Factor) .70 = 634

New 2014 - APH Database Unit 0001-0000BU

| | AC | PROD | YLD |
|------|------|------|----------------------|
| 2009 | 0.0 | | |
| 2010 | 0.0 | | 634 F* |
| 2011 | 10.0 | | 634 F* |
| 2012 | 10.0 | 800 | 634 F* |
| 2013 | 10.0 | 3800 | <u>380 A</u> 2282 |

Prior APH Database Unit 0081-0000BU

| | AC | PROD | YLD |
|------|------|------|-------|
| 2009 | 10.0 | | 750 |
| 2010 | 10.0 | 3000 | 300 A |
| 2011 | 0.0 | | |
| 2012 | 0.0 | | |
| 2013 | 0.0 | | |

2014 APPROVED YLD $2282 \div 4 = 571$ F**

Grafted Acreage Example 1.1 – For the subsequent crop year; exhibiting that ‘F’ yields (representing the adjusted T-yield for grafted acreage shown in Example 1 above) are not set in the database, but are updated according to the yearly components.

Updated 2015 - APH Database for Unit 0001-0000BU

| Year | AC | PROD | YLD |
|------|------|------|---|
| 2010 | 0.0 | | |
| 2011 | 0.0 | | 1000 F* |
| 2012 | 10.0 | 800 | 1000 F* |
| 2013 | 10.0 | 3800 | 380 A |
| 2014 | 10.0 | 1500 | 150 A (if Hail then YA = 600) 2530 {1,000 * 100 % (4 th year after) * 60% } |

APPROVED YLD $2530 \div 4 = 633$ F**
or with YA $2980 \div 4 = 745$ F**

Grafting Example 2 – Five out of ten acres were grafted in May of 2011; the age and density from the T-Yield Table for the un-grafted acreage on the Actuarial Document is as follows:

2014 (leaf year) – 2007 (set out year) = $7 + 1 = 8$

Age = 8 and Density = 360 Trees/Ac

Based on the age and density of the un-grafted acreage, the T-Yield as determined from the Actuarial Document is 905 Boxes per acre (see un-grafted determination above).

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For the grafted five acres that were originally planted, instead of receiving a T-Yield based solely on the year the trees were grafted (i.e. four year old trees;

2014-2011 = 3 + 1 = 4), the grafted 5 acres receives an adjusted T-Yield using the alternative T-Yield table for grafted acreage which gives credit for the age and reserves of the rootstock, resulting in a T-yield of **634** as follows:

$$\text{Grafted T-Yield} = (\text{Un-grafted T-Yield}) 905 \times (\text{Grafting T-Yield Factor}) .70 = 634$$

New 2014 - APH Database

Unit 0001-0000BU –

Grafted Acreage

(Block B)

| Year | AC | PROD | YLD |
|------|-----|------|--------------|
| 2009 | 0.0 | | |
| 2010 | 0.0 | 0 | 634 F* |
| 2011 | 5.0 | 0 | 634 F* |
| 2012 | 5.0 | 400 | 634 F* |
| 2013 | 5.0 | 1900 | <u>380 A</u> |
| | | | 2282 |

$$\text{APPROVED YLD } 2282 \div 4 = 571 \text{ F**}$$

New 2014 - APH Database

Unit 0001-0000BU

Un-Grafted Acreage

(Block A)

| Year | AC | PROD | YLD |
|------|------|------|--------------|
| 2009 | 10.0 | 750 | ---- |
| 2010 | 10.0 | 3000 | 300 A |
| 2011 | 5.0 | 2250 | 450 A |
| 2012 | 5.0 | 3125 | 625 A |
| 2013 | 5.0 | 3700 | <u>740 A</u> |
| | | | 2115 |

$$\text{APPROVED YLD } 2115 \div 4 = 529$$

If the insured fails to keep the grafted production records separate, the APH database is developed using standard procedures (i.e., total production ÷ total acres) and the year of grafting is used in determining the average set out year.

2014 - APH Database

Unit 0001-0000BU – Production from Grafted Acreage not kept separate

| | AC | PROD | YLD |
|------|------|------|--------------|
| 2009 | 10.0 | 750 | ---- |
| 2010 | 10.0 | 3000 | 300 A |
| 2011 | 10.0 | 2250 | 225 A |
| 2012 | 10.0 | 3525 | 353 A |
| 2013 | 10.0 | 5600 | <u>560 A</u> |
| | | | 1438 |

$$\text{APPROVED YLD } 1438 \div 4 = 360$$

P15 field 23 = 200904; Field 30 = blank

$$[(5 \text{ ac} \times 2007) + (5 \text{ ac} \times 2011)] / 10 \text{ ac} = 2009$$

B. AIP REPORTING:

1. Pre-Grafted APH Database

APH databases that are maintained to document pre-grafted production and acreage or uninsurable acreage are not required to be submitted to PASS.

2. Grafted APH Database

If less than 4 years of records have been provided (considering records provided from both before and after grafting), standard percent of variable T-Yield is applied to the grafted acreage T-Yield, CIH, Paragraph 1556.

3. APH Database PASS Submission

- a. The Special yield descriptor “F” identifies the T-Yield as an RO determined yield;
- b. RMA RO yield indicator F identifies the approved yield was based on RO Underwriting Guidelines; and
- c. Because these procedures utilize separate APH databases for ‘before grafting’ and ‘following grafting’ history the Special case yield indicator R is not applicable and is not to be submitted. YA may be exercised provided the adjusted yield (i.e. 60% of T-Yield) is developed according to these procedures for computation of a T-Yield specific for grafted acreage.

Please contact the Spokane Regional Office with any questions.