INFORMATIONAL MEMORANDUM

TO: All Approved Insurance Providers Writing in the State of Michigan

FROM: Brian Frieden /s/
       Director

SUBJECT: Crop Year 2023, Regional Underwriting Guidelines for Apples and Grapes in Michigan

BACKGROUND:

The 2023 FCIC-18010 Crop Insurance Handbook (CIH) authorizes the Risk Management Agency’s (RMA) Regional Office (RO) to issue RO Underwriting Guidelines (UG) for Category C crops as procedural exceptions for situations in their region.

The CIH, paragraph 1863, APH Database Tests for High Variability of Actual (and Assigned) Yields, provides testing requirements designed to identify alternate bearing and downward trending for Category C crop yields. Damaging freeze and frost in 2021 caused widespread damage to Honeycrisp apples and all grape types in Michigan. This damage may inadvertently trigger certain databases for high variability adjustments. To expedite the approved Actual Production History (APH) yield process and decrease the number of requests for RO determined yields, the Springfield RO issues this UG for Varietal Group A (Fresh) type apples and all grapes in Michigan.

This UG provides Approved Insurance Providers (AIPs) instructions on excluding the 2021 crop year yield from High Variability Testing calculations for Varietal Group A (Fresh) 114 type apples and all types and practices of grapes in Michigan.

ACTION:

Effective for the 2023 crop year in all Michigan counties, the AIP may exclude the 2021 crop year yield from the High Variability calculations when a database for Varietal Group A (Fresh) 114 type apples or any database for grapes triggers an adjustment for high variability in accordance with CIH paragraph 1863 D Alternate Bearing Tests or 1863 E Downward Trending Test.

High Variability – Yield Variance Test:

If the APH database does not meet the requirements in CIH paragraph 1863 C steps 3 and 4 when 2021 is excluded, no further APH database tests are conducted and no adjustment
for high variability is required. The database must be identified with special case yield indicator “D” to show that alternate bearing or downward trend criteria was met, but adjustments were waived by this UG. If applicable, Yield Adjustment (YA) is authorized, and the yield limitation flag will be “12” (YA surcharge of 1.05 applies). Yield Exclusion (YE) and Yield Cup (YC) are not applicable, also see Exhibit A.

If the APH database meets the requirements in CIH paragraph 1863 C steps 3 and 4 when 2021 is excluded, the AIP must conduct the Alternate Bearing and Downward Trending tests excluding 2021 crop year yield from the calculations.

**High Variability – Alternate Bearing Tests:**

**Apples**

Testing for alternate bearing (CIH 1863 D) should be conducted before testing for downward trending (CIH 1863 E). When conducting the alternate bearing test, exclude the 2021 crop year yield from the calculations and substitute with the most recent year(s) to reach the number of years required by the calculation. If the requirements of CIH paragraph 1863 D are met, the database must be adjusted for alternate bearing and identified with special case yield indicator “AF”, also see Exhibit A. The downward trending test in CIH paragraph 1863 E should only be performed if requirements for CIH paragraph 1863 D are not met.

**Grapes**

In accordance with CIH paragraph 1863 A, the alternate bearing tests are not required for grapes.

**High Variability – Downward Trending Test:**

**Apples and Grapes**

When conducting the downward trending test, exclude the 2021 crop year yield from the calculation and substitute with the most recent three years to reach the number of years required by the calculation. If the requirements of CIH paragraph 1863 E are met, the database must be adjusted for downward trending and identified with special case yield indicator “DF”. YA, YE, and YC are not applicable, also see Exhibit A.

If the APH database does not meet the requirements in CIH paragraph 1863 D or E when 2021 is excluded, no adjustment to the APH database is applicable. The database must be identified with special case yield indicator “D” to show that alternate bearing or downward trend criteria was met, but adjustments were waived by this UG. If applicable, YA is authorized, and the yield limitation flag will be “12” (YA surcharge of 1.05 applies). YE and YC are not applicable, also see Exhibit A.

After this UG is applied and an APH database is still adjusted for alternate bearing or
downward trending by the AIP, the insured may request an RO Determined Yield in accordance with CIH paragraph 1863 F.

See *Exhibit A, RO Determined Yield Type, Yield Limitation Flag and Rate Yield Chart* for procedure on use of special case yield indicators. This chart is for AIP Policy processing and is consistent with the CIH Exhibit 22 and Appendix III.

Please contact the Springfield RO at rsoil@usda.gov if you have any additional questions.

**DISPOSAL DATE:**

August 31, 2023
**RO Determined Yield Type, Yield Limitation Flag and Rate Yield Chart**

<table>
<thead>
<tr>
<th>Not RO Determined Yields but Special Case Yield Indicators</th>
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<tbody>
<tr>
<td><strong>Applicable Crop</strong></td>
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<tr>
<td>Category C</td>
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<td>Category C</td>
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| Category C           | Downward Trending & Alternate Bearing | F (AIP Adjusted by Formula in RO UG) | Dependent upon authorization | No, unless specified by the RO UG. | • If Approved Yield Increased and no YA then YLF = 01;  
• If Approved Yield Increased & YA = 09 or YLF 12 (surcharge applies if the crop is contained in CIH Exhibit 22 chart);  
• If Approved Yield Decreased & YA applies = 11 or YLF 13 (surcharge applies if crop is contained in CIH Exhibit 22 chart);  
• If Approved Yield Decreased and no YA then YLF = 11 |
| Category C           | Downward Trending & Alternate Bearing | D (Met AB or DT CIH test, but waived modification by CIH formula and adjusted by RO UG) | Dependent upon authorization | No, unless specified by the RO UG. | • If Approved Yield Increased and no YA then YLF = 01;  
• If Approved Yield Increased & YA = 09 or YLF 12 (surcharge applies if the crop is contained in CIH Exhibit 22 chart);  
• If Approved Yield Decreased & YA applies = 11 or YLF 13 (surcharge applies if crop is contained in CIH Exhibit 22 chart);  
• If Approved Yield Decreased and no YA then YLF = 11 |

**Average Yield:** The yield, calculated by totaling the yearly actual yields; assigned yields due to: failure to provide production report, excessive yields, and second crop planted without double crop history on prevented planted acreage, and, adjusted or unadjusted T-Yields and dividing the total by the number of yields contained in the database.

**Approved Yield:** The yield determined by the Regional Office, according to their procedures, based upon documentation submitted by the producer through the AIP, used to determine the guarantee.

**Yield Descriptor:** The applicable yield descriptor as provided in CIH Exhibit 15W. or a "F" yield descriptor IF provided by the Regional Office through RO DY or through RO UG.

**Yield Indicator:** Yield Indicators for yields authorized through RO UG, are the applicable Yield Indicators found in CIH Exhibit 15V (including applicable special case indicators).

**YE, Cups & Floors:** Are not authorized for RO DY request or Underwriting Guidelines.

If YA is applied by the RO through the determined yield or through Underwriting Guidelines then the AIP must send the YA option code on the acreage record through PASS. If YA was elected on a non-contiguous rated crop, then the surcharge flag on the acreage record must also be set to establish the .05 multiplicative rate. The yield record will not include the YA option codes.