



United States
Department of
Agriculture

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Farm and Foreign
Agricultural
Services

Risk
Management
Agency

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INFORMATIONAL MEMORANDUM

TO: Approved Insurance Providers Writing in the States of Idaho, Oregon and Washington

FROM: Ben Thiel /S/ *Ben Thiel*
Director

SUBJECT: Regional Underwriting Guidelines for Grafted Apples within the Spokane Region for the 2017 Reinsurance Year

BACKGROUND:

The 2017 FCIC 18010 Crop Insurance Handbook (CIH) Paragraph 2212 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 1838 identifies underwriting criteria which triggers selection of a policy for a PAIR. Furthermore CIH Paragraph 1823 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 1823 (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.

The note in CIH Paragraph 1817 regarding "when top-worked the RO reduces the yield" is not applicable to apples in this region. Paragraph 1858 A of the CIH 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 APH databases with acreage that has been grafted or partially grafted, a post grafting PAIR must be performed by the Approved Insurance Provider (AIP), submission of the

PAIR and supporting documentation to the RO is not required and AIPs can determine the approved APH yield in accordance with these guidelines.

Exception: The AIP must conduct a PAIR and a RMA RO Determined Yield is required when only a portion of each tree is grafted and/or when the insured fails to keep the grafted production records separate.

Establishing APH Databases and Determining the Applicable T-Yield:

Once the grafted acreage for the APH database has met the production minimums specified in the crop provisions, the AIP must establish a new APH database for the grafted acreage.

The following percentages are applied to the applicable T-Yield, in the Actuarial Document, for 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 %

This table is also used to determine the appropriate grafted factor for succeeding leaf and set out years until the new APH database, for the grafted acreage, contains a minimum four years of actual yields.

If less than 4 years of actual yields for the crop/county (include actuals for both before and after grafting), the variable T-Yield percentage, CIH Paragraph 1556, is also applied to the grafted acreage T-Yield.

APH databases with adjusted T-yields for grafted acreage must be submitted to the Policy Acceptance Storage System (PASS) with Yield Descriptor F until all F Yield Descriptors are rolled out and replaced with four years of actual yields.

The APH database submission to PASS must contain, both, the year and month for grafting and the original set out for the trees.

YA is available for actual yields when elected by the insured and must use the grafting date to determine the applicable T-Yield. AIPs must submit to PASS the applicable T-Yield for YA using the grafted age/density.

Weighted average T-Yields are not applicable for the new grafted APH databases which must use Yield Descriptor “F”.

Examples: The following information, for an APH database, is used throughout these guidelines for the examples:

Acres	10
State	Washington (53)
County	Chelan (007)
Sub-County	001
Type	Fresh 111
Density	360
Set Out Year	April 2010
Grafted Year	April 2014

2017 (leaf year) – 2010 (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 2017 T-Yield in the Actuarial Document is 905 Boxes per acres (yellow highlight below):

T-Yield Selection Criteria	
Year	2017
Commodity	Apples (0054)
State	Washington (53)
County	Chelan (007)
Sub-County	001
Plan	APH (90)
Data	Released
Type	Fresh 111
Practice	Irrigated 002
Type/Practice # (T/P #)	T/P 3

Transitional Yields			
Density		Leaf Year	Box
Low	High		
300	599	7	760.00
		8	905.00
		9	1000.00

Grafted Acreage Example 1 – The entire 10 acres was grafted in May 2014.

- Prior APH history is maintained in a separate APH database documenting the previously insurable production from the pre-grafted acreage (maintained for spot check purposes), but not transmitted to RMA.
- A new APH database for the grafted acreage is established and the acreage 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 of actual production, substantiating production minimums, and three years of the adjusted T-Yield, determined as follows:

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

2016 APH Database
Unit 0001-0001

	AC	PROD	YLD
2010	10.0	5800	580 A
2011	10.0	6100	610 A
2012	10.0	6250	625 A
2013	10.0	8000	800 A
2014	10.0		

2017 APH Database
Unit 0001-0001

	AC	PROD	YLD
2012	0.0		
2013	0.0		634 F
2014	0.0		634 F
2015	0.0		634 F
2016	0.0	6800	<u>680 A</u>
			2582

APPROVED APH YLD 582÷4 = 646

Grafted Acreage Example 1.1 – For subsequent crop year(s); ‘F’ yields (representing the adjusted T-yield for grafted acreage shown in Example 1 above) are not “fixed” in the APH database, but are updated each crop year according to the grafting percentages contained on page 2 of these underwriting guidelines.

Crop Year 2018 - APH Database for Unit 0001-0001

Year	AC	PROD	YLD
2013	0.0		
2014	0.0		1000 F
2015	0.0		1000 F
2016	10.0	12000	1200 A
2017	10.0	14000	1400 A
			4600

APPROVED APH YLD $4600 \div 4 = 1150$ **Partial Unit Grafting Example 2** – Five out of ten acres were grafted in May of 2014; the age and density from the T-Yield Table for the un-grafted acreage on the Actuarial Document is as follows:

2017 (leaf year) – 2010 (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).
- 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;
- 2017-2014 = 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:

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

2017 - APH Database

Unit 0001-0001 –

Grafted Acreage

(Block A)

Year	AC	PROD	YLD
2012	0.0		
2013	0.0		634 F
2014	0.0		634 F
2015	0.0		634 F
2016	5.0	3900	<u>780 A</u>
			2682

APPROVED APH YLD 2682÷4 = 671

2017 - APH Database

Unit 0001-0001

Un-Grafted Acreage

(Block B)

Year	AC	PROD	YLD
2012	10.0	7500	750 A
2013	10.0	7000	700 A
2014	5.0	3375	675 A
2015	5.0	3125	625 A
2016	5.0	3700	<u>740 A</u>
			3490

APPROVED APH YLD 3490÷5= 698

For further information, please contact the Spokane RO at rsowa@rma.usda.gov

DISPOSAL DATE

November 19, 2017