

PM-18-013

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Date

February 28, 2018

To

All Approved Insurance Providers

All Risk Management Agency Field Offices

All Other Interested Parties

From

Richard H. Flournoy, Deputy Administrator /s/ Richard H. Flournoy

Subject

Actual Production History (APH) Databases for Crops Produced Using Organic
Production Methods in Texas Counties

Background

As the result of concerns regarding the proper reporting of organic acreage in the Coastal Bend area of Texas, the Risk Management Agency (RMA) implemented the following changes to maintain the integrity and actuarial soundness of organic coverage in that region. These changes include:

- Adding eligibility criteria in the Special Provisions for organic practices in certain counties where organic coverage will continue to be offered; and
- Removing the organic practice for some crops in certain Texas counties. These policyholders can still insure under the organic practice by working with their insurance agent and Approved Insurance Provider (AIP) to request coverage via a Type/Practice written agreement no later than the acreage reporting date, from the RMA Regional Office, provided they meet the eligibility requirements.

These changes provide protection to organic policyholders while ensuring organic insurance remains affordable, and that rates are not negatively influenced by those who have not successfully carried out an organic practice.

Organic practices (certified and transitional) have been removed for the 2018 crop year for corn, cotton, grain sorghum, and soybeans in the following counties:

Aransas, Atascosa, Austin, Bastrop, Bee, Bexar, Brazoria, Brooks, Burleson, Calhoun, Caldwell, Cameron, Chambers, Colorado, Comal, DeWitt, Dimmit, Duval, Fayette, Fort Bend, Frio, Galveston, Goliad, Gonzales, Guadalupe, Harris, Hays, Hidalgo, Jackson, Jefferson, Jim Hogg, Jim Wells, Karnes, Kenedy, Kleberg, La Salle, Lavaca, Lee, Liberty, Live Oak, Matagorda, Maverick, McMullen, Medina, Nueces, Orange, Refugio, San Patricio, Starr, Travis, Victoria, Washington, Webb, Wharton, Willacy, Wilson, Zapata, and Zavala.

In these counties, insureds may request coverage by requesting a Type/Practice written agreement. For those policyholders who do not request coverage by written agreement or would not meet the written agreement criteria, those crops produced using organic production methods may be insured as conventional practices.

Approved Insurance Providers (AIPs) have requested clarification regarding requirements for written agreements in these counties and the establishment of yields for those that choose to insure as conventional. Additionally, concerns have been raised regarding the combination of production history from conventional practices and organic practices and how to reduce the resulting approved yield for the actual production method being carried out. Those include:

- Identifying organic crops when they are insured as conventional crops;
- Procedural clarification to ensure consistent reductions to the approved APH yield for organic production methods insured under conventional practices, when applicable, for impacted insureds; and
- Whether T-Yields must be adjusted since the T-Yield is for conventional practices and not necessarily representative of organic practices.

Action

A Insuring Organic Production Methods Under a Written Agreement

For policyholders in the above listed counties who wish to request a Type/Practice written agreement to insure certified organic practices, the following requirements must be met:

(1) Written Agreement Handbook (WAH) Paragraph 84 for Type/Practice written agreement;

(2) Written evidence must be provided that shows the policyholder has successfully planted, harvested, and marketed the crop as certified organic for a minimum of three years; and

(3) Production evidence must support that the organic yield produced was at least 50 percent of the current T-Yield from an appropriate reference county (with the organic practice, as determined by the RMA Regional Office) in at least one of the three years for which evidence is provided.

B Insuring Organic Production Methods Under Conventional Practices and Types

For policyholders in the above listed counties who do not request a Type/Practice written agreement to insure the organic production methods as organic certified or do not meet the requirements of a Type/Practice written agreement request; and policyholders in counties with Special Provisions (SP) requiring additional eligibility criteria to insure organic practices, may choose to insure the affected under the conventional practice and type. APH databases for conventional and organic production methods **WILL NOT** be combined, and APH databases must be established and maintained separately for those crop/practices/types grown using organic production methods

(1) APH databases with production history from organic production methods will use the applicable conventional practice and type codes and be identified with a:

(a) APH Procedural Exception Code of "O" for APH databases with production from certified organic production methods insured as conventional practices and types due to no certified organic practices and types being available in the county actuarial documents or not meeting the organic eligibility requirements in the SP; and

(b) APH Procedural Exception Code of "T" for APH databases with production from transitional organic production methods being insured as conventional practices and types due to no transitional organic practices and types being available in the county actuarial documents or not meeting the organic eligibility requirements in the SP.

See Crop Insurance Handbook (CIH) Para. 1505E for more information regarding APH Procedural Exception Codes.

(2) Actual yields from organic production methods must be used to establish these APH databases.

(a) Only actual yields from certified organic acreage may be used in those APH databases identified with an APH Procedural Exception Code of “O”; and

(b) Only actual yields from transitional acreage may be used in those APH databases identified with an APH Procedural Exception Code of “T”.

(3) When at least 4 APH crop years for an APH database are not available, use standard variable T-Yield procedures to complete the conventional practice and type APH databases for crops being produced using organic production methods. The conventional T-Yield for the practice and type contained in the county actuarial documents is the applicable T-Yield. See CIH Para. 1503 for standard variable T-Yield procedures.

In those instances where SA T-Yields apply, calculate SA T-Yields for the same organic production method using all approved APH yields for existing APH databases with at least one actual yield identified with:

(a) an “O” APH Procedural Exception Codes only for those APH databases identified with an APH Procedural Exception Code of “O” needing a SA T-Yield; and

(b) a “T” APH Procedural Exception Codes only for those APH databases identified with a “T” APH Procedural Exception Code.

DISPOSAL DATE:

December 31, 2018, or until incorporated into the applicable procedures.