



United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

October 9, 2003

INFORMATIONAL MEMORANDUM

TO: All Colorado and Missouri Reinsured Companies

FROM: Rebecca Davis /s/ *Rebecca Davis*
Director

SUBJECT: Crop Year 2004 – Regional Tolerance Guidelines for Colorado and Missouri Category C Perennial Crops (Apples, Grapes, and Peaches)

ISSUE:

The 2004 Crop Insurance Handbook (FCIC 18010) Sections 7D(1) authorizes the Risk Management Agency Regional Offices to issue Perennial Crop Underwriting Guidelines. Guidelines provide authorization to Insurance Providers for calculating approved Actual Production History (APH) yields. The following 2004 crop year guidelines are in effect for policies serviced in the Topeka Regional Office (TRO).

General Requirements:

- 1) When pre-acceptance field inspection selection criteria (tolerance guidelines), outlined in Section 7F(2) in the 2004 Crop Insurance Handbook (CIH) requiring Regional Office (RO) yield determination, the following information must be provided:
 - (a) Supporting documentation as outlined in Section 7F(6): Actual Production History forms (FCI-19A, NCIS-765 or APH equivalent), hard copy records of acreage and production Producer's Pre-acceptance Worksheet(s), applicable Crop Addendum Worksheet(s), Block Production Worksheet(s), Unit Summary Worksheet(s), and if applicable, RMA RO Determined Yield Request.
 - (b) A current perennial crop inspection (five years old or less) as outlined in the chart shown in Section 7F(1) (C). If the current inspection on file is more than five years old, (inspections for the 1998 crop year and prior), or a current copy cannot be obtained from the ceding company/FSA Office, the units(s) in question must be field inspected for 2004. Please note the requirement for a new inspection when the insured answers 'YES' to question 22 contained on the Producer's Pre-Acceptance Worksheet.



Yield Limitations (cups) / Sixty percent (60%) T-Yields in Reference to 3) and 4) below:

- 2) Yield limitations (cups) [Section 7(J) (6)], and sixty percent (60%) T-yields [Section 13 (D) (7)] generally do not apply to units (by P/T/V) in special cases referred to the Risk Management Agency RO for yield determination, including those cases waived for company approval. Cases identified in Section 7 (F) (2) (b) and submitted to the RO as a request for higher yield may be eligible for sixty percent (60%) T- yields if qualified and elected by the insured, as determined by the RO. However, all other Crop Insurance Handbook procedures apply.

Yield Variance Exceptions:

- 3) In accordance with yield variance tolerance guidelines contained in Section 7 F (2) (b) 1 of the CIH, if the policy contains unit(s) by P/T/V which exhibit a high variability of actual yields, the following conditions apply:

Perform a tolerance trip test using the unadjusted APH average yield of Block 11 on the APH form for each policy unit. When the most recent crop year's average yield (2003) is equal to or greater than 125 percent of the APH average yield **AND** the previous crop year's average yield (2002) is less than or equal to 75 percent of the APH average yield, use the following formula to calculate the determined yield:

- (a) Multiply the average of the most recent four years yields in the database by 0.5;
- (b) Multiply the average yield of the two lowest yields in the most recent four years of the database by 0.5;
- (c) Sum the results of steps (a) and (b) for the company authorized approved yield.

Yield Trend Exceptions:

- 4) In accordance with trend tolerance guidelines contained in Section 7 F (2) (b) 2 of the CIH, if the policy contains unit(s) by P/T/V which exhibit a downward trend, the following conditions apply:

When the policy contains units(s) by P/T/V where the actual average yield of the most recent 3 years of actual yields is 75% or less of the APH average yield, use the following formula to calculate the determined yield:

- (a) Multiply the current actual average yield by 0.8;
- (b) The resulting product shall be the company authorized approved yield.

Organic or Sustainable Practices (Pre -Acceptance Work Sheet Question #23 – Organic and Non-Conventional Practices)

- 5) (a) Insurance providers are authorized to approve the average yield using Category C APH procedure for all units [identified in 7F (2)(d)] grown with the **sustainable** production practices.
- (b) When the actuarial documents (or amendments) do not specifically provide rates and yields for the organic production practice, please forward all documents specified in 1) (a) to the RO in conjunction with a written agreement request.

Utilization of Block Production Procedure:

- 6) When block production records are used to calculate the approved yield for units meeting exceptions 3), 4), and 5) (a) above, use the corresponding yield determination formula for only those blocks meeting the applicable tolerance test:
- (a) Standard Category C APH procedures apply to blocks not meeting applicable tolerance tests.
- (b) Final approved APH yield is transferred from Unit Summary Worksheet (FCI-19-A-USW).

WAIVER

- Insurance providers are authorized to approve average yields for situations via guidelines outlined above in parts 3), 4), and 5) (a) above.
- Insurance providers are authorized to approve the average yield for all other units exhibiting high variability of actual yields criteria identified in Section 7 F (2) (b) 1 of the CIH.
- The waiver is not applicable to policy units when answering either 'YES' to question 22 or 'NO' to question 24 of the Producer Pre-Acceptance Worksheet (FCI-12-PAW) or marking the RO Coverage Review on question 37 of the Pre-Acceptance Perennial Crop Inspection Report (FCI-12-P).

Any policy forwarded to the TRO must include supporting documentation as outlined under part 1) of the General Requirements above. If you have any questions or if we can be of any assistance, please contact us.