



INFORMATIONAL MEMORANDUM: R&D-05-039

United States
Department of
Agriculture

Risk
Management
Agency

6501 Beacon Drive
Kansas City,
MO 64133-4676

TO: All Reinsured Companies
All Risk Management Agency Field Offices
All Other Interested Parties

FROM: Tim B. Witt /s/ *Tim B. Witt* 09/06/2005
Deputy Administrator

SUBJECT: 2006 Federal Crop Insurance Corporation (FCIC) 18010 Crop Insurance Handbook (CIH) High Variability of Perennial Crop Yields

BACKGROUND:

The Risk Management Agency (RMA) issued the 2006 FCIC 18010 CIH in June of 2005. Section 7F(2)(b)1 provides procedure and formulas designed to identify and adjust high variability perennial crop yields that indicate patterns of alternate or biennial bearing years. RMA Regional Offices (ROs) have developed an additional test for alternate or biennial bearing yield variability applicable to any block or unit selected by the current table and procedure in the 2006 CIH. The additional test contained herein is designed to mitigate the number of insured producers providing information to show that high variability yield adjustment for alternate bearing is not appropriate and therefore requiring requests to the RMA RO for determined yields. Additionally, this should mitigate workload for AIP's and RMA RO's.

ACTION:

In addition to the calculation for alternate or biennial bearing contained within 2006 CIH section 7F(2)(b)1, the actual production history (APH) yield must be determined utilizing the following procedure:

Perform an additional test on blocks or units meeting the selection criteria in Section 7F(2)(b)1 a, to determine an indication of alternate bearing for additional years. For all Category C APH perennial crops, the Approved Insurance Providers (AIP) must use the most recent 5 years average for the database (4 when less than 5 are available), in performing this additional test. In addition to the most recent year 1 being $\geq 125\%$ of the average and year 2 being $\leq 75\%$ of the average, additional year 3 must be $\geq 125\%$ of the average and year 4 $\leq 75\%$ of the average, as shown in the example below:

APH	CY	Yield
Year 5	2001	1200
Year 4	2002	200 ($\leq 75\%$ of average)
Year 3	2003	1200 ($\geq 125\%$ of average)
Year 2	2004	200 ($\leq 75\%$ of average)
Year 1	2005	1200 ($\geq 125\%$ of average)

Average: 800



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For lag year crops (citrus and macadamia nuts), following the same criteria, AIPs must also perform an additional test for blocks or units meeting criteria in CIH Section 7F(2)(b)1 b. In addition to the most recent year 1 being $\leq 75\%$ of the average and year 2 being $\geq 125\%$ of the average, additional year 3 must be $\leq 75\%$ of the average and year 4 $\geq 125\%$ of the average.

If the database contains less than four years of actual yields, adjustments for high variability of actual yields for alternate bearing (CIH section 7F(2)(b)1) should not be made.

For blocks or units that meet the additional test provided in this bulletin, use the formula shown in CIH section 7F(2)(b)1 a or b to adjust the database. When reporting databases to FCIC, identify the adjusted block or unit using yield indicator "AF" to show they are adjusted by the formula. The additional test for downward trending (CIH section 7F(2)(b)2), does not apply to blocks or units adjusted by this procedure. If the block or unit is not selected for adjustment after completing this additional test for alternate or biennial bearing, the AIP may approve yields using the standard Category C APH procedure for blocks or units selected for high variability in CIH section 7F(2)(b)1 a or b.

Procedure contained in CIH section 7F(2)(b)1 c or d, remain unchanged and insured's who believe their yields should continue to qualify for yield substitution "YA" or "CUP" may continue to request an RMA RO determined yield.

DISPOSAL DATE:

This informational memorandum will remain in effect until rescinded or incorporated in the FCIC 18010 Crop Insurance Handbook.