



United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

BULLETIN NO.: MGR-99-014

TO: All Reinsured Companies
All Risk Management Agency Field Offices

FROM: Kenneth D. Ackerman /s/ Ken Ackerman 4-26-99
Administrator

SUBJECT: Watermelon Pilot Crop Insurance Provisions for the 1999 Crop Year

BACKGROUND:

The Risk Management Agency (RMA) has received questions concerning insurability requirements related to production guarantees being established on the appropriate underlying yield and rate base used in the development of the watermelon pilot program. In addition, clarification has been requested for situations when a different cultural practice will be used rather than the primary cultural practice used for determining the insurable yield.

ISSUE:

Growers who change their farming practices from those that were used to establish the growers' actual production history, are required to use appropriate yields that reflect the risk and production potential for the current farming practice if insurance coverage is to be provided. Examples are growers who have historically grown irrigated watermelons but wish to expand their operation to grow non-irrigated watermelons which generally produce less yield.

The 1999 Common Crop Insurance Policy, Section 1, Definitions, states:

“Good farming practices - The cultural practices generally in use in the county for the crop to make normal progress toward maturity and produce **at least** the yield used to determine the production guarantee or amount of insurance...,



Section 8 (b) (1), Insured Crop, states:

“A crop which will NOT be insured will include, but will not be limited to, any crop:

- (1) If the farming practices carried out are not in accordance with the farming practices for which the premium rates, production guarantees or amounts of insurance have been established, unless insurance is allowed by a written agreement;”

ACTION:

Actual production history to determine the production guarantee for irrigated and non-irrigated acreage must be representative of the farming practice being carried out on the insured acreage. Production history established under a predominately irrigated cultural practice cannot be used for a predominately non-irrigated cultural practice.

The producer must report and certify at the time the acreage is reported the cultural practice basis (irrigated or non-irrigated) on which the production history was established for each unit. Any producer who uses a cultural farming practice (irrigated or non-irrigated) for which less than 4 years of production history are available must use the T-yield provided in the actuarial documents for the missing year(s) in computing the production guarantee for the unit.

The loss adjuster must verify at the time of loss adjustment that the cultural farming practice being utilized on the unit is consistent with the cultural practice certified by the producer at acreage reporting time. If it is determined that the production guarantee is inconsistent with the farming practice being carried out, the guarantee must be corrected before finalizing any claim for indemnity.

In cases where insureds have provided a blended APH database consisting of both irrigated and non-irrigated production history, the insured must prove to the insurance provider's satisfaction that the current ratio of irrigated and non-irrigated acreage reasonably reflects the ratio of irrigated and non-irrigated acreage certified in the APH database. If the current ratio does not reasonably reflect the ratio of the acreage certified, the histories will be separated based on the producer's verifiable written records that support the specific irrigated or non-irrigated cultural practices. If the producer cannot provide verifiable written records, the production history will be separated according to the procedures contained in the 1999 Crop Insurance Handbook, Section 6, paragraph 6E(2), Reporting Production for Practice/Type/Variety.

The above procedures must be used in making applicable determinations under the watermelon policy and for all reinsured company and RMA review purposes.

If you have any questions about this memorandum, please contact Vondie O'Conner, Director, Research and Evaluation Division at (816) 926-6343, or the applicable Regional Service Office.

DISPOSAL:

This Bulletin is effective until November 30, 1999.