



United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

BULLETIN NO.: MGR-01-005

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

FROM: Kenneth D. Ackerman /s/ Ken Ackerman 1-17-01
Administrator

SUBJECT: Extension of Basic Unit Actual Production History (APH) Pilot Program for 5
Montana Counties

BACKGROUND:

On February 28, 2000, in Manager's Bulletin MGR-00-007, the Risk Management Agency (RMA) announced a pilot program to test an APH pilot concept in 5 Montana counties for one crop year only.

In Montana, producers' farming operations tend to be large. Spring and winter types of the same crop (wheat) are grown and numerous farming practices (up to three for wheat and barley) are carried out for the same crop. Transitional yield map areas (T- yield map areas) are also applicable in many counties. A typical farming operation also contains several basic units that are divided into a number of optional units.

Current actual production history (APH) procedure requires separate APH yields (separate APH databases) for each basic and optional unit; each practice, type, or variety (P/T/V); and T- yield map area. This requirement results in numerous approved APH yields and databases for most producers. If less than 4 years of actual records are available in a given database, the database is completed by entering variable county or area based transitional yields (T- yields). Policyholders have complained that when cropping rotations are involved, it is difficult to obtain 4 years of actual records and eliminate the use of T- yields. In fact, if cropping rotations are followed (e.g., three or more crops, types, or practices are grown in rotation), it may take



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20 years to accumulate 4 years of actual yields in all databases. This requires the continued use of T- yields. Some producers have indicated that T- yields are not representative of their actual production capability. Therefore, they have requested options that will more accurately reflect their production capabilities.

The single year pilot program approved by the Federal Crop Insurance Board of Directors (FCIC) on February 9, 2000, permitted combining optional unit production history into a basic unit APH database that is used to calculate personal transitional yields (PTY) by practice and type. The PTY is then used to complete optional unit databases that require the use of transitional yields. Databases with less than four years of actual history may tend to have approximately the same APH yield as databases with more history with the implementation of this pilot program.

Initial producer acceptance and experience has been favorable; however, there is insufficient data to determine the advisability of future implementation as an expanded pilot or permanent program. Therefore, on January 12, 2001, the FCIC Board of Directors approved an extension to provide additional time to properly evaluate the pilot program and determine if it should be continued and/or expanded.

ACTION:

RMA will extend this APH pilot program in Daniels, Fergus, Hill, Pondera, and Yellowstone counties for the 2001, 2002, and 2003 crop years to all crops with 11/30 and 12/31 contract change dates except sugar beets, potatoes, and dry peas (which are authorized for Master Yields); and for 2002 and 2003 crop years to all crops with a 6/30 contract change date. High risk land, 508(H) revenue products, and CAT are excluded from the pilot program.

- A Participation in this pilot is optional. When selected, these procedures will apply on a contract (by county and by crop) basis. Its use must be requested in writing by the production reporting date.
- B When calculating PTYs for this pilot, optional unit databases containing duplicated data (units that were previously combined and subsequently split into optional units) must be combined using only the actual acres and actual production.
- C Separate APH databases and approved APH yields must be maintained for each P/T/V.
- D Land assigned a high-risk T-yield will use normal APH procedures and the pilot procedures will not apply to such land. (If less than 4 years of actual/assigned yields are provided, a separate database is required for the land assigned a high-risk T-yield.) Refer to the Crop Insurance Handbook for additional instructions if land is assigned a high-risk T-yield.
- E Separate databases for T-yield map areas within a basic unit are also combined to

determine the PTY. If a transitional yield is needed for the PTY determination, and the basic unit is located in more than one transitional yield map area, use a simple average of the transitional yields involved to determine the T-yield for the PTY calculation. The PTY for the basic unit is then used to complete optional unit databases containing less than four years of actual/assigned yields that are located in multiple or different transitional yield map areas. Note: PTY's are also calculated for basic units containing less than four years of actual/assigned yields.

- F Variable T-yield procedure, based on the number of actual/assigned yields for the crop, will be used when calculating the PTY, but the PTY will not be reduced using variable T-yield procedure:
 - C Yield floors and yield cups will apply to individual unit databases as with standard procedures.
 - C For data processing purposes, the applicable 100 percent PTY must be transmitted to the RMA Data Acceptance System (DAS) identified by the yield indicator "K". The PTY will have a "K" yield descriptor in the optional unit databases.
- G Added land/P/T/V procedures are not applicable to producers using this pilot procedure. However, land added to a basic unit exceeding 50% of the cropland acreage contained in the existing basic unit will be subject to RMA RO approval (the same as added land procedure). If the company does not approve the request to add the land to the unit database, it must be maintained as a separate database with variable T-yields as with regular APH procedures.
- H For new producers with 1 or 2 years of actual/assigned yields, 100 percent of the T-yield will be used when calculating the PTY for the basic unit.
- I The summerfallow APH yield procedure may be used on a unit by unit basis if the PTY combined database for the summerfallow practice has less than 3 years of actual history.
- J The 60% actual yield substitution procedure will not apply to the PTY calculation, but may be applied to the individual databases.
- K PTYs are not "set" in the databases. They must be recalculated for each crop year.
- L If the pilot program expires and is not adopted as a standard procedure, producers will be allowed to retain PTY's contained in databases until four years of actual/assigned yields are provided for the database.

BULLETIN NO.: MGR-01-005

4

DISPOSAL DATE:

This bulletin is for transmitting/updating information and the expiration date is December 31, 2001.