



United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

October 7, 2003

INFORMATIONAL MEMORANDUM

TO: Reinsured Companies servicing Illinois, Indiana, Michigan, and Ohio

From: Michael A. Alston /s/ *Michael A. Alston*
Director

SUBJECT: Perennial Crops (Apples, Blueberries, Grapes, and Peaches) Underwriting Guidelines for the 2004 Crop Year.

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 Springfield Regional Office (RO).

General Requirements:

- 1) When pre-acceptance field inspection selection criteria (tolerance guidelines), outlined in Section 7F(2) of the Crop Insurance Handbook has been met, 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), and Unit Summary Worksheet(s), and if applicable, RMA RO Determined Yield Request(s).
 - (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 greater than five years



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old (inspections for the 1998 crop year and prior), or a current copy cannot be obtained from the ceding company/FSA office, the unit(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 forwarded to the Risk Management Agency RO for yield determination, including those cases waived for company approval. Cases identified in Section 7(F)(2)(b)2 and submitted to the RO as requests for higher yields 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 7F(2)(b)1 of the CIH, if the policy contains units which exhibit high variability of actual yields, the following conditions apply:

When the most recent crop year average yield (2003) is equal to or greater than 125 percent of the APH average yield AND the previous years average yield (2002) is less than or equal to 75 percent of the APH average yield, use the following formula to calculate the approved yield for 2004:

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

Note: The requirement for performing field inspections in Section 7F(2)(b) High Variability of Actual Yields is Waived, unless the most recent pre-acceptance field inspection is more than five years old.

Yield Trend Exceptions:

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

When the policy contains units where the average yield of the most recent 3 years of actual yields is less than or equal to 75 percent of the APH average yield, use the following formula to calculate the approved yield for 2004:

- (a) Multiply the current APH average yield by 0.8;

(b) The resulting product shall be the company authorized approved yield.

Note: The requirement for performing field inspections in Section 7F(2)(b) High Variability of Actual Yields is Waived, unless the most recent pre-acceptance field inspection is more than five years old.

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

- 5) (a) Insurance providers are authorized to approve the APH average yield using standard Category C APH procedure for all units {identified in 7F(2)(d)} grown with the organic or non-conventional 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) above to the regional office 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 5a above, use the applicable yield determination formula for only those blocks meeting the tolerance test.
- (a) Standard Category C APH procedures apply to blocks not meeting tolerance tests.
- (b) Final approved APH yield is transferred from the Unit Summary Worksheet (FCI-19-A-USW).

WAIVER

- Insurance providers are authorized to approve average yields for situations outlined in item numbers 3, 4, and 5a above.
- Insurance providers are authorized to approve the average yield, using standard Category C APH procedure for all other units.
- 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 “RO Coverage Review” on question 37 of the Pre-Acceptance Perennial Crop Inspection Report (FCI-12-P)