



United States
Department of
Agriculture

August 20, 2020

Farm Production
and Conservation

INFORMATIONAL MEMORANDUM

Risk
Management
Agency

TO: Approved Insurance Providers Writing in the States of Arizona,
California, Hawaii and Utah

Davis Regional
Office

FROM: Jeff Yasui /s/ *Jeff Yasui*
Director

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SUBJECT: Reinsurance Year 2021, Regional Underwriting Guidelines for Category
C Crops in the Davis Region

BACKGROUND

The 2021 FCIC 18010 Crop Insurance Handbook (CIH) provides Regional Offices (ROs) with the authority to issue RO Underwriting Guidelines for regional exception(s).

These Guidelines apply to following:

- 1) 2022 crop year for Citrus, Avocados, and Macadamia Nut; and
- 2) 2021 crop year for all other Category C crops in Arizona, California, Hawaii, and Utah.

ACTION

A. Higher Yield Requests:

CIH Par. 1881A allows the insured to request a RO Determined Yield higher than the average Actual Production History (APH) yield with reasonable cause. The insured **may not** request a RO Determined Yield if the orchard/vineyard had a paid claim the previous crop year due to a failure of the irrigation source. The Davis Regional Office (DRO) will consider requests for the following situations:

1. Young Orchards/Vineyards:

Requests for higher yields will be accepted by the DRO for orchards/vineyards that have recently become insurable because they have met the insurability requirements within the last four years and have less than four years of actual yields in their APH Database, for APH databases with:

- a. one actual yield (applies only to added insurable acres, unless specified elsewhere in this guide); or
- b. two or three actual yields: when the most recent crop year's actual yield is at least 95 percent of the previous crop year's actual yield.

Exception: Young blocks **commingled** with an older block must meet the criteria for a higher yield request for an older block.

2. Older Orchards/Vineyards:

Requests for higher yields will be accepted by the DRO for older (mature) orchards/vineyards that meet one of the following conditions:

- a. Added insurable acres combined with an older unit;
- b. Orchards/vineyards purchased or leased from another grower; or
- c. Removal of older, unproductive block(s), or portions of block(s).
- d. Organic or transitional organic transitioning back to conventional.

The request must **ALSO** meet the following requirements:

- e. The most recent actual yield in the APH database must be at least 95 percent or more of the previous crop year's actual yield; **AND**
- f. The insured must provide their own most recent two crop years of actual yields. The simple average of these two yields **must exceed 125 percent** of the average APH yield.

Exception: Orchards/vineyards purchased or leased from another grower(s), insured may use the previous owner's yield history in establishing the approved yield if the following conditions apply:

- The insured must provide a copy of the previous insured owner's recent APH database to be used as a reference.
- Previous insured owner's average yield exceeds 65 percent of the county T-Yields; **AND**
- Previous insured owner's average yield is within 150 percent of published T-Yield. Cap the yield at 150 percent.

See Exhibit A, 'RO Determined Yield Type, Yield Limitation Flag and Rate Yield Chart.' This chart is for AIP Policy processing and consistent with the CIH Exhibit 22 and Appendix III.

If these conditions are not met, the Approved Insurance Provider (AIP) must use standard APH procedures. A RO Determined Yield request will not be accepted, and it will be scored as inappropriate.

3. For Almonds:

Requests for insuring fifth leaf orchards must be submitted to the DRO for yield approval and must provide fourth leaf production.

AIPs are authorized to establish the approved APH yield for sixth, seventh, eighth, and ninth leaf year acreage that is a separate block or unit when the requested acreage meets the requirements specified in this Informational Memorandum.

- g. Production History Requirement. Hard copy records do not need to be sent to the DRO. Insureds requesting higher yields for an APH database must provide the actual yields for that APH database. In addition, the 2020 crop year's APH actual yield in the APH database must reflect a yield that is at least 95 percent of the 2018 crop year's APH actual yield. For sixth leaf orchards, the insured must provide fourth and fifth leaf production on a block production worksheet to make the comparison. If fifth leaf wasn't insured, these yields do not need to be reported in the APH database. If fifth leaf was insured, then include only fifth leaf production in the APH database. If these conditions are not met, the AIP must use standard APH procedures.
- h. Approving a Higher Yield.
- 1) The 2020 crop year's actual yield in the APH database must be at least 95 percent of the 2019 crop year's actual yield.
 - 2) Determine the age of the acreage to be insured for the current crop year.
 - 3) Determine the calculated yield as follows:
 - a) If sixth leaf, multiply the fifth leaf production by 1.15 to determine the calculated yield.
 - b) If seventh leaf, apply the applicable calculation:
 - Use the sixth leaf year production. Multiply the result by 1.10 to determine the calculated yield.
 - If fifth leaf was insured, then use the two-year average (fifth and sixth). Multiply the result by 1.10 to determine the calculated yield.
 - c) If eighth leaf, apply the applicable calculation:
 - Use the two-year average of sixth and seventh leaf year production. Multiply the average by 1.10 to determine the calculated yield.
 - If fifth leaf year was insured, then use the three-year average (fifth, sixth, and seventh). Multiply the average by 1.10 to determine the calculated yield.
 - d) If ninth leaf, apply the applicable calculation:
 - Use the three-year average of sixth, seventh, and eighth leaf production. Multiply the average by 1.10 to determine the calculated yield.
 - If fifth leaf was insured, use standard APH procedures on the four years of production (fifth, sixth, seventh, and eighth) provided to determine the Approved APH yield.
 - If the three-year average exceeds the maximum yield, use the three-year average to determine the approved APH yield.

- 4) The Approved APH yield is **the LOWER** of either the calculated yield in b.3 or the maximum yield allowed in the table below:

Maximum F Yield Allowed			
Age	Region I	Region II	Region III
	(Butte, Colusa, Glenn, Solano, Sutter, Tehama, Yolo, and Yuba counties)	(Merced, San Joaquin, and Stanislaus counties)	(Fresno, Kern, Kings, Madera, and Tulare counties)
Sixth leaf	2850	2900	3350
Seventh leaf	2900	3200	3650
Eighth leaf	3050	3400	3700
Ninth leaf	3350	3700	4100

Example 1.

An insured in Fresno County has an orchard that was planted in 2014. The first year of insurance is sixth leaf. The orchard produced 2,400 lbs. /acre in sixth leaf; and 2,800 lbs. /acre in seventh leaf. The insured requests a higher yield for their eighth leaf orchard.

1. The seventh leaf actual yield (2,800 lbs. /acre) is higher than sixth leaf actual yield (2,400 lbs. /acre).
2. It is determined that the orchard will be eighth leaf in 2021. $[(2021 - 2014) + 1]$.
3. The average yield is 2,600 lbs. /acre $((2,400 + 2,800)/2)$.
4. The average yield (2,600 lbs.) times the multiplicative factor (1.10) equals 2,860.
5. The orchard is in region III.
6. The maximum yield allowed is 3,700.
7. The calculated yield of 2,860 is less than the maximum yield of 3,700.
8. Use 2,860 lbs. /acre as the Approved APH Yield.
9. Use a Yield Indicator "F", a Special Case Yield Indicator "H", and a yield limitation flag "01".

Year	Yield	Yield Descriptor
2017	2542	T
2018	2542	T
2019	2400	A
2020	2800	A
Average Yield	2571	

Rate Yield: 2571

Approved Yield: 2860

Example 2. Same scenario as example 1, but sixth leaf actual yield is 2,800 lbs. /acre and seventh leaf yield is 2,400 lbs. /acre.

1. The seventh leaf actual yield (2,400 lbs. /acre) is not within 95 percent of sixth leaf's actual yield (2,800 lbs. /acre).
2. Use standard APH procedures.

Example 3. An insured in Fresno County has an orchard that was planted in 2013. The acreage was insured in fifth leaf. In fifth leaf, it produced 2,400 lbs. /acre. The orchard produced 2,800 lbs. /acre in sixth leaf; 3,000 lbs. /acre in seventh leaf; and 3,200 lbs. acre in eighth leaf.

1. It is determined that the orchard will be ninth leaf in 2021. $[(2021 - 2013) + 1]$.
2. No multiplicative factor will be used since there are four years of actual yield history.
3. The four-year average yield is 2,450 lbs. /acre $[(2,400 + 2,800 + 3,000 + 3,200)/4 = 2,450]$.
4. The approved yield is 2,450 lbs. /acre.

In this case, the four-year average yield is the Approved APH Yield.

B. High Variability – Downward Trending:

Paragraph 1862 APH Database Tests for High Variability of Actual Yields, of the 2021 CIH, provides procedure and formulas designed to identify alternate bearing and downward yield trending for Category C crop yields.

1. If the APH database meets the downward trending test in the 2021 CIH, Para. 1862, E (2), then these additional tests are required:
 - a. The two most recent crop years actual yields in the APH database are less than 75 percent of the Average APH Yield;
 - b. Three or more crop years actual yields in the APH database are less than 75 percent of the Average APH Yield in the last four or five years; or
 - c. One or more crop years in the most recent five crop years contains an Assigned Yield (P Yield Type).

Exception: The most recent crop year in the APH database will be excluded from the downward trending calculation for prunes only.

2. If the APH database **does not meet any** of the criteria in above 1. a., b., or c., it is **not considered** a downward trend. Paragraph. E (1) applies and the AIP approves the average yield and submits the APH database using Special Case Yield Indicator "D".

See Exhibit A, ‘RO Determined Yield Type, Yield Limitation Flag and Rate Yield Chart’. This chart is for AIP Policy processing and consistent with the CIH Exhibit 22 and Appendix III.

3. When an APH database meets the criteria in 1. a., b., or c., Paragraph 1862 E (2) DOES NOT APPLY as far as determining the approved yield. The AIP must determine the Approved APH yield as follows:
- Determine the Downward Trend Factor (DTF) by dividing the most recent three-year average contained in the APH database by the Average APH Yield.
 - Find the DTF in the table below.
 - Find the Yield Adjustment Factor (YAF) in the following table that corresponds to the DTF.
 - Use the YAF to determine the Approved APH Yield.

Downward Trend Factor and Yield Adjustment Factor

Approved APH Yield = Average APH Yield x YAF	
Downward Trend Factor*	YAF
0.75 - 1.00	1.00
0.65 - 0.74	0.80
0.55 - 0.64	0.70
0.45 - 0.54	0.60
0.35 - 0.44	0.50
0.25 - 0.34	0.40
0.00 - 0.24	0.30

*Round to the nearest 100th

- See Exhibit A, ‘RO Determined Yield Type, Yield Limitation Flag and Rate Yield Chart’. This chart is for AIP Policy processing and consistent with the CIH Exhibit 22 and Appendix III.
- If the insured can demonstrate that the high variability yield adjustment was not appropriate, a RO Determined Yield may be requested.
- Example:** An insured submits the following APH database, which meets the criteria for High Variability of Actual Yields. Using the Downward Trend Factor and YAF, the following approved APH Yield was determined and submitted to RMA with the Yield Indicator “F”, Special Case Yield Indicator “F”, and a Yield Limitation Flag “11”.

Year	Yield	Calculations
2015	1,500	Simple Average Yield: 950
2016	1,800	Low Years 950 x .75 = 713, 3 years in 6 years
2017	500*	Three-year average = 633
2018	1,250	Trend Factor = 633/950 = .67
2019	550*	Use a YAF = .80
2020	100*	950 x .80 = 760 F
Approved Yield = 760F		Rate Yield equals approved yield

C. Policy Exceptions for Grapes and Stonefruit:

The Grape crop provisions (CP) Section 7(e), acreage insurability requires the crop to: *“have produced an average of at least two tons of grapes per acre (or as otherwise provided in the Special Provisions) in at least one of the three crop years immediately preceding the insured crop year, unless we inspect and allow insurance on acreage that has not produced this amount.”*

The Stonefruit CP Section 6(b)(5), acreage insurability requires the crop to: *“have produced at least 200 lugs of fresh market production per acre, or at least 2.2 tons per acre for processing crops, in at least one of the four most recent actual production history crop years, unless we inspect such acreage and give our approval in writing.”*

For Grape and Stonefruit APH databases that have not met the minimum production requirement and have had an inspection completed by the AIP, the AIP may issue the simple average as the approved APH yield provided in the APH database when:

1. The APH Database contains 4 – 10 years of actual production history; and
2. Does not meet the criteria for the high variability of actual yields (Paragraph 1862).

Exception: Fourth leaf Grapes that have produced a minimum of 1.5 tons per acre in third leaf, the AIP may issue an approved yield of 2.0 tons per acre.

See Exhibit A, ‘RO Determined Yield Type, Yield Limitation Flag and Rate Yield Chart’. This chart is for AIP Policy processing and consistent with the CIH Exhibit 22 and Appendix III.

D. Revisions to the Insured’s APH Database.

Procedure requires the insured to submit a RO Determined Yield request to omit yield history from the APH database. If there’s been a claim on an approved APH Determined Yield request, the yield history **CANNOT** be omitted or adjusted. This requirement does not apply to pistachios, see section E below for pistachios.

In the following situations, the AIP may drop the production and acreage from the APH database:

1. When there is prior uninsurable production and acreage; or
2. When there is prior production and acreage from a previous owner.

E. Pistachio APH Database – Removal of sixth and seventh leaf year production

The DRO will allow the submission of a Determined Yield Request to remove the sixth and seventh leaf years of pistachio production from an APH database. Once the APH database contains six or more actual yields (example: sixth, seventh, eighth, ninth, tenth, and eleventh leaf yields), the insured can request to have sixth and seventh leaf years removed from the APH. If the Determined Yield Request is approved, the AIPs will be directed to remove sixth and seventh leaf production and apply standard APH procedures to recalculate the approved yield. We will only consider removal of sixth and seventh leaf production if the pistachio trees do not exceed sixteenth leaf year in the crop year for which the determined yield is requested.

The DRO will:

- instruct AIP's to remove sixth and seventh leaf production and recalculate the approved yield,
- not assign yield indicator or special case yield indicator flags. Yield indicator flags are not necessary,
- not accept Yield Determination requests to remove eighth and/or ninth leaf production,
- not accept Yield Determination requests to remove production from a Pistachio APH database for orchards that are older than sixteenth leaf.

In situations where the APH database starts at seventh leaf we will accept requests to remove only the seventh leaf production if the APH database contains at least five actual yields (example: seventh, eighth, ninth, tenth, and eleventh) **and is not older than sixteenth leaf in the crop year for which the determined yield is requested.**

Mark DY type as "OT Other".

For further information, please contact the Davis Regional Office.

DISPOSAL DATE

August 31, 2021