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Agriculture

Farm Production  
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Risk  
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## INFORMATIONAL MEMORANDUM

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

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

**SUBJECT:** Reinsurance Year 2024, Regional Underwriting Guidelines for Category C Crops in the Davis Region

### **BACKGROUND**

The 2024 FCIC 18010 Crop Insurance Handbook (CIH) provides Regional Offices (ROs) the authority to issue RO Underwriting Guidelines for regional exception(s).

These Guidelines apply to following:

- 1) 2025 crop year for Citrus, Avocados, and Macadamia Nut;
- 2) 2024 crop year for 508(h) Kiwi and Pomegranate in California; and
- 3) 2024 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 85% 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; or
- b. Orchards/vineyards purchased or leased from another grower; or
- c. Removal of older, unproductive block(s), or portions of block(s) within the previous 4 crop years; or
- 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 85% 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%** 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; **AND**
- Previous insured owner's average yield exceeds 65% of the county T-Yields; **AND**
- Previous insured owner's average yield is within 150% of published T-Yield (Cap the yield at 150%).

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 to insure fourth leaf year orchards must be submitted to the DRO for yield approval and must provide third leaf year production. Hard copy records do not need to be sent to the DRO. Almond orchards that do not have third leaf year production cannot be insured for fourth leaf year. Zero production in third leaf year does not count as actual production.

AIPs are authorized to establish the approved APH yield for fifth, 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.

- a. Production History Requirement for fifth leaf year. 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. For fifth leaf year orchards, the insured must provide only fourth leaf year production on a block production worksheet. If the fifth leaf year calculated yield (according to 3(c)(a)) is less than 65% of the county T-yield, use 65% of the applicable county T-yield as the approved yield. This includes when fourth leaf year production is zero.
- b. Production History Requirement sixth, seventh, eighth and ninth leaf year. 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 2023 crop year's APH actual yield in the APH database must be at least 85% of the 2022 crop year's APH actual yield. For sixth leaf year orchards, the insured must provide fourth and fifth leaf year production on a block production worksheet to make the comparison. If fifth leaf year wasn't insured, these yields do not need to be reported in the APH database. If fifth leaf year 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.
- c. Approving a Higher Yield.
- 1) The 2023 crop year's actual yield in the APH database must be at least 85% of the 2022 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 fifth leaf year, multiply fourth leaf year production by 1.25 to determine the calculated yield.
    - b) If sixth leaf year, multiply the fifth leaf year production by 1.15 to determine the calculated yield.
    - c) If seventh leaf year, apply the applicable calculation:
      - Use the sixth leaf year production. Multiply the result by 1.10 to determine the calculated yield.
      - If fifth leaf year was insured, then use the two-year average (fifth and sixth). Multiply the result by 1.10 to determine the calculated yield.
    - d) If eighth leaf year, 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.
    - e) If ninth leaf year, apply the applicable calculation:

- Use the three-year average of sixth, seventh, and eight leaf year production. Multiply the average by 1.10 to determine the calculated yield.
  - If fifth leaf year 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 c.3 or the maximum yield allowed in the table below:

Maximum F Yield Allowed			
Age	Region I  (Butte, Colusa, Glenn, Solano, Sutter, Tehama, Yolo, and Yuba counties)	Region II  (Merced, San Joaquin and Stanislaus counties)	Region III  (Fresno, Kern, Kings, Madera, and Tulare counties)
Fifth leaf	2800	2850	3300
Sixth leaf	2950	3000	3500
Seventh leaf	3100	3350	3750
Eighth leaf	3250	3500	3950
Ninth leaf	3500	3850	4250

**Example 1.** An insured in Fresno County has an orchard that was planted in 2017. The first year of insurance is sixth leaf year. The orchard produced 2,400 lbs. /acre in sixth leaf year; and 2,800 lbs. /acre in seventh leaf year. The insured requests a higher yield for their eighth leaf year orchard.

1. The seventh leaf year actual yield (2,800 lbs. /acre) is higher than sixth leaf year actual yield (2,400 lbs. /acre).
2. It is determined that the orchard will be eighth leaf year in 2024. [(2024 – 2017) + 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 3,950.
7. The calculated yield of 2,860 is less than the maximum yield of 3,950.
8. Use 2,860 lbs. /acre as the Approved APH Yield.
9. Use a Special Case Yield Indicator “H”, and a yield limitation flag “01”.

Year	Yield	Yield Descriptor
2020	2542	T
2021	2542	T
2022	2400	A
2023	2800	A
Average Yield	2571	

Rate Yield: 2571  
Approved Yield: 2860

**Example 2.** Same scenario as example 1, but sixth leaf year actual yield is 2,800 lbs. /acre and seventh leaf year yield is 2,350 lbs. /acre.

1. The seventh leaf year actual yield (2,350 lbs. /acre) is not within 85% 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 2016. The acreage was insured in fifth leaf year. In fifth leaf year, it produced 2,400 lbs. /acre. The orchard produced 2,800 lbs. /acre in sixth leaf year; 3,000 lbs. /acre in seventh leaf year; and 3,200 lbs. acre in eighth leaf year.

1. It is determined that the orchard will be ninth leaf in 2024.  $[(2024 - 2016) + 1]$ .
2. No multiplicative factor will be used since there are four years of actual yield history.
3. The four-year average yield is 2,850 lbs. /acre  $[(2,400 + 2,800 + 3,000 + 3,200)/4 = 2,850]$ .
4. The approved yield is 2,850 lbs. /acre.

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

## **B. Producer's Pre-Acceptance Worksheet (PAW) – CIH Par. 1834**

A PAW triggers a PAIR and a RO Determined Yield when the insured answers: “Yes” to whether “...practices or production methods (e.g. removal, dehorning, grafting, transitioning to organic) been performed that will reduce the insured crop's production from previous crop years?” For example, if an insured experienced a shortage of water in the 2023 Reinsurance Year (RY), there is a possibility that the orchard/vineyard will experience reduced productivity. In this situation, the AIP must submit a RO Determined Yield request along with the following additional information:

1. Amount of rainfall (inches/acre) in a normal year (2018).
2. Amount of water (inches/acre) applied in a normal year (2018) for the unit/block.
3. List all water sources used for the unit/block in RY 2023.
4. Amount of rainfall (inches/acre) in 2023 RY for the unit/block.
5. Amount of water (inches/acre) applied from all sources in 2023.

If the insured answers “No” to “... the current water supply (surface allotment/well) adequate to produce a normal crop for the crop year being certified above?” For example, the insured has received information from their irrigation district that indicates they will have insufficient water for the 2024 RY current year). In this situation, the AIP must submit a RO a determined yield request along with the following additional information:

1. Amount of rainfall (inches) received in the 2023 RY for the unit/block.
2. Amount of water from all sources (inches/acre) other than rainfall applied in the 2023 RY for the unit/block.
3. List all water sources for the unit/block.
4. Amount of water (inches/acre) applied in a normal year (2018 CY) for the unit/block.
5. Amount of water insured expects to receive for the 2024 RY.

- 6. Documentation from the insured’s irrigation district supporting a reduction in the water supply for the 2024 RY.

**C. High Variability – Downward Trending:**

Paragraph 1863 APH Database Tests for High Variability of Actual Yields, of the 2024 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 2024 CIH Para.1863 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% of the Average APH Yield; (not applicable to almonds, avocados, grapes, prunes, and walnuts);
  - b. Three or more crop years actual yields in the APH database are less than 75% 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 almonds, avocados, grapes, prunes, and walnuts 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. The 2024 CIH, Paragraph 1863 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 1863 E (2) DOES NOT APPLY as far as determining the approved yield. The AIP must determine the Approved APH yield as follows:
  - a. Determine the Downward Trend Factor (DTF) by dividing the most recent three-year average contained in the APH database by the Average APH Yield.
  - b. Find the DTF in the table below.
  - c. Find the Yield Adjustment Factor (YAF) in the following table that corresponds to the DTF.
  - d. Use the YAF to determine the Approved APH Yield.

*Downward Trend Factor and Yield Adjustment Factor*

<b>Approved APH Yield = Average APH Yield x YAF</b>	
<b>Downward Trend Factor*</b>	<b>YAF</b>
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 100<sup>th</sup>

- e. **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.
- f. If the insured can demonstrate that the high variability yield adjustment was not appropriate, a RO Determined Yield may be requested.
- g. **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 Special Case Yield Indicator “F”, and a Yield Limitation Flag “11”.

Year	Yield	Calculations
2018	1,500	Simple Average Yield: 950
2019	1,800	Low Years $950 \times .75 = 713$ , 3 years in 6 years
2020	<b>500*</b>	Three-year average = 633
2021	1,250	Trend Factor = $633/950 = .67$
2022	<b>550*</b>	Use a YAF = .80
2023	<b>100*</b>	$950 \times .80 = 760$ F
Approved Yield = 760F		Rate Yield equals approved yield

#### D. 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 crop provisions (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 otherwise allowed by the Special Provisions.”*

For Grape and Stonefruit APH databases that have not met the minimum production requirement and are considered acceptable 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 (CIH Paragraph 1863).

**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.

**E. 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.

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

- a. When there is prior uninsurable production and acreage; or
- b. When there is prior production and acreage from a previous owner.

For further information, please contact the Davis Regional Office

**DISPOSAL DATE**

August 31, 2024