



United States
Department of
Agriculture

November 3, 2020

INFORMATIONAL MEMORANDUM

Farm Production
and Conservation

Risk
Management
Agency

Valdosta Regional
Office

106 S. Patterson
Street, Suite 250
Valdosta, GA
31601

TO: Approved Insurance Providers servicing the states of Alabama, Florida, and Georgia

FROM: Davina S. Lee
Director

SUBJECT: 2021 and 2022 Crop Years Regional Underwriting Guidelines for Pecan Revenue Policies in Alabama, Florida, and Georgia impacted by Hurricane Michael

BACKGROUND:

Pecan orchards in Alabama, Florida, and Georgia experienced severe damage from Hurricane Michael in October 2018 and damage affected bloom and production in 2019. Underwriting guidelines issued on February 20, 2019, June 28, 2019, and August 23, 2019, provided procedures for underwriting pecan orchards with damaged acreage. With good management practices, the damaged orchards have the ability to return to pre-hurricane productivity and the orchards are expected to have increased productivity for the 2021 and succeeding crop years.

The 2021 FCIC 18010 (06-2020) Crop Insurance Handbook (CIH) gives the Risk Management Agency (RMA) Regional Offices (ROs) the authority to issue Underwriting Guidelines for perennial crops.

CIH Part 18, Section 8, paragraph 1881 and Part 21, Section 6, paragraph 2167 provide procedures for submitting RO Determined Yield requests. The CIH procedures allow a RO Determined Yield Request for a Higher Yield when there is a cause for expecting a higher yield. RO Determined Yields for a Higher Yield are only applicable in the first year of the two-year coverage module.

ACTION:

To expedite the Approved Average Revenue process and decrease the number of RO Determined Yield requests required by the AIP, the Valdosta RO is issuing these underwriting guidelines to authorize the AIP to calculate Approved Average Revenue with these procedures in lieu of requesting a RO Determined Yield. This authorization is

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allowed only for renewal policies that are in the first year of the 2-year coverage module (2021 or 2022 crop years, as applicable).

Procedures provided below apply to policies in the counties of Coffee, Geneva, and Houston in Alabama; Jefferson County, Florida; and all counties in Georgia with damage attributed to Hurricane Michael in crop year 2018.

1. Crop Year 2021 Renewal Policies (first-year coverage module)

The following guidelines apply to policies renewing in 2021 which will be in the first year of the two-year coverage module:

- a. Policies renewing in crop year 2021 with Summary of Revenue History (SRH) databases for insured pecan acreage that had reduced production due to hurricane damage in crop year 2018 may use the procedures in this underwriting guide for calculating the Approved Average Revenue for the 2021 crop year provided that:
 - 1) The acreage meets insurability requirements set forth in the Pecan Revenue Crop Provisions and the county Special Provisions; and
 - 2) The database to be adjusted has actual average gross sales per acre reported for each of the 2015 through 2020 crop years.
- b. For databases meeting the requirements in (a) (1) and (2), the Approved Average Revenue used for calculation of the amount of insurance per acre will be the higher of:
 - 1) The total of the average gross sales per acre divided by the total number of crop years; or
 - 2) The simple average of the average gross sales per acre with substitution of the actual average gross sales for 2018 and/or 2019 crop years with a revenue adjustment value based on NASS prices (see (c) (1) below) when the calculated revenue adjustment value is higher than the reported actual average gross sales per acre; or
 - 3) The simple average of the average gross sales per acre with substitution of the actual average gross sales for 2018 and/or 2019 crop years with a revenue adjustment value based on the historical prices (see (c) (2) below) when the calculated revenue adjustment

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value is higher than the reported actual average gross sales per acre.

c. Revenue Adjustment Value Calculation

The following calculations are completed to determine potential revenue adjustment values for each SRH database. The procedure removes the effect of the price change between the 2016/2017 crop years and the 2018/2019 crop years. If zero gross sales were reported on the Revenue Report for any of the crop years 2016 through 2019, calculations in (c) (2) are not applicable.

- 1) Revenue adjustment value calculation using NASS prices.
 - i. Determine the simple average of the 2016 and 2017 average gross sales per acre;
 - ii. Divide the average gross sales from (i) by the NASS average price of \$2.45 for the 2016 and 2017 crop years;
 - iii. Multiply the value from (ii) by the NASS average price of \$1.75 for the 2018 and 2019 crop years;
 - iv. Multiply the product of (iii) by 0.60, rounded to whole dollars. This is the potential revenue adjustment value referenced in (b)(2) above.
- 2) Revenue adjustment value calculation using the historical prices for the database acreage. (Note: This calculation is completed only if average gross sales per acre for crop years 2016 through 2019 are non-zero values.)
 - i. Calculate the average price received for reported production for each of the 2016 through 2019 crop years (average gross sales per acre divided by yield in pounds per acre);
 - ii. Determine (a) the simple average of the 2016 and 2017 prices from (i); and (b) the simple average of the 2018 and 2019 prices from (i);
 - iii. Determine the simple average of the 2016 and 2017 average gross sales per acre;
 - iv. Divide the average gross sales from (iii) by the average of the 2016 and 2017 prices determined in (ii)(a);
 - v. Multiply the value from (iv) by the average of the 2018 and 2019 prices determined in (ii)(b);

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- vi. Multiply the product of (v) by 0.60, rounded to whole dollars. This is the potential revenue adjustment value referenced in (b)(3) above.
- d. The SRH database will retain all reported actual average gross sales per acre. The calculated revenue adjustment values are used only in the determination of the Approved Average Revenue and are not used for determination of insurability of the orchard. Minimum production insurability requirements still apply.
- e. A Pre-acceptance Inspection Report (PAIR) is not required for orchards that meet the requirements in (1) (a) for the AIP to adjust the Approved Average Revenue by these procedures if a PAIR was completed for the 2019 or 2020 crop years.
- f. The Approved Average Revenue calculated using these procedures will apply to both years of the 2-year coverage module (2021 and 2022 crop years) and will be subject to the terms and conditions in section 3 (Insurance Guarantees and Coverage Levels for Determining Indemnities) and section 6 (Report of Acreage) in the Pecan Revenue Crop Provisions (FCIC 14-0020). All databases using these procedures for determination of the Approved Average Revenue for calculating the amount of insurance per acre must report Special Case Yield Indicator “H” and Yield Limitation Flag “01” when reporting to PASS.
- g. Insureds may submit a RO Determined Yield request to the Valdosta RO for renewal policies with databases that do not have actual average gross sales per acre for crop years 2015 – 2020. Completed Revenue Reports for each year with actual average gross sales (certifying reported production and sales) must be submitted with the request in addition to the required documentation in the CIH sub-paragraph 2214A. A current PAIR is not required unless the acreage had an insurable loss due to reduced production in the 2020 crop year. The signed request must be received by the Valdosta RO no later than 45 days after the acreage reporting date.
- h. Databases which did not meet the minimum insurability requirement in (a) (1) may request a Policy Exception written agreement in accordance with paragraph 76 H of the 2021 Written Agreement Handbook. A current PAIR is required. The request must be signed by the producer on or before the sales closing date of January 31, 2021 and transmitted to the Valdosta RO by February 22, 2021.

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2. Crop Year 2021 New Policies (first year coverage module)

Pecan acreage that has recovered from hurricane damage and will be insured under a new 2-year coverage policy starting in the 2021 crop year may be eligible for an increase in the Approved Average Revenue through a RO Determined Yield request.

Production records for the 2015 through 2020 crop years must be available. In addition to required documentation set forth in the 2021 Crop Insurance Handbook sub-paragraph 2214A, the insured must submit the current signed Revenue Report with total production in pounds and gross sales for the acreage, by database, for the period of 2015 – 2020. The request deadline is 30 days after the acreage reporting date.

A PAIR is required and must be completed not later than 30 days after the sales closing date of January 31 for all new policy applications.

3. Crop Year 2022 Renewal Policies (first-year coverage module)

The procedures in this section apply to renewal policies that will be in the first year of the 2-year coverage module in crop year 2022. For policies renewing in crop year 2022, Summary of Revenue History (SRH) databases for insured pecan acreage that had losses due to hurricane damage in crop year 2018 may use the procedures in section (1) (b) – (d) in this underwriting guide for calculating the Approved Average Revenue for the 2022 crop year provided that:

- 1) The acreage meets insurability requirements set forth in the Pecan Revenue Crop Provisions and the county Special Provisions; and
 - 2) The database to be adjusted has actual average gross sales per acre reported for each of the 2016 through 2021 crop years.
- a. A Pre-acceptance Inspection Report (PAIR) is not required for orchards that meet the requirements in (1) and (2) above for the AIP to adjust the Approved Average Revenue by these procedures if a PAIR was completed for the 2019, 2020, or 2021 crop years.
 - b. Insureds may submit a RO Determined Yield request to the Valdosta RO for renewal policies with databases that do not have actual average gross sales per acre for crop years 2016 through 2021. Completed Revenue Reports (certifying reported production and gross sales) for each year with actual

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average gross sales, including the most recent two crop years, must be submitted in addition to required documentation in the CIH sub-paragraph 2214A. A current PAIR is not required unless the acreage had an insurable loss due to reduced production in the 2021 crop year. The signed request must be received by the Valdosta RO no later than 45 days after the acreage reporting date.

- c. The Approved Average Revenue calculated using these procedures will apply to both years of the 2-year coverage module (2022 and 2023 crop years) and will be subject to the terms and conditions in section 3 (Insurance Guarantees and Coverage Levels for Determining Indemnities) and section 6 (Report of Acreage) of the Pecan Revenue Crop Provisions. All databases using these procedures for determination of the Approved Average Revenue for calculating the amount of insurance per acre must report Special Case Yield Indicator “H” and Yield Limitation Flag “01” when reporting to PASS.

If you have any questions or if we can be of any assistance, please contact the Valdosta Regional Office at (229) 242-7235.

DISPOSAL DATE:

January 31, 2024, unless rescinded.