



September 23, 2011

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Department of
Agriculture

Risk Management
Agency

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INFORMATIONAL MEMORANDUM

TO: Pacific Northwest Approved Insurance Providers

FROM: Dave P. Paul /S/ *David A. Bearden for DPP*
Director

SUBJECT: **REVISED** 2012 Regional Underwriting Guidelines for Grafted Apples

ISSUE:

The FCIC 18010 Crop Insurance Handbook (CIH) Sections 7 D(4), 16 E and 16 I authorize the Risk Management Agency (RMA) Regional Office (RO) to issue Perennial Crop Underwriting Guidelines which waive forwarding of Pre-Acceptance Inspection Reports (PAIRs) and Actual Production History (APH) databases for RMA RO yield determination.

Included below are Underwriting Guidelines for Determined Yield calculations on Grafted Apple acreage in Idaho, Oregon, and Washington.

BACKGROUND:

The CIH Section 16 E (1) identifies underwriting criteria which trigger selection of a policy for a PAIR and submission to the RO for calculation of an RO Determined Yield.

Specifically, CIH Sec. 16 D (4) (b) requires Approved Insurance Providers (AIP) to conduct PAIRs and requires them to forward the APH database to the RO for determined yield calculations when the insured has answered YES to the CIH questions in Sec. 16 D (4) (b) 1 or 2 of the Producer's Pre-Acceptance Worksheet (PAW). These questions identify situations where damage has occurred, or cultural practices have been performed (e.g., "grafting") that would reduce the insured crop from previous production levels.

Section 16 H (4) (a) further specifies that for crop acreage that has been modified by grafting, the month and year it was completed must be used to determine the applicable leaf-year (age) and Transitional Yields (T-Yield) (unless an alternative T-Yield and procedures for approving an RMA RO



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INFORMATIONAL MEMORANDUM

2012 Regional Underwriting Guidelines for Grafted Apples

2

Determined Yield is provided, shown on the actuarial documents or RMA RO Underwriting Guidelines).

Additionally, the PAW may identify units or blocks that were previously grafted during the base period.

ACTION:

The following Underwriting Guidelines are provided for units or blocks with grafted acreage.

A post grafting PAIR must be on file for any acreage grafted within the APH base period; however, submission of the PAIR and supporting documentation to the RO is not required.

ACTUARIAL DOCUMENTS COVERAGE AND RATES

Grafted acreage will have the following percentages of the applicable T-Yield corresponding to the LEAF YEAR and SET OUT YEAR of initial planting:

Density (trees/acre)	1 st year after grafting	2 nd year after grafting	3 rd year after grafting	4 th year after grafting	5 th year after grafting
0-299	0 %	30 %	60 %	90 %	100 %
300 & greater	10 %	50 %	70 %	100 %	100 %

AIP's should report Blocks or Units with acreage that has been grafted and adjust the T-Yields as outlined above. These adjusted yields must be applied with Special Yield Descriptor F*, Yield Indicator F**, and Special Case yield Indicator R***

*Special Yield Descriptor "F": CIH, Exhibit 13 F (2) (e)

** Yield indicator "F": CIH, Exhibit 13 F (1) -(a)

***Special Case Yield indicator "R": CIH, Exhibit 13 F (1) (b)

Also, reporting year and month for both grafting and original set out for the trees (Policy Acceptance and Storage System [PASS] 15 Record fields 30 and 23 respectively) facilitates validation of T-Yields.

EXAMPLES:

For a 10 acre apple orchard in Area 1 of Chelan County, Washington with a density of 360 trees per acre set out in April of 2005 and the policy crop year is

INFORMATIONAL MEMORANDUM

2012 Regional Underwriting Guidelines for Grafted Apples

3

2012; the correct age and density from the Actuarial Document is determined as follows:

$$2012 \text{ (leaf year)} - 2005 \text{ (set out year)} = 7 + 1 = 8$$

Age = 8 and Density = 360 Trees/Ac

Based on the age and density of the un-grafted acreage, the T-Yield as determined from the Actuarial Document is 905 Boxes per acres (see highlight below)

T-Yield Selection Criteria

Year: 2012 Commodity: Apples (0054) State: Washington (53)
 Data: Plan: APH (90) County: Chelan (007)
 Released

Types / Practices	
Type	Fresh 111
Practice	Irrigated 002
Type/Practice # (T/P #)	T/P 1 Show Map (1)

Transitional Yield And YA Substitution Table (BOX)						
T/P #	Density		Characteristic Name	Leaf Year	Sub County	2012
	Low	High				
	300	599		6	001	600.00
					002	540.00
					003	480.00
					004	480.00
				7	001	760.00
					002	685.00
					003	610.00
					004	610.00
				8	001	905.00
					002	815.00

INFORMATIONAL MEMORANDUM

				003	725.00
				004	725.00

Grafted Acreage Example 1 – The entire 10 acres was grafted in May 2009.

- Prior APH history is maintained in a separate APH database documenting the previously insurable production from the pre-grafted acreage until it rolls out of the database (maintained for spot check purposes). [PASS 15 Record field 23 = 200504; Field 30 = 200905]
- A new APH database for the grafted acreage is started and it must meet policy minimum production requirements of 250 boxes per acre before it can be insured.
- Once the grafted acreage meets policy minimums, the APH database for the following year (1st year of insurance) will be a combination of one year actual and three years of T-Yield derived using the table on the Actuarial Document.

Grafted T-Yield = (Un-grafted T-Yield) 905 x (Grafting T-Yield Factor) .70 = 634

New 2012 - APH Database
Unit 0001-0000BU

	AC	PROD	YLD
2007	0.0		
2008	0.0		634 F*
2009	10.0		634 F*
2010	10.0	800	634 F*
2011	10.0	3800	<u>380 A</u>
			2282

Prior APH Database
Unit 0081-0000BU

	AC	PROD	YLD
2007	10.0		750
2008	10.0	3000	300 A
2009	0.0		
2010	0.0		
2011	0.0		

APPROVED YLD 2282 ÷ 4 = 571 F**

Grafting Example 2 – Five out of ten acres were grafted in May of 2009; the age and density from the T-Table for the un-grafted acreage on the Actuarial Document is as follows:

2012 (leaf year) – 2005 (set out year) = 7 + 1 = 8

Age = 8 and Density = 360 Trees/Ac

INFORMATIONAL MEMORANDUM

Based on the age and density of the un-grafted acreage, the T-Yield as determined from the Actuarial Document is 905 Boxes per acre (see un-grafted determination above).

For the grafted five acres that were originally planted, instead of receiving a T-Yield based solely on the year the trees were grafted (i.e. four year old trees; 2012-2009 = 3 + 1 = 4), the grafted 5 acres receives an adjusted T-Yield using the accelerated grafting table which gives credit for the age and reserves of the rootstock, resulting in a T-yield of **634** as follows:

$$\text{Grafted T-Yield} = (\text{Un-grafted T-Yield}) 905 \times (\text{Grafting T-Yield Factor}) .70 = 634$$

New 2012 - APH Database
Unit 0001-0000BU –
Grafted Acreage

(Block B)

	AC	PROD	YLD
2007	0.0		
2008	0.0	0	634 F*
2009	5.0	0	634 F*
2010	5.0	400	634 F*
2011	5.0	1900	<u>380 A</u>
			2282

New 2012 - APH Database
Unit 0001-0000BU
Un-Grafted Acreage

(Block A)

	AC	PROD	YLD
2007	10.0	750	
2008	10.0	3000	300 A
2009	5.0	2250	450 A
2010	5.0	3125	625 A
2011	5.0	3700	<u>740 A</u>
			2115

APPROVED YLD $2282 \div 4 = 571$ F**

APPROVED YLD $2115 \div 4 = 529$

If the insured fails to keep the grafted production records separate, the APH database is developed using standard procedures (i.e., total production ÷ total acres).

2012 - APH Database
Unit 0001-0000BU – Production from Grafted Acreage not kept separate

	AC	PROD	YLD
2007	10.0	750	
2008	10.0	3000	300 A
2009	10.0	2250	225 A
2010	10.0	3525	353 A
2011	10.0	5600	<u>560 A</u>
			1438

APPROVED YLD $1438 \div 4 = 360$

P15 field 23 = 200704; Field 30 = blank

INFORMATIONAL MEMORANDUM

2012 Regional Underwriting Guidelines for Grafted Apples

6

[{(5ac x 2005) + (5 ac x 2009)} / 10ac = 2007]

AIP REPORTING:

Pre-grafted APH Database

APH databases maintained to document pre-grafted production and acreage or uninsurable acreage are not required to be submitted to PASS.

Grafted APH Database

*The Special yield descriptor "F" identifies the T-Yield as an RO determined yield;

**RMA RO yield indicator F identifies the approved yield was based on RO Underwriting Guidelines and;

*** Special case yield indicator R identifies productivity is reduced (FCIC Appendix III - Type 15 record, field 39); YA and Cups are not applicable, CIH, Exhibit F (1) (b) when special case yield indicator R is in effect.

If less than 4 years of records have been provided (considering records provided from both before and after grafting), standard percent of variable T-Yield is applied to the grafted acreage T-Yield, CIH, Section 16 H (1) & (2).

Please contact the Spokane Regional Office with any questions.