



# Asked and Answered

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July 2017 Edition

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# QUESTION 17-104

## ADDED LAND INTERPRETATION

### AIP QUESTION

We have an insured questioning how we are currently interpreting when added land simple average is applied to a planted crop database.

For example, today, if an insured tells us that ground being added to a policy in 2016 qualifies for added land, they elect for the simple average, they have both corn and bean coverage on their policy – that triggers us to setup databases using the simple average for all the crops they have coverage for on the policy – regardless if they are planting corn or beans on the ground that year.

The insured is questioning why if they only planted beans on that ground in 2016, why we are not waiting to apply the 2017 simple average for corn if 2017 is the first time they have planted that crop on that added land. The 2017 simple average for corn for the applicable county is higher than 2016 and they feel we and the federal program are shorting them on their APH by using the 2016 simple average for corn instead of 2017.

Our question is are we required to setup the simple average databases for all the crops they have on the policy for the applicable added land or just the ones they plant that applicable year.

I see the insured's perspective, but from what we can see in the CIH it does not reference this specific situation.

### NCIS RESPONSE

The Added Land procedures involving use of the Simple Average T-Yield (SA T-Yield) do not require that every potential APH database for the added land be set up with the SA T-Yield the initial year the land is added to the farming operation. Some AIPs might choose to do that because it is easier in some respects to do all of them at once (though they might end up with databases that will not be needed, or not for some time), and that way they make sure they do not miss setting up SA T-Yields for other crops/P/T planted on that land in subsequent crop years. And while the SA T-Yield might be better in subsequent years based on additional years of actual history, a higher SA T-Yield is not guaranteed since some of those years could have a loss.

If you and the insured decide to establish the APH databases only as needed, keep in mind:

- The initial year the land is added to the insured's farming operation, the APH databases set up for that land are considered Added Land databases and the SA T-Yield is identified with an "L" yield descriptor [see 2017 CIH Para. 1771 & 1774A(5)].
- In subsequent years, the APH databases for other crops/P/T planted on that land are set up according to the procedure for New Crop/P/T Databases and the SA T-Yield is identified with a "C" yield descriptor [2017 CIH Para. 1788]. The insured must remember to request use of the SA T-Yield [Para. 1774A(1)] and remember the year the land was added to the operation since cropland acreage limitations are based on that year [Para. 1775B(1)], although the SA T-Yield will be based on the simple average of all the approved APH yields for other databases of the same crop/P/T with actual history the year the SA T-Yield is calculated [Para. 1774A(3)].

Excerpts from Sections 9 & 10 of the 2017 CIH are copied below for reference.

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## **Section 9 Added Land**

### **1771 General Information**

The added land procedures in this section are applicable for all Category B APH crops when cropland is added to an insured's farming operation in a county in the current crop year.

...

### **1774 Methods for Determining Approved APH Yields for Added Land**

#### **A. Use of SA T-Yields**

- (1) When an insured requests the use of SA T-Yields by the PRD, but no later than the ARD, ...

...

- (3) SA T-Yields are determined based on the crop year the APH database is established, by crop/P/T/TMA.

- (a) SA T-Yields are calculated using the approved APH yield from each of the insured's existing APH databases in the county that have at least one year of actual/assigned yields, by crop/P/T/TMA, ...

...

- (5) To calculate a SA T-Yield for a new APH database (new BU or separate OU, or separate APH database within an existing unit) for added land, use the following steps in order. An "L" yield descriptor is used to identify SA T-Yields for added land see Exh. 17. ...

...

### **1775 Cropland Acreage Limitations**

...

#### **B. Determining Cropland Acres**

All acres that meet the definition of cropland shall be included when determining the total

number of acres for added land and cropland acreage limitation purposes.

- (1) Determine cropland acreage limitations based on the crop year the cropland acreage is obtained (purchased or leased) by the insured. ...

...

## **Section 10 Yield Determinations That Do Not Qualify as Added Land**

...

### **1788 New Crop/P/T APH Databases**

When an insured grows a crop/P/T for the first time within a unit or APH database and the crop/P/T has been produced within the farming operation, determine the approved APH yield based on the following.

- (1) For cropland that was part of the farming operation six or more crop years prior to the current crop year, use the SA T-Yield calculated in accordance with Para.1774A to establish the approved APH yield.
- (2) For cropland added to the farming operation in five or fewer crop years (i.e., current crop year - 5), cropland acreage limitations for added land apply. Cropland acreage limitations are determined based on the year the cropland acreage was added, not the crop year in which the APH database is established.

...

- (3) Use the “C” yield descriptor to identify SA T-Yields used to establish new APH databases for a new crop/P/T see Exh. 15.

...

#### **AIP RESPONSE**

Do you interpret that we have the ability to adjust the SA database for the one that hasn't been planted to apply the SA applicable for this crop year when it was planted?

#### **NCIS RESPONSE**

I have answered similar questions in previous years, based on RMA's 9/15/2011 response to one of those questions: "...once an APH database has been established, it cannot be revised in a subsequent year to add a SA T-yield

to replace a variable T-yield or a lower SA T-yield even if the APH database contains no actual history.” It does not appear that this answer would have changed since 2011 since 2017 CIH Para. 1774A(7) states:

- 
- (7) Do not update SA T-yields in subsequent years once calculated and recorded in an APH database. However, correct SA T-Yields if one or more of the following applies:
- (a) SA T-Yield recorded in APH database was calculated incorrectly, including when a SA T-Yield is calculated using an existing unit’s approved APH yield before reductions were made to the approved APH yield; or
  - (b) approved APH yield or adjusted yield of one or more of the existing APH databases used to calculate the SA T-Yield was incorrect.
- 

However, since it appears the AIP thought the Added Land procedure required them to establish those APH databases the initial year the land was added rather than on an “as needed” basis, they are wondering if they can correct those APH databases that do not yet have any actual history. I do not think this is considered one of the “corrections” authorized in Para. 1774A(7) [also do not think this would be considered an agent error], but thought I would send it over for verification. My recollection is that part of the reasoning behind this was that we did not want agents and AIPs to have to re-calculate APH databases every year so insureds could switch back and forth between the SA T-Yield and the standard variable T-Yield after each year’s history was added. But in general, we do not want insureds to be penalized for something that was not of their own making. Would this be a situation where the AIP could request consideration, perhaps through their RMA account representative?

#### RMA RESPONSE

We agree with your responses. The AIP is not required to setup all possible added land APH databases the initial year. Once an APH database has been established, it cannot be revised in a subsequent year to add a SA T-yield to replace a variable T-yield or a lower SA T-yield even if the APH database contains no actual history. Therefore, this is not a situation which would be a correction authorized in Para. 1774A(7) .

# QUESTION 17-105

## APH PROCEDURE

### AIP QUESTION

2017 CIH page 227. See Situation below.

[2017 CIH Para. 1510C]

#### ***C. Land is Transferred to Another Person Who is Not a New Person***

*If land with acreage and production history is transferred from a person (transferor) to a different person that insures the same crop on a different policy (transferee), the acreage and production history must be transferred to and/or certified by the transferee for the current crop year if:*

*(1) the transferee shared in the insured crop's production with the transferor as a tenant, landlord, member of a partnership, member or owner of a corporation, spouse, co-owner, etc., in previous crop years;*

*(2) the transferor is a member of the entity to which the land was transferred; or*

*(3) the acreage was transferred on or before the PRD for the current crop year. For acreage transferred after the PRD, the acreage and production history must be transferred/certified by the transferee by the PRD for the following crop year.*

*An incomplete or unacceptable production report for the crop year results when the transferee fails to report acreage and production for the applicable crop year. For carryover insureds, assigned yield provisions apply; however, the acreage and production from the acreage transferred must be used the succeeding crop year.*

*For new insureds, continuity of production reports is broken. Members of an entity include owners and stockholders of a corporation, partners of a partnership, persons insured as co-owners or joint ventures, etc.*

*Acreage and production history for previous crop year(s) must not be transferred/used by another person who did not share in the insured crop's production unless the transferor is a member of the entity to which the land was transferred or the transferee and transferor share in the insured crop's production for the current crop year.*

**Situation:** CCIP Policy for corn, soybeans, rice and grain sorghum was transferred to AIP beginning with 2014 crop year. The Policyholder Joe, insured as a spousal policy, farms in several locations. He has more than a dozen separate optional databases set up. Several have 2 -5 years with actual yields back as far as 2003. In 2016 he brought in new land at 100% T at acreage reporting time. Now during a review, we find this land had been farmed for the last several years by Corp A of which Joe has an SBI.

Based on language in CIH (including this language above) it looks to us that he should have brought in the history from Corp A but he did not. We did discover he knew he was farming this land prior to the PRD for 2016.

Our question relates to what is the proper way to establish his 2016 database for this new location? The Corp has yield history for this location with actual yields in 2014, 2012, 2011, 2008 and 2003.

Do we use assigned yields for all corn databases that have acres in the same 5 years? And what if you can't figure out what the assigned yield should have been?

How do we construct this database on Joe's policy for 2016? How will this impact the other 15 or so databases?

#### NCIS RESPONSE

Based on the situation as described and the procedure as written, I agree that since Joe is a member of Corporation A, it looks like Joe should have transferred the previously certified history from the Corporation policy to his Spousal policy instead of setting up the transferred land as "new" with 100% T-Yield (based on 5 years of history certified on his existing APH databases at the time). You indicate the land transfer happened before the 2016 PRD, though he did not report the "new" land on his policy until ARD (when it was too late to certify any actual history). Therefore, he did not provide acceptable production reports for ALL land in his farming operation, which means any 2015 actual yields on his other units/databases cannot be used and assigned yields (and loss of optional units) would apply to all APH databases with planted insurable acres except for those with loss records. In addition to your reference to 2017 CIH Para. 1510C, also see Para. 1503B & 1302D [copied below].

As for your question about what to use if you can't figure out what the assigned yield should have been, I might have to verify this with RMA. (I'm assuming you are asking about the APH databases for the transferred land since they would not have a "prior approved APH yield" from Joe's own policy, and the assigned yield cannot be based on the Corporation policy's prior approved APH yield since the prior history was not transferred to Joe's policy.) It seems like this must have come up before but so far I've only found cases where there was no prior approved APH yield because the policy had switched from ARPI (or GRP/GRIP in earlier years) to an APH-based plan. That is addressed in CIH Para. 1302D(2), with instructions to use 65% T-Yield as the assigned yield, but I'm not sure if this extends beyond those plan-switching situations. Let me know if you want me to check with RMA on that and/or any of the rest of this.

### 1302 Acceptable Production Report (continued)

#### D. Acceptable Production Reports Not Provided

(1) For CCIP policies, assigned yield provisions apply to carryover policies on an APH crop year basis to APH databases (units, P/T/TMA) that had planted acres (except for units with claims for indemnities) if an acceptable production report for the prior crop year is not provided by the PRD. See Para. 1306C.

(2) For ARPI policies, ...

If the insured subsequently switches to a CCIP policy in the following crop year, the insured will be subject to assigned yields and related procedures. Since there is not a prior crop year's approved APH yield available, the assigned yield will be 65 percent



of the applicable T-Yield. ...

...

## 1503 Types of Yields (Continued)

### B. Acceptable Production Reports Not Submitted

For carryover insureds when acceptable production reports are required but not submitted for all units, the APH database will be updated in the following order when applicable:

- (1) actual yields and appraised potential production from loss claims, if any.
- (2) assigned yields – 75 percent of the prior year’s approved APH yield for the same unit (by area classification, P/T/TMA).
- (3) variable T-Yields, when no prior approved yield exists, and there are less than four years of actual and/or assigned yields available for the APH database. See Para. 1503A.

The insured will not qualify for OUs unless loss records account for all units, or other exceptions apply see Para. 1024-1027.

#### RMA NEEDS CLARIFICATION

We need a clarification before we can respond. The AIP stated “We did discover he knew he was farming this land prior to the PRD for 2016.” When did the transfer of land take place, on or before the PRD or after the PRD?

#### AIP RESPONSE

Over a month before the PRD.

#### RMA RESPONSE

We agree. Since the transfer of land occurred prior to the PRD, the insured did not provide acceptable production reports for ALL land in his farming operation, which means any 2015 actual yields on his other units/databases cannot be used and assigned yields (and loss of optional units) would apply to all APH databases with planted insurable acres except for those with loss records. If the prior year’s approved yield cannot be determined, then use 65% of the T-Yield (identified as an assigned yield using a P yield descriptor) since 75% of the prior year’s approved APH yield cannot be determined.

#### AIP RESPONSE

Ok, I agree with the assigned yield procedure you described. That would apply to the 2015 year yields in these databases.

The question I still have relates to the other yields in the databases in particular for the land that is being added to the operation (where he should have reported history but didn't) .

If the 2015 year is assigned yield... what goes in for the other years (i.e. 2014, 2013, 2012...) where he may have planted or not but didn't report those either?

#### AIP ADDITIONAL RESPONSE

Following up as we still have a question we thought was sent to RMA but haven't heard a response.

Using the same scenario as below we recognized that as we prepare the 2016 databases... the most recent year (2015) will need to be assigned yields.

Our question is, what do we do for the other years? We have the existing databases and then the new ones being brought that were previously farmed by his Corp A.

So the next year back (2014), since the new land had acres with the Corp but not reported on this individual policy, do we use Assigned Yields on all the databases for 2014?

Then the next year back in database (2013) do we leave the yields as reported on the existing databases because the new land did not have the crop planted?

And then, do we just keep going back one year at a time like that? At what point does continuity come in.? ( i.e. he has only been insured with us since 2014 and not sure if he was insured all those years prior to that)... which, aren't assigned yields only supposed to apply to carryover insureds?

Please help clarify what our approach to these databases should be. This is not a small matter.

#### NCIS RESPONSE

I found a question from January 2013 that involved a policy with a 2012 loss that led to a 3-year APH review; the AIP discovered the insured had acceptable records for 2009 but not for 2010-2011, so they needed to replace the 2010-2011 actual yields with assigned yields. The CIH procedures only address assigned yields for the most recent APH crop year (standard procedure), not multiple prior years. But we agreed that to determine the assigned yield to use in place of the 2010 yield reported, the AIP would have to determine the prior APH yield (if there was one) in order to calculate the assigned yield (75% of the prior APH yield), and then recalculate the 2011 approved APH yield; then repeat the process to determine the assigned yield to enter in place of the 2011 yield and recalculate the 2012 approved APH yield. The process potentially could result in changes in the unit structure, amounts of premium and any indemnities, etc. At that time, we did not think it was necessary to ask RMA for verification.

Therefore, in your case (where the individual with a Spousal policy is also SBI to a Corporation policy and failed to provide acceptable production reports to transfer prior history from the Corporation), you would have to start with the earliest year that must be recalculated. If there was a prior APH yield (approved APH yield from the previous year), you would use that to determine the assigned yield and recalculate the revised approved APH yield, then repeat the process for the subsequent years. If there was not a prior APH yield at the beginning of that process (if not previously insured so not a carryover insured), then you would start with 65% T-Yield for that earliest year and then determine assigned yields from that point forward.

Let me know if you still want me to send this to RMA for verification.

#### AIP RESPONSE

I think an affirmation from RMA would be a good idea. The difference ... in your example, the insured didn't have acceptable records those years and so they were considered to be unacceptable production reports.

But for the databases that are existing on Joe's policy, which had acceptable production reports up until now... now all of a sudden we are saying those back years are not acceptable production reports because for this new land you added in 2016... you didn't report the yields on it to us?

And those existing databases likely had an approved yield before, but for a back year like 2008 I am not sure how we can ever come up with what it was as they were not insured with us then. Thus we'd have to remove a yield we believe to be correct (that was on an acceptable production report at one time) and replace it with 65% T.

I am not sure this is the correct approach either so I would like the question posed to RMA.

#### NCIS TO RMA

See AIP's follow-up, requesting verification in this situation with reference to paragraph following 1510C(3) regarding unacceptable production reports & assigned yields.

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[2017 CIH Para. 1510C excerpt]

#### C. Land is Transferred to Another Person Who is Not a New Person

If land with acreage and production history is transferred from a person (transferor) to a different person that insures the same crop on a different policy (transferee), the acreage and production history must be transferred to and/or certified by the transferee for the current crop year if:

- (1) the transferee shared in the insured crop's production with the transferor as a tenant, landlord, member of a partnership, member or owner of a corporation, spouse, co-owner, etc., in previous crop years;
- (2) the transferor is a member of the entity to which the land was transferred; or
- (3) the acreage was transferred on or before the PRD for the current crop year. For acreage transferred after the PRD, the acreage and production history must be transferred/certified by the transferee by the PRD for the following crop year.

An incomplete or unacceptable production report for the crop year results when the transferee fails to report acreage and production for the applicable crop year. For carryover insureds, assigned yield provisions apply; however, the acreage and production from the acreage transferred must be used the succeeding crop year.

...

## RMA RESPONSE

We agree with your response.

If the transfer of land occurred before the PRD and the insured failed to transfer and/or certify the prior acreage and production history they had as a SBI of the Corp to their spousal policy, assigned yields would apply to each crop year that should have been transferred (except for years with loss records).

For Example:

For land transferred in 2016 prior to PRD, in which the Corp had acreage and production history for 2003, 2008, 2011, 2012, and 2104 they would get assigned yields for each crop year (except for years with loss records). For the 2003 crop year, if the prior year's approved APH yield is not know you would start with 65% of the applicable T-yield. In this case the 2016 APH database would be as follows if the applicable T-yield was 100 and the insured has no loss records for any of the years:

2003 - Approved APH Yield = 65

2008 – Approved APH Yield = 49 (65 x .75)

2011 – Approved APH Yield = 37 (49 x .75)

2012 - Approved APH Yield = 28 (37 x .75)

2014 - Approved APH Yield = 21 (28 x .75)

2016 - Approved APH Yield = 16 (21 x .75)

For 2017, the acreage and production from the acreage transferred must be used the succeeding crop year.

## AIP RESPONSE

It appears you are calculating the Assigned Yield and calling it the Approved Yield. The database would not decline as rapidly as you show.

Only the most recent year would get a new assigned yield each time, not all the yields in the database getting the same new assigned yield each time. Agreed?

## RMA RESPONSE

You are correct and our calculation was not correct. Sorry for the confusion. The calculation should be as follows:

Assuming the T-yield was 100, the 2016 approved APH yield would be 42.

2003 APH database - 65, 65, 65, 65 = Approved APH Yield = 65

2008 APH database -65, 65, 65 & 49 (.75 x 65) Approved APH Yield = 61

2011 APH database - 65, 65, 49, & 46 (.75 x 61) Approved APH Yield = 56

2012 APH database - 65, 49, 46, & 42 (.75 x 56) Approved APH Yield = 51

2014 APH database - 49, 46, 42, & 38 (.75 x 51) Approved APH Yield = 44

2016 APH database - 49, 46, 42, 38, & 33 (.75 x 44) Approved APH Yield = 42

# QUESTION 17-106

## ARPI SEED CORN – PRODUCTION REPORTS

### AIP QUESTION

ARPI seed corn in Muscatine County, IA has a production reporting date of 2/15 (AIB- Dates Tab) and the ARPI Basic Provisions state:

#### **8. Report of Acreage and Production.**

...

(I) An annual production report must be submitted, unless otherwise specified in the Special Provisions, to us on our form for each insured crop (separate lines for each type and practice) in the county by the production reporting date specified in the actuarial documents.

Since there is nothing in the ARPI Corn Crop Provisions or the Special Provisions that specify otherwise, we believe a production report is required.

Another AIP is stating that a production report is not required because of the following statement in the Special Provisions:

#### **Muscatine County, IA Special Provisions:**

\*5 Seed is hybrid seed corn. Only female acres planted for the commercial production of hybrid seed corn is insurable. Hybrid seed corn must be grown under a hybrid seed corn processor contract executed on or before the acreage reporting date. Male acreage planted for the commercial production of hybrid seed corn is not insurable.

Can you please provide clarification of whether or not a production report is required?

### NCIS TO RMA

Forwarding this for verification. There have been questions before about being able to insure hybrid seed corn on a Hybrid Seed Corn policy and grain corn on an ARPI Corn policy (but not the other way around) but I don't recall any questions about whether a production report is not required for the Seed Corn type insured under the ARPI Corn policy. My initial thought is that since Seed Corn is a "type" under the ARPI Corn crop policy, the production reports required for ARPI policies would have to include the Seed type in order to account for ALL acreage and production of the insured crop (ARPI Corn). And, as the AIP points out, there is a Feb 15 production reporting date listed in the actuarial documents for all ARPI Corn types, including the Seed type (009). But does the SPOI statement that "Seed is hybrid seed corn" mean that the production report requirement does not apply to the Seed type under the ARPI Corn policy? (Or would that be true only if all the acreage and production insured on the ARPI Corn policy is Seed corn?)

### RMA RESPONSE

If hybrid seed corn is insured under ARPI, the production report for corn that is required would also have to include the production for the hybrid seed corn type.

# QUESTION 17-107

## CIH 2018 CHANGES

### AIP QUESTION

On the summary of changes, it says that 1304I was added procedure to for UUF/third party acreage in APH... BUT... 1304I doesn't exist. It stops at H.

I'm in the 2018 CIH – June 2017 edition

Para. 1304I	<del>insurable unavoidable loss (UUF) or third party damage.</del> Added procedure to address acreage contained in an APH database damaged by UUF or third party damage.
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### I 1304 Production Included on Production Report and in the APH Database..... (continued)

#### H. Acreage affected by Prohibited Substances (Continued)

- (a) before the ARD, a RO Determined Yield must be requested for the change in practice; or
- (b) after the ARD, the crop is insurable as it was reported; however, if the prohibited substance results in a change in practice for the subsequent crop year, a RO determined Yield must be requested in the subsequent crop year.



### 1305 Production Included on Production Report but not in the APH Database

Include all production from the following acreage types on the production report but do not include in the APH database.

### NCIS RESPONSE

A couple of the UUF/Third Party Damage entries on the 2018 CIH Summary of Changes were not updated after parts of the procedures were moved around as a result of comments to early drafts.

- What was Para. 1304I in an early draft ended up in Para. 1305G.
- What is listed as Para. 1305G in the preceding SOC entry ended up in Para. 1304A(1).

# QUESTION 17-108

## CROP ROTATION

### AIP QUESTION

In regards to crop rotation, if a crop was totally hailed out (we have given it a zero appraisal due to hail on June 9th), is there any wiggle room with the growth being terminated by chemical or mechanical means, so insured could plant dry beans on the acreage next year and beans would be insurable??

### NCIS RESPONSE

Just because the appraisal was zero does not mean that all growth has been terminated. The insured must ensure that **all plant growth is terminated by chemical or mechanical means**. It seems clear that the intent is for the destruction to be from chemical or mechanical means.

From the SP:

Insurance will not attach to any acreage on which dry beans, canola, crambe, mustard, rapeseed, soybeans, or sunflowers have been planted in the preceding crop year. A crop which was planted and then all plant growth is terminated by chemical or mechanical means prior to June 15, will not be considered to be planted for rotational purposes ONLY. The insured is responsible to provide proof of insurability.

# QUESTION 17-109

## DESTROYING CROP

### AIP QUESTION

We are in a really dry area in eastern Montana. We have a lot of crop that has not came up, due to no moisture. There are fields that might be 50% emerged and ones that are not. My question is once this crop has been adjusted what are the requirements of destroying these acres. Working the ground is not an option because it is so dry it will blow.

Can they leave it to save the ground.

### NCIS RESPONSE

Yes, it is possible to leave the crop to reduce/prevent wind erosion. See paragraph 1241 in the LAM.

#### **1241 Modification of Requirement to Destroy Crop Before Indemnification**

(1) When crops are planted in low level soil moisture that continues to stay low, it often results in extremely poor germination of the crop with very little or no survival of what did germinate. When areas of the country that are subject to wind erosion experience this situation, it is unlikely that producers in those areas can establish any cover crop to keep the topsoil from blowing. To deter wind erosion in these areas, the county NRCS, soil specialists from the local CES, etc., may recommend that the existing soil surfaces not be disked, plowed, etc., in order to preserve existing soil surfaces and existing plants and plant residue.

(2) If conditions exist as described in item (1) and the county NRCS, County Food & Agriculture Council, and/or a soil specialist from the CES recommend that existing soil surfaces, plants and plant residue not be disturbed by disking, plowing, etc., in order to deter wind erosion, the AIP may authorize finalization of claims prior to destruction of the crop. This authorization is to be used only if the insured certifies that the crop will not be harvested and the acreage will be put to its intended other use when there is sufficient moisture. These procedures apply to immature and mature UH crop acreage.

(3) Obtain the insured's certification that the crop will not be harvested on the Certification Form at the time the claim is signed. Complete the Certification Form as instructed in this handbook, with these exceptions:

(a) Intended Use Enter the insured's intended future use.

(b) Actual Use Enter N/A.

(c) Date Enter N/A.

(d) Remarks Enter any pertinent information.

(e) Insured's Obtain insured's signature and date of signature. (The form

Signature should be signed on the same day that the claim is signed.)

& Date



(f) Accepted or Mark “Accepted” or “Rejected,” as appropriate.

Rejected

(g) Code No. and Adjuster’s signature, code and date of signature.

Field Person’s (The form should be signed on the same day that the insured

Signature signed the PW.)

(4) If this authority is utilized, the AIP will monitor the insured’s certified disposition of the crop by implementing a random review of not less than ten percent (10%) of such claims after sufficient moisture is received to allow destruction of the crop.

(5) In the event that it is found that a crop has been harvested from the released acreage and the harvested production is greater than the appraised production, a corrected claim will be prepared using the harvested production if the amount of indemnity will be reduced.

(6) Include in the insured’s loss file the following, but not limited to:

(a) The written recommendation from the NRCS, soil specialist from CES, or other acceptable entity to not disturb the soil surface, crop, or crop residue;

(b) Pictures documenting this condition;

(c) The certification form signed by the insured and adjuster; and

(d) Paperwork from any random review of this unit.

# QUESTION 17-110

## FORAGE UNDERWRITING REPORTS – CROP INSPECTIONS

### AIP QUESTION

Regarding crop inspections when there is missing information on the Forage Underwriting Report (FUR) or if a FUR is not completed timely:

CIH Exhibit 17J(2) seems to contradict the language in the last paragraph. (See highlights below.) Are AIPs allowed to do crop inspections after the date insurance attaches if there is missing information on the FUR or if a FUR is not completed timely?

### **CIH Exhibit 17 - J. Forage Production Underwriting Report**

The forage CP provide that insurance will not attach on any acreage that does not have an adequate stand at the beginning of the insurance period. An adequate stand is a population of live forage plants that equals or exceeds the minimum required number of plants per square foot as shown in the SP.

The purpose of the Forage Production Underwriting Report is to identify each field and to certify basic information needed to determine type classification, unit structure, and insurability of the stand (age of stand and adequacy of plant count). This information will be used to update the APH form before requesting an Approved APH Yield for the upcoming crop year, and also to complete the acreage report:

(1) All insureds must complete the Forage Production Underwriting Report for each field of forage production and submit a copy of the report to the AIP before insurance attaches.

(2) Crop inspections, if needed, are made before the calendar date for the beginning of the insurance period.

(3) If a Claim for Indemnity was filed the preceding crop year and an adequate stand was determined, the Claim for Indemnity Report will be used to determine insurability.

If the insured does not complete the Forage Production Underwriting Report, or does not complete in an acceptable manner, AIPs must obtain the required information or deny coverage for the crop year. If the crop is damaged prior to application or the date insurance should have attached, the insurance does not attach.

### NCIS RESPONSE

I found similar questions had been asked before (May 2012 & April 2014); the Forage Production Underwriting Report procedure does not appear to have changed in this respect so RMA's responses then should still apply, saying [in their 4/7/14 response]: "An acceptable completed Forage Production Underwriting Report must in place at the time insurance attached or coverage must be denied. If the insured submits an unacceptable Forage Production Underwriting Report

prior to insurance attaching, the AIP can obtain the required information or deny coverage. If the AIP decides to obtain the required information, they must make the determination for the information missing (e.g. acres, stand, etc.). The AIP can't allow additional time for the insured to provide the missing information. In order to revise the acreage report, it would have to meet the requirements for allowing a revision to the acreage report." [I've copied the complete questions/answers from 2012 & 2014 below in case you want to see the background and references behind this 2014 answer.]

So the statements in 2018 CIH Exhibit 17J do not actually contradict each other if taken in this context. The opportunity in the last paragraph for the AIP to "obtain the required information" is most likely to come into play if the insured submitted an incomplete Forage Production Underwriting Report far enough ahead of the deadline to allow the AIP to do the crop inspection. If an incomplete Underwriting Report is received at the last minute, or is not received at all, the AIP's response would have to be to "deny coverage for the crop year."

- J(2): "Crop inspections, if needed, are made before the calendar date for the beginning of the insurance period."
- Last paragraph: "If the insured does not complete the Forage Production Underwriting Report, or does not complete in an acceptable manner, AIPs must obtain the required information or deny coverage for the crop year. ..."

=====

Q. [AIP to NCIS, 4/2/14] We previously received confirmation from RMA that an underwriting report had to be submitted prior to insurance attaching or coverage was to be denied.

If a producer submits an underwriting and acreage report timely, but some acres were missed on the underwriting and acreage report, can a revised acreage report be submitted and revised acreage report procedures be followed and an inspection done in the spring to determine if there is an adequate stand for insurability?

[Included copy of May 2012 correspondence.]

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[AIP to NCIS, 5/1/12] We have an agent in an area where insurance attaches on forage production with an adequate stand on October 16 and the acreage reporting date is November 15.

The Forage Production Crop Provisions are silent as to the requirement to submit a Forage Production Underwriting Report. Information regarding the underwriting report can be found in CIH [Exhibit] 15 J. It states under (1)(a) that all insureds must complete the Forage Production Underwriting Report for each field of forage production and submit a copy of the report to the AIP before insurance attaches. The agent interprets this to mean that if the forage underwriting report is not submitted until the acreage report is submitted that the insured does not have coverage until that time, and that insurance would attach when the underwriting and acreage reports are submitted.

I believe that the language in Section 7 of the Forage Production Crop Provisions indicating when insurance attaches also indicates when the underwriting report has to be submitted and that the crop provisions supersede the CIH. The agent is requesting verification that our interpretation is correct. Do you have anything that you could provide us to verify if this is correct?

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[NCIS to RMA, 5/4/12] The question is when the Forage Production Underwriting Report must be submitted by the insured to the AIP. The agent argues that, although the policy date for when coverage attaches is October

16, the Underwriting Report can be submitted with the acreage report by the November 15 ARD and coverage simply won't attach until then. The AIP reads the policy and procedure [2012 CIH Exhibit 15J] as requiring the Underwriting Report be submitted BEFORE coverage attaches on October 16.

Similar questions were asked for the 2003 and 2005 crop years, and the language in the CIH has changed some since then so I decided I had better send this over for verification, though in general I agree with the AIP's position. The Forage Production Crop Provisions list the applicable calendar dates for when coverage attaches; there is nothing to indicate that coverage can attach the later of that calendar date or the date the Underwriting Report is submitted.

The Forage Production Underwriting Report was originally established so that AIPs would not have to do a crop inspection for every Forage Production policy every year, only if a satisfactory Underwriting Report was not submitted timely. The language in 2012 CIH Exhibit 15J [copied below for reference] is not as specific about the relationship to the need for a crop inspection. It states the Underwriting Report is used to update the APH database and complete the acreage report [15J(1)]; it must be submitted before insurance attaches [15J(1)(a)]; and if it is not completed satisfactorily, the AIP either "...must obtain the required information or deny coverage for the crop year..." [15J(2)]. 15J(1)(b) states that "Crop inspections, if needed, are made before the calendar date for the beginning of the insurance period." If the crop inspection is how the AIP would "obtain the required information", then as I read it, if the Underwriting Report is not submitted BEFORE October 16, leaving enough time for the crop inspection to be completed by that date, then coverage would have to be denied. Is this correct, or is there another method by which the "required information" could be obtained? Or can the crop inspection be done at a later date and if it is acceptable, coverage would attach retroactively to October 16? (That could be problematic, though, if the crop is damaged before the inspection is done.)

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2012 CIH Exhibit 15J [page 690]:

J Forage Production Underwriting Report.

(1) General Instructions.

The forage CP provide that insurance will not attach on any acreage that does not have an adequate stand at the beginning of the insurance period. An adequate stand is a population of live forage plants that equals or exceeds the minimum required number of plants per square foot as shown in the SP. The purpose of the Forage Production Underwriting Report is to identify each field and to certify basic information needed to determine type classification, unit structure, and insurability of the stand (age of stand and adequacy of plant count). This information will be used to update the APH form before requesting an Approved APH Yield for the upcoming crop year, and also to complete the acreage report

(a) All insureds must complete the Forage Production Underwriting Report

for each field of forage production and submit a copy of the report to the AIP before insurance attaches.

(b) Crop inspections, if needed, are made before the calendar date for the beginning of the insurance period.

(c ) If a Claim for Indemnity was filed the preceding crop year and an adequate stand was determined, the Claim for Indemnity Report will be used to determine insurability.

(2) Completion Instructions. If the insured does not complete the Forage Production Underwriting Report, or does not complete in an acceptable manner, AIPs must obtain the required information or deny coverage for the crop year. If the crop is damaged prior to application or the date insurance should have attached, the insurance does not attach.

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2001 Forage Production Crop Provisions excerpts:

6. Insured Crop.

(b) In addition to the crop listed as not insured in section 8 (Insured Crop) of the Basic Provisions, we

will not insure any forage that:

(1) Does not have an adequate stand at the beginning of the insurance period;

7: Insurance Period.

In lieu of the provisions of section 11 of the Basic Provisions:

(a) Insurance attaches on acreage with an adequate stand on the following dates:

(1) For the calendar year following the year of seeding for:

...(iii) Fall planted forage in Lassen,

Modoc, Mono, Shasta and

Siskiyou Counties California, and

all other states

October 16;

...

(3) For calendar years subsequent to the calendar year following the year of seeding for:

(i) Lassen, Modoc, Mono, Shasta

and Siskiyou California counties,

and all other states

October 16;

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[RMA RESPONSE, 5/10/12] If the Underwriting Report is not submitted prior to the date insurance attaches (October 16th in the example below) as outlined in the CP then coverage is denied.  
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[NCIS sent to RMA, 4/2/14] The instructions for the Forage Production Underwriting Report in 2014 CIH Exhibit 14 I are essentially unchanged from what was in 2012 CIH Exhibit 15J. The last paragraph states: "If the insured does not complete the Forage Production Underwriting Report, or does not complete in an acceptable manner, AIPs must obtain the required information or deny coverage for the crop year. ..." So if the Underwriting Report is incomplete at the time insurance attaches, can the AIP allow some additional time for the missing information to be provided, or must they deny coverage?

A. [RMA, 4/7/14] An acceptable completed Forage Production Underwriting Report must in place at the time insurance attached or coverage must be denied. If the insured submits an unacceptable Forage Production Underwriting Report prior to insurance attaching, the AIP can obtain the required information or deny coverage. If the AIP decides to obtain the required information, they must make the determination for the information missing (e.g. acres, stand, etc.). The AIP can't allow additional time for the insured to provide the missing information. In order to revise the acreage report, it would have to meet the requirements for allowing a revision to the acreage report.

-----  
[Complete 2014 CIH Exhibit 14I copied below for reference]

[2014 CIH Exhibit 14I: Forage Production Underwriting Report]

The forage CP provide that insurance will not attach on any acreage that does not have an adequate stand at the beginning of the insurance period. An adequate stand is a population of live forage plants that equals or exceeds the minimum required number of plants per square foot as shown in the SP.

The purpose of the Forage Production Underwriting Report is to identify each field and to certify basic information needed to determine type classification, unit structure, and insurability of the stand (age of stand and adequacy of plant count). This information will be used to update the APH form before requesting an Approved APH Yield for the upcoming crop year, and also to complete the acreage report:

(1) All insureds must complete the Forage Production Underwriting Report for each field of forage

production and submit a copy of the report to the AIP before insurance attaches.

(2) Crop inspections, if needed, are made before the calendar date for the beginning of the insurance period.

(3) If a Claim for Indemnity was filed the preceding crop year and an adequate stand was determined, the Claim for Indemnity Report will be used to determine insurability.

If the insured does not complete the Forage Production Underwriting Report, or does not complete in an acceptable manner, AIPs must obtain the required information or deny coverage for the crop year.

If the crop is damaged prior to application or the date insurance should have attached, the insurance does not attach.

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# QUESTION 17-111

## FRESH APPLE CERTIFICATION

### AIP QUESTION

Please clarify whether verifiable records to certify that at least 50 percent of the production from acreage reported as fresh apple acreage from each unit was sold as fresh apples in one or more of the four most recent crop years must be from insurable acreage. The Apple Production and Processing apple production definitions in the Apple Crop Provisions Section 1 calls out 'from insurable acreage' but the Fresh apple production definition states 'from acreage that is designated as fresh apples on the acreage report' and doesn't specify insurable. The CIH language talks about acceptable records for certifying the 50% threshold but does not specify the records must come from insurable acreage. It would be helpful to provide clarification in the upcoming 2018 CIH. Thank you.

### Apple Crop Provisions

#### 1. Definitions.

**Apple production** - All fresh apple production and processing apple production from insurable acreage.

#### **Fresh apple production –**

##### (1) Apples:

(i) That are sold, or could be sold, for human consumption without undergoing any change in the basic form, such as peeling, juicing, crushing, etc.;

(ii) From acreage that is designated as fresh apples on the acreage report;

(iii) That follow the recommended cultural practices generally in use for fresh apple acreage in the area in a manner generally recognized by agricultural experts; and

(iv) From acreage that you certify, and, if requested by us provide verifiable records to support, that at least 50 percent of the production from acreage reported as fresh apple acreage from each unit, was sold as fresh apples in one or more of the four most recent crop years.

(2) Acreage with production not meeting all the requirements above must be designated on the acreage report as processing apple production.

**Processing apple production** - Apples from insurable acreage failing to meet the insurability requirements for fresh apple production that are:

(1) Sold, or could be sold for the purpose of undergoing a change to the basic structure such as peeling, juicing, crushing, etc.; or

(2) From acreage designated as processing apples on the acreage report.

### CIH:

#### 1943 Apples

#### A. Acceptable Production Evidence for APH



Acceptable production evidence including printouts or receipts from each first handler of the fruit for that crop year must show total marketable (as defined in the policy) production (in bushels, bin count, or weight delivered) by variety.

A printout or receipt from a packing shed, processor, auction, marketing cooperative, jobber, commission merchant, sales broker, pick records, see Para. 1421 for acceptable pick records, or a warehouse receipt which shows total production and date of transaction is acceptable. Bin count, cartons, crates or weight must be converted to the appropriate unit of measure.

If insured under the Optional Coverage for Quality Adjustment and a claim for indemnity has been completed, total marketable production from the claim prior to adjustment for quality is used for APH purposes (i.e., U.S. No.1 Processing or better).

## **B. OUs by Fresh and/or Processing Types**

OUs are available for Apples by Fresh and/or Processing types as specified in the SPs. In order to establish OUs for the Fresh type, the insured must certify and, if requested by the AIP, provide verifiable records to support that at least 50 percent of the production from acreage reported as Fresh apple acreage from each unit, was sold as Fresh apples in one or more of the four most recent crop years. These records must indicate the crop, name of the insured, name of the buyer, the minimum production sold as fresh, date the production was sold, the amount of production sold in the applicable unit of measure, and the price. Verifiable records may include: packer or buyer records, daily sales records, and records from a State Marketing Program.

If only a portion of the total apple acreage is reported as fresh, the total amount of production sold must reflect at least 50 percent of the production being sold as fresh. Such records may be used as verifiable records attributable to that portion of the acreage as fresh.

### **RMA RESPONSE**

We have consulted with our apple policy expert and records for this fresh apple certification must be from insured acreage. We are looking at clarifying this in the CIH as well.

### **AIP RESPONSE AND RMA RESPONSE**

We would appreciate further clarification regarding acreage that is added to a unit however is uninsurable at that time due to not having met production minimums. The CIH 1943B(1) provides an example where an insured may use the previous producer's records to prove that at least 50 percent of production was sold as fresh however there is also the situation where the acreage is not acquired but is made up of new trees that have not yet met minimum production to be insurable.

For example:

**For the 2018 crop year, Producer A designates 300.00 acres as fresh on the acreage report**

**Producer A provides verifiable records for the 2015 crop year in order to qualify the acreage as Fresh per the Apple Crop Provisions Section 1 Fresh Apple Production definition (iv).**

**For the 2015 CY, acres designated as fresh are 250.00.**

- **2015 production reported as fresh – 100,000 bushels**
- **Sales record/receipts, pack-out records reflect – 52,000 bushels sold as Fresh**

**For 2015, 50 acres were also added to the unit but were uninsurable due to not having met production minimums in 2015; however the 50 acres is now insurable in 2018. There are no records from previous owner (the land was all owned by the current producer). There are production records available but sales records are not specific to the 50 acres.**

### **Questions:**

- For the 2018 crop year can the previously uninsurable 50 acres qualify for fresh coverage? If so what is the process and what documentation would be required?

**If the added 50 acres has met apple crop production minimums and fresh apple policy minimums and you have records to support this then the acreage would qualify for fresh apple production.**

- What if there was additional production sold as fresh that can be attributed to the uninsurable 50 acres for 2015? For example, 500 bushels. How does the uninsurable 50 acres affect the fresh verification?

**As long as the 1 in 4 years fresh apple production minimum would still be met with those uninsurable bushels excluded it would be acceptable.**

- What if the best sales production records for verifying fresh come from crop year 2015 for the 250 acres but the 50 acres were first added to the unit in 2016 and were uninsurable due to not meeting minimums. How does that affect fresh verification for the 2018 crop year when all acres are now insurable?

**Acceptable records for apples can be found in Para. 1416 A & B, as well as Para. 1943 A of the 2018 CIH. The sales production records provided must match those and must be acceptable for each year of fresh apple coverage to qualify. For 2018 acceptable sales production records need to be available for all acres qualifying for fresh apple coverage.**

## References:

### Apple Crop Provisions

#### 1. Definitions.

##### Fresh apple production –

##### (1) Apples:

(i) That are sold, or could be sold, for human consumption without undergoing any change in the basic form, such as peeling, juicing, crushing, etc.;

(ii) From acreage that is designated as fresh apples on the acreage report;

(iii) That follow the recommended cultural practices generally in use for fresh apple acreage in the area in a manner generally recognized by agricultural experts; and

(iv) From acreage that you certify, and, if requested by us provide verifiable records to support, that at least 50 percent of the production from acreage reported as fresh apple acreage from each unit, was sold as fresh apples in one or more of the four most recent crop years

## CIH:

### 1943 Apples

#### B. OUs by Fresh and/or Processing Types

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If only a portion of the total apple acreage is reported as fresh, the total amount of production sold must reflect at least 50 percent of the production being sold as fresh. Such records may be used as verifiable records attributable to that portion of the acreage as fresh.

(1) An insured may obtain verifiable sales records from the previous producer of the acreage, regardless of whether the previous producer has a share in the current crop year's acreage. The prior producer's verifiable sales records may be used by a carryover insured for any added acreage or by a new insured for insured acreage to meet the fresh apple requirements.

**Example:** Insured H is a carryover insured who has certified 5 years of acreage and production for 10 acres of apples. Insured H has added an additional 10 acres of neighboring farm land from Producer I to his operation with existing mature apple trees to this same unit for the current crop year. Because the acres insured for Insured H has changed from 10 acres to 20 acres for the current year, the insured must be able to show that 50 percent of production from 20 acres was sold as fresh apples in 1 or more of the 4 most recent crop years.

Since the fresh option is based on records of sold production, as long as Insured H provides the AIP with verifiable sales records indicating that 50 percent of the production from the 20 acres was sold as fresh apples in 1 or more of the 4 most recent crop years it is insurable. This may require Insured H to obtain verifiable sales records from Producer I demonstrating that apples from Producer I's 10 acres have been sold as fresh apples in 1 or more of the 4 most recent crop years.

# QUESTION 17-112

## LAND ADDED AFTER THE PRD/ADDED COUNTY ELECTION

### AIP QUESTION

A producer has an individual policy in county A. He has added land in county B. He acquired this ground after the PRD, but before the ARD. The individual does not qualify as New Producer since he was an SBI for an entity with a policy in county B. The individual did not complete any production reports for county B by the PRD, so he will receive 65% of the T yield. The agent believes the insured should still receive 100% of the T since the entity has 3+ years of history and the insured did not know they were adding the land until after the PRD.

My understanding of paragraph 2C below is that the individual would have to complete a production report that contained the history for county B established by the entity, and this would have to be completed by the PRD. Since this was not completed, the variable T will not be calculated based on the entity's prior history.

**F. A Previous or Current SBI Holder of a Business Entity**

- (1) If a person previously held or continues to hold an SBI in a business entity that produced the insured crop in the county for two APH crop years or less, the person may qualify as a new producer if:
  - (a) production reports are filed for those APH crop year(s) for the insured crop on land that is operated by the business entity, the approved APH yield is calculated using the actual yields and 100 percent of the applicable T-Yield, identified with a yield descriptor of "T".
  - (b) production reports are filed for those APH crop year(s) for the insured crop on land that is NOT operated by the new person, the approved APH yield is calculated using 100 percent of the applicable T-Yield, identified with a yield descriptor of "T".
- (2) When the business entity of which a person is a current or previous SBI holder has produced the insured crop more than two years, the person does not qualify as a New Producer if:
  - (a) the insured crop was produced on land currently operated by the person, the insured must file production reports for those APH crop year(s). The approved APH yield is calculated using the actual yields and 100 percent of the applicable T-Yield, identified with the yield descriptor "T", refer to Para. 1509.
  - (b) the insured crop was produced on land that is not operated by the person and production reports are filed for those APH crop year(s). The approved APH yield is calculated using 100 percent of the applicable T-Yield, identified with the yield descriptor "T". The number of years for which production reports are filed must be included in the Actual Yield Year Count on the yield record transmitted to RMA to ensure the appropriate percentage of the variable T-Yield is used in calculation of the approved APH yield.
  - (c) production reports are not filed for all of those APH crop year(s) for the insured crop, regardless of whether that land is operated by the new person, the approved APH yield is calculated using the variable percentage of the applicable T-Yield based on the number of years of production reports filed, if any.

My next question involves the added county designation. Again, the individual has a policy for county A for 2017. The individual is a SBI for another entity with a policy in county B for 2017. The individual acquires land after the SCD in county B. Does the individual qualify to use the added county election for county B? Per the GSH:

### 843 Added County Election for CCIP, ARPI and STAX Policies

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The AIP's Application and/or Policy Change for CCIP, ARPI and STAX policies may provide an election for Category B crops, including pilot Category B crop programs, with the exception of forage production, to allow the applicant/insured to insure the listed crop(s) on land in a county that is added after the applicable SCD for the current crop year.

For the election to be applicable, the crop must be insurable in the county being added, and the insured must not have an interest in any land in the added county as of the SCD for the current crop year. Any interest an insured may have had in land in previous crop years in a county being added does not impact added county election for the current crop year.

As an SBI, the insured would have interest in land in the added county as of the SCD, correct?

#### NCIS RESPONSE

In your first case, the insured has a policy for County A with the Added County Election, which allows for adding coverage for the new land picked up in County B. But since this happened after the PRD, the insured could not submit acceptable production reports for the County B farming operation where the insured was an SBI. You refer to 2017 CIH Para. 1731F(2)(c), which indicates that when that business entity has produced the insured crop more than two years, the SBI-holder does not qualify as a New Producer and if production reports are not filed for those years, "...the approved APH yield is calculated using the variable percentage of the applicable T-Yield based on the number of years of production reports filed, if any." [Also see 2017 GSH Para. 843F, in the Added County Election procedures: "An acceptable production report must be provided on or before the PRD or appropriate variable T-Yield procedures will apply on land located in the added county. ..."] So although the business entity has 3 or more years of history for the crop in County B, this year's coverage under the Added County Election cannot be based on those years of history since acceptable production reports were not (and could not be) filed by the PRD, and as a result, the approved APH yield will be based on 65% of the T-Yield for County B. However, if the insured submits those production reports, they could be held for use in determining the variable T-Yield percentage the following year. [See CIH Para. 1503A(2) and B(2) for more information on determining the applicable variable T-Yield percentage.]

Your second question is whether an insured with land in County A can add coverage to land in County B under the Added County Election if he/she is an SBI-holder for another entity on land in County B for the current (2017) crop year. You refer to 2017 GSH Para. 843 [Added County Election], which states in part [with emphasis added]: "For the election to be applicable, the crop must be insurable in the county being added, and the INSURED MUST NOT HAVE AN INTEREST IN ANY LAND IN THE ADDED COUNTY AS OF THE SCD for the current crop year..." The answer in this case is that there is a distinction between having an insurable interest in the land (and the crop planted on it) and having a substantial beneficial interest in an insured person/entity. [Definition in 2017 GSH Exhibit 1B: "**Substantial Beneficial Interest – An interest held by any person of at least 10 percent in the applicant/insured...**"] So while having a SBI in the other entity in County B can affect the insured's New Producer status (as in the first case), as long as he/she did not have an insurable interest in the crop/land in County B before the new land was obtained, that new land can be covered under the Added County Election. [A similar question was answered to this effect by RMA in April 2010.]

# QUESTION 17-113

## PREVENTED PLANTING ON COTTONSEED

### AIP QUESTION

When cotton with the cotton seed endorsement has run out PP eligibility and it needs to roll/borrow, do you add the value of the lint and cottonseed or just the lint to determine the value for the crop which is the most similar in payment. Conversely, if you run out PP eligibility for corn, do you use the lint only value or lint and cottonseed and create two separate PP payment lines (for lint & cottonseed) if corn is rolled to cotton?

### NCIS RESPONSE

<https://www.rma.usda.gov/handbooks/24000/index.html>

It is about ¾ down on the link.

Page 10 of the Cottonseed Ins. Standards Handbook states the following:

## Section 2 Prevented Planting Loss Adjustment Standards Handbook

### 36 Additional Information to the Prevented Planting Handbook (FCIC-25370) for Cottonseed Only

An additional payment is allowed for prevented planting acreage of cotton lint. Any acreage that qualifies for a payment of prevented planting of cotton lint will receive an additional payment of the same percentage of the cottonseed endorsement guarantee as was applicable to the percentage of the guarantee for the cotton lint. The qualifying prevented planting acres apply to both the cotton lint and the cottonseed. No additional qualifying acres are needed.

Acreage insured under the Cottonseed Endorsement is eligible for a prevented planting payment whenever the same acreage is eligible for a prevented planting payment under the CP. All rules regarding coverage level choices under the CP also apply to the cottonseed since the Endorsement has the same coverage level and prevented planting payment rate as the cotton lint. Any authorized changes in the coverage level or the PP payment rate for the cotton lint also apply to the cottonseed.

When the remaining eligible PP acres for cotton are less than the total number of PP acres, sum the PP payment rate per acre for cotton lint and the PP payment rate per acre for cottonseed.

The sum must be used to find the crop(s)/unit(s) having remaining eligible acres with the most similar (closest) PP payment.

Example: (using the 2013 Texas Cottonseed conversion factor of 1.4440)

PP Guarantee for Cotton Lint		Additional PP Guarantee for Cottonseed	
400	Prod. Guar. (APH x Cov. Level)	577.6	Prod. Guar. (APH x Cottonseed conversion Factor x Cov. Level)
\$0.93	Cotton Lint Price	\$0.11	Cottonseed Endorsement Price
50%	PP Coverage Level for Cotton	50%	PP Coverage Level for Cotton
\$186	Per Acre PP Cotton Lint Guar.	\$31.77	Per Acre PP Cottonseed Guar.

#### \$217.77 Total PP Guarantee

\$217.77 is used to find the crop(s)/unit(s) having remaining eligible acres with the most similar (closest) PP payment.

Please see the Prevented Planting Handbook for further information regarding calculating the PP payment for crops prevented from planting under circumstances wherein the insured does not have an adequate base of eligible PP acreage.



# QUESTION 17-114

## SHORT RATED ACRES AND SECOND CROP

### AIP QUESTION

The Small Grains Crop Provisions states in Section 6(c)(2)

May report all planted acreage as insurable when you report your acreage for the crop year. Premium will be due on all the acreage except as set forth herein. **If the Special Provisions allow a reduced premium amount for acreage intentionally destroyed prior to harvest, you may qualify for such reduction only if you notify us in writing on or before the date designated in the Special Provisions of the intended destruction, and do not claim an indemnity on the acreage.** No premium reduction will be allowed if the required notice is not given or if you claim an indemnity for the acreage. Upon receiving timely notice, insurance coverage on the acreage you do not intend to harvest will cease and we will revise your acreage report to indicate the applicable reduction in premium. If you do not destroy the crop as intended, you will be subject to the under-reporting provisions contained in section 6 of the Basic Provisions.

The Special Provisions contain the following statement:

In accordance with section 6 of the Small Grains Crop Provisions, a reduced premium rate is provided for **acreage intentionally destroyed before harvest by grazing or other means.** To qualify for the reduced premium rate you must notify your agent no later than March 15.

The language above does not require that the short-rated acreage be grazed. It says it can be intentionally destroyed.

A producer reports 44.1 acres of wheat on his acreage report. Prior to March 15 he revises his acreage report to show that 15 acres are short-rated. At that point insurance ceases on the short rated acres and no indemnity can be submitted for the short rated acres. The insured destroys the 15 acres of wheat and plants soybeans on those acres. He completed an acreage report and indicates that the soybeans are second crop.

Since insurance ceased on the short rated acres, the soybeans should not be marked as second crop. Is that correct?

If none of the wheat had headed and soybeans is insurable in the county, they could be insured. Is that correct?

### NCIS RESPONSE

We disagree with the statement that the soybeans should not be marked as second crop since insurance ceased on the short rated wheat acres. Insurance coverage ended early on the wheat acres when the insured notified you the crop would be destroyed and requested a reduced premium rate (short-rate), but the wheat still meets the definition of “first insured crop” in 2017 GSH Exhibit 1B [copied below; also see definitions of “second crop” and “short rated acreage”]. The wheat acreage was reported on the acreage report as “planted for harvest”; insurance attached and an indemnity would have been payable if damage due to an insurable cause had occurred before the insured requested the short-rate revision. Also see 2017 CIH Para. 1232F for procedures on acreage report revisions due to short-rate [excerpts copied below], including Para. 1232F(2), which states that “Short rated acreage is not eligible for a claim for indemnity. However, a year the crop is short rated is considered a year of producing the crop; ...”

As for your question of the insurability of the soybeans planted following the wheat if none of the wheat had headed: Assuming the soybeans are Non-Irrigated, timely planted, and in a county with a SP statement similar to this one, they would be insurable. Since there is not an insurable loss on the short-rated wheat acres, the election to not insure the second crop of soybeans is not available to the insured.

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#### **Practice**

Insurance shall not attach or be considered to have attached to a planted non-irrigated crop on acreage from which, in the same calendar year:

1. A perennial hay crop was harvested; or
  2. A crop (other than a cover crop) reached the headed or budded stage prior to termination, regardless of the percentage of plants that reached the headed or budded stage.
- 

Let us know if you want us to verify this with RMA.

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2017 GSH Exhibit 1B definitions:

**First Insured Crop** - With respect to a single crop year and any specific crop acreage, the first instance that an agricultural commodity is planted for harvest or prevented from being planted and is insured under the authority of the Act. For example, if winter wheat that is not insured is planted on acreage that is later planted to soybeans that are insured, the first insured crop would be soybeans. If the winter wheat was insured, it would be the first insured crop.

**Second Crop** - With respect to a single crop year, the next occurrence of planting any agricultural commodity for harvest following a first insured crop on the same acreage. ...

**Short rated Acreage** – If authorized by the applicable CP and actuarial documents, acreage that will be destroyed prior to harvest and reported to the AIP by the date designated in the crop's SP, the insured will obtain a reduced premium rate.

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2017 CIH Para. 1232F excerpts:

### **1232 Acceptable Revisions for CCIP (continued)**

#### **F. Revisions to Reduce Premium for Acreage Destroyed Prior to Harvest (Short Rate)**

Acreage reports CANNOT be revised after the ARD to remove or reduce premium because the insurable acreage was destroyed prior to harvest, except when the actuarial documents provide a reduced premium rate (short-rate) for acreage destroyed prior to harvest. Short rate provides a reduced premium rate for acreage that will be destroyed prior to harvest and reported to the AIP by the date designated in the crop's SP. If the insured requests such

acreage be designated separately on their acreage report, the AIP must revise the acreage report if the conditions stated in the CP and SP are met.

- (1) Separate line entries are required on the acreage report for the acreage on which insurance will continue and the acreage eligible for the reduced premium rate (short rated acreage).

...

- (c) When timely and proper notification that the acreage will be destroyed is received, the AIP will revise the acreage report and reduce (short-rate) the premium accordingly. Insurance coverage will cease on any acreage the insured does not intend to harvest on the date the insured notifies the agent of such intent.

...

- (2) Short rated acreage is not eligible for a claim for indemnity. However, a year the crop is short rated is considered a year of producing the crop; and is reported as zero production, identified by a “Q” yield descriptor, with the actual acres short rated on the production report and APH database.

...

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# QUESTION 17-115

## TRITICALE

### AIP QUESTION

The Triticale pilot program is handled differently with regards to the contracts it appears. Normal procedure for crops with contracts the actual contract is handed in with the acreage report to verify price, contracted pounds, etc. For Triticale (see below) it states this information needs to be written on the acreage report. Are there substantive form requirements in the new crop's handbook or will the DSSH requirements be updated for this pilot program?

We are just trying to determine if we will need to make adjustments/revisions to the AR to accommodate this pilot program.

### **23 CIH Part 19, Section 1, Triticale**

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#### **A. Insurability Requirements**

- (1) For triticale insured under the APH plan, the triticale policy allows insurance coverage based on the price(s) contained in a buyer's contract(s).
  - (a) Each contract must have a contract price and quantity of production of triticale each of which must be specified and contained in a contract executed between the insured and the buyer.
  - (b) The contract price election is applicable to the insured type only if the total production guarantee for the type is insured using the same contract price.
- (2) If multiple contract prices apply or if only part of the production is contracted, the combination of the different contract prices or contract prices and the applicable price election published in the actuarial documents will be used to determine the weighted average price election, by type, for the policy. This will apply to any insured unit containing the type.
- (3) The election to use the weighted average price election is effectively made when:
  - (a) the insured provides the buyer contracts(s) to the AIP and reports the required buyer contract price and production information on the acreage report containing different contract prices; or
  - (b) the contracts provided only cover a portion of the production guarantee.
- (4) When the weighted average price election is elected:
  - (a) the insured must report the contracted pounds and contract price associated with each contract, by type, for each applicable unit(s);
  - (b) record the contract price(s) and contacted pounds on the **acreage report**, by the applicable unit(s) and type(s);

## NCIS TO RMA

AIP has a question about the additional contract information that must be reported on the acreage report for a Triticale policy with the weighted average price election [per Para. 23A(4)(b) of the Triticale ISH, copied in the AIP's e-mail], indicating this is different from other contracted crop policies. Section 6 [Report of Acreage] of the 2018 Triticale CP appears to have the standard requirement that the insured "...must provide a copy of all contracts to us on or before the acreage reporting date if you choose to use the contract price(s)...", but Para. 23A(4)(b) of the Triticale handbook also requires that the contract price(s) and contracted pounds be recorded on the acreage report form. [This requirement is not specified in CP section 3(b) regarding use of the weighted average price election.]

We're inclined to think this contract information would be entered in the "Remarks" section of the acreage report form rather than adding one or two more entries to the Acreage Report form standards in the DSSH specific only to Triticale, but thought we should send it over for verification.

## RMA RESPONSE

We consulted with the submitter. They agree that the Remarks section certainly could be used for the purpose of recording the contract price(s) and contracted pounds.

# QUESTION 17-116

## WRITTEN AGREEMENT HANDBOOK –

### CANCELLATIONS

#### AIP QUESTIONS AND RMA RESPONSES

A few questions regarding cancellations for multi-year WA's: below is the excerpt from the 2018 WAH with the new language highlighted.

#### 61 WA Cancellation, Errors, and Changes

##### A. Multi-Year WA Cancellation

If a multi-year WA is cancelled due to an action of the insured indicated in (1) of this subparagraph, the appropriate RO shall be notified by the AIP of the WA cancellation. The RO is not required to provide a letter of cancellation to the insured when the cancellation is initiated by the insured.

- (1) Multi-year WAs may be cancelled for any crop year by the producer or the AIP by providing written notification to the RO. **The written notification to the RO must show that the request to cancel the WA was requested** by the cancellation date specified in the policy or the WA, as applicable. In addition, when an insured cancels the policy:

There are multiple reasons/scenarios where a multi-year WA may be cancelled and the volume could be quite numerous particularly when the entire policy is cancelled. Our questions are:

1. What kind of notification to the RO is required? **Any notification that informs the RO that the particular WA is cancelled should be sufficient. The most common would likely be via email.**
2. How should that notification be submitted? Would a written notice in the form of an email (to the email address on RMA's site) be sufficient OR does something more official (e.g. transfer out form, policy change/cancellation form, etc.) need to be uploaded to each folder on ROE? **Because the procedure requires that the notification show that the request was cancelled by the cancellation date, two scenarios exist. First, if the notification to the RO occurs on or before the cancellation date, a simple email should be sufficient, however a more official document can be submitted as well. Second, if the notification to the RO occurs after the cancellation date, something more official should be submitted to the RO showing that the WA was indeed cancelled by the cancellation date. If documents are uploaded to the folders on ROE, it would be beneficial to still send an email to the RO notifying them of the uploaded documents.**
3. Would RMA consider running a clean-up list against PASS data at the end of a crop year to identify cancelled policies with multi-year WAs? **We can discuss this with Faron Thompson to see if this is something that can be accomplished to identify any cancelled policies with multi-year WA that may have slipped through the cracks. However, it is the responsibility of the AIP to notify the ROs of any cancelled multi-year WA. The**

highlighted language above was put in place to have a more accommodating ability for the AIP to notify the RO, as the previous language required the notification to be provided to the RO by the cancellation date. Now the notification can be provided after the cancellation date to the RO as long as it can be documented that the cancellation of the multi-year WA was cancelled by the cancellation date. This helps to account for those last minute cancellations and any that may have slipped through the cracks initially but are later discovered after the cancellation date.

# QUESTION 17-117

## WFRP-CAT

### AIP QUESTION

Per bulletin PM-17-009, a producer with 2017 CAT policy may qualify for WFRP if they have not planted the commodity, reported a zero acreage report, and signed a cancellation of the CAT policy by the WFRP sales closing date.

For the 2017 crop year, in counties that offer insurance for a commodity where all final planting dates (including any late planting periods) have passed for all insurable types, Approved Insurance Providers (AIP's) may allow a person who has a 2017 CAT policy in effect to qualify for WFRP subject to the following conditions:

1. the producer has not planted the commodity on their farm operation for the 2017 crop year,
2. the producer has filed a bona fide zero acreage report by the applicable Acreage Reporting Date, and
3. the producer signs a cancellation of the CAT policy for the 2018 crop year prior to the WFRP sales closing date.

If the insured had a 2017 CAT wheat policy and planted wheat, but did not report their acres for insurance, they still would not qualify for 2018 WFRP, correct?

### NCIS TO RMA

I'm in agreement with the sender. Criteria #1 wasn't met to start with and #2 can't be met.

### RMA RESPONSE

We agree with the sender's interpretation as well.



# QUESTION 17-118

## WFRP-CATTLE LIQUIDATION DUE TO DROUGHT IN SD

### AIP QUESTION

Fielding questions from growers on possible herd liquidation due to persisting drought conditions in South Dakota.

Question relates to Cow/Calf liquidation:

In some cases the producer is considering a complete herd liquidation.

- Cows that calved in the spring may be sold as early as mid-July in a cow/calf pair.
- After mid July/ August the calf is big enough and has likely gained enough weight/value to be sold on it's own.
  
- The agency has talked to Aberdeen livestock company about how the cow/calf sale documentation is handled.
  - In some cases they take both the weight of the cow and the calf; in some cases they don't detail out specifics --they recorded them as a "cow/calf" pair.
  - On the bill of the sale it is noted as one sale price—meaning the "cow/calf pair" sold for \$1000 total (for example)
  - No separation of value for the cow or the calf on the bill of sale.
  - **Questions:**
    - Will the drought in South Dakota be considered an insurable cause of loss in the case of herd liquidations or will it all be categorized as "Farm Management Decision" changes?
    - How for WFRP purposes—should the grower document the value of the cow and the value of the calf for Revenue to Count if they are not listed separately on the bill of sale?
      - For WFRP purposes—cows sold are considering breeding stock and is not included as RTC.
    - Also—how to handle changes to document on the revised FOR:
      - At the time of the Intended FOR it was the intention of the insured to take the calf to a higher weight—based on an expected value; now they are considering to sell at a lower weight/value.
    - Example:
      - Intended FOR the insured had intended to sell 100 head at 600 lbs. at \$1.20/lb or \$720/head
      - As a result of the drought calf will be sold earlier than anticipated, likely at 250-300 lbs. at \$1.50/lb or \$412/head
        - How should this change be document on the Revised FOR?
          - Carry through with the weight and value listed on the intended FOR to the Revised FOR?
          - Change to list current sale weight and value now that insured's intention has changed prior to Revised FOR completion date?

### NCIS TO RMA

The situation with selling the cattle early is going to fall into the category on the top of page 33 that addresses reduced production from an insurable cause and the intended numbers are carried over to the revised report. For the breeding stock, it should simply be a function of the Market Animal and Nursery Inventory Report to capture any adjustment to the claim. Exhibit 5J describes the process of transferring (culled) breeding animals from the breeding category to the market category. Although the breeding animals in this situation are not being culled as a normal course of business. It seems that for tax filing purposes, information specific to the gain/loss on the breeding animals will need to be determined in order for insureds to complete the appropriate tax form, e.g., Schedule D.

#### RMA RESPONSE

We answered similar questions last week regarding the same situation. Here are the questions and responses:

I have a grower that has listed cow/calf on their initial farm operation report for planned sales during the year of coverage.

If a drought event causes the calves to be sold early due to pasture collapse, should we document the pricing expectation of the deficiency in sales and weigh expectation as a qualifying event and notice of loss? All calves sold would be indicated on the initial Farm Operation Report. **The cattle that were initially listed on the intended FOR that are being sold sooner at a lower weight due to the extreme drought would be carried forward to the Revised FOR and retain the same expected value. Any additional cattle the insured plans to sell because of the drought would be listed on the Revised FOR at the weight and price the insured expects to receive when the cattle are sold.**

If the Cows were listed on the inventory report (but NOT the Farm Operation Report) and are now being sold as “the pair,” how should we list the cows moving forward on the revised farm operation report? **? Is there a difference in value when sold as pairs (market price for pairs)? If so, then we believe the FOR would be revised to show them marketed as pairs and an expected value appropriately determined at the time the revision is made and adjusted for basis of the cow.**