

Loss Adjustment Procedures for Aflatoxin

Moisture stress, insect damage, and high-temperature stress are major determining factors in mold infestation and aflatoxin contamination in certain unharvested crops. Aflatoxin contamination can be harmful to humans and animals at certain levels. Accordingly, the Food and Drug Administration (FDA) has established action levels for aflatoxin present in food or feed. Post-harvest aflatoxin contamination can increase during storage and if crop drying is delayed. Insect or rodent infestations could also facilitate mold invasion of some stored commodities. The commodities with the highest risk of aflatoxin contamination are corn, peanuts, and cottonseed.

Producers should notify their approved insurance providers (AIPs) if they suspect aflatoxin damage. Aflatoxin contamination is a covered cause of loss for insured producers as long as representative samples of grain are taken before the grain is moved into commercial or on-farm storage. Crop insurance coverage ends at harvest, and because there is the possibility of post-harvest contamination, AIPs must obtain samples prior to on-farm storage.

The AIP-assigned loss adjuster will obtain a representative crop sample(s) and submit it to an approved testing facility. The loss adjuster may obtain the sample(s) from an unharvested field, from AIP-authorized representative strips left in an otherwise harvested field, or from the delivery point. For crop insurance purposes, only “approved testing facilities” may provide aflatoxin testing. To be an “approved testing facility” for crop insurance purposes, all of the following criteria must be met:

1. The facility must be able to perform quantitative tests on grain, itemizing results in parts per million (ppm) and parts per billion (ppb). Test kits must be certified by the USDA Grain Inspection, Packers and

Stockyards Administration (GIPSA).

2. The facility must be a recognized commercial, governmental, or university testing lab that uses industry-recognized sample sizes, equipment, and procedures for testing aflatoxin.
3. The facility must be a disinterested testing facility unless RMA issues a written authorization to waive this requirement.

The discovery of aflatoxin levels can result in producers experiencing no discounts, mild discounts, severe discounts, or a destruction order. The FDA has no published advisory levels or use restrictions for crops with 0 to 20 ppb of aflatoxin. Therefore, crop insurance policy provisions do not provide quality adjustments for levels below 21 ppb. The FDA requires destruction of crops with more than 300 ppb (500 ppb in Texas). Crop insurance policy provisions consider these crops zero value and, upon destruction, will pay a full loss.

If the crop is sold directly from the field to a disinterested third party and tests 21 ppb up to the State maximum, the crop qualifies for quality adjustment using the actual reduction in value (RIV). This works as follows: Assume 1,000 bushels of corn is sold directly from the field to a disinterested third party with 45 ppb aflatoxin, the local market discount (RIV) for 45 ppb is \$1.50 per bushel, and the local market (spot cash) price is \$1.80 per bushel. $\$1.50 \text{ (RIV)} \div \$1.80 = 0.833$ which is the discount factor (DF). The quality adjustment factor (QAF) is $1 - 0.833$, or 0.167. For quality adjustment, the production to count is calculated as follows: $1,000 \text{ bushels} \times 0.167 \text{ QAF} = 167 \text{ bushels production to count}$.

If the crop is not sold and tests 21 ppb up to the State maximum, the crop qualifies for quality adjustment using the aflatoxin discount factors on a chart located

in the Special Provisions of Insurance. The Special Provisions of Insurance (SPOI) contain additional information, such as quality adjustment, loss procedures, and loss payment factors, that are not contained in the insurance policy.

Assume 1,000 bushels of corn with 220 ppb aflatoxin. The SPOI discount factor chart shows the DF is 0.400. The QAF is $1 - 0.400$, or 0.600. For quality adjustment, the production to count is calculated as follows: $1,000 \text{ bushels} \times 0.600 \text{ QAF} = 600 \text{ bushels production to count}$.

Adjustments are made to production which contains levels of aflatoxin in excess of the maximum amounts shown in the SPOI. These claims will not be settled until such production is sold to a disinterested third party, fed, used, or destroyed.

Producers concerned about placing aflatoxin-infected grain in storage or efforts to reduce the spread of aflatoxin within grain storage facilities should contact local agricultural experts. Insured producers should contact their crop insurance agent or AIP if they have questions about their crop insurance coverage or responsibilities.

Contact Us

The United States Department of Agriculture
Risk Management Agency
1400 Independence Ave., SW, Stop 0801
Washington, D.C. 20250-0801
TEL: (202) 690-2803
FAX: (202) 690-2818
Web site: <http://www.rma.usda.gov>
Email: RMA.mail@rma.usda.gov

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