

6/18/2001

**SUMMARY OF CHANGES FOR THE
INCOME PROTECTION - MALTING BARLEY PRICE AND QUALITY ENDORSEMENT (2002-391MB)**

The following is a brief description of changes to the Income Protection Malting Barley Price and Quality Endorsement that will be effective for the 2002 crop year. Please refer to the endorsement for more complete information. These changes include, but are not limited to:

- (1) Moving duplicate provisions contained in each option to the beginning of the endorsement rather than being repeated in each option.
- (2) Adding a mycotoxin level under which malting barley production must be considered production to count; and
- (3) Changing Option A to allow additional pricing for malting barley covered by a malting barley price agreement and capping the additional price for Option A at \$1.25.



**UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION
INCOME PROTECTION-BARLEY CROP INSURANCE
MALTING BARLEY PRICE AND QUALITY ENDORSEMENT**

(This is a continuous endorsement. Refer to section 2 of the Basic Provisions.)

In return for your payment of premium for the coverage contained herein, this endorsement will be attached to and made part of the Common Crop Insurance Policy (Basic Provisions) and Income Protection-Barley Crop Provisions, subject to the terms and conditions described herein.

1. Definitions:
 - (a) **APH** - Actual production history as determined in accordance with 7 CFR part 400, subpart G.
 - (b) **Approved malting variety** - A variety of barley specified as such in the Special Provisions.
 - (c) **Brewery** - A facility where malt beverages are commercially produced for human consumption.
 - (d) **Contracted production** - A quantity of barley you agree to grow and deliver, and the buyer agrees to accept, under the terms of the malting barley contract or malting barley price agreement.
 - (e) **Malting barley contract** - An agreement in writing between a producer and a brewery or a business enterprise that produces or sells malt or processed mash to a brewery, or a business enterprise owned by such brewery or business, that specifies the amount of contracted production, the purchase price, or a method to determine such price, and other such terms that establish the obligations of each party to the agreement.
 - (f) **Malting barley price agreement** - An agreement that meets all conditions required for a malting barley contract except that it is executed with a business enterprise other than as described in the definition of a malting barley contract. However, such business enterprise must normally contract to purchase malting barley production and must have facilities appropriate to handle and store malting barley production.
 - (g) **Objective test** - A determination made by a qualified person using standardized equipment that is widely used in the malting industry, and following a procedure approved by the American Society of Brewing Chemists when determining percent germination or protein content; and grading performed by an inspector licensed by the Federal Grain Inspection Service when determining quality factors other than percent germination or protein content, or by the Food and Drug Administration when determining concentrations of mycotoxin or other substances or conditions that are identified as being injurious to human or animal health.
 - (h) **Subjective test** - A determination made by a person using olfactory, visual, touch or feel, masticatory, or other senses unless performed by a licensed grain grader; or that uses non-standardized equipment; or that does not follow a procedure approved by the American Society of Brewing Chemists, the Federal Grain Inspection Service, or the Food and Drug Administration.
2. This endorsement provides coverage for malting barley losses at a price per bushel greater than that offered under the Income Protection-Barley Crop Provisions.
3. You must have the Common Crop Insurance Policy and the Income Protection-Barley Crop Insurance Provisions in force to elect to insure malting barley under this endorsement.
4. You must select either Option A or Option B on or before the initial sales closing date for the crop year for which your choice is effective. Failure to select either Option A or Option B, or if you elect Option B but fail to have a malting barley contract in effect by the acreage reporting date, will result in no coverage under this endorsement for the applicable crop year. If you elect coverage under Option A, and subsequently enter into a malting barley contract, your coverage will continue under the terms of Option A. Your selection (Option A or B) will continue from year to year unless you cancel or change your selection on or before the appropriate sales closing date.
5. The additional premium amount for this coverage will be determined by multiplying your production amount (determined in accordance with Option A or B, whichever is applicable) by the additional price per bushel (determined in accordance with Option A or B), the net acres planted to approved malting barley varieties, the malting barley premium rate in the actuarial documents for the Option you elected, and any premium adjustment percentage that may apply.
6. In addition to the reporting requirements contained in section 6 of the Basic Provisions, you must provide the information required by the Option you select. Your shares in the malting barley acreage to be insured under this endorsement must be designated on the acreage report.
7. In lieu of the provisions regarding units and unit division contained in the Basic Provisions and the Income Protection-Barley Crop Provisions, all barley acreage in the county that is planted to malting varieties that is insurable under your selected Option will be considered as one unit regardless of whether such acreage is owned, rented for cash, or rented for a share of the crop.
8. In accordance with section 14 of the Basic Provisions, if all insured production meets the quality criteria specified or grades U.S. No. 4 or worse in accordance with the grades and grade requirements for the subclasses six-rowed and two-rowed barley, or for the class barley in accordance with the Official United States Standards for Grain, and is not accepted by a buyer for malting purposes, the claim will be settled within 30 days. Whenever any production fails one or more of the quality criteria specified in Section 13 and grades U.S. No. 3 or better, we will not agree upon the amount of loss until the earlier of:
 - (a) The date you sell, feed, donate, or otherwise utilize such production for any purpose; or

(b) May 31 of the calendar year immediately following the calendar year in which the insured malting barley is normally harvested. If disposition of the crop does not occur by May 31, we may complete your claim in accordance with this endorsement provided you certify, in writing, that the production will not be sold for use as malting barley. If you do not provide such certification, we will complete your claim; however, no adjustment for quality deficiencies will be made and all remaining unsold insured production will be considered to have met the quality standards specified in this endorsement. If you later sell the production for malting barley, you must report all sold production and if it would result in a lower indemnity, your claim will be adjusted.

9. Prevented planting coverage is limited to the amount specified in the Income Protection Barley Crop Provisions for feed barley.
10. Production from all acreage insured under this endorsement and any production of feed barley varieties must not be commingled prior to our making all determinations necessary for the purposes of this insurance. Failure to keep production separate will result in denial of your claim for indemnity.
11. Your malting barley amount of protection is determined by:
 - (a) Multiplying the insured net acreage planted to approved malting barley varieties by its respective malting barley production amount. The malting barley production amount per acre is determined in accordance with Option A or B, whichever is applicable;
 - (b) Multiplying each result in section 11(a) by the respective additional price election (determined in accordance with Option A or B, whichever is applicable.);
 - (c) Totaling the results of section 11(b).
12. In the event of loss or damage covered by this endorsement, we will settle your claim by:
 - (a) Multiplying the total production to count determined in section 13 by the additional price election. If more than one additional price election is applicable, the highest election will be used until the number of bushels covered at the highest price election is reached. For example, if 1000 bushels are grown under a malting barley contract or malting barley price agreement and have an additional price election of \$0.68 per bushel and the remainder of the bushels are covered at a lower election, only the first 1000 bushels of production to count would be multiplied by the higher additional price election. The remainder of production to count will be valued at the lower election. The higher price election will be applied only if the production is a variety that is acceptable under the terms of the malting barley contract or price agreement;
 - (b) Totaling the results of 12(a);
 - (c) Subtracting the result of section 12(b) from the malting barley amount of protection determined in section 11.

If the result of section 12(c) of this Option is greater than zero, an indemnity will be paid to you. If the result of section 12(c) is zero or less, no indemnity will be due.

13. The total production to count will be determined as follows:
 - (a) Total production to count from all insurable acreage planted to approved malting varieties will include your share of:
 - (1) Appraised production determined in accordance with sections 12(b)(1)(i) and (ii) of the Income Protection-Barley Crop Provisions;
 - (2) Harvested production and potential unharvested production that meets, or would meet if properly handled, either (i) the minimum acceptable standard contained in any applicable malting barley contract or malting barley price agreement for protein, plump

kernels, thin kernels, germination, blight damage, mold injury or damage, sprout damage, frost injury or damage, and mycotoxin or other substances or conditions identified by the Food and Drug Administration or other public health organization of the United States as being injurious to human health; or (ii) the following applicable quality standards, whichever is less stringent:

| | <u>Six-rowed Malting Barley</u> | <u>Two-rowed Malting Barley</u> |
|----------------------------|-------------------------------------|-------------------------------------|
| <u>Minimum Percentages</u> | | |
| Plump kernels | 65.0% | 75.0% |
| Germination | 95.0% | 95.0% |
| <u>Maximum Percentages</u> | | |
| Protein (dry basis) | 14.0% | 14.0% |
| Thin kernels | 10.0% | 10.0% |
| Blight damaged | 4.0% | 4.0% |
| Injured by mold | 5.0% | 5.0% |
| Mold damaged | 0.4% | 0.4% |
| Sprout damaged | 1.0% | 1.0% |
| Injured by frost | 5.0% | 5.0% |
| Frost damaged | 0.4% | 0.4% |
| Mycotoxins | 2.0 ppm | 2.0ppm |

- (3) Harvested production that does not meet the quality standards contained in section 13(a)(2), but is accepted by any buyer for malting purposes. For such production, the production to count may be reduced in accordance with sections 13(b) and (c).
- (b) The quantity of production that initially fails any quality standard contained in section 13(a)(2), but is sold as malting barley (except production included in section 13(c)), may be reduced as described in this section, provided the failure of such production to meet these standards is due to insurable causes. The production to count of production sold under section 13(a)(3) (except production included in section 13(c)) will be determined as follows:
 - (1) Determine the price per bushel received for the damaged production;
 - (2) Add the harvest price under the Income Protection-Barley Crop Provisions and the applicable additional price. Use the weighted average of the additional prices, if you have more than one additional price (the weighted average is determined by dividing the result of section 11(c) by the total malting barley production amount in section 11(a));
 - (3) Divide the result of paragraph (1) by the result of paragraph (2); and
 - (4) Multiply the result of paragraph (3) (not to exceed 1.00) by the number of bushels of damaged production.
- (c) The quantity of production that initially fails any quality standard listed in section 13(a)(2), but is conditioned and then sold as malting barley, will be reduced by the cost incurred for any conditioning required to improve the quality of production so that it is marketable as malting barley, provided the failure of such production to meet these standards is due to insurable causes. The production to count of production sold under this section will be determined as follows:

- (1) Subtract the average cost per bushel for conditioning the production (not to exceed the discount you would have received had you sold the barley without conditioning) from the price per bushel received for the conditioned production;
 - (2) Add the harvest price under the Income Protection-Barley Crop Provisions and the applicable additional price. Use the weighted average of the additional prices, if you have more than one additional price (the weighted average is determined by dividing the result of section 11(c) by the total malting barley production amount in section 11(a);
 - (3) Divide the result of paragraph (1) by the result of paragraph (2); and
 - (4) Multiplying the result of paragraph (3) (not to exceed 1.00) by the number of bushels of conditioned production.
- (d) No reduction in the malting barley production to count will be allowed for moisture content; damage due to uninsured causes; costs or reduced value associated with drying, handling, processing, or quality factors other than those listed in section 13(a)(2); or any other costs associated with normal handling and marketing of malting barley.
- (e) All grade and quality determinations must be based on the results of objective tests. No indemnity will be paid for any loss established by subjective tests. We may obtain one or more samples of the insured crop and have tests performed at an official grain inspection location established under the U.S. Grain Standards Act or laboratory of our choice to verify the results of any test. In the event of a conflict in the test results, our results will determine the amount of production to count.

OPTION A

(FOR MALTING BARLEY PRODUCTION, REGARDLESS OF WHETHER GROWN UNDER A MALTING BARLEY CONTRACT OR PRICE AGREEMENT.)

1. To be eligible for coverage under this option, you must provide us acceptable records of your sales of malting barley and the number of acres planted to malting varieties for at least the last four crop years in your APH database (including years in which an approved malting variety was grown but zero production was sold for malting purposes). For example, to determine your production amount for the 2001 crop year, records must be provided for the 1996 through the 1999 crop years, if malting barley varieties were planted in each of those crop years. Failure to provide acceptable records or reports as required herein will make you ineligible for coverage under this endorsement. You must provide these records to us no later than the production reporting date specified in the Basic Provisions. If you produce malting barley under a malting barley contract or malting barley price agreement you must provide us a copy of your current crop year contract or agreement on or before the acreage reporting date. All terms and conditions of the contract or agreement, including the contract price or future contract premium price, must be specified in the contract or agreement and be effective on or before the acreage reporting date. If you fail to timely provide the contract or agreement, or any terms are omitted, we will elect to determine the relevant information necessary for insurance under Option A, or deny liability and no indemnity will be due under this endorsement.
2. Your malting barley production amount per acre will be the lesser of:
 - (a) The production amount per acre for feed barley for acreage planted to approved malting varieties calculated in accordance with the Income Protection-Barley Crop Provisions and APH regulations; or
 - (b) The production amount per acre calculated in accordance with the Income Protection-Barley Crop Provisions and APH procedures using the malting barley sales and acreage records for at least the last four crop years provided by you.
3. The additional price per bushel for this Option will be determined as follows:
 - (a) For production grown under a malting barley contract or a malting barley price agreement, the additional price per bushel will be the lesser of, as applicable:
 - (1) The guaranteed sale price per bushel established in the malting barley contract or malting barley price agreement (not including discounts or incentives that may apply) minus the projected price under the Income Protection-Barley Crop Provisions; or
 - (2) The premium price per bushel for malting barley (not including discounts or incentives that may apply) above a feed barley price based on a futures market price or a future reference price for feed barley to be determined at a later date, that is acceptable to us and specified in the malting barley contract or malting barley price agreement; or
 - (3) If your malting barley contract or malting barley price agreement has a variable premium price option, you must select a price that will be treated as the guaranteed sale price and your additional price per bushel will be calculated under section 3(a)(1) of this Option.
 - (b) For production not grown under a malting barley contract or malting barley price agreement executed by the acreage reporting date, the additional price election per bushel is designated in the actuarial documents.
 - (c) Under no circumstances will the additional price election exceed \$1.25 per bushel.
4. The number of acres eligible for coverage using an additional price determination from section 3(a) will be the lesser of the number of acres planted to an approved malting barley variety or the amount determined by dividing the number of bushels specified in the malting barley contract or malting barley price agreement by the bushel per acre yield used in determining your applicable malting barley production amount per acre. However, under no circumstances will the number of eligible acres exceed 125.0 percent of the greatest number of acres that you certified for malting barley APH purposes in any crop year contained in your malting barley APH data base. Any acreage in excess of this amount will be insured using the additional price designated in the actuarial documents.
5. Loss example:
 - (a) Assume the following:
 - (1) A producer has:
 - (i) 400 acres of barley under the Income Protection-Barley Crop Provisions, of which 200 acres are planted to feed barley and 200 acres are planted to an approved malting barley variety;
 - (ii) 100 percent share;
 - (iii) A feed barley approved yield of 52 bushels per acre;
 - (iv) A malting barley approved yield, based on sales records, of 54 bushels per acre;

OPTION B**(FOR PRODUCTION GROWN UNDER MALTING BARLEY CONTRACTS ONLY.)**

- (v) Selected the 75 percent coverage level;
 - (vi) A malting barley price agreement for the sale of 5,720 bushels at \$2.72 per bushel;
- (2) The projected price is \$1.92 per bushel;
 - (3) The harvest price is \$1.89 per bushel;
 - (4) The additional price per bushel from the actuarial documents is \$0.40;
 - (5) The additional price per bushel for production grown under the malting barley price agreement is \$0.80 (\$2.72 malting barley price agreement price - \$1.92 projected price);
 - (6) The total production from the 200 acres of feed barley is 10,800 bushels, all of which meet the grade requirements for U.S. #2 barley; and
 - (7) The total production from the 200 acres of malting barley is 9,600 bushels, all of which fails to meet the quality standards specified in the malting barley price agreement (4,750 bushels sold for malting purposes at \$2.31 per bushel and after conditioning, an additional 2,500 bushels are sold for malting purposes at \$2.20 per bushel, conditioning cost is \$0.05 per bushel);
- (b) The production amount of protection is determined as follows:
- (1) 110 insured net acres (5,720 contracted bushels) 52 bushels per acre) x 52 bushels (lesser of 52 or 54) x .75 coverage level = 4,290 bushels;
90 insured net acres (200 acres planted - 110 acres under contract) x 52 bushels x .75 coverage level = 3,510 bushels;
 - (2) 4,290 bushels x \$.080 = \$3,432
3,510 bushels x \$0.40 = \$1,404; and
 - (3) \$3,432 + \$1,404 = \$4,836 malting barley amount of protection.
- (c) Total production to count is determined as follows:
- (1) Damaged production sold as malting barley:
 - (i) \$2.31 price per bushel received for damaged production;
 - (ii) \$1.89 harvest price + \$0.62 (\$4,836) 7,800 bushels (4,290 bushels + 3,510 bushels)) = \$2.51;
 - (iii) \$2.31) \$2.51 = .92; and
 - (iv) 4,750 bushels sold x .92 = 4,370 bushels as production to count;
 - (2) Reconditioned malting barley
 - (i) \$2.20 price received - \$0.05 reconditioning cost = \$2.15;
 - (ii) \$1.89 harvest price + \$0.62 (\$4,836) 7,800 bushels (4,290 bushels + 3,510 bushels)) = \$2.51;
 - (iii) \$2.15) \$2.51 = .86; and
 - (iv) 2,500 bushels x .86 = 2,150 bushels as production to count;
 - (3) 4,370 bushels + 2,150 bushels = 6,520 bushels total production to count.
- (d) The amount of loss is determined by:
- (1) 4,290 bushels (amount grown under contract) x \$0.80 = \$3,432
2,230 bushels (6,520 bushels production to count - 4,290 bushels under contract) x 0.40 = \$892;
 - (2) \$3,432) \$892 = \$4,324 value of production to count; and
 - (3) \$4,836 amount of protection - \$4,324 value of production to count = \$512 indemnity will be paid.
1. If you elect this option you must provide us a copy of your current crop year malting barley contract on or before the acreage reporting date. All terms and conditions of the contract, including the contract price or futures contract premium price, must be specified in the contract and be effective on or before the acreage reporting date. If you fail to timely provide the contract, or any terms are omitted, we will elect to determine the relevant information necessary for insurance under Option B, or deny liability and no indemnity will be due under this endorsement. Only contracted production or acreage of production grown under malting barley contracts is covered by Option B.
 2. The malting barley production amount per acre will be the lesser of:
 - (a) The production amount per acre for feed barley for acreage planted to approved malting barley varieties calculated in accordance with the Income Protection-Barley Crop Provisions and APH regulations; or
 - (b) The number of bushels obtained by:
 - (1) Dividing the number of bushels of contracted malting barley production by the number of acres planted to approved malting varieties in the current crop year; and
 - (2) Multiplying the result by the percentage for the coverage level you elected under the Income Protection-Barley Crop Provisions.
 3. The additional price per bushel will be the lesser of:
 - (a) The guaranteed sale price per bushel established in the malting barley contract (not including discounts or incentives that may apply) minus the projected price under the Income Protection-Barley Crop Provisions;
 - (b) The premium price per bushel for malting barley (not including discounts or incentives) above a feed barley price based on a futures market price or a future reference price for feed barley to be determined at a later date, that is acceptable to us and specified in the malting barley contract; or
 - (c) If a variable premium price option from the malting barley contract is elected, your additional price per bushel will be calculated under section 3(a) of this Option.

Under no circumstances will the additional price election per bushel exceed \$2.00 per bushel.
 4. Loss example:
 - (a) Assume the following:
 - (1) A producer has:
 - (i) 400 acres of barley under the Income Protection-Barley Crop Provisions, of which 200 acres are planted to feed barley and 200 acres are planted to an approved malting barley variety;
 - (ii) 100 percent share;
 - (iii) A feed barley approved yield of 53.0 bushels per acre;
 - (iv) Selected the 75 percent coverage level; and
 - (v) A malting barley contract for the sale of 10,000 bushels of malting barley at \$2.60 per bushel;
 - (2) The projected price is \$1.92 per bushel;
 - (3) The harvest price is \$1.89 per bushel;

- (4) The additional price per bushel for production grown under the malting barley contract is \$0.68 (\$2.60 malting barley contract price - \$1.92 projected price);
 - (5) The production amount for feed barley in accordance with the Income Protection - Barley Crop Provisions and APH regulations is 40 bushels (53 x .75 coverage level);
 - (6) The total production from the 200 acres of feed barley is 10,800 bushels, all of which meet the requirements for U.S. #2 barley; and
 - (7) The total production from the 200 acres of malting barley is 9,600 bushels, all of which fails to meet the quality standards specified in the malting barley contract (4,750 bushels are sold for malting purposes at \$2.31 per bushel and after conditioning, an additional 2,500 bushels are sold for malting purposes at \$2.20 per bushel, conditioning cost is \$0.05 per bushel).
- (b) The malting barley amount of protection is determined as follows:
- (1) The lesser of the 40 bushels production amount for feed barley per acre, or 37.5 bushels ((10,000 bushels contracted ÷ 200 acres planted) x .75), which is 37.5 bushels;
 - (2) 37.5 bushels per acre x \$0.68 additional price per acre = \$25.50 amount of protection per acre; and
 - (3) \$25.50 amount of protection per acre x 200 acres of malting barley = \$5,100 malting barley amount of protection.
- (c) Total production to count is determined as follows:
- (1) Damaged production sold as malting barley:
 - (i) \$2.31 price per bushel received for damaged production;
 - (ii) \$1.89 harvest price + \$0.68 = \$2.57;
 - (iii) $\$2.31 \div \$2.57 = .90$;
 - (iv) 4,750 bushels sold x .90 = 4,275 bushels as production to count;
 - (2) Reconditioned malting barley
 - (i) \$2.20 price received - \$0.05 reconditioning cost = \$2.15;
 - (ii) \$1.89 harvest price + \$0.68 = \$2.57;
 - (iii) $\$2.15 \div \$2.57 = .84$
 - (iv) 2,500 bushels x .84 = 2,100 bushels as production to count;
 - (3) 4,275 bushels + 2,100 bushels = 6,375 bushels total production to count.
- (d) The amount of loss is determined by:
- (1) 6,375 bushels x \$0.68 additional price = \$4,335 value of production of count; and
 - (2) \$5,100 amount of protection - \$4,335 value of production to count = \$765 indemnity will be paid.