

SUMMARY OF CHANGES FOR THE SILAGE SORGHUM PILOT ENDORSEMENT (06-SILAGE SORGHUM)

The following is a brief description of the changes to Silage Sorghum Pilot Endorsement that will be effective for the 2006 crop year. Please refer to the endorsement for complete information.

The provisions have been revised for clarity and consistency.

Revised Section 9 - Added provisions requiring the insured to provide notice prior to harvest if any silage will be placed into silage bags so an appraisal can be made to determine the production to count for indemnity purposes.

Revised Section 10 - Added a new subsection (e) specifying that production to count for indemnity purposes will include appraised production of not less than the production guarantee for any acreage for which the insured fails to give the notice or leave the representative strips required in section 9.

DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
SILAGE SORGHUM PILOT ENDORSEMENT



(This is a Continuous Endorsement)

This Endorsement is available beginning with crop year 2006. This Endorsement shall be available only in those counties identified in the actuarial documents. The terms of this Endorsement shall control in the event of a conflict between it and the Coarse Grains Crop Provisions. The terms of the Special Provisions shall control in the event of a conflict between it and this Endorsement. This is a pilot program, and because of the experimental nature of the program, we may revise, cancel, or terminate it upon written notice to you.

1. Applicability

- (a) You must have the Basic Provisions, the Coarse Grains Crop Provisions, and, if applicable, the Catastrophic Risk Protection Endorsement, in force before you may elect this Endorsement.
- (b) You must make application for this Endorsement in writing on or before the sales closing date for the initial year that you wish to insure silage sorghum.
- (c) Once you elect this Endorsement, it will remain in effect for each subsequent crop year until such time as you or we cancel it in writing or it is terminated in accordance with the applicable provisions of the Basic Provisions and the Coarse Grains Crop Provisions.
- (d) This Endorsement is attached to and made part of your Coarse Grains Crop Provisions subject to the terms and conditions described herein.

2. Definitions

Approved (indexed) yield – Your approved yield as defined in the Basic Provisions multiplied by the yield index and expressed in tons.

Average county yield – If you reported at least four years of actual production history, the average county yield is the sum of the county average yields shown in the actuarial documents for the same years for which you reported actual production history divided by the number of years that you reported. In all other cases, average county yield is the sum of the county average yields shown in the actuarial documents for the previous ten crop years divided by ten.

Buyer – A business enterprise regularly engaged in feeding livestock for the production of animals or animal products, that possesses all licenses and permits that may be required to operate the business, and that fed a sufficient number of livestock to utilize at least the contracted quantity of silage in the twelve months ending on the acreage reporting date for the crop year, and in which you or a member of your household has no

financial interest.

Coarse grains – In addition to the definition of coarse grains contained in section 1 of the Coarse Grains Crop Provisions, for the purposes of this Endorsement only, the term coarse grains includes silage sorghum.

County average yield – The estimate of the average production per acre of silage sorghum for a previous crop year contained in the actuarial documents and determined by dividing the estimated total production of silage sorghum in the county by the estimated planted acres of silage sorghum in the county for a crop year.

County expected yield – A yield included in the actuarial documents that represents the estimate of the county average yield that would be achieved for the crop year under normal agronomic conditions. This yield is based on statistical analysis of the trends in production in the county.

Maximum price election – The price determined by multiplying the price election for corn silage by 80 percent.

Production guarantee (per acre) – In lieu of the definition of production guarantee (per acre) contained in section 1 of the Coarse Grains Crop Provisions, the term production guarantee (per acre) means your approved (indexed) yield per acre multiplied by the coverage level percentage you elect.

Silage sorghum – Dual purpose grain sorghum varieties (a variety used for both grain and silage), male sterile grain sorghum varieties, or photo-period sensitive grain sorghum varieties, that have been developed to produce green matter to be ensiled.

Silage sorghum purchase contract – An agreement between a buyer of silage sorghum and you executed in writing on or before the final planting date for a crop year containing, at a minimum:

- (a) Your promise to plant silage sorghum and deliver a specified quantity or the production

from a specified number of acres to that buyer;

- (b) The buyer's promise to purchase the stated amount of silage sorghum from you; and
- (c) Either a fixed price per ton of the silage sorghum or a formula to determine its price. Any formula for establishing the value must be based on data provided by a public third party that establishes or provides pricing information to the general public, based on prices paid in the open market (e.g., commodity futures exchanges), to be acceptable for the purpose of this policy.

Yield index – The ratio calculated by dividing the county expected yield by the average county yield.

3. Insurance Guarantees, Coverage Levels, and Prices for Determining Indemnities

In addition to the requirements of section 2 of the Coarse Grains Crop Provisions, you may elect a price election for all of your silage sorghum grown in the county on insurable acreage based on:

- (a) The maximum price election; or
- (b) The price specified in your silage sorghum purchase contract subject to the following:
 - (1) The silage sorghum purchase contract must cover all of your share of the production guarantee from the insurable acreage of silage sorghum in the county;
 - (2) If the price received under your silage sorghum purchase contract exceeds \$2.00 over the maximum price election, your price election will be \$2.00 over the maximum price election; and
 - (3) If you select the contract price, you may use one of the following options subject to paragraph (2):
 - (i) If your silage sorghum purchase contract contains only a fixed price, that fixed price will be your price election;
 - (ii) If your silage sorghum purchase contract contains both a fixed price and a formula-determined price, the formula driven price can be your price election only if the price under such formula can be determined not later than the final planting date, otherwise your fixed price will be your price election; or
 - (iii) If your silage sorghum purchase contract contains only a formula-determined price, the formula driven price will be your price election only if the price under such formula can be determined not later than the final

planting date, otherwise your price will be the maximum price election.

4. Cancellation and Termination Dates

In accordance with section 2 of the Basic Provisions, the cancellation and termination dates are the same as stated in section 4(a) of the Coarse Grains Crop Provisions for corn and grain sorghum.

5. Insured Crop

In lieu of section 5(d) of the Coarse Grains Crop Provisions, the crop insured will be all the silage sorghum planted in the county:

- (a) That is planted for harvest as silage;
- (b) That is not a combine-type hybrid grain sorghum (grown from hybrid seed); and
- (c) That is not Sudan, Sudax (ex) varieties, varieties developed for haying and grazing, or any other variety not intended for the production of silage.

6. Insurance Period

In addition to section 7(c) of the Coarse Grains Crop Provisions, for all counties where silage sorghum is produced, the calendar date for the end of the insurance period is the October 15 immediately following the date the crop is planted.

7. Replanting payments

In addition to the provisions contained in section 9 of the Coarse Grains Crop Provisions, the maximum amount of any replanting payment per acre insured under this endorsement will be the lesser of 20 percent (20%) of the production guarantee per acre or 1.0 ton, multiplied by your price election, and by your insured share or the share determined in accordance with the provisions of section 9(c) of the Coarse Grains Crop Provisions, whichever is applicable.

8. Report of Acreage

In addition to the requirements of section 6 of the Basic Provisions, if you have a silage sorghum purchase contract, you must provide a copy of all such contracts on or before the acreage reporting date. If you fail to provide a copy of the silage sorghum purchase contracts on or before the acreage reporting date, the price election for all your silage sorghum will be the maximum price election.

9. Duties in the Event of Damage or Loss

In addition to the requirements in section 14 of the Basic Provisions, you must notify us at least seven (7) calendar days prior to the harvest of any acreage of the silage sorghum crop if the silage will be placed in silage bags or at least seven (7) calendar days prior to utilizing any acreage in any manner other than for the production of silage (uses other than silage may include, but are not

limited to, harvest as grain or hay, or grazing). You must leave representative samples of the crop for our inspection. Production to count for indemnity purposes will be based on our silage tonnage appraisal. Failure to timely provide notice or leave the required number and size of representative strips will result in production to count for indemnity purposes in accordance with section 10(e).

10. Settlement of Claim

The provisions in section 11 of the Coarse Grains Crop Provisions will apply to the silage sorghum covered by this Endorsement unless otherwise specified herein.

- (a) In addition to the crops listed in section 11(b)(1) of the Coarse Grains Crop Provisions, the provisions in section 11(b)(1) will also apply to silage sorghum covered by this Endorsement.
- (b) In addition to the provisions of section 11(c) of the Coarse Grains Crop Provisions, the production to count of silage sorghum will be measured in tons.
- (c) Sections 11(d), (e), and (f) of the Coarse Grain Crop Provisions do not apply to silage sorghum.
- (d) In addition to the provisions contained in section 11 of the Coarse Grains Crop Provisions, all production to count of silage sorghum will be increased to a 32 percent dry matter basis equivalent (68 percent moisture basis) if it is harvested or appraised after the normal end of the harvest period or after the calendar date for the end of the insurance period.
- (e) In addition to the provisions of section 11(c)(1)(i) of the Coarse Grains Crop Provisions, the total production to count will include appraised production of not less than the production guarantee for any acreage for which you fail to give notice or leave the representative samples required in section 9.

Example of Your Protection under This Endorsement

Example 1:

Assume that you have a unit consisting of 150 acres in which you have a 60 percent share and a second unit consisting of 75 acres in which you have a 100 percent share. You have selected a 70 percent coverage level. Your approved (indexed) yield is 20.0 tons per acre on the first unit and 22.0 tons per acre on the second unit.

You have a silage sorghum purchase contract that contains a price equal to 6.0 times the CBOT price

of corn minus \$0.15. The first futures contract you may use for this purpose is December. The silage sorghum purchase contract includes 2,500 tons. You are able to harvest only 450 tons of silage sorghum from unit 1 due to an insured cause of loss that reduced production. You harvested 1,350 tons from unit 2. All acres are harvested.

On the final planting date, the settlement price for the December corn contract is \$2.35 per bushel of corn. The maximum price election is \$12.00 per ton. Thus, your price election is $6 \times (\$2.35 - \$0.15) = 6 \times \$2.20 = \13.20 per ton because the contract price is less than \$2.00 greater than the maximum price election.

The first step is to determine the unit guarantee and determine the appropriate price election:

Production guarantee per acre unit 1

$$20.0 \text{ tons} \times 0.70 = 14.0 \text{ tons}$$

Production guarantee per acre unit 2

$$22.0 \text{ tons} \times 0.70 = 15.4 \text{ tons}$$

Unit guarantee unit 1

$$150 \text{ acres} \times 14.0 \text{ tons} = 2,100 \text{ tons}$$

Unit guarantee unit 2

$$75 \text{ acres} \times 15.4 \text{ tons} = 1,155 \text{ tons}$$

Your share of the unit guarantee unit 1

$$2,100 \text{ tons} \times 0.60 = 1,260 \text{ tons}$$

Your share of the unit guarantee unit 2

$$1,155 \text{ tons} \times 1.00 = 1,155 \text{ tons}$$

Your share of the unit guarantee for all units combined = 2,415 tons

You qualify to use the contract price option because the contracted quantity (2,500 tons) is greater than your share of the production guarantee for all units combined.

The next step is to apply the loss calculation from section 11:

Unit 1; 150 acres \times 14.0 tons per acre = 2,100 tons unit guarantee

2,100 tons unit guarantee – 450 tons production to count = 1,650 tons of production loss

1,650 tons of production loss \times \$13.20 price election = \$21,780 value of lost production

\$21,780 value of lost production \times 0.60 your share = \$13,068 indemnity

Unit 2; since the harvested production exceeded the guarantee, no indemnity is due.

Example 2:

Silage is not harvested and we are not able to appraise the production until after the calendar date for the end of the insurance period. We appraise 320 tons of silage and determine that it contains 55 percent moisture (45 percent dry matter).

The first step is to convert the production to a 32 percent dry matter basis:

Appraised unharvested production = 320 tons x 0.45 = 144 tons of dry matter

Production to count = 144 tons divided by 0.32 = 450 tons green weight equivalent

2. The next step is to apply the loss calculation from section 11:

150 acres x 14.0 tons per acre = 2,100 tons unit guarantee

2,100 tons unit guarantee – 450 tons green weight equivalent = 1,650 tons of production loss

1,650 tons of production loss x \$13.20 price election = \$21,780 value of lost production

\$21,780 value of lost production x 0.60 share = \$13,068 indemnity

- 11.** In lieu of any other provisions of this Endorsement, the Coarse Grains Crop Provisions or the Basic Provisions, including but not limited to section 18 of the Basic Provisions, no written agreements may be authorized to amend or modify any terms of the policy or to extend coverage to any county for which actuarial documents are not filed.