SECTION 5 ADJUSTMENTS TO PRODUCTION

95 GENERAL INFORMATION

A Reasons Why Production May Be Adjusted

Adjustments are allowed for the following:

(1) Moisture when the moisture percentage meets the requirements stated in the crop provisions or endorsement (unless specified otherwise in the SPOIs). Refer to PAR. 97 for more information.

(2) Foreign-material (FM) or Conspicuous Admixture or Admixture, as defined by FGIS, (adjustment for dockage (as defined by FGIS) ONLY if allowed for the crop, as specified in PAR. 98). Adjustments for any of these items can only be made if they meet all of the criteria specified in PAR. 98.

If there is a conflict about FM instructions between the LAM and the individual crop handbook, the LAM will prevail. Refer to PAR. 3 D.

(3) Low quality caused by an insurable cause of damage. Adjustment for quality is made only when deficiencies and conditions of the crop meet the requirements stated in the crop provisions or endorsement to the crop (unless specified otherwise in the SPOIs). Refer to PAR. 96 for more information.

B Who Makes Adjustment Determinations

(1) Moisture and FM (dockage if allowed in PAR. 98) determinations may be made by:

(a) Grain handlers at commercial facilities that buy or store grain,

(b) FGIS Field Offices or FGIS-designated or delegated entities; or.

(c) The adjuster. (Refer to PAR. 97 and 98 for more information.)

(2) All deficiencies and conditions of the crop for which quality adjustment applies MUST have been graded or determined by the entity specified in the crop provisions (SPOIs or endorsement, if applicable), except test weights of farm-stored production may be determined by the adjuster as specified in PAR. 101. **Samples to make determinations CANNOT be obtained by the insured or LQVXUHG¶V UHSUHVHQWDWLYH. Samples must be obtained by an adjuster or AIP-approved disinterested third party who is trained to take samples, unless excepted for moisture, as stated in PARs 104 and 105.**

C Production Disposed of Before Determinations Are Made

(1) When the insured's interest is 100 percent in the crop:

Adjustments in production for moisture, FM (dockage ONLY if allowed for the crop, as specified in PAR. 98), or quality (quality adjustment) cannot be allowed for production disposed of before necessary determinations are made, unless sales or weight tickets show gross weight, moisture content, FM and/or dockage,

and any other applicable deficiency (deficiency for which quality adjustment applies, must be graded by the entity specified in the crop provisions before deductions for deficiencies or conditions can be made; refer to PAR. 96.)

(2) When the insured's interest is LESS than 100 percent in the crop (**applicable 2 1 / < Z KHQ WKH RWKHU SURGXFHU RQ V UHSUHVHQWDWLYH RI WKH LQVXUHG¶V VKDUH**

(a) Moisture or FM (dockage ONLY if allowed for the crop, as specified in PAR. 98) can be allowed IF:

1 The production belonging to the other person sharing in the crop is available to make determinations, or

2 Weight tickets are available which show gross weight, FM, and moisture content.

(b) Quality adjustment can be allowed ONLY if:

1 The production belonging to the other person is available for the adjuster to pull samples to be sent to an entity allowed in the applicable crop provisions, SPOIs, or endorsement to make determinations of deficiencies and/or substances or conditions injurious to human or animal health. Refer to PAR. 96 for more information concerning quality adjustment; or

2 A copy of records (tickets, slips, receipts or other records) from the RWKHU SHUVRQ¶V VKDUH RI WKH FURS LV IXUQLVKHG DQG WKH UHFRUGV VSHFLI\ the deficiencies (and deficiency amounts) for which quality is allowed under the insurance contract. These records are only acceptable if the crop was delivered to a buying point where samples were pulled by a disinterested third party and were graded by an entity specified in the applicable crop provisions, SPOIs, or quality endorsement or option to the crop.

96 QUALITY ADJUSTMENT (QA)

A Policy/Endorsement Provisions

Some policies/endorsements provide for a reduction in the mature production to count when the quality of the appraised and/or harvested mature production is reduced due to insurable causes. The quantity of mature production to count is reduced when it meets the requirements stated in the crop policy/endorsement (SPOIs, if applicable). This adjusted production is used for the indemnity and the APH Report for the same crop year, unless specified otherwise for the crop in the CIH procedures; e.g., an exception to this is potatoes.

B Who Can Obtain and Submit Samples for Grading/Analyzing

Samples can be obtained and submitted for grading/analyzing ONLY by the adjuster or a person who is:

GLVLQWHUHVWHG SDUW\ QRW WKH LQVXUHG RU LQVXUHG¶V DXWKRUL]HG representative);

(2) Trained to the AIPs satisfaction in how to extract representative samples (AIPs may assume that the person pulling samples at an elevator, processor, etc., is trained); and

(3) Approved by the AIP to obtain and submit the samples for grading.

For claims involving mycotoxins or other conditions or substances injurious to animal or human health, refer to PAR. 102.

C Sample Requirements for Adjuster-Obtained Samples

The following applies, unless samples involve production containing mycotoxins or other conditions or substances injurious to animal or human health. Refer to PAR. 102 for sample requirements for mycotoxin-infected production.

(1) Adjuster-Obtained Samples from Unharvested Production

(a) The minimum number of representative samples and size of the representative areas to be harvested must be at least the required number and size stated for appraisals in the applicable crop handbook.

(b) Encourage insureds to harvest the representative areas in your presence. However, if an insured is unwilling or unable to harvest the selected representative areas in your presence, you must hand harvest the representative areas of the production to obtain the samples.

(c) Identify the sample from each RSA, by unit number and field I.D. or subfield I.D., if applicable. Refer to (3) below for information about sample size and transportation of samples.

(d) Similar or Dissimilar Quality

1 Similar Quality

a If the quality of the production in the field or subfield of a unit appears similar, for the following crops **only,** the AIP may use a blended sample of all samples collected; however, the AIP may not have less than one graded blended sample per unit:

barley, canola, corn, dry beans, dry peas, flax, grain sorghum, malting barley, millet, mustard, oats, peanuts, popcorn, rice, rye, safflowers, soybeans, sunflowers, wheat, and wild rice.

b For all other crops, the AIP must have each sample graded (i.e., the use of blended samples is not an option), unless specified otherwise in the applicable crop LASH.

2 Dissimilar Quality

If the quality in the field or subfield is not similar, then blended samples are not allowed. In those cases, a grade is needed for each sample.

(2) Adjuster-Obtained Samples From Undelivered, Harvested Production

(a) Adjuster-Obtained Samples from Conveyances

If the insured has harvested the production and samples are taken from trucks, wagons, etc., prior to delivery, the adjuster should probe in different areas of the trucks, wagons, etc., to obtain a sample from each load. Each sample must be submitted for grading. However, when it is known or suspected that the production contains mycotoxins or other substances or conditions injurious to human or animal health, refer to PAR. 102 F (2) (d) for instructions specific to obtaining a representative sample from a conveyance for the purpose of submitting for testing for mycotoxins or other substances or conditions.

(b) Adjuster-Obtained Samples from Stored Production

If the production is stored, obtain the sample from the storage structure for all QA factors other than mycotoxins (refer to Vomitoxin exception in following sentence) or other substances or conditions injurious to human or animal health, or any other type of damage specified in the individual Crop LASHs**. (Vomitoxin Exception: For crops with a CCD of 11/30/08 or later, the AIP may obtain samples from the storage structure to GHWHUPLQH 9RP LWR[LQ 0\FRW[LQ ± UHIHU WR 3 $ 5 IRU DGGLWLRQDO information.)** Identify samples by bin ID and unit number. If the production has been commingled between units, refer to PAR. 126. Use a probe (may need an extension) or other means to extract samples from various depths and areas of the storage structure and combine into one sample. Extract enough samples to ensure the combined sample will be representative of all production in the storage structure. A sample from each storage structure must be submitted for grading.

(3) Sample size and transportation

Follow the instructions provided by the entity specified in the crop provisions to grade samples in regards to sample size, container, and transportation to ensure the integrity of the sample(s).

(4) For crops administered under the United States Grain Standards Act (USGSA) or the Agricultural Marketing Act, adjuster-obtained samples can ONLY be submitted to FGIS, AMS, or their designee, as applicable for the crop, OR a grain grader as noted in PAR. 96 E who can grade submitted samples. For state licensed graders, this can vary from state to state. Inquire at the individual warehouse or at the appropriate State office for this information.

(a) **USGSA.** Crops administered under USGSA are, as follows: barley, canola, corn, flaxseed, oats, rye, grain sorghum, soybeans, sunflower seed, and wheat.

(b) **Agricultural Marketing Act.** Insurable crops administered under the Agricultural Marketing Act include but not limited to the following: dry beans, lentils, dry peas, rice, safflowers; (check individual crop provisions).

(c) **Locations of Facilities.** Contact the nearest FGIS field office for the location of the nearest facility that can give a grade for submitted samples

for the applicable crop. A list of FGIS Field Offices (listing the locations of the official service providers/official inspection sites) can be found at the GIPSA Internet site or a link can be found on the RMA website, located where the loss adjustment standards handbooks are located.

(d) Not all listed facilities are licensed to grade all commodities. If you are unsure of whether the facility is licensed to grade the crop, check with the facility before submitting the sample.

D Samples from Harvested and Delivered Production

(1) Unblended Samples: If samples are pulled from each conveyance and each sample from each conveyance is graded, these are unblended samples. For unblended samples, determine quality adjustment factors from the grades of each conveyance. Refer to Exhibit 1 for the definition of conveyance.

(2) **Blended Samples**:

(a) For only the following crops, unless specified otherwise in the individual crop handbooks: barley, canola, corn, dry beans, dry peas, flax, grain sorghum, malting barley, millet, mustard, oats, peanuts, popcorn, rice, rye, safflowers, soybeans, sunflowers, wheat, and wild rice grades from blended samples, by unit, for non-mycotoxin quality adjustment, from both USWA licensed warehouses and warehouses holding a storage agreement with CCC may be accepted ONLY if all of the following apply:

1 The commodity is sold on the same basis as the blended samples used to determine the grading factors for quality adjustment.

2 Proof of the sale, sale amount and grades, or signed written certification of pending sale from the buyer including the quantity and quality is provided and is acceptable to the AIP.

3 The blended sample is representative of all the loads for which it applies, and it is determined acceptable by the AIP.

(b) In no circumstances will grades from improper blending methods such as the following be accepted:

1 A sample from each conveyance, regardless of producer, is put into one container and then a sample is taken from the container at the end of the day or the week. The grade from that sample is applied to HDFK SURGXFHUV SURGXFWLRQ ZKR GHOLYHUHG JUDLQ GXULQJ WKDW H

2 On a basis greater than the unit structure on which the insurance is based (optional, basic, enterprise, or whole farm, as applicable), all samples from a single producer are put into a container and then a VDP SOH IURP WKH SURGXFHUV FRQWLQXRXV GHOLYHULHV RI WKH crop is completed or when otherwise directed by the producer. The JUDGH IURP WKDW SOH DSSOLHG WR DOO WKH SURGXFHUV SURGXFWLRQ

3 A single sample is taken from one conveyance for the producer. The JUDGH IURP WKDW SOH DSSOLHG WR DOO WKH SURGXFHUV SURGXFWLRQ

E Who Can Determine the Quality of Most Crops for Quality Adjustment Purposes

If the crop qualifies for quality adjustment based solely on a test weight determination made by the adjuster, AIPs are highly encouraged to obtain additional quality determinations from the entity specified in E (1) or (2) for the respective crop.

(1) For canola, coarse grains (corn, grain sorghum, and soybeans), small grains crops (barley, flax, oats, rye, and wheat), and sunflowers, deficiencies in quality (except test weight, which also may be determined by the adjuster, including the use of the test weight to determine the grade, if applicable), must be analyzed by a:

(a) Grain grader licensed under the USGSA or the USWA;

(b) Grain grader licensed under State law and employed by a warehouse operator who has a storage agreement with the CCC; or

(c) Grain grader not licensed under State law, but who is employed by a warehouse operator who has a commodity storage agreement with the CCC and is in compliance with State law regarding warehouses.

(2) For dry beans, dry peas, rice, and safflowers, deficiencies in quality (except test weight, which may be determined by the adjuster, including the use of the test weight to determine the grade, if applicable), must be made by a:

(a) Grader licensed under the United States Agricultural Marketing Act or the USWA,

(b) Grader licensed under State law and employed by a warehouse operator who has a storage agreement with the CCC; or

(c) Grader not licensed under State law, but who is employed by a warehouse operator who has a commodity storage agreement with the CCC and is in compliance with State law regarding warehouses.

(3) In regards to substances or conditions injurious to human or animal health, production samples of the crop must be analyzed by a laboratory that meets the required criteria for an AIP-approved testing facility (laboratory) as outlined in PAR. 102 H.

(4) **Information About USWA and Location of USWA Licensed Warehouses**

(a) A facility licensed under the USWA must have individuals on site who are licensed to weigh, inspect, or grade specific commodities, and may only give a grade for production that is delivered to that warehouse for storage or handling. Warehouse employees licensed to grade specific commodities under the auspices of the USWA cannot provide grades for samples submitted for grading purposes only. A link to a listing of licensed warehouses, the city and the applicable crops (e.g., CTN is cotton, GRN is grain, DEB is dry edible beans) can be found on the FSA website or on the RMA website, located where the loss adjustment standards handbooks are located.

(b) Each warehouse is only licensed for certain types of commodities. For example, a warehouse licensed for grain cannot inspect, weigh, or grade dry beans unless it is also licensed to handle dry beans.

Refer to the applicable individual crop handbook, crop provisions, endorsement or option (if applicable), or SPOIs for specific quality adjustment qualifications and provisions.

(5) A link to the locations of warehouses with a CCC, Uniform Grain and Rice Storage Agreement (UGRSA) can be found on the RMA website where the loss adjustment standards handbooks are located.

F Who Can Determine the Quality of Other Crops

(1) For crops other than those specified in subparagraph E above that have quality adjustment provisions, the policy provisions may allow various factors of quality to be determined by the processor, State grader, or USDA grader, or may not specify who grades the crop but only requires that the crop be graded in accordance with specified U.S. standards for fresh fruit, dried fruit, standards set forth in Marketing Orders, or standards set up by other industry standards, etc. For example: Samples of mustard must be analyzed in accordance with the mustard standards of the state specified in the SPOIs, or by a laboratory approved by the AIP.)

(2) When policy provisions do not specify a specific entity to grade the crop but only specifies that the crop meet or not meet certain standards in order to qualify for quality adjustment, the AIP must assure that the entity grading the crop is qualified to do so; i.e., if an adjuster is grading the crop, the adjuster must have received adequate training to make the grade determinations (this may be on the job training from another adjuster proficient in grading the crop or through the agency or association that sets the standards for the crop. A state grader or Federal grader will be assumed to be qualified. If the crop provisions specify the deficiencies identified by the processor are acceptable, the entity that grades for the processor will be assumed to be adequately trained. Refer to the applicable crop handbook and/or crop policy/endorsement for specific quality adjustment qualifications and provisions.

(3) When there is farm-stored production or unharvested mature production, only adjusters can obtain samples for quality determination purposes, unless specified otherwise in the crop provisions or SPOIs.

G Actual Test Weights to Tenths of Pound

In most cases, grain handlers determine test weight to tenths of a pound. Unless specified otherwise in a crop handbook, test weights are recorded to tenths on the claim form. If the grain handler does not determine the test weight to tenths of a pound, the test weight is still entered to tenths on the claim form (e.g., if the weight is shown as 42 SRXQGVHQWHUHGZHLJKWV´3RXQGVURXQGHGZRKROHSRXQGVFDQFDXVH grain to appear to be ineligible for quality adjustment; e.g., oats having an actual test weight of 26.5 would be eligible for quality adjustment, but when the weight is entered on the claim form as a rounded weight (27 pounds), it does not appear to qualify. Therefore, if quality is at issue and the grain buyer has shown pounds in whole weight, try to determine if the buyer does have the weights in tenth of a pound.

H Crops having Quality Adjustment Charts in the SPOIs

(1) **For barley*, canola, corn, flax, grain sorghum, oats, rye, safflowers, soybeans, sunflowers, and wheat** production that is eligible for quality adjustment, the quality adjustment factor (QAF) is determined by subtracting from 1.000, the sum of all applicable Discount Factors (DFs) expressed as three-place decimals. DFs are either: (1) pre-established DFs shown in the SPOIs, or (2) when there are no pre-established DFs for the types/levels of damage on a chart in the SPOIs, the DFs are derived from reasonable Reduction in Values (RIVs) applied by the buyers of the sold[1] production, except production with the type/level of damage shown in Section C3e of the SPOIs and as stated in PAR. 102 O (3) (b) 2. Except for Section C3e production, RIVs are applied only if the production is sold prior to 60 days after the calendar date for the EOIP. The QAF (not less than 0.000) is multiplied by the number of applicable bushels or pounds remaining AFTER any reduction due to excessive moisture (in accordance with the crop provisions).
***Not applicable to Malting Barley. For quality adjustment provisions, refer to the applicable Malting Barley Price and Quality Endorsement.**

(2) RIVs

(a) If the reasonable RIV applied by the buyer can be decreased by conditioning the production, the RIV after conditioning may be increased by the cost of such conditioning provided the resulting RIV does not exceed the RIV before conditioning.

(b) The RIV and local market price are determined on the date such quality adjusted production is sold to a disinterested third party.

(3) Zero Market Value (ZMV.)[2]

(a) If, on the date of final inspection for the unit, any production, which due to insurable causes, has ZMV[2] (ZMV[2] after fair consideration[3] to deliver SURGXFWLRQ WR D PDUNHW RXWVLGH WKH LQVXUHG¶V ORFDO PDUNHWLQJ DUHD GLVWDQW market)) will not be considered production to count if the production is destroyed in a manner acceptable to the AIP. **Refer to subparagraph J regarding steps for making final inspection determinations of ZMV.**

(b) In lieu of destruction of ZMV[2] production, the ZMV[2] production may be gleaned provided the criteria stated in PAR. 94 are met. The method of destruction must result in the production having no possibility of being marketed or possibility of salvage use that could result in any type of compensation to the insured. Refer to subparagraph J for exceptions to the requirement to destroy the ZMV[2] crop.

(4) Fair consideration[3] to deliver sold[1] production to a distant market is allowed only for the types and levels of damaged production included in SPOI

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[1] ROG± **For CCD prior to 11/30/08:** Grain is considered sold on the date of final compensation and ownership or title of the grain has passed from the seller to the buyer. **For CCD of 11/30/08 or later:** ROG± * UDLQ LV FRQVLGHUHG VROG RQ WKH date ownership or title of the grain has passed from the seller to the buyer.
[2] 0 9 RFFXUV ZKHQ QR EX\HUV LQ WKH LQVXUHG¶V ORFDO DUHD DUH willing to purchase the production and fair consideration[3] to GHOLYHU SURGXFWLRQ WR D PDUNHW RXWVLGH WKH LQVXUHG¶V ORFDO PDUNHWLQJ DUHD LV JUHDWHU WKDQ WKH SURGXFWLRQ¶V YDOXH
[3] Fair consideration is the additional transportation costs to deliver the grain WR D PDUNHW RXWVLGH WKH LQVXUHG¶V ORFDO marketing area (distant market). Additional transportation costs means: Costs in excess of costs to transport to the local marketing area. Transportation costs to be used in this determination must be usual, reasonable, and customary.

Sections B1 and is not allowed for production fed or used in a manner other than feed. Applicable fair consideration[2] is added to the RIV.

(5) Section A of the SPOIs and other applicable SPOI Sections

Section A contains pre-established DFs. Additional DFs due to substances or conditions identified as injurious to human or animal health as stated in Section C of the SPOIs may apply if applicable. Refer to PAR. 102 for procedures pertaining to Section C of the SPOIs.

(a) Other than to consider whether the damaged production is ZMV[1], as described in (3) above, fair consideration[2] to deliver the production to a market outside the insured's local marketing area (distant market) is not considered, regardless of the market value of the grain; i.e., the pre-established DF cannot be adjusted for the amount of fair consideration[2] to deliver the production to a distant market. Additionally, conditioning costs are not allowed when the only types and/or levels of damage or grade are ones for which there are pre-established DFs on Section A charts.

(b) ZMV[1] and Fair Consideration[2]. When due to insured deficiencies, there are no buyers in the insured's local market area but there are buyers in distant markets and after fair consideration[2], the AIP determines by using the steps in subparagraph H that the production is:

1 ZMV[1] (Section D of SPOI) and the insured:

a Destroys the production in a manner acceptable to the AIP, the DF will be 1.000, resulting in zero production to count.

b Refuses to destroy the production or does not destroy the production in a manner acceptable to the AIP, then such production is no longer considered ZMV[1] and the applicable pre-established DFs on the charts in Section A for the level or type of damage (without adjustments for fair consideration[2]) will be used to determine the QAF to adjust the production to count.

2 Greater than ZMV[1], the applicable pre-established DFs for the level or type of damage in Section A of the SPOI (without adjustments for fair consideration[2]) will be used to determine the QAF to adjust the production to count.

(6) Pre-established DFs from the Chart in Section A of the SPOI

(a) When there is a pre-established DF for the individual type/level of damage (such as, test weight, kernel damage, etc., or grade (refer to (b) below)) shown on the chart in Section A the SPOIs, the pre-established DF must be used to establish the QAF, unless ZMV[1] applies.

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[1] =0 9 RFFXUVZKHQQREX\HUVLQVXUHG¶VBRFDDUHDDUH willing to purchase the production and fair consideration[2] to GHOLYHUSURGXFWVRQVRDP DUNHWXWLOLWLHVXUHG¶VBRFDO P DUNHWQJ DUHDLVJUHDWHUWKDQSURGXFWVRQ¶VYDOXH

[2] Fair consideration is the additional transportation costs to deliver the grain VRDP DUNHWXWLOLWLHVXUHG¶VBRFDO marketing area (distant market). Additional transportation costs means: Costs in excess of costs to transport to the local marketing area. Transportation costs to be used in this determination must be usual, reasonable, and customary.

(b) Pre-established DFs for Grade in Section A of the SPOI

1 General Information

a Besides DFs for the individual type/level of damage (e.g., test weight, kernel damage, etc) there may also be a DF for grade. The individual type/level of DFs should be added to the DF for grade (if the grain qualifies for the grade DF). The grade DF factor is not used in combination with RIVs.

b **Types of Grade DFs**

(i) **DFs for U.S. NO. 5**

The U.S. NO. 5 grade DF is applicable to only Wheat and Barley. Use this DF plus any applicable pre-established DFs, except for wheat and barley, the DFs for US No. 5 and U.S. Sample grade cannot be used together.

(ii) **DFs for U.S. Sample Grade**

*** The Sample Grade DF is applicable to barley, canola, corn, flax, grain sorghum, oats, rye, soybeans, oil-type sunflowers only, and wheat. Safflowers do not have a DF for this grade type. Use the Sample Grade DF only once plus any applicable pre-established DFs, except for wheat and barley, the DFs for US No. 5 and U.S. Sample grade cannot be used together.

(iii) **DFs for Allowable Special Grades or Specific Allowable Sample Grade Defects**

i Special grade of light smutty (wheat), smutty (wheat, oats) or garlicky (barley, oats, wheat) DFs may be used separately or in addition to U.S. NO. 5 or Sample Grade DFs.

ii DFs for specific allowable Sample Grade defects such as musty, sour, or commercially objectionable foreign odors (barley, canola, corn, flax, grain sorghum, oats, rye, soybean, sunflower, safflower, and wheat) will be used in addition to the Sample Grade.

2 DFs for grade can be used in combination with DFs for mycotoxins or other substances or conditions that are injurious to animal or human KHDOWK6HFWLRQ& RI WKH632,V± UHIHUUHGWR3$5

Refer to item (11) below for various examples; e.g., when there are types/levels of damage or grade for which there are pre-established DFs, a type/level of damage for which there is NO pre-established DFs, and a combination of a pre-established DFs from Section A and a DF from Section C of the SPOIs.

(c) If there is a type/level of damage or grade for which there are pre-established DFs shown in Section A of the SPOI AND at least one type/level of damage for which Section B of the SPOI would be applicable, the pre-established DF(s) on the chart in Section A of the SPOI are NOT used. In this case, the QA factor is established as stated in Section B.

(7) Section B of the SPOIs and other applicable SPOI Sections

For a type or level of deficiency not shown in section A, DFs will be determined from Section B (except if the production contains mycotoxins or other substances or conditions injurious to human or animal health) as follows:

(a) For production that is sold[1] (**bids cannot be used)** to a disinterested third party (as verified by the AIP), the DF will be the reasonable RIV applied by the buyer (disinterested third party) due to all insurable quality deficiencies and that value divided by the local market price.

(b) The DF will be .500 for all production not sold[1] prior to 60 days after the calendar date for the EOIP (or sold[1] to other than a disinterested third party).

(c) Production remaining unsold 60 days or more after the calendar date for the EOIP

1 A DF of .500 (plus applicable DFs from Section C of SPOIs) will be used to settle the claim for indemnity.

2 An automatic extension of time will be allowed for the insured to submit the claim for indemnity, not to exceed 90 days after the FDOHQGDUGDWHIRUWKH(2 ,3 7KLVGRHVQRWOLPLWWKHLQVXUHG¶VDELOLW\WR request an additional extension of time to submit a claim for indemnity in accordance with section 14 of the Basic Provisions.)

(d) ZMV[2] Production (Section D of SPOIs)

1 A DF of 1.000 for production determined by the AIP to have a ZMV[2], and the production is destroyed in a manner acceptable to the AIP.

2 A DF of .500 if the AIP determines the production has ZMV[2] value but the production is NOT destroyed in a manner acceptable to the AIP.

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[1] ROG±   **For CCD prior to 11/30/08:** Grain is considered sold on the date of final compensation and ownership or title of the grain has passed from the seller to the buyer**. For CCD of 11/30/08 or later:** ROG± * UDLQLVFRQVLGHUHGVROGRQWKH date ownership or title of the grain has passed from the seller to the buyer.

[2] 0 9 RFFXUVZKHQQREX\HUVLQWKHLQVXUHG¶VORFDODUHDDU e willing to purchase the production and fair consideration[3] to GHOLYHUSURGXFWLRQWRDP DUNHWRXWVLGHWKHLQVXUHG¶VORFDO P DUNHWLQJ DUHDLVJUHDWHUWKDQWKHSURGXFWLRQ¶VYDOXH

[3] Fair consideration is the additional transportation costs to deliver the grain WRDP DUNHWRXWVLGHWKHLQVXUHG¶VORFDO marketing area (distant market). Additional transportation costs means: Costs in excess of costs to transport to the local marketing area. Transportation costs to be used in this determination must be usual, reasonable, and customary.

(8) DFs Derived From RIVs in Section B1 or C2 of SPOIs

DFs are derived from RIVs by dividing the total RIVs by the Local Market Price (LMP) (rounded to three decimal places). The LMP is as defined in the applicable crop provisions. If the RIV for **each** qualifying damage cannot be established from the buyer, the RIV will be the total reduction in value (excluding any RIV as stated in (9) (g) below) of the price for the grade stated in the definition of LMP in the applicable crop provisions; i.e., the definition for LMP for corn in the Coarse Grains Crop Provisions is for No. 2 corn; therefore, the RIV is the RIV of the price for No. 2 corn.

(9) Establishing RIVs (Section B1 and Section C2 of the SPOIs)

Use all of the following when establishing RIVs:

(a) When determining RIVs, it is not necessary to determine the actual **value** of the production if the buyer is able to specifically provide, to the adjuster's satisfaction, the reduction in value (RIV) requested.

(b) RIVs and LMPs will be those in effect on the date the production was sold[1] to a disinterested third party verified by the AIP **(bids cannot be used).** Production must have been sold[1] prior to 60 days after the calendar date for the EOIP for the crop, except for production as stated in PAR. 102 O (3) (b) 2. **Refer to PAR. 102, for QA procedures when grain contains mycotoxins or other substances or conditions injurious to animal or human health.**

(c) The RIV is based on the same kind and class of crop that is insured.

(d) **5,9¶V' 2 127 $33/ < 72**

1 Production remaining unsold 60 days after the calendar date for the EOIP (Commercially Stored, Farm Stored, or Appraised Mature Production) except for production as stated in PAR. 102) (3) (b) 2.

2 Production fed or used in a manner other than feed.

3 Production having ZMV[2].

(e) Conditioning Costs (subparagraph a of Quality Statements in SPOIs): If an RIV can be decreased by conditioning the production, the RIV after conditioning may be increased by the cost of conditioning, provided the resulting RIV does not exceed the RIV before conditioning.

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[1] RQO\± **For CCD prior to 11/30/08:** Grain is considered sold on the date of final compensation and ownership or title of the grain has passed from the seller to the buyer**. For CCD of 11/30/08 or later:** RQO\± * UDLQLVFRQVLGHUHGVROGRQWKH date ownership or title of the grain has passed from the seller to the buyer.

[2] 0 9 RFFXUVZKHQQREX\HUVLQWKHLQVXUHG¶VORFDODUHDDU e willing to purchase the production and fair consideration[3] to GHOLYHUSURGXFWLRQWRDPDUNHWRXWVLGHWKHLQVXUHG¶VORFDO PDUNHWLQJ DUHDLVJUHDWHUWKDQWKHSURGXFWLRQ¶VYDOXH

[3] Fair consideration is the additional transportation costs to deliver the grain WRDPDUNHWRXWVLGHWKHLQVXUHG¶VORFDO marketing area (distant market). Additional transportation costs means: Costs in excess of costs to transport to the local marketing area. Transportation costs to be used in this determination must be usual, reasonable, and customary.

*** (f) Fair Consideration[1] to deliver sold[2] production qualifying under Section B1 and C2: If a lower RIV is available at a market outside the insured's local marketing area (distant market), the RIV may be increased by the additional costs to deliver the production to a distant market; provided the resulting RIV does not exceed the RIV in the insured's local marketing area and the additional costs are usual, reasonable, and customary. In accordance with the introduction of the Quality Provisions in the SPOIs, fair consideration[1] is not allowed for production fed or used in a manner other than feed.

(g) No RIV is allowed if it is due to:

1 moisture content,

2 damage due to uninsured causes, or

3 drying, handling, processing or any other costs (such as labor) associated with harvesting, handling, and marketing of the production.

(h) Contracted Production

Contracted production as used in the context of this procedure refers to speculative-type contracts, not processor contracts.

1 Contract has been fulfilled (production sold[2]) prior to 60 days after the calendar date for the EOIP and the buyer was a disinterested third party:

a The RIV will be the RIV applied by the buyer (who had the contract with the insured).

The LMP for the base price for the contracted grain will be used to determine the QA; e.g., $4.50

In the local market area, the LMP is $3.

Contracted wheat - RIV: delivered October 1, RIV of $2 applied to the contracted wheat, due to 43 pound test weight. There were no other RIVs applied by the buyer.

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[1] Fair consideration is the additional transportation costs to deliver the grain WR DP DUHD WKDW LV LQ H[FHVV RI FRVWV WR WUDQVSRUW WR WKH ORFDO marketing area (distant market). Additional transportation costs means: Costs in excess of costs to transport to the local marketing area. Transportation costs to be used in this determination must be usual, reasonable, and customary.

[2] RCD± **For CCD prior to 11/30/08:** Grain is considered sold on the date of final compensation and ownership or title of the grain has passed from the seller to the buyer**. For CCD of 11/30/08 or later:** RCD± * UDLQ VROG RQ WKH date ownership or title of the grain has passed from the seller to the buyer.

Non-contracted wheat RIV - The RIV for the same test weight in the Local Market Area was $1 on October 1.

In this case, the $2 RIV for the low test weight was applied by the buyer of the contracted and delivered grain was not comparable to the $1 RIV in the local market area for non-contracted wheat with the same test weight. The $1 RIV would be used to compute the QA factor.

b **For crops with a CCD after 11/30/08, and production has been delivered to the buyer prior to 60 days after the calendar date for the EOIP:**

QDFFRUGDQFHZLWKWKHGHILQLWLRQRI³6RRG´[1] in the SPOIs for these crops, production is considered sold when ownership or title of the production has passed from the seller to the buyer. Therefore, when contracted production has been delivered, ownership or title is considered to have passed and the production is considered to be sold[1] even though final compensation has not been made at this time. The claim must be held open until the final compensation of sold[1] production is known in order to obtain the RIV applied by the buyer.

c **For crops with a CCD prior to 11/30/08, and production has been delivered to the buyer prior to 60 days after the calendar date for the EOIP:**

QDFFRUGDQFHZLWKWKHGHILQLWLRQRI³6RRG´[1] LQWKH6 3 2 ,V production is not considered sold[1] until final compensation **and** ownership or title of the production has passed from seller to the buyer. Therefore, when contracted production that has been delivered but final compensation has not been made prior to 60 days after the calendar date for the EOIP, the production is considered unsold and a DF of .500 is used rather than an RIV.

***

*** 2 For any portion of the contracted production that was sold[1] 60 days after the EOIP or remains unsold, no RIV can be used. The pre-established DF of .500 must be used, as stated section B (Refer to PAR. 102 for production covered under Section C of the SPOIs.)

***

(10) **For claims involving mycotoxin infected production or production containing other substances or conditions injurious to animal or human health** that exceed the maximum amounts allowed by the FDA or other public health organization of the United States or agency of the applicable State (Section C of the SPOI), **refer to PAR. 102.**

[1] RCC± **For CCD prior to 11/30/08:** Grain is considered sold on the date of final compensation and ownership or title of the grain has passed from the seller to the buyer**. For CCD of 11/30/08 or later:** RCC± * UDLQLVFRQVLGHUHGVRCCRQWKH date ownership or title of the grain has passed from the seller to the buyer.

(11) Examples of determining QAFs with Pre-established DFs for types/levels of damage on the chart in the SPOI and established DFs derived from RIVs. (QAFs cannot be less than zero.)

Example 1: Crop only qualifies for the pre-established DF for grade on the chart **(Section A of the SPOI)**

Soft Red Wheat with a test weight of 54 pounds and 15% defects is designated as U.S. No. 5 wheat. There is no pre-established DF on the chart for a 54 pound test weight or 15% defects for soft red wheat (this test weight exceeds the point at which pre-established DFs begin for test weight), and there is no pre-established DF for 15% defects (15% defects exceed the point at which pre-established DFs begin for defects); however, the 15% defects do cause the wheat to grade U.S. No. 5 which qualifies the wheat for quality adjustment. The grade DF for U.S. No. 5 wheat is .335.

(a) .335 (DF for U.S. No. 5 Soft Red Wheat)

(b) 1.000 - .335 = .665 QAF

Example 2: Individual pre-established DFs applied but crop does not have a pre-established DF listed for the applicable grade (Section A of the SPOI). **Corn was sold[1] prior to 60 days after the calendar date for the EOIP.**

Corn with kernel damage (12%) and test weight (47 pounds) per bushel is designated as U.S. No. 5 corn. The test weight and kernel damage DFs would only be applied to arrive at the QAF. There is no U.S. No. 5 grade DF for corn. The U.S. Sample grade DFs would not be used in this example.

(a) .069 (DF for kernel damage)
<u>.052</u> (DF for test weight)
.121 Total DFs

(b) 1.000 − .121 = .879 QAF

The QAF is .879 because ALL quality deficiencies fall under Section A of the SPOI, and it does not matter when the grain was sold (i.e. before or on or after the calendar date for the EOIP) since it did not have ZMV.[2]

Example 3: Same scenario for corn as in example 2, except the corn remains unsold 60 days or later after the calendar date for the EOIP and it did not have ZMV.[2]

The answer is the same as in example 2 because ALL quality deficiencies fall under Section A of the SPOI; i.e., pre-established DFs on the chart for the type/levels of damage.

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[1] ROG± **For CCD prior to 11/30/08:** Grain is considered sold on the date of final compensation and ownership or title of the grain has passed from the seller to the buyer**. For CCD of 11/30/08 or later:** ROG± * UDLQLVFRQVLGHUHGVROGRQWKH date ownership or title of the grain has passed from the seller to the buyer.

[2] =0 9 RFFXUVZ KHQQREX\ HUVLQWKHLQVXUHG¶VORFDODUHDDUH willing to purchase the production and fair consideration[3] to GHOLYHUSURGXFWLRQWRDP DUNHWRXWVLGHWKHLQVXUHG¶VORFDO P DUNHWLQJ DUHDLVJUHDWHUWKDQWKHSURGXFWLRQ¶VYDOXH

[3] Fair consideration is the additional transportation costs to deliver the grain WRDP DUNHWRXWVLGHWKHLQVXUHG¶VORFDO marketing area (distant market). Additional transportation costs means: Costs in excess of costs to transport to the local marketing area. Transportation costs to be used in this determination must be usual, reasonable, and customary.

Example 4: Same scenario for corn as example 2, except corn was sold to the LQVXUHG¶VIDUPHU

The answer is the same as in example 2 because ALL quality deficiencies fall under Section A of the SPOI (i.e., pre-established DFs on the chart for the type/levels of damage), and the production is not ZMV.[1]

Example 5: RUQKDVNHUQHOGDP DJH3UHHVWDE0VKHG) RQFKDUW Section A of SPOI) and a test weight of 45 pounds (No pre-established DF for 45 SRXQGVWHVWZHLJKWVHFWLRQ%RI 632 , 7KHLQVXUHG¶VSURGXFHUDQHP DLQVXQRCG on the 60th day or later after the calendar date for the EOIP; therefore, a .500 DF is applicable. The QAF is determined as follows:

(a) DF is .500 (b) 1.000 – .500 = .500 QAF

The QAF is .500 because the quality deficiencies fall under Section B of the SPOI, and Section B requires a DF of .500 when the production remains unsold 60 days after the calendar date for the EOIP.

Example 6: Same scenario for corn as in example 5, except the insured feeds the damaged corn prior to 60 days after the calendar date for the EOIP. Therefore, the production was unsold production.

(a) DF is .500 (b) 1.000 – .500 = .500 QAF

The QAF is .500 because the production is fed (unsold) and quality deficiencies fall under Section B of the SPOI.

Example 7: Same scenario for corn as in example 5, except the insured sells the corn prior to the 60 days after the calendar date for the EOIP to his neighbor. The LMP is $2.40.

(a) **Scenario 1** 7KHQHLJKERUSD\ VWKHLQVXUHGIRUWKHFRUQ7KLVZRXOG equate to a RIV of $2.15 ($2.40 - $0.25). The AIP determines the neighbor meets the definition of disinterested third party as found in the Basic Provisions. However, the AIP determines the $2.15 RIV applied by the neighbor is not reflective of the RIV applied by other buyers in the local market**.** Since the RIV applied by the neighbor is not reflective of the RIV in the local market, the AIP must deem the neighbor as NOT a disinterested WKLUGSDUW LQDFFRUGDQFHZLWKWKHGHILQLWLRQIR3GLVLQWHUHVWHGWKLUGSDUW contained in the SPOI. Therefore, the QAF is as follows:

1 DF is .500 2 1.000 – .500 = .500 QAF

The QAF is .500 because the quality deficiencies fall under Section B of the SPOI and the **buyer is NOT a disinterested third party**.

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[1] =0 9 RFFXUZKHQQREX\HUVLQWHUHVWVRFDUHDDH willing to purchase the production and fair consideration[2] to GHOLYHUSURGXFHUQRRDP DUNHWWKLGHWVHFLQXHG¶VRFDO P DUNHQJ DUHDVJUHDWHUDQWKHSURGXFHUQ¶VDXH

[2] Fair consideration is the additional transportation costs to deliver the grain to a P DUNHWWLGHWHVWLQXHG¶VRFDP DUNHW ng area (distant market). Additional transportation costs means: Costs in excess of costs to transport to the local marketing area. Transportation costs to be used in this determination must be usual, reasonable, and customary.

(b) **Scenario 2** ,QWKLVVFHQDULRWKHQHLJKERUEX\VWKHFRUQIRU7KH$,3 determines the neighbor is a disinterested third party because:

1 the neighbor meets the definition for a disinterested third party in the Basic Provisions, the $1.65 RIV (2.40 - $.75) applied by the neighbor is reflective of the RIVs applied by buyers in the local market, and

2 WKHQHLJKERUP HHWVWKHGHILQLWLRQRIRD³GLVLQWHUHVWHGWKLUGSDUW\ LQWKH SPOI. Therefore the QAF is as follows:

a $1.65 ÷ $2.40 LMP = . 688 DF b 1.000 — .688 = .312 QAF

The QAF is .312 because the quality deficiencies fall under Section B of the SPOI and the **buyer IS a disinterested third party**. Therefore, the DF used to determine the QAF is derived from the actual RIV applied by the buyer.

Example 8: Individual pre-established DFs applied in combination with pre-established DF for grade (Section A of the SPOI)

Corn with kernel damage (25%) and test weight (47 pounds) is designated as U.S. Sample Grade (kernel damage qualifies). The individual kernel damage ') ¶VDQGWHVWZHLJKW VZRXOGEHDSSOLHGLQFRP ELQDWLRQZLWKWH8 6 6DP SOH Grade DFs. The corn was sold[1] to a disinterested third party (as verified by the AIP) prior to 60 days after the calendar date for the EOIP.

(a) .256 (DF for kernel damage)
.052 (DF for test weight)
+ .099 (DF for Sample Grade)
.407 Total DFs

(b) 1.000 — .407 = .593 QAF

Example 9:

Same scenario as Example 8, except during the period prior to 60 days after the calendar date for the EOIP, the corn has a ZMV[2], but the insured does not want to destroy the production at that time. There are two possibilities that can occur, as follows:

1st Possibility ± 7KHFRUQVWLOODVD=0 9 [2].

(1) If the insured destroys the corn in a manner acceptable to the AIP, the claim is settled as follows:

(a) DF is 1.000 (b) 1.000 — 1.000 = .000 QAF

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[1] 6RC± **For CCD prior to 11/30/08:** Grain is considered sold on the date of final compensation and ownership or title of the grain has passed from the seller to the buyer**. For CCD of 11/30/08 or later:** RC± * UDLQVFRQVLGHUHGVROGRQWKH date ownership or title of the grain has passed from the seller to the buyer.

[2] =0 9 RFFXUVZKHQRQEX\HUVLQWHUHVWHGLQSXUHKDVLQJWKHFRUQDUH willing to purchase the production and fair consideration[3] to GHOLYHUSURGXFWRQRUDP DUNHWRWKHUWKDQWKHSURGXFWV PDUNHWLQJ DUHDVJUHDWHUWKDQWKHSURGXFWV PDUNHW DUHDVLJQHGRQWKH SURGXFWVYDOXH

[3] Fair consideration is the additional transportation costs to deliver the grain WRDP DUNHWRWKHUWKDQWKHSURGXFWV marketing area (distant market). Additional transportation costs means: Costs in excess of costs to transport to the local marketing area. Transportation costs to be used in this determination must be usual, reasonable, and customary.

(2) If the insured opts to destroy the corn but does not do it in a manner acceptable to the AIP or opts to NOT destroy the corn, the claim **is settled the same as in Example 8 above** since all type/levels of damage are on the chart in the SPOI (Section A); i.e., as follows:

(a) DF is .407 (b) 1.000 – .407 = .593 QAF

***

2nd Possibility ± $ EX\ HUR UWKH FRUQ KDV EH HQ IRXQG 7KH FDLP LV **settled the same as in Example 8 above** since all types/levels of damage are on the chart in the SPOI (Section A); i.e., as follows:

(a) DF is .407 (b) 1.000 – .407 = .593 QAF

Example 10: Type/level of damage with a pre-established DF on the chart

Wheat has been sold[1] prior to 60 days after the calendar date for the EOIP and had only one type/level of damage (garlicky grade) that qualifies for quality adjustment. Since this type of damage has a pre-established DF on the chart (Section A of the SPOI), the QAF is determined as follows:

(a) .057 DF (for garlicky grade)

(b) 1.000 - .057 = .943 QAF

Example 11: Combination of type/level of damage with pre-established DFs (Section A in SPOI) and type/level of damage with no pre-established DF on the chart for the level of damage (Section B in SPOI)

Corn with kernel damage (25%) and test weight (45 pounds) is designated as U.S. Sample Grade. Since the test weight has no pre-established DF, the pre-established DF for kernel damage and the DF for Sample Grade will be ignored. The LMP for corn is $2.20. The corn was sold[1] to a disinterested third party (as verified by the AIP) prior to 60 days after the calendar date for the EOIP. The QAF for the damaged corn is determined as shown in the following steps:

(a) $ .65 (RIV for test weight)
+$.75 (RIV for kernel damage)
$1.40 Total RIV

(b) $1.40 (Total RIV) ÷ $ 2.20 (LMP) = .636 (DF)

(c) 1.000 - .636 = .364 QAF

I Crops that use the Actual Value Received to Determine QAFs

For some crops, there are no quality adjustment charts in the SPOIs, and the crop provisions provide that the dollar-and-cents value of the damaged crop is used in establishing the QAF (value of the damaged production divided by the Local Market Price as defined in the specific crop provisions) or as otherwise specified in the crop provisions; e.g., price election. Check the crop provisions for applicable crops. **This**

[1] 6RCG± **For CCD prior to 11/30/08:** Grain is considered sold on the date of final compensation and ownership or title of the grain has passed from the seller to the buyer**. For CCD of 11/30/08 or later:** RCG± * UDLQ LV FRQVLGHUHG VROG RQ WKH date ownership or title of the grain has passed from the seller to the buyer.

does not apply to barley, corn, canola, flax, grain sorghum, oats, rye, safflowers, soybeans, sunflowers, and wheat; see subparagraph H above for these crops. Quality provisions in specific crop options or endorsements may differ from the following procedures. Therefore, refer to the individual crop endorsement or option for specific quality adjustment provisions.

(1) The dollar-and-cent value of the damaged production is the local market value for the same quality as the damaged production. (Refer to allowances for conditioning costs in (5) below.) When determining the value of production, consideration must be given to the test weight, damaged kernels, moisture content, substances or conditions injurious to human or animal health, and other factors which (due to insurable causes) affected the value of the production. In regards to moisture, refer to subparagraph I (4) below.

(2) The dollar-and-cents value shall NOT REFLECT ANY REDUCTION due to uninsured causes.

(3) The Actual Dollar-and-Cents Value of Damaged Production

(a) **Unsold Production (Commercially Stored, Stored on Farm, or Appraised Mature Production)**

The actual value is the value of the damaged production obtained in the local market area on the date of final inspection. Local market is the area in which the insured normally markets the crop, to the extent possible. If ZMV[1], refer to subparagraph J for additional information.

(b) Transportation costs. If a higher price is available at a market within a reasonable distance outside the local market area, this price is to be used with transportation costs in excess of transportation costs to the local market being deducted from such price. Transportation costs to be used in this determination must be usual, reasonable, and customary.

(c) **Fed to Livestock**

1 The actual value of fed production is the value at the local market on the date of final inspection PROVIDED the:

a Adjuster can obtain a sample that is representative of the grain being fed and from which the adjuster can obtain the test weight or the sample can be submitted to a licensed grader to grade for test weight and allowable quality defects, or

b Insured can provide weight tickets and/or grading slips from an elevator who has a licensed grader and who has obtained samples from all loads of production that is being fed; e.g., if the insured only has a test weight/grading slip from one truckload 1 of 10 truckloads harvested and being fed, this cannot be considered to be representative of all of the production.

[1] =0 9 RFFXUVZKHQQREX\HUVLQWHULQVXUHGTVRFDQDUHDUH willing to purchase the production and fair consideration[2] to GHOLYHUSURGXFWVRQWRDP DUN-RXWLGHWKHLQVXUHGTVRFDPDUN-HWQJ DU HDLVJUHDWHUWKDQWKHSURGXFWVYDOXH

[2] Fair consideration is the additional transportation costs to deliver the grain WRDP DUN-RXWLGHWKHLQVXUHGTVRFDO marketing area (distant market). Additional transportation costs means: Costs in excess of costs to transport to the local marketing area. Transportation costs to be used in this determination must be usual, reasonable, and customary.

2 If production **to be** fed is zero value, refer to subparagraph J for additional information. The insured cannot pull a sample from farm-stored production being fed and submit it for a test-weight and grade; only the adjuster or a licensed grader can extract samples from the harvested production for quality adjustment purposes.

(d) **Sold or Otherwise Disposed of**

1 The actual value is the dollar amount received or the local market value, by load, on the date of disposition; whichever is higher taking into consideration the other procedures in subparagraph I.

2 You MUST verify the value received from the settlement sheet. If the final settlement has not been made, you MUST verify with the commodity buyer what value will be paid for the damaged production. DO NOT USE LOAD TICKETS.

3 When grain qualifies for quality adjustment and the grain dealer has applied additional dockage to dock high moisture grain:

a Grain dealers sometimes apply additional dockage relative to the amount of moisture to dock high moisture grain. When the production shown on warehouse or elevator tickets has been reduced by applying such additional dockage, the gross units of wet production must be determined before the production can be adjusted.

b If the grain buyer takes this deduction by reducing pounds or bushels rather than reducing the value, the price per bushel or pounds must be adjusted to equate with gross production reported on the claim form. In such situations, do the following:

i Adjust the deduction for moisture to allowable limits.

ii Revise the settlement sheet to reflect the correct moisture deduction and allowable amount payable.

iii Divide the value received for the reduced total weight or bushels of the lot by the number of bushels determined from the original delivered weight.

iv This gives the value per bushel or pounds for the damaged crop and needs no further adjustment unless there have been uninsured causes of loss. (The sale price will reflect foreign material and other factors.) The resulting revised value per bushel or pounds divided by the appropriate local market price gives the applicable Quality Adjustment Factor that will be used to calculate the production to count.

v The crop handbook will provide additional instructions and specific entry instructions. Identify the quality adjustment in the narrative of the claim form as instructed in the appropriate crop handbook.

(e) Contracted Production

Contracted production as used in the context of this procedure refers to speculative-type contracts, not processor contracts. There are no applicable procedures for production contracted under speculative type contracts in the Crop Handbooks.

1 Contract has been fulfilled (production delivered/sold)

The actual dollar and cents value is the price received for the damaged production delivered as long as the discounts used to establish the price received is usual, customary, and reasonable. The QAF CANNOT be GREATER than 1.000.

2 Contract has not been fulfilled (production not delivered/unsold)

Since settlement has not been made, there is no way to establish the value of the damaged production with any certainty; therefore, the production will be considered to be unsold. Establish the value as instructed in (3) (a) above.

3 In some cases, contracts will be set up with minimum prices, which can be adjusted to a higher price after delivery of the damaged production and receipt of the minimum price. In these cases, if the contract has been fulfilled by the date of final inspection, the price the insured has received by this date is the value used (either the minimum (adjusted for quality) alone or the minimum (adjusted for quality) plus any additional value received due to the adjusted minimum price).

4 Disregard the fact that the insured may receive additional money after the claim has been finalized. The only value that can be considered is the actual value the insured has received by the date of final inspection.

Refer to examples below.

Example 1

At the time of loss adjustment, the insured had fulfilled the contract (delivered all contracted grain) and had received $4 a bushel, the minimum (less discounts for the damage). The value used to determine the QAF is $4.

Example 2

Prior to loss adjustment, the insured fulfilled the contract and received $4 a bushel, the minimum value (less discounts due to the damaged grain). However, by the time loss adjustment was done, the insured had received an additional 25 cents a bushel, due to the adjusted minimum price. In this case, the value received is $4.25 not $4. Thus, the $4.25 is used to determine the QAF.

Example 3

At the time of final inspection, the insured has signed a contract with the elevator giving the elevator title to the grain in exchange for a delayed settlement. Until the insured triggers the date that settlement is to be made, no price has been agreed upon nor no money received by the insured. In cases where settlement has not been made, the production is considered unsold stored production and adjustment will be made based on the value of the damaged production that is quoted in the local market area on the date of final inspection.

(f) The affected price (value) of the damaged crop may reflect other insurable factors besides the factor(s) that qualified the crop for quality adjustment. When the price does reflect other factors, make sure double credit is not given for such factors; e.g., dockage. Refer to subparagraph I (4) below.

(4) Drying Charges and Moisture Discounts

(a) Drying Charges: No drying charges are allowed in the established value of the damaged crop.

(b) Moisture Discounts

1 Moisture adjustments for excess moisture must be made separate from and **prior to** quality adjustment and can only be made if allowed for in the crop provisions or SPOIs.

2 Allow ONLY the moisture adjustments (essentially representing standard shrink for the particular grain) provided in the crop provisions, or SPOIs, if applicable (e.g., .12 percent for each .1 percentage point of moisture in excess of 18.0 percent, etc.).

(5) Conditioning Charges

(a) If conditioning charges are incurred to obtain a higher value for the production, reduce the price of the production after it has been conditioned by the cost of conditioning to obtain its value (unless otherwise specified in the crop provisions or SPOIs); but the established value is not to be lower than the value of the production before conditioning. This adjusted value will be considered the value of the affected production for quality adjustment purposes.

(b) Drying charges for reducing the moisture content of the production are not considered conditioning charges.

(6) Refer to the individual crop handbooks for specific information.

J ZMV[1] Production

These procedures apply to crops having quality provisions in the crop provisions or the SPOIs unless specified otherwise in the individual crop provisions or SPOIs: This procedure does not apply to production that cannot be mechanically harvested as described in PAR. 85 H.

(1) Every reasonable effort should be made by the insured and AIP to find a market for the production before it is declared zero. Communication through the RMA RO is essential to ensure that AIPs are aware of available markets for damaged production. When the only types/levels of damage or grade are ones for which there are pre-established DFs in Section A of the SPOIs, there should be very few instances, if any, where a value cannot be found for such grain. The following items are to be followed when trying to find a market for the ZMV[1].

Determine if there are buyers outside of the insured's local marketing area (within a reasonable distance) willing to buy the damaged grain. Transportation costs (in excess of transportation costs to the insured's local market area) that would be incurred as a result of transporting production outside the insured's local marketing area will be considered:

1 For crops using actual value received to determine the value of the damaged production, or

2 For crops having quality adjustment provisions in the SPOIs and that have a type or level of damage for which there are NO pre-established DFs. Refer to subparagraph H above (or the SPOIs for the specific crop), or

3 For crops having quality provisions in the SPOIs and for which there is a pre-established DF for the type and level of damage, to determine whether there is a ZMV[1]; i.e., value minus transportation cost (in excess of cost to local market) equals zero or negative value. If after the consideration of the transportation cost there is a positive value, the grain must be adjusted in accordance with the pre-established DFs, and there will be no consideration in adjusting the DF for the transportation cost.

(b) Determine if cattle or poultry feeding operations or other types of buyers are willing to buy the damaged production.

(c) Determine if the damaged production can be conditioned and sold.

1 Conditioning costs will be considered in determining the value of the damaged production; or as applicable, for some crops, the RIV of the damaged production.

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[1] ZMV occurs when no buyers in the insured's local area are willing to purchase the production and fair consideration[2] to deliver the production to a market outside the insured's local marketing area is greater than the production's value.

[2] Fair consideration (not applicable to nursery) is the additional transportation costs to deliver the grain to a market outside the insured's local marketing area (distant market). Additional transportation costs means: Costs in excess of costs to transport to the local marketing area. Transportation costs to be used in this determination must be usual, reasonable, and customary.

2 Conditioning costs are not allowed if for the types/levels of damage(s) there are pre-established DFs shown on the chart in the SPOIs.

(d) If a market still cannot be found after the determinations in subparagraph J (1) (a)-(c) above have been made, the AIPs shall delay finalization of a claim if there is a reasonable probability that there will be a market for the damaged production within the next few weeks, (but not later than 60 days after the calendar date for the EOIP). This may happen if the markets have bought enough higher quality grain to enable them to buy the lower quality grain to blend with the higher quality grain.

(e) For crops having QA provisions in the SPOIs

If the AIP has declared the production has ZMV[1] because there are no buyers in the insured's local market and any distant market (with fair consideration[2] of transportation and conditioning), and the insured opts to not destroy the production:

1 For types and levels of damage that fall under Section A of the SPOIs:

Production will be quality adjusted based on the DFs in section A.

2 For types and levels of damage that fall under Section B of the SPOIs that remains unsold 60 days after the calendar date for the EOIP:

Claims MUST be settled based on .500 as outlined in subparagraph H (7) (e). **Claims CANNOT be settled based on an offer from the insured or anyone else.**

3 For types and levels of damage that fall under Section C of the SPOIs: Refer to PAR. 102.

(f) Document all determinations made in subparagraph J (1) (a)-(e) above, including names and locations of marketing outlets, values (RIVs if applicable for the crop) quoted for the damaged production, any information pertinent to possible conditioning of the damaged production, any allowable fair consideration[2] for transportation costs of the damaged production, etc. If multiple above-zero-values (RIVs) are determined, use the highest obtainable value (after allowable adjustments for conditioning or fair consideration[2] of transportation costs, if applicable) or lowest RIV, if RIVs applicable for the crop.

(2) Destruction

(a) When the AIP has declared production to be ZMV[1] and the insured opts to destroy the production, the following must occur before the claim can be quality adjusted to zero production to count:

---

1 =0 9 RFFXUVZ KHQQREX\ HUVLQWKHLQVXUHG¶VORFDODUHDDUH willing to purchase the production and fair consideration[2] to GHOLYHUSURGXFWLRQWRDP DUNHRXWVLGHWKHLQVXUHG¶VORFDOPD UNHWLQJ DUHDLVJUHDWHUWKDQWKHSURGXFWLRQ¶VYDOXH

2 Fair consideration (not applicable to nursery) is the additional transportation costs to deliver the grain to a market outside WKHLQVXUHG¶VORFDOPDUNHWLQJ DUHDGLVWDQWPDUNHW$GGLWLRQ al transportation costs means: Costs in excess of costs to transport to the local marketing area. Transportation costs to be used in this determination must be usual, reasonable, and customary.

1 Prior to the insured destroying the production the adjuster:

a Must communicate the acceptable methods of destruction as stated in (2) (c) below.

b And the insured must agree upon a method that would meet the definition in (2) (c) below.

2 The adjuster must either:

a Witness and document the destruction and the destruction method (see (2) (c) below) of the ZMV[1] production during an on-the-farm inspection; **or**

b The adjuster shall leave a Certification Form as described in (3) below. However, before the claim can be finalized, the adjuster must follow-up with an on-the-farm inspection to verify destruction and whether the destruction method was an acceptable method as described in (2) (c) below.

(b) **Destruction Exceptions**:

Exception 1: In cases of mature unharvested production that in itself is destroyed (i.e., the production is of such quality that it could never be used for feed or any manner which would provide some value to the insured or there is no crop production on the stems/stalks, only vegetation from the stems/stalks of the plant on which the crop was growing remains.) the requirement to destroy the crop prior to indemnification can be waived by KDYLQJ WKHLQVXUHGRULQVXUHG¶VUHSUHVHQWDWLYHVLJQD&HUWLILFDWLRQ)RUP containing a statement indicating that the crop will not be harvested and will be destroyed. When there is no crop production, only plant vegetation, the vegetation does not have to be destroyed. Insureds may hay, bale, or graze the vegetation. AIPs must take pictures of the crop demonstrating that the production is in itself destroyed (e.g., only plant vegetation from which the crop was growing or should have grown remains) along with any other documentation, and this documentation must be referenced in the Narrative of the claim form or on a Special Report attached to the claim form. This documentation must be retained in the insured loss file folder.

Exception 2: Also, if the criteria are met as provided in PAR. 134, the destruction requirement is excepted for immature and mature unharvested production when destruction of such crop acreage would cause wind erosion problems. AIPs must include such documentation as described in 3$5 LQWKHLQVXUHG¶VORVVILOHIROGHUDQGQRWHWKLVLQWKH1DUUDWLYHRI WKH claim or on a Special Report attached to the claim.

Exception 3: Production can be gleaned by an approved charitable organization rather than destroyed, provided all the criteria stated in PAR.

[1] =0 9 RFFXUVZKHQQREX\HUVLQWKHLQVXUHG¶VORFDODUHDDUH willing to purchase the production and fair consideration[2] to GHOLYHUSURGXFWLRQWRDPDUNHWRXWVLGHWKHLQVXUHG¶VORFDO PDUNHWLQJ DUHDLVJUHDWHUWKDQWKHSURGXFWLRQ¶VYDOXH

[2] Fair consideration (not applicable to nursery) is the additional transportation costs to deliver the grain to a market outside WKHLQVXUHG¶VORFDOPDUNHWLQJ DUHDGLVWDQWPDUNHW$GGLWLRQ al transportation costs means: Costs in excess of costs to transport to the local marketing area. Transportation costs to be used in this determination must be usual, reasonable, and customary.

94 are met. AIPs must place such documentation as described in PAR. 94 LQWKHLQVXUHG¶VERRNVILOHIIRCHHDQGQRWWKLVLQWKH1 DUDWLYHRI WKHFODLP RU on a Special Report attached to the claim.

THERE IS NO EXCEPTION TO DESTRUCTION WHEN PRODUCTION IS INFECTED BY A TYPE AND LEVEL OF MYCOTOXIN (OR OTHER SUBSTANCES OR CONDITIONS INJURIOUS TO HUMAN OR ANIMALHEALTH) FOR WHICH STATE AND/OR FEDERAL REGULATIONS OR GUIDELINES REQUIRE DESTRUCTION OF THE INFECTED PRODUCTION. REFER TO PAR. 66 C (3).

(c) **Acceptable Destruction Method**

An acceptable destruction method is a method that will result in the production having no possibility of being marketed or possibility of salvage use that could result in any type of compensation to the insured. Grazing DQGKD\LQJ HYHQIRUWKHLQVXUHG¶VRZQXVHLVWKHRQOLGHUHGDVDSYDJH use because it results in compensation (value) to the insured; therefore, it is not an acceptable destruction method. Destruction of such production should be done in accordance with any applicable method prescribed by state or Federal regulations.

(3) Certification Form

When the adjuster has not witnessed destruction, a Certification Form shall be XVHGWRUHFRUGWKHLQVXUHG¶VFHUWLFDWLRQWKDWSURGXFWLRQKDVEHHQGHVWUR However, before the claim can be finalized, an adjuster must make an on-the-farm inspection after the Certification Form has been received by the AIP to verify destruction and destruction method of the ZMV[1] production, unless excepted as stated in one of the exceptions in 2 (b) above. The adjuster must document on the claim form or on a Special Report the method of destruction, whether destruction was an acceptable method, the date the verification and on-the-farm visit took place, and any other pertinent information.

(a) In lieu of or in addition to the instructions for completing a Certification Form, refer to the required completion instructions in Exhibit 11:

(b) Before leaving the Certification Form, the adjuster and adjuster must agree on an acceptable method of destruction as described in (2) that will be considered acceptable and also instruct the insured to enter the date the SURGXFWLRQZDVGHVWUR\HGDQGGRFXPHQWHG5HP DUN VHFWLRQRI WKH Certification Form, the destruction method. Advise the insured that when the AIP has received the Certification Form back from the insured certifying destruction of the production, that he/she or another adjuster must make another inspection to verify destruction of the production.

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[1] =0 9 RFFXUVZKHQQREX\HUVLQWHUHVWHGLQWKH¶VERFDUHDDUH willing to purchase the production and fair consideration[2] to GHOLYHUSURGXFWLRQRQDP DUNHWXWLGH WKHLQVXUHG¶VERFDO P DUNHWQJ DUHDIVJUHDWHUWKDQSURGXFWLRQSURGXFWVYDOXH

[2] Fair consideration (not applicable to nursery) is the additional transportation costs to deliver the grain to a market outside WKHLQVXUHG¶VERFDPDUNHWQJ DUHDGLVWDQFHVEGLWLRQ al transportation costs means: Costs in excess of costs to transport to the local marketing area. Transportation costs to be used in this determination must be usual, reasonable, and customary.

K Consolidating QAF Entries

When there are loads of production that have the same QAFs, these loads can be consolidated on one line in the part of the Production Worksheet for harvested production as long as the other information (such as FM and moisture) is the same.

97 ADJUSTMENTS FOR MOISTURE

A Policy or Endorsement Provisions

(1) When crop provisions provide for adjustment for excess moisture, the mature production will be reduced when it meets the requirement stated in the crop policy/endorsement. If moisture adjustment for excess moisture is applicable, it is applied prior to any adjustment for quality.

(2) Hybrid Corn Seed Crop Provisions and Hybrid Sorghum Seed Crop Provisions provide for adjustments for excess and deficient moisture percentages, as set forth in the individual crop provisions. Refer to the specific crop provisions and crop handbooks.

(3) Moisture charts are in the Reference Material Section contained in applicable crop handbooks and provide the moisture adjustment factor for the percentage of moisture. Use these charts only when computing net production.

B Moisture Determinations from Sold Production

Moisture percentages are established from the individual load slips or settlement sheets, as explained in this subparagraph. Grain dealers use various methods to dock high moisture grain. One method reduces the price in relation to the amount of moisture on the basis of currently established standards (charts). Another method applies additional dockage, relative to the amount of moisture, which is determined from established guidelines. Where the production shown on warehouse or elevator receipts has been reduced by applying such additional dockage, the gross units of wet production and the actual moisture percentage must be determined before the crop can be considered for a moisture adjustment.

C Moisture Tests of Farm-Stored or Unharvested Mature Production

(1) Moisture tests can be performed by:

(a) Grain handlers at a commercial facilities that buys or stores grain,

(b) FGIS Field Offices or FGIS-designated or -delegated entities, or

(c) Adjusters; provided the adjuster has a properly maintained, functioning, and calibrated moisture tester.

(2) Samples for Moisture Tests

(a) The adjuster is responsible for ensuring that any sample used to make a moisture determination is representative of the production in the entire storage structure. This is done by using a probe (may need an extension on the probe) to take samples from various depths and areas of the bin or

other various means to derive a moisture percentage that is representative of the entire storage structure.

(b) Only the adjuster can take samples of farm-stored production for moisture GHWHUPLQDWLRQVXQOHVVH[FHSWHGDVWKHGLQ3$5 ¶VRU

D Consolidating and Averaging Moisture Percentages. For consolidating and averaging PRLVWXUHSHUFHQWDJHVRQWKHFODLP IRUP UHIHUR3$5 ¶VDQG

E Claim Form Entries. Entries for moisture factors (and/or moisture percentages) on the claim form are made as instructed in the individual crop handbook.

98 ADJUSTMENTS FOR FOREIGN MATERIAL (FM) AND IF ALLOWED, DOCKAGE

A General Information

(1) For the purpose of determining:

(a) Production to count, adjustments of gross production due to FM in most instances will be allowed (there may be other items such as conspicuous admixture for which gross production may be adjusted, as stated in A (6) below). Adjustment for dockage is NOT allowed unless it meets the criteria stated in A (4) or (5) below. If the insured did (or will) receive compensation for the FM (or dockage, if allowed as provided below), deductions cannot be made.

(b) The entry for FM% (Item K_1), if any, on the PW, follow the instructions below:

(2) The crop provisions for grain and seed crops state the following in the ³6HWWOHPHQWRI&ODLP´VHFWLRQ **³$Q\ SURGXFWLRQ KDUYHVWHG IURP SODQWV growing in the insured crop may be counted as production of the insured FURSRQDZHLJKWDVLV´** For most crops, such production is defined as dockage by FGIS (for some crops where there is no FGIS dockage definition, such production would be included in FM, as defined by FGIS.) However, there are some crop provisions that specify that the crop will be graded in accordance ZLWKWKH6WDWHJUDGLQJ VWDQGDUGVRUJUDGLQJ VWDQGDUGVRI DQRWKHUHQWLW\,Q those cases, such production is defined as dockage, as stated in the applicable grading standards of the State or other entity. This policy provision will be administered as stated below.

(3) Refer to Exhibit 17 for a chart of the FGIS or applicable State or other entity definitions. The chart is current as of the date shown on the bottom of the pages contained in Exhibit 17. These seldom change. However, to be assured that the FGIS definitions are current, refer to the definitions shown in the U.S. grade standards for the crop (if U.S. grade standards are not available for the crop, refer to the FGIS directive for inspection standards for the crop). These can be found at the FGIS website or via a link on the RMA website, located where the loss adjustment standards handbooks are located.

(4) If dockage is due to an insured cause of loss, the percentage of both FM and dockage may be used. Keep in mind that dockage can result from improper harvest of the crop, not following good farming practices due to improper applications of weed control, etc., so caution must be used when determining that

the dockage was due to an insured cause. An example of an insured peril causing dockage is excess precipitation that caused weed or insect control measures to be ineffective and resulted in other plants (or for the geographical area, an above normal amount of other plants) growing in the crop from which production is harvested with the insured crop.

(a) For crops having FGIS definitions for FM and dockage (except for dry peas*) or where crop provisions require a State or other entity grading standards for the crop, gross production can ONLY be adjusted for FM (as defined by FGIS for the respective crop or as defined in applicable State or other entity grading standards when required by individual crop provisions), UNLESS it is determined that the dockage is due to an insured cause.

(b) For crop grading standards or inspection standards that have definitions for ³GRFNDJH´ 2 1 / < **and** definitions for stones, conspicuous admixture, and admixture; adjustments for dockage is not allowed UNLESS dockage is due to an insured peril, as stated in A (7) below. The applicable grading or LQVSHFWLRQVWDQGDUGVZLOOEH)*,6¶XQOHVVWKHFURSSURYLVLRQVVSHFLI\ grading standards of a State or some other entity. However, adjustments for stones, conspicuous admixture, and admixture are allowed, provided the insured was not compensated for these. These crops do not contain all three of these definitions. Some contain only one and some contain two. Refer to Exhibit 17.

(5) In addition to FM, the Dry Pea Handbook allows the gross weight of peas to be adjusted by the percentage of dockage as defined by the US Standards for Dry Peas.

(6) For crop grading standards or inspection standards that have a definition for ³GRFNDJH´ 2 1 / < DQG1 2 GHILQLWLRQVIRUVWRQHVFRQVSLFXRXVDGPL[WXUHDQG admixture; adjustments for dockage is not allowed unless the dockage is due to an insured cause of loss and the insured has not received compensation for the GRFNDJH7KHDSSOLFDEOHJUDGLQJRULQVSHFWLRQVWDQGDUGVZLOOEH)*,6¶XQOHVVWKH crop provisions specify grading standards of a State or some other entity. Refer to Exhibit 17.

(7) For crop grading or inspection standards that have a definition for FM ONLY, adjustment for FM is allowed, unless it is determined that the FM includes production from other plants growing in the crop. The applicable grading or LQVSHFWLRQVWDQGDUGVZLOOEH)*,6¶XQOHVVWKHFURSSURYLVLRQVVSHFLI\JUDGLQJ standards of a State or some other entity. If the FM percentage for the crop, crop year, and geographical area is in excess of what other producers in the area have delivered to buyers and it cannot be determined that the excessive amount is due to insurable causes, adjustments for FM is not allowed. If there are no other SURGXFHUVLQWKHDUHDFRQWDFWWKH50$¶V3URGXFW$GPLQLVWUDWLRQDQG6WDQGDUGV Division, Loss Adjustment Standards Branch (LASB). LASB will contact FGIS (or applicable State or other entity, if grading standards for a State or other entity is specified in the crop provisions for the respective crop) for the average FM for the crop. Refer to Exhibit 17.

(8) FM (and other terms, as allowed above) is determined on the basis of weight (not volume).

B Dockage and/or FM terms used by buyers

The term "FM" or "dockage" is sometimes used by buyers differently than the FGIS definition of "FM" or "dockage". This may also be the of "FM" and "dockage" definitions defined in grading standards for a State or other entity (e.g. some buyers may combine FM and dockage into a single percentage and call it dockage which would not meet the aforementioned definitions for FM or dockage).

The adjuster must determine that the buyer's term for FM (dockage if allowed as stated in A above) is the same as FGIS' definitions for the crop or other FGIS terms allowed as specified above (or if the crop provisions specify that grading standards of a State or other entity will be used, the adjuster must determine that the buyer's term for FM (dockage if allowed as stated in A above) is the same as the definitions in grading standards of the applicable State or entity.

When the term(s) for "FM" or "dockage" used by the buyer is not consistent with the FGIS definitions (or definitions in the grading standards of a State or other entity specified in the crop provisions for the respective crop), the adjuster must work with the buyer to determine if there is a way to determine the percentage of FM (dockage, if allowed above) deducted by the buyer that is consistent with FGIS' definition for FM and FGIS' definition for dockage (if allowed above) or FM (dockage, if allowed above) definitions in the grading standards of a State or other entity, if grading standards of a State or other entity standards is specified in the crop provisions for the respective crop.

For Example: The buyer may just have a column for "dockage" on the weight ticket or settlement sheet. That figure cannot be used as an adjustment for FM unless the buyer can provide evidence that shows they have a breakdown of FM and/or dockage as defined by FGIS. If the buyer can provide evidence that they have the breakdown of the percentage of FM (or dockage if allowed above) as defined by the FGIS definitions, then the percentage for the applicable FM (or dockage if allowed as stated above) can be accepted. Such evidence will be filed and retained in the insured's claim file. However, if the buyer cannot provide such evidence, the percentage for FM (or dockage if allowed as stated above), shall not be allowed.

C Commercially Stored or Sold Production

(1) When a FM percentage(s) is shown on producers' records; i.e., summaries, settlement sheets, individual load slips, enter in the FM column of the claim form the actual percent to the nearest tenth of FM (dockage if allowed for the crop as stated in A above or as determined in B above) that the buyer has actually deducted from the gross production sold (the amount entered in the column for gross production on the claim form) or if unsold, the amount the buyers in the area would deduct (for the elevator PAR's) and for consolidating or averaging FM percentage entries on the claim form.

(a) If you are not certain if the elevator allowed 1% of a 4% FM and only charged the producer for 3%, contact the elevator either by phone or visit to ascertain what percentage was actually deducted. If still in doubt, show the full FM, and explain in the narrative.

(b) Show the FULL AMOUNT (percentage of FM deducted regardless of the grade tolerance (e.g., the U.S. Standards for Grain allow 2% FM on soybeans which grade No. 2). If the producer's records show 4% FM actually deducted, the 2% FM allowed in the U.S. Standards for Soybeans is NOT deducted from the 4% on the producer's records. Thus "4.0" is entered in the FM column on the claim form.

(2) When FM (and /or dockage, if allowed for the crop as stated in A above) is shown as a price discount and not as a percentage (provided production does not qualify for quality adjustment), try to ascertain the percentage of FM (and/or dockage if allowed as stated above) contained in the production. Make no entry in the FM column of the claim form if this percentage cannot be determined.

(3) If the FM (and/or dockage if allowed as stated in A above) is accounted for under quality adjustment, even though FM may not have been the quality adjustment determining factor, DO NOT show the FM percent in the FM column of the claim form.

(4) Do not include any adjustments for moisture in the FM entry.

D Farm-Stored Production

(1) FM (and/or dockage, if allowed for the crop as stated in A above) as defined by FGIS, can be determined by the adjuster if the adjuster has the proper equipment and follows FGIS instructions (refer to E below) and the adjuster and the insured agree there are no quality deficiencies other than test weight.

(2) The adjuster may take samples to a local elevator to obtain the percentage of FM (and/or dockage percentage, if allowed for the crop as stated in A above), **provided** the insured agrees that there is no quality involved. However, if the adjuster and the insured are unsure, the adjuster must obtain a sample of the farm-stored production and transport or mail it to an FGIS office (AMS if applicable or if the crop provisions for the respective crop require grading standards of a State or other entity, the applicable sites specified by the State or other entity) for these determinations.

(3) If samples are sent to FGIS or a FGIS-designated or -delegated entity (AMS if applicable), follow FGIS instructions for the crop, particularly regarding sample VL]HVSDFNDJLQJ DQGWDQVSRUWDWLRQ7KLVLQIRUP DWLRQFDQEHREWDLQHGDW¥ ,6¶ website or by phone call to an FGIS field office. If the crop is one that requires grading standards of a State or other entity and the sample is mailed, follow the instructions provided by the State or other entity regarding sample sizes, packaging, and transportation.

(4) If the adjuster performs FM or dockage tests for crops using FGIS grading or inspection standards, the grain must be measured, and weighed as described in subparagraph E below or from the FGIS publication *"Practical Procedures for Grain Handlers* 7KLVSXEOLFDWLRQFDQEHGRZQORDGHGDQGSULQWHGIURP WKH) * ,6 website or via a link from the RMA website, located in the same location as the loss adjustment standards handbooks. If the crop is not included in this handbook, contact FGIS to determine where this information can be obtained. For crops for which the crop provisions require grading standards of a State or other entity, obtain instructions from the applicable State or entity. If the State or

other entity will not provide such instructions, samples must be transported or mailed to a facility designated by the State or other entity.

(5) The FM percentage (and/or dockage percentage, if allowed for the crop as stated in A above) to the nearest tenth (that the buyer would actually deduct from the gross production) is entered in the appropriate column for FM on the claim form. Refer to the specific crop handbook instructions.

E Determining Dockage and FM on the Farm

The following materials and instructions are to be used when determining dockage and FM on the farm for wheat and barley. For a large portion of the crops, screen sizes and procedures can be obtained from the FGIS publication *"Practical Procedures for Grain Handlers."* This is the same publication referred to in D (4) above. If the crop is not listed in this publication, contact FGIS to obtain this information or submit the adjuster-obtained samples to FGIS. For crops for which crop provisions require grading standards for a State or other entity, obtain the instructions from the applicable State or entity. If the State or other entity will not provide such instructions, the samples must be transported or mailed to a facility designated by the State to grade.

(1) Materials

(a) Screen "A" - 12/64" round aperture (for wheat).

(b) Screen "B" - 8/64" triangular aperture (for wheat).

6FUHHQ& ±´ RUURXQGDSHUWXUHIRUZKHDW

6FUHHQ³" ´±´ WULDQJXODUDSHUWXUHIRUEDUOH\

(e) Pan - round non-perforated (610-E).

(f) Funnel.

(g) One-pint or one-quart grain measuring bucket.

(h) One-pint or one-quart grain measuring scale (each scale must be calibrated to the respective bucket).

(i) Leveling stick.

(2) Weight and FM

(a) Measure and weigh grain as outlined in PAR. 101 B and C, except the VDP SOHVZLQQRWM³FHDQ´IUHHRI)0 DQGRUGRFNDJHDVGHILQHGE\ FGIS)).

HWMUPLQHWKHZHLJKWRIRQHSLQWRUQHTXDUWJUDLQE\ XVHRI WKH³GEV R]V´/LQHRQWKHVFDOH2QHSLQWRQHSRXQG

5HIHUWRVXESDUDJUDSK DERYHVFUHHQV³% DQG³&´DUHERWKZKHDW VFUHHQV8VHVFUHHQ³% LQWKHSUHMHQFHRI EXFNZKHDWQHVDWRQ8VH VFUHHQ³&´XQGHUUPDERQGLWLRQV

) RUZ KHDSDFHVFUHHQ³% RU³& ´ ZKLFKHYHULVQHHGHGLQWKHQRQ
SHUFRUDWHGSDQLQVHUWFUHHQ³$´ QH[WDQGVSUHDGZHLJKHGJUDLQRYHU
VFUHHQ³$´ 8VHDFLFFXODUKDNLQJ PRWRQWRFDXVHDQGQRFDJHWVSDVW
through the screens into the pan. For barley, follow all the same
LQVWUXFWLRQVH[FHSWRQO VFUHHQ³' ´ LVXVHG6HHVXESDUDJUDSK DERYH
for screens A, B, C, and D.)

(d) The screenings in the pan along with anything remaining in the top screen is dockage.

(e) From the dockage-free sample, remove all the matter other than wheat that remains in the sample by hand picking. The matter that was handpicked is FM. Establish the amount of FM by weighing the handpicked matter with WKHEXFNHDQGVFDOH8VHWKH³ RI GEV´ / LQHRQWKHVFDOHWRP DNHWKHILQDO determination of the FM percentage.

F FM Factor

The FM factor is computed by subtracting the determined percent of FM (and/or dockage if allowed as outlined in subparagraph A above) actually deducted by the buyer from 1.0000, provided what the buyer designates FM (and dockage if allowed for the crop) meets the definitions found in Exhibit 17. (Example: 1.000 - .030 (FM) = .970 FM factor.) When this factor is applied to the production to count, it is reduced. (For dry peas, this factor would also include any applicable dockage; see subparagraph A above and the Pea LASH.)

G Unhusked Cribbed Corn. (Husk factor is NOT TO BE ENTERED in the FM % column of the claim form.

Unhusked cribbed ear corn on which none of the husks have been removed is unusual, but when it occurs, determine the husk factor and apply this factor to the calculated gross bushels to determine the production to be entered on the claim. Determine the husk factor as follows:

LOOVWDUJKWZHGFRQWDLQHUZRRGHQER[´; ´; ´ ZLWKDUHSUHVHQWDWLYH
sample packed to the same density as the crib.

(2) Remove husks. Put husked ears in the box. Pack and measure depth.

(3) Divide the depth of the husked corn by the depth of the unhusked sample. Round to two decimal places. Retain a copy of all calculations in the insured's contract folder.

99 CONSOLIDATING MOISTURE OR FM PERCENTAGE ENTRIES ON THE CLAIM FORM

A General Information and Instructions

(1) Adjusters may consolidate loads having the same moisture or FM percentages (and/or dockage percentage if allowed by PAR. 98 A) on a single line of the claim form (as listed below) unless separate lines are required for reasons other than FM or moisture differences. This applies to the crops listed in PAR. 96 C (1)(d) 1 a. However, for dry peas FM only is applicable; a moisture percentage is not

0DFDEOH± UHHUWR3$5 DQG3HD/ RVV$GMXVWPHQWDQGERRNIRU0 HQWLHV
and for rice, only moisture is applicable; FM and dockage are not applicable).

(2) Moisture adjustment is not allowed for flax in accordance with the Small Grains Crop Provisions.

(3) When quality adjustment applies, list quality-adjusted production on separate lines.

(4) When there are two or more individual settlements or summaries, list each on a separate line.

(5) To consolidate percentages, total the production of the loads with the same percentages, and make a single entry for such loads.

100 AVERAGING MOISTURE OR FM PERCENTAGE ENTRIES ON THE CLAIM FORM

A General Information and Instructions

(1) When the elevator has averaged the FM (and/or dockage if allowed by PAR. 98 A) or moisture percentages on the settlement or summary sheet, adjusters may average moisture or FM (and/or dockage as stated in PAR. 98 A) percentage entries on a single line of the claim form or production worksheet (as listed below) unless separate lines are required for reasons other than moisture and/or FM (dockage if allowed as stated above) differences.

(2) Moisture Adjustment

(a) This applies to the crops listed in PAR. 96 C (1) (d) 1 a. However, for dry SHDV) 0 RQ0 LVDSSOHDEOHDP RLVWXUHSHUFHQWDJHVRQDSSOHDEOH± UHHU to PAR. 98 and Pea Loss Adjustment Handbook for FM entries) and for rice, only moisture is applicable; FM and dockage are not applicable).

(b) Moisture adjustment is not allowed for flax in accordance with the Small Grains Crop Provisions.

B Entering Averaged Moisture on the Claim Form

(1) Averaged Moisture percentages are entered on one line on the claim form except when:

(a) Quality adjustment applies. List quality-adjusted production on separate lines.

(b) Elevator settlements or summaries are based on consolidated or averaged FM and there are two or more individual settlements or summaries, list each on a separate line.

(2) To enter averaged percentages, use the same average provided on the elevator settlement or summary sheet, after verifying its acceptability. Use of averaged percentages is authorized ONLY when the elevator has calculated and settled on the basis of an average on the settlement or summary sheet and the determined average is acceptable to the adjuster. **Exercise caution in determining acceptability of averages because of the potential for significant impact on**

indemnities; e.g., one 20,000# load @ 15% moisture and one 4000# load @ 25% moisture (Simple avg. = 20%; Weighted avg. = 16.7%). Use of the simple average in this case would not be acceptable.

101 TEST WEIGHT AND TEST-WEIGHT FACTOR

A Test Weight of Sold Production. The test weight may be taken from the settlement sheet or load slips. If quality is involved, the TW from the settlement sheet or load slips can only be used if the TW has been determined by a licensed grader.

B Test Weight for Farm-stored Production

(1) For crops having a unit of measurement other than pounds, the test weight and test-weight factor (TWF) must be used to determine the number of bushels on the basis of gross weight. For those crops using pounds as a unit of measurement, the test weight is used to determine the number of pounds. (Farm-stored crops that use pounds as their unit of measurement include: canola/rapeseed, dry beans, dry peas, mustard seed, popcorn, rice, safflowers, and sunflowers.)

(2) For grain storage structures, the test weight must be taken before dockage and FM are removed (FM (and/or dockage if allowed by PAR. 98) will be accounted for in column specified for FM on the PW (claim form)).

(3) **If samples of farm-stored production of barley, canola, flax, rye, non-oil type (confectionary) sunflowers, and wheat are going to be submitted to FGIS,** a test weight must be taken during the farm inspection, unless a special request is made to FGIS for a test weight prior to removal of dockage or FM. (Test weight is not a grading factor under the U.S. grading standards for canola or as a factor for quality adjustment.) This must be done because FGIS determines the test weight for the crops listed in this subparagraph from a dockage-free sample (FM-free for oil-type sunflowers), and the test weight entered on the PW, as instructed above, is prior to removal of dockage or FM.

(4) If test weight is measured in tenths of a pound, record weight to tenths in Section II of the Production Worksheet, unless the AIP has specified otherwise.

(5) **For quality adjustment (QA):**

(a) Test-weight determinations for barley, flax, rye, non-oil type (confectionary) sunflowers, and wheat must be made from a dockage-free sample for oil-type sunflowers, from an FM-free sample). (Dockage and FM are as defined by FGIS.).

(b) Enter the test weight determined for QA purposes in the Narrative section of the PW (claim form). (The test-weight determined for QA purposes may differ from the test weight entered in the test-weight column on the Production Worksheet since the test-weight determinations specified in B (2) above must be made before the removal of dockage and/or FM.)

(c) Test-weight determinations for quality adjustment must be performed by the adjuster or by a grader licensed under the authority specified in the crop provisions in accordance with the applicable FGIS official standards.

C Determine test weight by:

(1) Mixing and pouring samples of the stored grain into the test bucket from a height of approximately four inches (a normal hand width) above the bucket to simulate natural fall.

(2) Filling the test bucket to overflowing and leveling with prescribed leveling stick. 8QOHVV WKH WHVW EXFNHW PDQXIDFWXUHU¶V LQVWUXFWLRQV VSHFLI\ RWKHUZLVH OHYHO E\ using THREE zigzag motions across the rim of the grain bucket with the leveling stick held at a 90 degree angle to the top of the bucket (do not use scale bar to level the grain in the bucket and do not pack).

(3) Weighing the leveled bucket of grain using a calibrated scale. Determine the weight by using the "pound per bushel" line from the scale (to tenth of a pound if the test weight bucket shows pounds to tenth).

D Test-Weight for Ear Corn

For ear corn, a representative sample must be shelled to make the test weight determination (refer to corn handbook for specific instructions).

E Test-weight for corn silage and sorghum silage

For corn silage, refer to the Corn Loss Adjustment Handbook for specific instructions. For sorghum silage, refer to the Sorghum Silage Loss Adjustment Handbook.

F Test-weight factor

(1) Determine the test-weight factor by dividing the determined actual test weight by standard test weight, to three decimal places. Refer to Exhibit 21 for a list of standard bushel weights (standard test weights) by crop.

(2) Do not use the Test-Weight Factor for the following pound crops:

Canola/rapeseed, dry beans, dry peas, mustard seed, popcorn, rice, safflowers, or sunflowers; use actual test weight.

(3) For unweighed farm-stored barley, corn, grain sorghum, hybrid corn seed, hybrid sorghum seed, oats, popcorn, soybeans, and wheat that is:

(a) Shelled or threshed whole grain, USE the combination test-weight pack factor as specified in PAR. 110 D and the applicable crop loss adjustment handbooks.

(b) Other than shelled or threshed whole grain; e.g., ear corn, ground grain, cracked grain, etc., use the test-weight factor (see F (1)) instead of the combination test-weight pack factor as specified in PAR. 110 D and the applicable crop loss adjustment handbook.

G Standard Bushel Weights to be used to Determine Test Weight Factor

TABLE OF STANDARD BUSHEL WEIGHTS FOR:

CROPS	POUNDS PER BUSHEL
Corn-and-cob meal (ground ear corn)	45
Cracked corn, corn meal, and millet	50

A test weight factor is not used for canola/rapeseed, dry beans, dry peas, mustard seed, popcorn, safflower, and sunflowers since these crops use ACTUAL TEST WEIGHT to determine the volume of stored production.

H Standard Weight for Corn Silage and Silage Sorghum. For corn silage, refer to the Corn Loss Adjustment Handbook. For silage sorghum, refer to the Silage Sorghum Loss Adjustment Handbook.

102 QUALITY ADJUSTMENT WHEN PRODUCTION CONTAINS MYCOTOXINS OR OTHER SUBSTANCES OR CONDITIONS AT LEVELS INJURIOUS TO HUMAN AND ANIMAL HEALTH

AIPs MUST INFORM INSURED TO NOT COMMINGLE UNITS IN ACCORDANCE WITH PAR. 105 B (1) IF MYCOTOXINS ARE SUSPECTED.

A General Mycotoxin Information

(1) Due to improved testing procedures, availability of test kits, animal and human health concerns, and general awareness of grain quality, the presence of mycotoxins in grain is becoming an ever-increasing factor in its sale.

(2) Mycotoxins are the by-products of fungal activity promoted by environmental conditions, which are stressful to the affected host plant. Actual production yields may or may not be adversely affected by the presence of the organism, but harvestability and production quality (hence market value) may be adversely affected. Although over 200 mycotoxins have been identified, Aflatoxin, Fumonision, and Vomitoxin have specifically caused insured grain to be unmarketable.

(3) Mycotoxins at high enough levels in production are considered a substance or condition that can be injurious to human or animal health. FDA has identified specific mycotoxins (such as Aflatoxin, Vomitoxin, and Fumonisin) at the levels at which they are injurious to animal and human health. Of all the substances/conditions identified as injurious to human or animal health, Aflatoxin and Vomitoxin have been the most common ones affecting quality adjustment of insured grain.

B The Level of Substance or Condition May Qualify the Production for QA

If the level of the substance or condition in the production is at a high enough level to qualify the production for QA (refer to the applicable SPOI, crop provisions or quality

endorsement), the production to count will be adjusted for quality in accordance with the applicable policy provisions or SPOIs, provided **ALL** of the following criteria are met:

(1) For production that will be stored on the farm or in commercial storage, the appropriate samples must be obtained by the adjuster (or a trained disinterested third party approved by the AIP) prior to the production entering storage (other than the exception in (2) below) because mycotoxins have the potential to increase in stored production. Other substances or conditions may also have the potential to increase in storage. If appropriate samples are not obtained prior to storage, such production will not be adjusted for quality due to a substance or condition injurious to human or animal health (refer to exception in (2) below). **Therefore, it is important that AIPs inform agents and insureds of the need to notify the AIP anytime that the insured suspects that a mycotoxin or other substances or conditions could be present in the production so the AIP can inspect the crop prior to storage.**

(2) **EXCEPTION FOR OBTAINING SAMPLES PRIOR TO STORAGE:** ONLY FOR CROPS WITH A CCD OF 11/30/08 OR LATER, WHICH CONTAIN VOMITOXIN:

Because the potential for Vomitoxin to increase in farm- or commercially-stored production is very slight, samples to determine Vomitoxin levels may be obtained after production is stored on the farm. Refer to subparagraph E for sample requirements.

(3) Analysis of the samples pulled by the adjuster (or a trained disinterested third party approved by the AIP) MUST be performed by an approved laboratory. Refer to subparagraph H below for Criteria for AIP-Approved Testing Facilities (laboratories).

(4) The presence and level of the condition/substance injurious to human/animal health must be due to insured causes. For example: Factors contributing to plant stress and subsequent mycotoxin presence such as insufficient irrigation (under an irrigated practice), the use of marginally adapted varieties, non-weather-related delayed harvest, inappropriately high plant populations, etc., will result in the determination that the mycotoxin was the result of uninsured causes.

C Flooded Crop May Be Contaminated With Sewage, Pathogenic Organisms, Pesticides, Chemical Wastes, Heavy Metals, or Other Toxic Substances

(1) Even if a mature crop can be mechanically harvested, if the FDA or other State or Federal Agency issues a written statement that crops in a certain geographical area cannot be marketed even for animal feed because of contaminants, the crop will be declared zero production to count, provided the production is destroyed in a manner acceptable to the AIP prior to finalizing the claim. Refer to PAR. 96 J (2) for requirement for destruction and verification of destruction.

(2) If the State or Federal Agency indicates the crop can be marketed even for animal usage, the insured will be expected to harvest the crop, unless the costs of conditioning results in ZMV. If the crop is harvested and conditioned, and testing determines the crop contains levels of contaminants that are in excess of the levels the State or Federal Agency declares as safe for animal usage, such production will be declared zero provided the crop is destroyed in a manner

acceptable to the AIP prior to finalizing the claim. Refer to PAR. 96 J (2) for requirements for destruction and verification of destruction. Follow the procedures below for samples, testing, etc.

(3) Documentation Requirements. Document on a Special Report and attach the copy of the FDA, State, or Federal issuance which states specifically, the: (1) crops prohibited from being marketed due to level/type of contamination, (2) specific geographical areas that are prohibited from marketing the crop for human or animal food, and (3) specific types and/or levels of substance/condition that SURKLELWVWKHFURSIURP EHLQJ P DUNHWHG5 HGDLQLQWHUVWDWHFRP PHUFH

D Coded Cause of Loss for Substance/Condition injurious to human/animal health

When the level of substance/condition qualifies the production for QA, the insured cause of loss is considered due to disease or adverse weather; e.g., mycotoxins are considered due to disease and production covered in flood waters that is contaminated with sewage, pathogens, pesticides, etc., contained in the flood water as described in D below is due to adverse weather; however, the cause of loss recorded on the claim form will be "Mycotoxins/Condition/Substance," code 82 in both cases.

E Requirements for Samples Required Prior to Storage

For Vomitoxin-contaminated crop production with a CCD prior to 11/30/08 and any production contaminated with any other mycotoxin, substances, or conditions injurious to human or animal health, samples must be obtained prior to storage. (For farm-stored production with a CCD 11/30/08 or later that is contaminated with Vomitoxin, subparagraph G below may apply.)

(1) When production will be harvested and farm-stored:

(a) AIPs can allow insureds to leave the number of RSAs as stated in 88 D (1) (a) and the location described in PAR. 88 E (1) in their fields from which the adjuster can take representative samples. The size of the representative sample areas must be at least the size needed in order to obtain the size of sample to forward to the approved testing facility; or

(b) The adjuster or a trained disinterested third party approved by the AIP can obtain samples from harvested production before it goes into farm-storage. Samples pulled by anyone other than the adjuster or a trained disinterested third party approved by the AIP cannot be used for quality adjustment.

(2) When the insured is not going to harvest, is uncertain of whether to harvest, or has discontinued harvest due to mycotoxin (or other condition or substance) levels in the harvested production, the adjuster must obtain samples for mycotoxins (or other condition or substance) from samples taken from representative sample areas of the standing crop in the field if the standing crop is representative of the acreage. Someone other than the adjuster CANNOT obtain the samples from the standing crop.

(3) Adjuster-selected representative samples from unharvested RSAs of the field:

(a) Select at least the minimum number of representative samples required by the applicable crop LASH for appraisals (e.g., minimum number of samples VKRZQLQ7DEOH$ RI ³5 HIHUHQFH0 DWHULDO VHFWLRQ VKHFURS/ $6+ IURP

the minimum number of RSAs specified in PAR. 88). If the minimum number of representative samples does not result in the needed sample size (e.g., 10 pound sample) required by the approved testing facility, select enough additional samples to meet the required sample size (e.g., 10 pounds).

(b) The representative samples of production from the representative areas of the field are to be used for determining the appraised production as well as the samples needed for the mycotoxin (or other substance or condition) testing and any other quality considerations.

(c) Refer to (4) and (5) below for instructions regarding samples for testing.

(4) Adjusters are to obtain samples for mycotoxin testing (or testing for other substance or conditions injurious to human and animal health) from the selected representative sample areas of the field(s) or subfield(s) utilizing the Hand Sample Method, or if the insured will agree, the Harvested Sample Method (Refer to F below).

(5) For mycotoxin (or other substance or conditions injurious to human and animal health) testing:

(a) For the crops listed in PAR. 96 D, one blended sample of all the hand harvested or harvested samples obtained from the appraised representative areas of all fields or subfields for the unit appraised is permitted if the damage appears similar and the insured agrees with using one blended sample. However, since mycotoxin (or other substance or condition) levels can vary from field to field (or subfield to subfield), the insured and AIP can agree to obtain a sample for testing for each field or each subfield (e.g., three fields in a unit (no subfields used) would equal three separate samples for testing for the unit). Also, if the AIP and insured agree to take and submit multiple samples for testing from a field or subfield, then the test results from the multiple samples from the field or subfield must be averaged to represent the mycotoxin (or other substance or condition) level of the entire acreage in the field, subfield, or unit.

(b) Do not blend samples suspected of containing levels of mycotoxins (or other substance or condition) less than the minimum action or advisory levels from FDA, State, or other Federal agency for the particular condition or substance or exceeding maximum allowable useable limits for the particular substance or condition for any category of animal usage. Refer to the table in subparagraph O (6) or P (5) below.

(6) Refer to subparagraph I for requirements for sample size for testing, maintenance of sample until shipment, and the required timeframe for transporting or shipping the sample to the approved testing facility.

(7) **MYCOTOXIN CAUTION**: RMA has been advised by grain specialists that adjusters should wear protective clothing, including protective gloves and dust mask when handling mycotoxin infected grains. If a dust mask is not used, adjusters should at least position themselves so they are NOT downwind of any grain dust coming from the harvesting equipment or from any grain dust that might occur during the collection of the required representative samples.

(8) Testing must be done by a testing facility that meets the criteria for an AIP-approved testing facility as outlined in subparagraph H.

F Representative Sampling Methods for Samples Required Prior to Storage

(1) Hand-Harvested Method

(a) If the insured is not willing to harvest the selected representative areas, the adjuster must hand harvest representative samples from the selected representative areas of the production.

(b) After the representative samples have been taken, the sample for testing (refer to required size in subparagraph I (1) below) must be obtained and must be identified by unit number if one blended sample for a unit is used (or field I.D. and/or subfield I.D. (if applicable) and unit number if a sample was taken for each field or subfield). The samples must be transported or sent to the approved testing facility within the timeframe specified in subparagraph I (3) and maintained in accordance with subparagraph I (3).

(2) Harvested Method

(a) If the insured will agree, have the insured harvest the selected UHSUHVHQWDWLYHDUHDVRI WKHILHOGVRUXEILHOGVLQ RUDGMXVWPHQW SUHPHQFHDQGWR\ RXUDGMXVWPHQWVDOWHUDWLRQ

(b) After the representative areas have been harvested, the adjuster MAY obtain the samples by either of the following methods:

1 If the adjuster has a **hand probe**, the adjuster can extract grain from the combine hopper, wagon, or other temporary holding structure used for the harvested production from the representative area. Obtain the required sample size (refer to subparagraph I (1) below) by using the hand probe and the FGIS sampling patterns as shown in (d) below as a guide to collect samples.

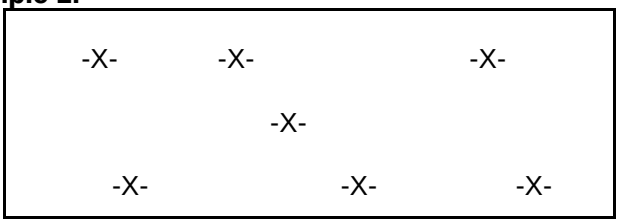
2 If the adjuster **does NOT have a hand probe**, have the insured unload the combine hopper into a wagon, truck, or other temporary holding structure used for the harvested production from the representative area, and collect the required sample size (see subparagraph I (1) below) from the stream of production at the beginning, at the end, and periodically in between as the production is being emptied from the combine.

(c) After the sample(s) have been taken, the sample for testing must be identified by unit number if one blended sample for a unit is taken (or field I.D. and/or subfield I.D. (if applicable) and unit number if a sample was taken for each field or subfield). Because of the possible increase in mycotoxins due to high humidity, heat, and moisture content of the grain, the adjuster is to take samples for mycotoxins immediately after harvest. (Do not have the insured harvest and leave the grain in a wagon, combine hopper, or other structure, then return the next day to obtain the samples). Samples must be transported or sent to an approved testing facility within the timeframe stated in subparagraph I (3) and maintained in accordance with subparagraph I (3).

(d) Representative Sampling Pattern Guidelines

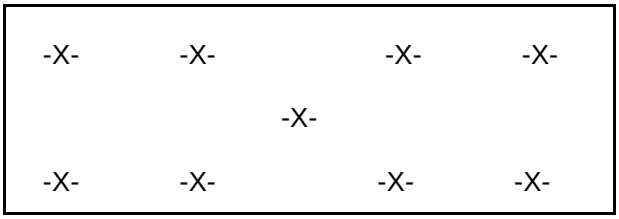
The following examples are standard sampling patterns recommended by FGIS, and are to be used as a guide for locations of extraction when extractions are made with a probe. Insert the probe at the points marked, with the tip of the probe angled ten degrees. (FGIS indicates that nearly 90 percent of error associated with Aflatoxin testing can be attributed to how the original sample was extracted[1].)

Example 1:



Seven-probe pattern flat-bottom truck or trailer containing grain more than four feet deep.[1]

Example 2:



Nine probe pattern for flat-bottom trucks or trailers containing grain less than four feet deep.[1]

Example 3:

Probing Combine Hoppers. From the top of the combine hopper, insert the probe slightly off-center at a ten-degree angle, and probe the entire depth of the hopper. [1]

G Sample Requirements for Farm-stored Production Contaminated with Vomitoxin and the CCD for the Crop is 11/30/08 or later

Samples may be obtained from the storage structure. When samples are obtained from storage, refer to subparagraph I for the required sample size and transportation requirements.

[1] Grain Fungal Diseases & Mycotoxin Reference book published by GIPSA, Technical Service Division.

H Criteria for AIP Approved Testing Facilities

To be an approved testing facility, the testing facility must meet all of the following criteria:

(1) Perform Quantitative Tests

(a) For mycotoxins: The test results on the production must itemize results in parts per million (ppm) or parts per billion (ppb) of mycotoxin present. The quantitative test kits used to perform the test must be certified by FGIS. A list of quantitative test kits certified by FGIS can be found in the FGIS KDQGERRNHQWLWOHG* UDLQ) XQJDOLVHDVHVDQG0 \ FRWR[LQ5 HIHUHQFH [1] The PDF version of this handbook can be downloaded from the FGIS website.

(b) For other types of substances or conditions: The test results on the production must itemize the results in the same unit of measurement (e.g., ppm or ppb or some other amount) as is stated in the Advisory or Action level (e.g., action levels for Aflatoxin is in ppb) issued by FDA or other public health organizations of the United States or public health agency of the applicable State in which the insured crop is grown.

(2) Be a recognized commercial, governmental, or university testing laboratory (including approved testing facilities on site at the delivery point of the buyer; i.e., elevators) that uses industry recognized sample sizes, equipment, and procedures for testing the specific type of mycotoxin (or some other condition or substance injurious to human or animal health);

(3) Be a disinterested testing facility. A disinterested testing facility is a facility not involved in buying or selling the production in question. A facility which buys production is not restricted if it does not buy or had no intention of buying the production from the insured for whom it is doing the testing. If a test was made by a facility that was a potential buyer but refused the production because of the mycotoxin (or if applicable other condition or substance injurious to human or animal health), the test performed by the potential buyer is still considered an interested party since they were interested at the time the production was delivered.

I Sample Size and Transportation of Samples

(1) Sample size to be submitted for testing will be dictated by the approved testing facility. (For Aflatoxin, most facilities will likely require at least a ten-pound sample).

(2) Follow the approved testing facilities recommendations for storage and transportation, including required container composition, provisions for maintaining proper temperatures of the sample, any special requirements for high-moisture production, and any other specific information pertaining to handling and transporting the sample to ensure and maintain the integrity of the sample.

[1] Grain Fungal Diseases & Mycotoxin Reference book published by GIPSA, Technical Service Division.

DP SOHVVXEP LWWHG IRU WHVWLQJ E\ WKH LQVXUHG RU LQVXUHG¶V DXWKRUL]HG representative) cannot be used for quality adjustment. Also, adjusters shall not SXUSRVHO\ SOHVDQG WKH QDWXUH RI WKH LQVXUHG RU LQVXUHG¶V DXWKRUL]HG UHSUHVHQWDWLYH to maintain the samples until the adjuster can pick them at a later time to submit to an approved laboratory for testing. Only the adjuster or a person who is a disinterested third party approved by the AIP can maintain and submit the samples for testing. AIPs are responsible for seeing that SAMPLES ARE:

(a) Mailed or transported to the approved testing facility **WITHIN 4 days** of the time the sample(s) were taken OR within the timeframe specified by the approved testing facility (if less than 4 days), and

(b) Stored in a breathable container (container composition type specified by the approved testing facility) in a cool, climate controlled place (at the temperatures recommended by the approved testing facility for the particular substance or condition) until shipping.

J Harvested Production Delivered to Elevator or other Facility

If the insured harvests and delivers production to an elevator (or other facility), any mycotoxin (or other substance or condition) testing done by the elevator (or other facility) cannot be accepted for insurance purposes unless the elevator (or other facility) has a testing facility that meets the criteria for an approved testing facility for testing mycotoxins (or other conditions or substances that are injurious to animal or human health).

(1) Who Pulls Samples:

(a) If the elevator (or other facility) to which the insured delivers production does not meet the criteria for an approved testing facility (refer to subparagraph H above), the adjuster must obtain the samples for testing prior to the production being transported to the elevator (or other facility), or

(b) If the AIP agrees, the elevator (or other facility) can be advised to extract an additional sample per load **(samples per load can be blended into one sample per unit)** that can be sent to an approved testing facility in order for the damage from the mycotoxin (or other condition or substance) to be considered for quality adjustment purposes. However, before the AIP agrees to use the sample pulled by the elevator, the AIP must assure that the following criteria will be followed. The same criteria must also be used by the adjuster.

(2) Samples

(a) For sample size, see subparagraph I (1) above.)

7KH VDPSOH PXVW EH PDUNHG ZLWK WKH LQVXUHG¶V QDPH load number and unit from which the sample was obtained, and any other pertinent information.

(c) The requirements in subparagraphs I (2) and (3) for maintaining and transporting the sample are applicable.

(d) When the elevator is willing to pull the samples and the AIP agrees to use the samples pulled by the elevator for quality adjustment:

1 The AIP can agree to allow the elevator to submit the samples directly to an approved testing facility. When the elevator receives the test UHVXOWVIRUWKHLQVXUHGWVDPSOHVDQGRWLHVWKHLQVXUHGWKHLQVXUHG must notify the AIP that the test results have been received.

2 If the elevator is not going to submit samples to approved testing facilities, the adjuster or other authorized AIP representative must pick the samples up from the elevator in time to mail or transport the sample to the approved testing facility within 4 days of the time the elevator obtained the sample**. NO ONE OTHER THAN THE ADJUSTER OR OTHER AIP-AUTHORIZED REPRESENTATIVE IS ALLOWED TO PICK THE SAMPLE UP FROM THE ELEVATOR AND MAINTAIN THE SAMPLE UNTIL IT CAN BE MAILED OR TRANSPORTED TO THE APPROVED TESTING FACILITY.**

(3) If the elevator has a testing facility that meets the criteria for an approved testing facility for the mycotoxin (or other substance or condition), and there is a test result for each load, use the test results of each load to determine the RIV for quality adjustment (value of damaged grain for crops that use value of damaged production instead of RIVs for quality adjustment purposes).

(4) Loads having the same quality adjustment factors can be combined and entered on one line on the claim form as stated in the crop handbooks.

K Discrepancy Between Test Results

When there is a discrepancy between the test result of a sample from an approved lab used by the AIP and the one used by the buyer or commercial storage facility:

(1) **For crops having QA provisions in the SPOIs (not applicable to Malting %DUOH\ ± UHIHUWR DSSOLFDEOH0 DOWQJ %DUOH\ 3UHFHDQG4 XDOW\ (QGRUVHP HQW**

(a) AIPs shall only use test results from approved testing facilities the AIP used to determine if the production is eligible for:

1 No quality, or

***

2 Quality adjustment under Section C.

When RIVs are applicable for sold[1] production that qualifies under Section C2 of the SPOIs (production transported directly from the field to the buyer), then the test results of the approved lab used by the disinterested third party who bought the production will be used, unless there is substantial reason to believe that the samples taken by the buyer were not done in accordance with approved industry standards for obtaining samples for the particular substance or condition.

[1] "Sold" **±) RU&&' SURUVR** : Grain is considered sold on the date of final compensation and ownership or title of the grain has passed from the seller to the buyer. **For CCD 11/30/08 or later:** RCD± * UDLQVFRQVLGHUHGVROGRQWKH date ownership or title of the grain has passed from the seller to the buyer.

(2) **For crops using Actual Value to Determine QA (QA provisions only in the 3RQF\ 3URYLVLRQV ± GRHV QRW DSSO\ WR 0DQDJ %DUOH\ ± UHIHUV WR 0DQDJ Barley Price and Quality Endorsement):**

(a) **For harvested SOLD production**, the test results of the approved lab used by the buyer, if the production is sold at the time of final settlement of the claim.

*** (b) **For unharvested production,** the only test results used will be those submitted to the approved lab by the adjuster.

L Documentation of Mycotoxins or Other Substances or Conditions Injurious to Animal or Human Health

Document in the narrative of the claim form or on a Special Report, the following:

(1) Test name and type of condition or substance (e.g., mycotoxins) for which the production is being tested,

(2) Test type - qualitative or quantitative,

(3) Name and location of testing facility,

(4) Type of testing facility,

(5) Test date, and

(6) Type and level of mycotoxin or other substances or conditions established from the test.

M Potential Markets for Infected Production

Since various mycotoxins affect animal species differently, document by name which potential markets were contacted in establishing a fair grain market price. Take into account use for feed for tolerant animal species, value for blending with other grain (when allowed), and commercial (alcohol fuel plant or other product) uses. Likewise, document and take these same things into account for other substance or conditions that FDA or other State or Federal Health Agency has identified. Take steps to safeguard against any vulnerability involving claims of insureds who are directly involved in the buying or testing of damaged production.

N Verification of ZMV[1] Production

(1) **For crops having QA provisions in the SPOIs:**

(a) **If production is eligible for QA provisions in the SPOI, and:**

The insured is claiming that his/her production has no value, the AIP, using WKHVWDQGDUG3$5 - PXVWGHWHUPLQHLWKHUHDUHEX\HUVLQWKHLQVXUHG¶V local marketing area and a distant market (if there are **no** buyers in the LQVXUHG¶VORFDOPDUNHWLQJ DUHDZLWKDYDOXHJUHDWHUWKDQ=0 9 [1] buying grain of the same types/levels of damage before the AIP can authorize the insured to destroy the production in a manner acceptable to the AIP and settle the claim on zero production to count. Refer to additional procedures in PAR. 96 J regarding steps for making final inspection determinations of ZMV[1].

(b) **If production is eligible for QA under Section C3e of the QA section in the SPOI:**

The AIP does not need to determine whether the production has ZMV[1] before the AIP: (1) authorizes the insured to destroy the production, (2) verifies destruction was done in a manner acceptable to the AIP, and (3) settles the claim based on zero production to count.

(2) **For crops not having QA provisions in the SPOIs**, refer to the procedures in PAR. 96 J.

O Settlement of Claims for Crops Having QA Provisions in Section C of the SPOIs (Not DSSOLFDEOHWR0 DQDJ %DUOH\ ± 6HH0 DQDJ %DUOH\ 3UHFHDQG4 XDOLW\ (QGRUVHP HQW

(1) General Information

(a) The QAF is 1.000 minus the sum of the applicable DFs, expressed as three-place decimals. The production to count remaining after any reduction due to excessive moisture (in accordance with the applicable crop provisions) is multiplied by the QAF (not less than zero) to determine net production to count.

(b) Zero Market Value[1] (Section D of the SPOIs)

KHQQREX\ HUVLQWKHLQVXUHG¶VORFDODUHDDUHZLOOLQJ WRSXUFKDVHWKH production AND AFTER fair consideration[2] to deliver production to a market RXWVLGHWKHLQVXUHG¶VORFDOPDUNHWLQJ DUHD ZMV[1] occurs AND the insured

1 Destroys the production in a manner acceptable to the AIP, the DF will be 1.000 for such production, resulting in zero production to count. The method of destruction must result in the production having no possibility of being marketed or possibility of salvage use that could

[1] =0 9 RFFXUVZKHQQREX\ HUVLQWKHLQVXUHG¶VORFDODUHDDUH willing to purchase the production and fair consideration[2] to GHOLYHUSURGXFWRQWKDP DUNHWXWLOL]HGWKHLQVXUHG¶VORFDO P DUNHWLQJ DUHDIJUHDWHUWKDQWKHSURGXFWLRQ¶VYDOXH

[2] Fair consideration (not applicable to nursery) is the additional transportation costs to deliver the grain to a market outside WKHLQVXUHG¶VORFDOPDUNHWLQJ DUHDGLVWDQFHWRDUHDVRQDEOH al transportation costs means: Costs in excess of costs to transport to the local marketing area. Transportation costs to be used in this determination must be usual, reasonable, and customary.

result in any type of compensation to the insured. Refer to PAR. 96 J (2) (b) for exceptions to the requirement to destroy the ZMV[1] crop. In lieu of destruction of ZMV[1] production, the ZMV[1] production may be gleaned provided the criteria stated in PAR. 94 are met.

2 Does not destroy the production in a manner acceptable to the AIP, such production cannot be quality adjusted for any deficiencies listed in Section C of the SPOIs. However, if such production also qualifies IRU) ¶VXQGHU 6HFWLRQ $ RU % RI WKH 6 3 2 ,V VXFK SURGXFWLRQ Z LOO EH quality adjusted with ONLY those DFs.

(c) In accordance with the introduction of the QA Provisions in the SPOIs, fair consideration[2] is allowed for sold production that falls under Section C2 but it is not allowed for production fed or used in a manner other than feed.

(2) **QA will be allowed for substances or conditions injurious to human or animal health WHEN levels of substances or conditions are IN EXCESS OF THE LOWER OF the following amount allowed by:**

) ' $ ¶V DFWLRQ RU DGYLVRU\ OHYHO IRU WKH FURS

(b) Another public health organization of the United States; or

(c) A public health agency of the applicable State in which the insured crop is grown.

(3) <u>QA for Production That Has Been Sold[3] (production transported directly from the field to the buyer or put into commercial storage and later sold[1] without going into farm-storage)</u>:

(a) For production that has been sold[1] (production transported directly from the field to the buyer without going into farm-storage) prior to 60 days after the calendar date for the EOIP **(except as stated in (b) 2 below)**, the DF will be the **RIV** applied by a disinterested third party buyer (as verified by the AIP) due to all insurable QA deficiencies described in the SPOIs divided by the local market price in effect on the date the production was sold[1]. **Because the RIV is for all insurable QA factors, do not add additional DFs from Sections A or B of the SPOI.**

(b) For production **transported directly from the field and put into commercial storage (without going into farm-storage) and sold[1]** prior to 60 days after the calendar date for the EOIP **(except as stated in (b) 2 below)**, the DF will be the RIV applied by a disinterested third party buyer (as verified by the AIP) due to all insurable QA deficiencies described in the SPOIs divided by the local market price in effect on the date the production

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[1] =0 9 RFFXUV Z KHQ QR EX\ HUV LQ WKH LQVXUHG¶V ORFDO DUHD DUH willing to purchase the production and fair consideration[2] to GHOLYHU SURGXFWLRQ WR D PDUNHW RXWVLGH WKH LQVXUHG¶V ORFDO PDUNHWLQJ DUHD LV JUHDWHU WKDQ WKH SURGXFWLRQ¶V YDOXH

[2] Fair consideration (not applicable to nursery) is the additional transportation costs to deliver the grain to a market outside WKH LQVXUHG¶V ORFDO PDUNHWLQJ DUHD GLVWDQW PDUNHW $GGLWLRQ al transportation costs means: Costs in excess of costs to transport to the local marketing area. Transportation costs to be used in this determination must be usual, reasonable, and customary

[3] "Sold" **±) RU &&' SULRU WR** : Grain is considered sold on the date of final compensation and ownership or title of the grain has passed from the seller to the buyer. **For CCD 11/30/08 or later:** ROG± * UDLQ LV FRQVLGHUHG VROG RQ WKH date ownership or title of the grain has passed from the seller to the buyer.

was sold[1]. **Because the RIV is for all insurable QA factors, do not add additional DFs from Sections A or B of the SPOI.**

1 For such production in commercial storage that remains unsold 60 days after the calendar date for the EOIP, the claim will be settled in accordance with Section C3d of the SPOIs, except as stated in 2 below.

2 If the level of Aflatoxin, Vomitoxin, or Fumonisin is at the level shown in (4) (b) below, the 60 day time limit does not apply. The claim cannot be completed until such production is sold[1] and the RIV applied by the buyer is known. The claim will be completed in accordance with section C2 of the SPOI.

(c) RIVs applied by the buyer may be increased for:

1 Cost of conditioning the production when the RIV that would have been applied by the buyer is reduced for conditioning, provided the resulting RIV does not exceed the original RIV plus the conditioning costs.

2 Fair consideration[2] to deliver sold[1] production (qualifying under Section C2 of the SPOIs) to the buyer outside the insured's local marketing area (distant market) if a lower RIV is available at the distant market, PROVIDED the resulting RIV does not exceed the RIV in the insured's local marketing area and the amount of the fair consideration[2] is usual, reasonable, and customary.

(4) Production Qualifying for QA Under Section C for which Pre-established DFs in Section C3 of the SPOI Are Used:

(a) For production that is unsold (unharvested, in on-farm or commercial storage, fed, used in any manner other than feed), or sold[1] to other than a disinterested third party, the DFs are as follows (in addition to any applicable DFs from Section A or B2 of the SPOI):

1 The applicable DFs in Section C3 a, b, or c, of the SPOIs are used for the following levels of Aflatoxin, Vomitoxin, and Fumonisin.

Aflatoxin having levels of 20.1-300 ppb,
Vomitoxin having levels from 5.1-10.0 ppm (2.1-10.0 ppm for Wheat), or
Fumonisin having levels from 3.1-100.0 ppm;

When the level for the specific mycotoxin exceeds the maximum level shown above, use the DF shown in (b) below.

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[1] "Sold" ±) RU&&' SURUDWH : Grain is considered sold on the date of final compensation and ownership or title of the grain has passed from the seller to the buyer. **For CCD 11/30/08 or later:** RG± * UDLQVFRQVLGHUHGVRGRQWKHGDWH ownership or title of the grain has passed from the seller to the buyer.

[2] Fair consideration (not applicable to nursery) is the additional transportation costs to deliver the grain to a market outside WKHLQVXUHGTV RFDO DUHDQ DUHDGLVWDQWPDUNHWVGLVWULQ al transportation costs means: Costs in excess of costs to transport to the local marketing area. Transportation costs to be used in this determination must be usual, reasonable, and customary.

2 A DF of .500 for all substances or conditions other than Aflatoxin, Vomitoxin, or Fumonisin that are injurious to human and animal health (Section C1 of the SPOIs).

3 For production remaining unsold 60 days after the calendar date for the end of the insurance period, the DF will be as follows:

a The applicable DF for the level of Aflatoxin, Vomitoxin, or Fumonisin listed in Section C3 a, b, or c.

b A DF of .500 for all substances or conditions other than Aflatoxin, Vomitoxin, or Fumonisin that are injurious to human and animal health (Section C1 of the SPOIs).

(b) For production that has Aflatoxin in excess of 300 ppb, Vomitoxin in excess of 10 ppm, or Fumonisin in excess of 100 ppm, the DFs are as follows:

1 A DF of 1.000 for production destroyed in a manner acceptable to the AIP.

2 A DF of .500 for production that was:

a In on-farm storage and was sold[1] later, fed, or used;

b Fed;

c Used in any manner other than feed; or

d Sold[1] to other than a disinterested third party (as verified by the AIP)

3 The DF determined from the RIV applied by the buyer (a disinterested third party as verified by the AIP) for production sold[1] without going into on-farm storage. (Refer to (3) above.)

No other quality factors contained in Sections A or B of the SPOIs will be considered. A claim cannot be completed until such production (including unharvested production) is sold[1], fed, used, or destroyed.

(5) For production qualifying under subparagraphs (3) (b) 1 and (4) (a) 3 above, an automatic extension of time will be allowed for the insured to submit their claim for indemnity, not to exceed 90 days after the calendar date for the end of the insurance period. This does not limit the insured's ability to request an additional extension of time to submit a claim for indemnity in accordance with section 14 of the Basic Provisions. See PAR. 69 for additional information.

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[1] "Sold" **±) RU&&' SURUVR** : Grain is considered sold on the date of final compensation and ownership or title of the grain has passed from the seller to the buyer. **For CCD 11/30/08 or later:** RCG± * UDLQVFRQVLGHUHGVROGRQWKH date ownership or title of the grain has passed from the seller to the buyer.

(6) Following is a table of FDA-issued recommended, advisory, or action levels for the most common mycotoxins found in production and the section in the SPOIs for the level of mycotoxin. The advisory and action levels used in this table are current as of the issuance of this handbook. Always verify what the current FDA action or advisory levels are. These action levels are subject to change.

Category	FDA Recommended, Advisory, or Action Levels	Aflatoxin (FDA Action Levels)	Fumonisin (FDA Recommended Levels)	Vomitoxin (FDA Advisory Levels)
Category 1 (No QA)	**No** FDA recommended, advisory, or action levels for this category; i.e., it is safe for humans and animals.	0.0 ppb - 20.0 ppb	P ± 3.0 ppm	P ± ppm (Wheat only)
Category 2 (QA but no FDA recommended advisory or action level) Quality Adjustment for **Vomitoxin in wheat ONLY.** Section C3 b for unsold wheat has pre-established DFs in a chart that are used. For wheat transported directly from the field to buyer and sold[1] to a disinterested third party prior to 60 days after the calendar date for EOIP, the DF is established from RIV.	**No** FDA recommended advisory, or action levels.		P ±	ppm (Wheat only)
Category 3 (Injurious to human and some animal health.) Section C3 b for unsold production has pre-established DFs in a chart that are used. For production transported directly from the field to buyer and sold[1] to a disinterested third party prior to 60 days after the calendar date For EOIP, the DF is established from the RIV.	FDA-recommended, advisory, or action levels for this category	20.1 ppb ± ppb	P ± 100.0 ppm	P ± ppm (For Wheat and all other crops)
Category 4 (Exceeds the maximum level * FDA has found safe for human or animal use.)** (For all crops with QA provisions in SPOIs, pre-established DFs as follows: DF determined from RIV for production sold to a disinterested third party without going into farm-storage. .500 DF if , fed, used in a manner other than food, not sold[1] to a disinterested third party, sold[1] after production had been put in farm-storage, or not destroyed in a manner acceptable to AIP. 1.000 DF if production is destroyed in a manner acceptable to AIP.)	Exceeds maximum FDA-recommended, advisory, or action level	300.1 ppb and above	100.1 ppm and above	10.1 ppm and above

[1] "Sold" **±) RU&&'** **SURUR** : Grain is considered sold on the date of final compensation and ownership or title of the grain has passed from the seller to the buyer. **For CCD 11/30/08 or later:** RCC± * UDLQ VFRQVLGHUHG VROG RQ WKH date ownership or title of the grain has passed from the seller to the buyer.

(7) **EXAMPLES**

EXAMPLE 1: Combination of type/level of damage with pre-established DF and type/level of mycotoxin (Aflatoxin) damage and disposition of the damaged production for which a RIV can be used

The corn was sold[1] (without going into farm-storage) to a disinterested third party prior to 60 days after the calendar date for the EOIP. Corn had a low-test weight of 46 pounds and had Aflatoxin damage of 150 ppb. It was determined that there was a 65 cents per bushel RIV for Aflatoxin and a 16 cents per bushel RIV for low test weight. There is a DF of .062 for 46-pound test weight listed in Section A of the corn SPOIs and there is a .300 DF for 150 ppb Aflatoxin listed in Section C3a of the corn SPOIs. However, because the Aflatoxin damaged production was sold[1] (without going into farm-storage), the pre-established DFs in Section A and C of the corn SPOIs will be ignored. In this example, the RIV for the low-test weight and the RIV for the Aflatoxin applied by the buyer will be used to establish a DF for each of these types of damage.

The LMP for corn is $2.20. The QAF for the damaged corn is determined as shown in the following three steps:

(a) .65 (RIV for mycotoxin)
+.16 (RIV for test weight)
$ .81 Total RIV

(b) .81 (Total RIV) ÷ 2.20 (LMP) = .368 (DF) (c) 1.000 - .368 = .632 QAF

EXAMPLE 2: Same scenario as Example 1 above except the Aflatoxin level in the corn is 450 ppb. If the production was transported directly from the field to the buyer or put into commercial storage and later sold[1], the DF will be determined from the RIV applied by the buyer.

EXAMPLE 3: Same scenario as Example 1 above except the Aflatoxin level in the corn is 450 ppb and the insured opts to destroy the production. The AIP verifies the production is destroyed in a manner acceptable to the AIP. Since the Aflatoxin level exceeds the FDA maximum of 300 ppb for Aflatoxin and the insured opted to destroy the production, the pre-established DF will be 1.000. The resulting QAF will adjust the damaged production to zero production to count.

(a) DF is 1.000 (b) 1.000 – 1.000 = .000 QAF

EXAMPLE 4: Same scenario as Example 1 above, except the Aflatoxin level is 450 ppb and the insured farm-stored the production and then sold[1] it. The buyer applied a total RIV of $1.75 for the 450 ppb of Aflatoxin and 46 pound test weight.

In this case, because the Aflatoxin level exceeds 300 ppb, the pre-established .500 DF listed in Section C3e of the SPOI applies. No other quality factors contained in Sections A or B of the SPOIs will apply.

[1] "Sold" ±) RU&&' SURUR : Grain is considered sold on the date of final compensation and ownership or title of the grain has passed from the seller to the buyer. **For CCD 11/30/08 or later:** RC± * UDLQVFRQVLGHUHGVROGRQWKH date ownership or title of the grain has passed from the seller to the buyer.

EXAMPLE 5: Same scenario as Example 1 except the production was farm-stored and the AIP determines the production has ZMV[1]. The insured does not destroy production in a manner acceptable to the AIP. The only DF that can be applied is the .062 DF for the 46 pound test weight. The DF for the 150 ppb Aflatoxin cannot be applied. This is because Section D4 of the SPOI indicates that if production having ZMV[1] has a quality deficiency listed in Section C is not destroyed in a manner acceptable to the AIP, such production will not be adjusted for any quality deficiencies listed in Section C.

EXAMPLE 6: Same scenario as Example 5 except the production is farm-stored and the production is **not** ZMV. The .062 DF for 46 pounds test weight listed in Section A of the SPOIs and the .300 DF for 150 ppb Aflatoxin listed in Section C3a are added together (.062 +.300) for a total DF of .362 and a resulting QAF of .638.

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[1] =0 9 RFFXUVZ KHQQREX\ HUVLQWKHLQVXUHG¶VRFDUHDUH willing to purchase the production and fair consideration[2] to GHOLYHUSURGXFWVRQWRDP DUNHWXWLOL]HGWKHLQVXUHG¶VRFD PDUNHWQJ DUHDLVJUHDWHUWKDQWKHSURGXFWV¶YDOXH

[2] Fair consideration (not applicable to nursery) is the additional transportation costs to deliver the grain to a market outside WKHLQVXUHG¶VRFDPDUNHWQJ DUHDGLVWDQFHVDUHDVRQDEOHWUDQVSRUWDWLRQ al transportation costs means: Costs in excess of costs to transport to the local marketing area. Transportation costs to be used in this determination must be usual, reasonable, and customary.

EXAMPLE 8:

For Vomitoxin (DON), there are no advisory levels for human consumption for raw grain, just finished production. FDA states the reason there are no advisory levels for Vomitoxin in raw grains destined for human consumption is because most of the Vomitoxin is removed during the milling process. The maximum level FDA lists for any animal use is 5 ppm (for swine and most animals); however, for some animals it is less. Therefore, the FDA advisory level is 5 ppm.

However, for Wheat ONLY, QA is allowed when the approved lab results show Vomitoxin in excess of 2.0 ppm. When production is unsold, the Wheat SPOIs contain pre-established DFs for Vomitoxin from 2.1 to 10.0 ppm. Refer to Malting Barley Price and Quality Endorse for malting barley. For all other crops, Vomitoxin must be in excess of 5.0 ppm before QA applies.

Example 7 A

The following example is for UNSOLD wheat in excess of 2.0 ppm of DON but not greater than 10.0 ppm (applicable to Section C of the SPOI plus any applicable DFs from Section A or B2 of the SPOI).

SITUATION 1	**IF** ElevatorDiscounts:	**THEN** DF is:	**IF** Elevator Discounts	**THEN** DF is:
54 # of Hard Red Spring Wheat	$.30	------	$0.30	-------
8% damage	$0.50	------	$0.90	-------
3.1ppm DON	$0.40	.310	No Discount	.310
TOTAL DF		.310		.310

Test weight or kernel damage has not reached a level for which quality would apply for the wheat as described in the Small Grains Crop Provisions. No DF for test weight or damage is shown in Section A of the SPOIs, even though the elevator has applied a discount.

Example 7 B

The following example is for wheat in excess of 2.0 ppm of DON but not greater than10.0 ppm. The wheat was delivered directly from the field to the buyer (sold), a disinterested 3rd party, prior to 60 days after calendar date for EOIP (applicable to Section C2 of the SPOI.)

SITUATION 2	**IF** Elevator Discounts:	**THEN** RIV is:	**IF** Elevator Discounts	**THEN** RIV is:
54 # of Hard Red Spring Wheat	$0.10	-----	$0.10	-----
11% Damage	$0.50	$0.50	$0.50	$0.50
5.1 ppm DON	$0.40	$0.40	No Discount	-------
TOTAL RIV		$0.90		$0.50

5.1 ppm of DON and 11% damage (grades U.S. # 5) both qualify the grain for quality. Even though there are DFs. RIVs are used for ALL insurable deficiencies to determine the applicable DFs because the grain is sold and does not exceed 10.0 DON. However, if the 11% damage is the only damage that the buyers discounts, as in the example on the right-hand side, then there is no adjustment for the DON damage.

Example 7 C

The following example is for SOLD wheat in excess of 2.0 ppm of DON but not greater than 10.0 ppm. The wheat was delivered directly from the field to the buyer (sold), a disinterested 3rd party, prior to 60 days after calendar date for EOIP (applicable to Section C2 of the SPOI.

SITUATION 3	**IF** ElevatorDiscounts:	**THEN** RIV is:	**IF** Elevator Discounts	**THEN** RIV is:
52# of Hard Red Spring Wheat	$0.40	$0.40	$0.40	$0.40
18% Damage	$0.60	$0.60	$0.80	$0.80
5.1 ppm DON	$0.50	$0.50	No Discount	------
TOTAL RIV		$1.50		$1.20

The 52 # test weight, 18% damage (causes grain to grade # 5) and 5.1 ppm DON all qualify the grain for quality. However, if the 52# test weight and 18% damage are the only types of damage that the buyer discounts, as in the example on the right-hand side, then there is no adjustment for the DON damage. RIVs applicable for same reasons as in Example 7 B above.

EXAMPLE 8: The insured commingles 3 units of farm-stored corn having Aflatoxin but no other quality deficiencies. The insured has acceptable weight records for each of the 3 units. The total production in the storage structure is in within 3% of the total weight records for the 3 units. (Refer to PAR. 104 for weighed and farm-stored production procedures.) The quality adjustment is handled as illustrated in this example:

1. First determine what section of the quality adjustment section of the SPOI the corn qualifies under.

   Unit 00100 3,000 bushels of corn with 10 ppb Aflatoxin

   With this amount of Aflatoxin, this corn does not qualify for quality adjustment.

   Unit 00200 5,000 bushels of corn with 500 ppb Aflatoxin

   With this amount of Aflatoxin and other quality deficiencies, this corn falls under section C3e of the quality adjustment section of the SPOIs.

   Unit 00300 7,000 bushels of corn with 50 ppb Aflatoxin

   With this amount of Aflatoxin and other quality deficiencies, this corn falls under Section C3a of the SPOIs.

2. The claims cannot be settled until **ALL** production is sold[1], used, destroyed, or fed since **SOME** of the production falls under Section C3e of the SPOIs.

3. **The insured sells all of the grain prior to 60 days after the calendar date for the EOIP.**

4. Determining quality for Unit 00100

Since unit 00100 does not qualify for quality adjustment due to Aflatoxin, no quality will be allowed for this deficiency.

5. Determining quality for Units 00200 and 00300

   Unit 00200 will be adjusted using a DF of .500 since the production exceeds the 300 ppb of Aflatoxin.

QWKHEXVKHOZLGHDGXVWHGXVLQJWKHSUHPLDEOVKHG
DF of .100 for 50 ppb of Aflatoxin listed in chart table in Section C3a of the SPOIs.

[1] "Sold" ±) RU&&' SURUR : Grain is considered sold on the date of final compensation and ownership or title of the grain has passed from the seller to the buyer. **For CCD 11/30/08 or later:** RC± * UDLQV considered sold on the date ownership or title of the grain has passed from the seller to the buyer

P Settlement of Claims for Crops Having QA provisions in the Crop Provisions:

This does not apply to barley, corn, canola, flax, grain sorghum, oats, rye, safflowers, soybeans, sunflowers, and wheat. Check the crop provisions for applicable crops.

(1) The QAF is determined by dividing the Local Market Value (actual dollar and cents value (or salvage value for some crops)) of the damaged production by the Local Market Price (Base Contract Price for some crops) as defined in the specific crop provisions or as otherwise specified in the crop provisions; e.g., price election.

(a) The actual dollar and cents value for the damaged production also includes the reduced value for other damage qualifying for quality adjustment (e.g., kernel damage, low-test weight, etc.) but shall not reflect a reduction due to uninsured causes or drying charges. The actual value of the damaged production is the amount:

1 Applied by the buyer for sold production (see exception in subparagraph J); or

2 As determined by the AIP for unsold production:

If the insured chooses NOT to harvest the field(s) or subfield(s) after the mycotoxin (or other condition or substance) test results are received, quality adjustment of such damage will be determined from the actual value of the damaged production based on each sample for the unit (field or subfield, if a mycotoxin (or other condition or substance) sample was taken for each field or subfield). This actual value will be based on the mycotoxin (or other condition or substance) test results and any other type/level of insurable damage qualifying for quality adjustment of production that affected the value of the production. No other dollar and cent discounts are allowed in the value of the damaged production as stated in PAR. 96 I (3) (f) and (4). Also, refer to PAR. 96 for more quality adjustment information.

(b) The QAF is rounded to three (3) decimal places. The production to count remaining after any reduction due to excessive moisture (in accordance with the applicable crop provisions) is multiplied by the QAF (not less than zero) to determine net production to count.

(c) Refer to PAR. 96 I for information regarding damage other than mycotoxin or substances injurious to human and animal health.

(2) Follow the procedures in PAR. 96 J when there is no dollar-and-cents value (ZMV[1]) for the damaged production in the Local Market Place and fair consideration[2] to deliver such production to a distant market is applicable.

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[1] =0 9 RFFXUZ KHQQREX\ HUVLQWHLQXUHG¶VBRFDDUHDUH willing to purchase the production and fair consideration [2] to GHOLYHUSURGXFWRQWRDP DUHRWWLGHWKHLQXUHG¶VBRFDO P DUHWQ DUHDLJHDWUWDQWSURGXFWVYDXH

[2] Fair consideration is the additional transportation costs to deliver the grain WRDP DUHRWWLGHWKHLQXUHG¶VBRFDO marketing area (distant market). Additional transportation costs means: Costs in excess of costs to transport to the local marketing area. Transportation costs to be used in this determination must be usual, reasonable, and customary.

(3) Refer to PAR. 96 I for additional procedures regarding

(a) Determination of the actual dollar-and cents value of the damaged production when production is unsold, fed, sold or otherwise disposed of, or when the production is under a speculative-type contract, not a processing contract.

(b) Reducing the dollar and cents value of the damaged production when a higher value for the production can be obtained due to:

1 Conditioning costs of the damaged production, or

2 Transportation costs.

(4) NO claim for indemnity is to be finalized until you are satisfied with all determinations as stated in PAR. 67 H.

(5) Following is a table for crops having QA provisions in the crop provisions. The table contains FDA-issued recommended, advisory, or action levels for the most common mycotoxins found in production.

Category	FDA Recommend, Advisory, or Action Levels	Aflatoxin (FDA Action Levels)	Fumonisin FDA Recommended Levels	Vomitoxin (FDA Advisory Levels)
Category 1 (No Quality Adjustment)	No FDA-recommended, advisory, or action levels for this category; i.e., it is safe for humans and animals	0.0 ppb - 20.0 ppb	P ± ppm	P ± 5.0 ppm
Category 2 (Qualifies for quality adjustment)	FDA-recommended, advisory or action [illegible] types of animals.	± 300.0 ppb	P ± ppm	5.1 ppm-10.0
Category 3	Exceeds maximum FDA-recommended, advisory, or levels	300.1 ppb and up	100.1 ppm and up	10.1 and up

(6) If any Federal or State agency requires destruction of any insured crop or crop production, as applicable, because it contains levels of a substance, or has a condition that is injurious to human or animal health in excess of the maximum amounts allowed by the Food and Drug Administration, other public health organizations of the United States or an agency of the applicable State, the insured must destroy the insured crop or crop production in a manner acceptable to the AIP and zero production will be counted. Refer to PAR. 96 J (2) for a definition of Acceptable Destruction Methods and other information about destruction and verification of destruction.

SECTION 6 RECORDING AND DETERMINING THE QUANTITY OF FARM-STORED PRODUCTION

103 DETERMINING AND RECORDING FARM-STORED PRODUCTION THAT REQUIRES MEASUREMENTS

A Accurate Measurements

Accurately measure storage structure(s). If possible, the measurements must be INSIDE measurements. If inside measurements are not possible, the measurements must reflect