



Consideration of Damaged Grain Sorghum in the Special Provisions of Insurance (SPOI)

Crop insurance uses the Special Provisions of Insurance (SPOI) to adjust for quality losses to grain sorghum. The SPOI is divided into graduated discount schedules for various quality factors, as well as a set of procedures for handling grain that is “off the charts”, which means it has quality factors that are worse than the graduated discount schedules.

The two most important quality factors for the 2010 grain sorghum harvest are test weight and damaged kernels. The test weight graduated schedule goes to 40 lb/bu test weight. Test weights lower than 40 lb/bu are “off the charts”. The damaged grain scale goes to 35%. Total kernel damage (excluding heat damage) above 35% is “off the charts”. The graduated scale for both test weight and damaged kernels is contained in the SPOI. The actuarial discount scales found in the SPOI will not account for the losses being received by producers in discounts for damaged grain in 2010. The SPOI for Wharton County is attached for reference. The Quality Statements are consistent across all counties for grain sorghum.

For any quality loss, the Risk Management Agency (RMA) must determine if the grain is marketable. If the grain has a zero market value (see Section D of the SPOI), then the producer would receive a discount factor (DF) of 1.0 and receive zero production and collect an indemnity. The crop, however, must be destroyed so the producer cannot benefit from the crop if collecting a full loss (zero yield).

If the producer harvests the grain with damage over 35% or test weight under 40 lb/bu (“off the chart”), then the producer has the option of receiving the actual discount he receives when marketing the grain if it is sold within 60 days of the end of insurance period (EOIP). The EOIP is September 30 for the affected area, so the end of the marketing period is November 29. If unsold, the producer may settle for a DF of 0.50 and then market the grain as he wishes (see General Statements and Section B of the SPOI).

Producer harvests and stores grain with 40% damaged kernels (“off the chart”).

Outcome A

Producer markets grain to merchant on November 8 and the discount received is 58% compared to the No. 2 market price offered by the merchant. The producer will receive a 0.58 DF to settle his claim (see Section B.1 of the SPOI).

Outcome B

Producer does not market grain by November 29 and settles his claim with a 0.50 DF. Producer then markets grain to a merchant on January 11 and the discount received is 42% compared to the No. 2 market price offered by the merchant. The producer receives the cash for marketing the grain with no connection to the claim that was settled with a 0.50 DF (see Section B.3 of the SPOI).

RMA is now seeking input on what grain is marketable and what grain will have zero market value. NSP has provided RMA with data and will continue to work with them to help producers in South Texas.

SPECIAL PROVISIONS OF INSURANCE
2010 AND SUCCEEDING CROP YEARS

ST: TEXAS (48)
CO: Wharton (481)

CROP: GRAIN SORGHUM (0051)
PLAN: Crop Revenue Coverage (44)

THE SPECIAL PROVISIONS OF INSURANCE IS THE PART OF THE POLICY THAT CONTAINS SPECIFIC PROVISIONS OF INSURANCE FOR THE INSURED CROP IN THIS COUNTY.

INSURABLE TYPES AND PRACTICES:

TYPE(S) -----	PRACTICE(S) -----
(997) No Type Specified	(002) Irrigated
(997) No Type Specified	(086) NIBR (Non-Irrigated)*2
(997) No Type Specified	(093) IBR (Non-Irrigated)*1

PROGRAM DATES FOR INSURABLE TYPES AND PRACTICES:

SALES CLOSING	EARLIEST PLANTING	FINAL PLANTING	ACREAGE REPORTING	PREMIUM BILLING
-----	-----	-----	-----	-----
TYPE(S) -----	PRACTICE(S) -----			
ALL TYPES LISTED ABOVE	ALL PRACTICES LISTED ABOVE			
02/15/2010	02/14/2010	04/15/2010	06/15/2010	10/01/2010

PRACTICE STATEMENT(S):

- *1 **IBR - Planted in rows far enough apart to permit intertilling between the rows with a row cultivator.
- *2 ** NIBR - Planted in rows not far enough apart to permit intertilling between the rows with a row cultivator.

GENERAL STATEMENT(S):

Insurance shall not attach or be considered to have attached on any acreage that is non-irrigated and from which, in the same calendar year: 1) a hay crop was harvested (including a harvested small grain hay crop); 2) a small grain crop reached the headed stage (regardless of the percentage of small grain plants that reached the headed stage); or 3) a crop was grazed past March 1.

PRICE STATEMENT(S):

The definitions of "Base Price (CBOT)" and "Harvest Price (CBOT)" for Grain Sorghum (for Grain) contained within the Crop Revenue Coverage Commodity Exchange Endorsement are revised to replace the phrase "as determined by RMA based on the United States Department of Agriculture (USDA) January estimate of corn and grain sorghum prices" with the phrase "as determined by RMA based on the methodology as specified on the RMA website at

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<http://www.rma.usda.gov/>".

In lieu of any dollar limitations contained within the Crop Revenue Coverage Commodity Exchange Endorsement Harvest Price definition, for all crops the following change is applicable: The Harvest Price can be less than the Base Price without limitation, but will not be greater than 200 percent of the Base Price.

CROP STATEMENT(S):

Contact your agent regarding possible premium discounts, options, supplement listings, and/or additional coverage that may be available.

Coverage for the insured crop grown using an organic farming practice is provided in this county. An organic rate factor is specified on the coverage and rate table.

In addition to any requirements for separate APH yields (databases) contained in the policy and in FCIC approved procedures, separate databases for certified and transitional acreage are required for any insured crop grown using an organic farming practice. Acreage and production history from certified organic or transitional acreage will be contained in the certified organic or transitional APH databases. Each database will include production and acreage from any applicable buffer zone. Any yearly average APH yields, for the most recent four crop years only, from the transitional acreage database will be used in place of Transitional Yields (T-Yields) to establish the certified organic APH database. A variable T-yield will be used to complete the database, if required. Yields shown on the Transitional Yield and YA Substitution Table apply to the organic farming practice.

QUALITY STATEMENT(S):

GENERAL STATEMENTS:

The following sections only apply to grain production for the insured crop.

The Quality Adjustment Factor (QAF) is 1.000 minus the sum of the applicable Discount Factors (DF) expressed below as three-place decimals. The sum of all applicable DFs will be limited to 1.000. No other quality adjustment factors are considered in determining production to count. 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.

For production containing substances or conditions that are injurious to human or animal health, the DF will be determined in accordance with section C.

On the date of final inspection for the unit, if your unsold***** production qualifies for quality adjustment under sections B or C below, your claim

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will be settled using the applicable DF's for unsold production unless you elect in writing to delay settlement of your claim for up to 60 days after the calendar date for the end of the insurance period (EOIP). If you sell the grain during this delay, your claim will be settled using the Reduction In Value (RIV) as outlined below. However, at any time during this delay in settlement, you may request to settle your claim for any unsold production using the applicable DFs. For any production sold**** to other than a disinterested third party**, or that is not sold 60 days after the calendar date for the EOIP, we will settle your claim using the applicable DFs. If you do not elect to delay settlement of your claim for unsold production, we will settle your claim for any sold and/or unsold production on the date of final inspection for the unit using the applicable DFs.

For production qualifying under Section B or Section C that is unsold 60 days after the calendar date for the end of the insurance period (EOIP) (except for production qualifying under section C3), an automatic extension of time will be allowed for you to submit your claim for indemnity, not to exceed 90 days after the calendar date for the EOIP. This does not limit your ability to request an additional extension of time to submit a claim for indemnity in accordance with section 14 of the Basic Provisions.

Fair consideration to deliver sold production to a distant market is allowed only for the types and levels of damage included in sections B1, C1a, C2a, C3a and C3b below. Fair consideration is not allowed for production fed, utilized in any other manner, unsold or when a pre-established DF is applicable.

If on the date of final inspection for the unit, any production which due to insurable causes is determined to have zero market value***, such production will not be considered production to count if the production is destroyed in a manner acceptable to us (see section D). Fair consideration may be used in the determination of zero market value, except for production fed or used in any other manner.

REDUCTION IN VALUE (RIV):

No RIV will be made or accepted by us if it is due to:

- 1 Moisture content;
- 2 Damage due to uninsured causes;
- 3 Drying;
- 4 Handling;
- 5 Processing; or
- 6 Any other costs associated with normal harvesting, handling, and marketing of your production.

a If a lower RIV is available for production sold at a distant market, the RIV at the distant market may be increased by the fair

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consideration to deliver the production to the distant market, provided the resulting RIV does not exceed the RIV in your local marketing area and the additional costs are reasonable, usual, and customary.

- b If the RIV can be decreased by conditioning the production, the RIV may be increased by the cost of conditioning provided such cost is reasonable, usual, and customary and the resulting RIV does not exceed the RIV before conditioning.
- c The RIV and local market price* are determined on the date such quality adjusted production is sold to a disinterested third party.

SECTION A - DISCOUNT FACTOR CHARTS

Discount factors are determined using the following charts. If the DF for any one qualifying deficiency is not shown on the charts in this section, then determine all DFs using section B.

GRADE DISCOUNT:

Discounts for grade as follows:

Grade	DF
U.S. Sample Grade	0.089

TEST WEIGHT DISCOUNT:

Discounts for low test weight as follows:

51 and above	None	45-45.99	0.095
50-50.99	0.036	44-44.99	0.107
49-49.99	0.047	43-43.99	0.119
48-48.99	0.059	42-42.99	0.131
47-47.99	0.071	41-41.99	0.142
46-46.99	0.083	40-40.99	0.154
		Below 40	See Section B

DAMAGE DISCOUNT:

Discounts for excessive kernel damage (excluding heat damage) as follows:

Damage %	DF	Damage %	DF	Damage %	DF
15 and below	None	21.01-22	0.122	28.01-29	0.172
15.01-16	0.068	22.01-23	0.131	29.01-30	0.178
16.01-17	0.077	23.01-24	0.139	30.01-31	0.184
17.01-18	0.086	24.01-25	0.148	31.01-32	0.190
18.01-19	0.095	25.01-26	0.154	32.01-33	0.196
19.01-20	0.104	26.01-27	0.160	33.01-34	0.202
20.01-21	0.113	27.01-28	0.166	34.01-35	0.208
				Above 35	See Section B

SAMPLE GRADE DISCOUNTS:

Discounts for sample grade factors as follows:

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Musty Odor = 0.053 Sour Odor = 0.059 COFO = 0.059

SECTION B - DEFICIENCY NOT IN DISCOUNT FACTOR CHARTS

DFs included in section A are not used if production meets the requirements under this section. For production that has a test weight below 40 pounds per bushel, and/or kernel damage above 35 percent, a smutty grain sorghum grade on the date of final inspection adjust production in the following manner:

- 1 For production sold to a disinterested third party prior to 60 days after the calendar date for the EOIP, the DF will be the sum of all RIVs applied by the buyer (provided the RIVs are reasonable, usual, and customary) due to all insurable quality deficiencies, and that value divided by the local market price.
- 2 For unsold production or production sold to other than a disinterested third party prior to 60 days after the calendar date for the EOIP, the DF will be .500 (unless you elect to delay settlement as specified in the General Statements above).
- 3 We will settle your claim for indemnity using a DF of .500 for production that is unsold 60 days after the calendar date for the EOIP.

SECTION C - SUBSTANCES OR CONDITIONS THAT ARE INJURIOUS TO HUMAN OR ANIMAL HEALTH

A DF for production containing substances or conditions that are injurious to human or animal health is allowed in addition to applicable DFs from sections A or B above, except as shown in C3 below.

Any potential loss due to substances or conditions identified by the Food and Drug Administration, other public health organizations of the United States, or a public health agency of the applicable State in which the insured crop is grown, at a level determined as injurious to human or animal health, will be covered only if the appropriate samples of the production were obtained by our adjuster (or a trained disinterested third party approved by us), and the analysis was performed by an approved laboratory using quantitative tests.

For production that contains substances or conditions determined to be injurious to human or animal health, adjustments will be made for levels of substances or conditions in excess of the amount allowed by the lower of the following:

- a The action or advisory level of the Food and Drug Administration; or

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- 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.

For production that will be stored on the farm or in commercial storage (except Vomitoxin), the appropriate samples must be obtained prior to the production entering storage, otherwise such production will not be adjusted for any quality deficiencies listed in section C. Samples for Vomitoxin testing may be obtained from storage.

- 1 For production containing Vomitoxin only that qualifies under section C (except as outlined in C3 below) on the date of final inspection adjust production in the following manner:
 - a The DF for production sold to a disinterested third party prior to 60 days after the calendar date for the EOIP will be the sum of all RIVs applied by the buyer (provided the RIVs are reasonable, usual, and customary) due to all insurable quality deficiencies, and that value divided by the local market price.
 - b The DF for unsold production or production sold to other than a disinterested third party will be the applicable DFs shown in the chart below added to the applicable DFs included in sections A, B2, or B3 above (unless you elect to delay settlement as specified in the General Statements above).

DFs for Vomitoxin:

Vomitoxin Range	DF
0.1 - 5.0 ppm	0.000
5.1 - 10.0 ppm	0.450
10.1 ppm & above	See C3 below

- 2 For production containing substances or conditions, other than Vomitoxin that qualifies under section C (except as outlined in C3 below) on the date of final inspection adjust production in the following manner:
 - a The DF for production sold to a disinterested third party prior to 60 days after the calendar date for the EOIP (production transported directly from the field to the buyer, or transported directly from the field and put into commercial storage, without going into on farm storage) will be the sum of all RIVs applied by the buyer (provided the RIVs are reasonable, usual, and customary) due to all insurable quality deficiencies, and that value divided by the local

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market price.

- b For unsold production containing Aflatoxin that is in commercial storage (transported directly from the field and put into commercial storage, without going into on-farm storage), section C2c DFs will apply added to the applicable DFs included in sections A, B2, or B3 above (unless you elect to delay settlement as specified in the General Statements above).
- c For all other production containing Aflatoxin (unharvested, stored on-farm, fed, used in a manner other than feed, sold to other than a disinterested third party or put in on-farm storage and then transported to commercial storage) that is not sold prior to 60 days after the calendar date for the EOIP, we will use the applicable DFs shown in the chart below, except as stated in section C3 below. This chart DF will be added to the applicable DFs included in sections A, B2, or B3 above.

DFs for Aflatoxin:

Aflatoxin Range	DF
0.1 - 20.0 ppb	0.000
20.1 - 50.0 ppb	0.100
50.1 - 100.0 ppb	0.200
100.1 - 200.0 ppb	0.300
200.1 - 300.0 ppb	0.400
300.1 ppb & above	See C3 below

- d The DF for unsold production (unless you elect to delay settlement as specified in the General Statements above) or production sold to other than a disinterested third party containing any injurious substances or conditions other than Aflatoxin will be .500 added to the applicable DFs included in sections A, B2, or B3 above.

Refer to section A, B2, or B3 for any additional discount factors that may apply.

- 3 For production that has an Aflatoxin level in excess of 300 ppb, a Vomitoxin level in excess of 10 ppm, or any other substance or conditions qualifying under Section C that exceed the maximum amount allowed, the following will apply (if such production is Zero Market Value, see Section D). A claim will not be completed until such production is sold, fed, utilized in any other manner, or destroyed. An automatic extension of time will be allowed for you to submit your claim for indemnity.

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- a For production sold to a disinterested third party containing Vomitoxin only, the DF will be the RIV applied by the buyer (provided the RIVs are reasonable, usual, and customary) due to all insurable quality deficiencies, and that value divided by the local market price.
 - b For production sold to a disinterested third party containing Aflatoxin or any other substance or condition (except for production containing only Vomitoxin - refer to C3 a) that was transported directly from the field to the buyer, or transported directly from the field and put into commercial storage and sold, without going into on-farm storage, the DF will be the RIV applied by the buyer (provided the RIVs are reasonable, usual, and customary) due to all insurable quality deficiencies, and that value divided by the local market price.
 - c The DF will be .500 for production containing Vomitoxin only that was fed, utilized in any other manner, or sold to other than a disinterested third party.
 - d The DF will be .500 for production containing Aflatoxin or any other substance or condition (except for production containing only Vomitoxin - refer to C3c) that is in on-farm storage, fed, utilized in any other manner, put in on-farm storage and then transported to commercial storage and sold, or sold to other than a disinterested third party.
 - e If production qualifying under Section C3 is destroyed in a manner acceptable to us, the DF will be 1.000. For production destroyed in a manner unacceptable to us, such production will not be adjusted for any quality deficiencies listed in Section C.

SECTION D - ZERO MARKET VALUE PRODUCTION

For production listed in sections A, B, or C that we determine has zero market value due to covered quality deficiencies:

- 1 The DF will be 1.000 if such production is destroyed in a manner acceptable to us.
- 2 If you do not destroy (or refuse to destroy) production listed in section A in a manner acceptable to us, such production to count is no longer considered to be zero market value and will be adjusted based on the DFs in section A.
- 3 If you do not destroy (or refuse to destroy) production listed in section B in a manner acceptable to us, such production to count is no longer considered to be zero market value and will be

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adjusted based on a DF of .500.

- 4 If you do not destroy (or refuse to destroy) production listed in section C in a manner acceptable to us, such production will not be adjusted for any quality deficiencies listed in section C. For all production qualifying under section C3 that is zero market value, a claim will not be completed until such production is sold, fed, utilized in any other manner, or destroyed. An automatic extension of time will be allowed for you to submit your claim for indemnity.
- * "Local Market Price" as defined in the applicable Basic, Crop, or these Provisions.
- ** "Disinterested third party" as defined in the applicable Basic, Crop, or these Provisions. In addition to the definition of "Disinterested third party", a person or business who does not routinely purchase production for resale or for feed will not be considered a disinterested third party if the RIVs applied by the buyer are not reflective of the RIVs in the local market.
- *** "Zero market value" occurs when no buyers in your local area are willing to purchase the production and fair consideration to deliver production to a market outside your local marketing area (distant market) is equal to or greater than the production's value at the distant market.
- **** "Sold" - Grain is considered sold on the date that final settlement between the buyer and seller has occurred and title of the grain has passed from the seller to the buyer.
- ***** "Unsold" - Grain that does not meet the definition of "sold."

INSURANCE AVAILABILITY STATEMENT(S):

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, parental status, familial status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program.

APPROVED: ACTUARIAL BRANCH 11/19/2009