



United States  
Department of  
Agriculture

**INFORMATIONAL MEMORANDUM: IS-09-019**

Risk  
Management  
Agency

**TO:** All Approved Insurance Providers  
All Risk Management Agency Field Offices  
All Other Interested Parties

1400  
Independence  
Avenue, SW  
Stop 0801  
Washington, DC  
20250-0801

**FROM:** Sue R. King /s/ *Craig A. Witt for* 11/25/2009  
Acting Deputy Administrator  
for Insurance Services

**SUBJECT:** Claims Advisory – Local Market Price for Settling Corn Claims

**BACKGROUND:**

The Risk Management Agency (RMA) has been advised that questions have arisen regarding the local market price for settling claims for corn, particularly in Texas. These questions arise out of an e-mail that was distributed by a third party purporting to be RMA's official position for determining local market price. This e-mail is being interpreted to suggest that there is no U.S. No. 2 corn available in certain regions of Texas, and that the local market price of U.S. No. 2 corn includes recognition of transportation costs for similar corn if purchased from the Midwest. RMA has also been advised that certain elevators may be indicating on settlement sheets a "Local Market Price" that may not necessarily be reflective of the actual price they would pay for U.S. No. 2 corn delivered to them by producers, and in other cases the "Local Market Price" being quoted by elevators reflects discounts due to aflatoxin.

RMA does not set forth official positions by e-mail, did not make an assertion as to whether or not U.S. No. 2 corn is available in Texas, nor did it sanction any specific price or transportation costs.

The Coarse Grains Crop Provisions provides the official RMA definition of Local Market Price which is defined as: "The cash grain price per bushel for the U.S. No. 2 yellow corn, U.S. No. 2 grain sorghum, or U.S. No. 1 soybeans, offered by buyers in the area in which you normally market the insured crop. The local market price will reflect the maximum limits of quality deficiencies allowable for the U.S. No. 2 grade for yellow corn and grain sorghum, or U.S. No. 1 grade for soybeans. Factors not associated with grading under the Official United States Standards for Grain, including but not limited to protein and oil, will not be considered."



The Risk Management Agency Administers  
And Oversees All Programs Authorized Under  
The Federal Crop Insurance Corporation

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Regarding local market prices that may reflect discounts due to aflatoxin, the definition of local market price must be read in its entirety. In particular “. . . factors not associated with grading under the Official United States Standards for Grain, including but not limited to protein and oil, will not be considered.” Since mycotoxins, including aflatoxin, are not grading factors under the Official United States Standards for Grain, any local market price for U.S. No. 2 corn will not reflect any discount for aflatoxin.

**ACTION:**

For all 2009 claims for indemnity with quality adjustment statements in the Special Provisions of Insurance, it is the Approved Insurance Provider’s (AIP) responsibility to determine the local market price based on the policy definition. RMA has not changed or modified any policy provisions or procedures with regard to “Local Market Price”. AIPs are reminded to consult applicable crop provisions for the definition of local market price in the settlement of claims.

**DISPOSAL DATE:**

December 31, 2009