United States
Department of
Agriculture

Risk
Management
Agency

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December 1, 2011

INFORMATIONAL MEMORANDUM: PM-11-058

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

FROM: Tim B. Witt */s/Tim B. Witt*
Deputy Administrator

SUBJECT: Coverage for Specialty Trait Soybeans for the 2012 and Succeeding Crop Years

BACKGROUND:

The Federal Crop Insurance Corporation Board of Directors (FCIC Board) approved the Specialty Trait Soybean insurance program on May 19, 2011. Watts and Associates on behalf of the United Soybean Board and the Northern Food Grade Soybean Association submitted this insurance program to the FCIC Board under Section 508(h) of the Federal Crop Insurance Act. Under direction of the FCIC Board, the existing specialty type soybean program and the new Specialty Trait Soybean insurance program were to be combined for simplification and ease of administration.

Specialty Trait Soybean insurance, beginning with the 2012 crop year, provides producers with the ability to elect revenue protection for the following s specialty soybean types: large seeded food grade, small seeded food grade, low linolenic acid, low saturated fat, high protein, and all other food grades in all counties for which soybean insurance is available in Arkansas, Iowa, Michigan, Minnesota, Missouri, North Dakota, South Dakota, Ohio, and Virginia.

All changes for Specialty Trait Soybean insurance are contained within the 2012 crop year Special Provisions and may be accessed through the Actuarial Information Browser on the RMA website at http://www.rma.usda.gov.

ACTION:

Approved Insurance Providers (AIP) are advised of the following changes for Specialty Trait Soybean coverage for the 2012 crop year: (1) type requirements and type names listed in the Special Provisions are revised; (2) an all other food grades type is added to insure food grade types not specified in the SP definitions at the contract price; (3) Specialty Trait

Soybean coverage is expanded to include all counties where soybean insurance is available in South Dakota; and (4) all soybean types must be insured under the same plan of insurance i.e., yield protection or revenue protection.

Due to the changes for the 2012 crop year for specialty soybeans, AIPs are authorized to take the following actions with regard to carryover policyholders that chose coverage for specialty type soybeans in the 2011 crop year:

1. Policyholders who previously had soybeans insured under two plans of insurance (commodity soybeans under revenue protection and specialty type(s) under yield protection) may be placed under revenue protection consistent with how their commodity soybeans were insured in the 2011 crop year.

2. Policyholders that only had soybean types insured at the contract price under yield protection will remain under yield protection unless they elect to change their plan of insurance by the sales closing date.

AIPs must notify policyholders who previously had specialty type soybean insurance of these changes, which coverage they will be placed under for the 2012 crop year, and provide them an opportunity to change such plan of insurance by the sales closing date.

Attachment: Additional information for insuring specialty trait soybeans.

DISPOSAL DATE:
December 31, 2011

Additional Information

Policyholders of specialty trait soybeans who meet the requirements in the Special Provisions (SP) may insure their specialty trait soybeans under:

1. Yield protection at the contract price (with no price movement benefit), or at the commodity soybean price contained in the Commodity Exchange Price Provisions (CEPP), or

2. Revenue protection at the contract price (with the benefit of price movement), or at the commodity soybean price contained in the CEPP; or

3. Revenue protection with the harvest price exclusion at the contract price (with the benefit of a price decline), or at the commodity soybean price contained in the CEPP.

Written agreements are not available for specialty trait soybeans.

Requirements

- Soybeans must meet the type requirements stated in the SP. For example, to be considered large seeded food grade type, they must be food grade soybeans commonly used for human food products which generally have a minimum seed size of 18 g/100 seeds (2,520 seeds/lb.)

- Soybeans that do not meet the food grade type requirements stated in the SP are considered commodity type.

- Types insured at a contract price must be grown under a contract and the policyholder must provide a copy of the contract to the Approved Insurance Provider (AIP) no later than the acreage reporting date. If the contract does not clearly specify the type it may be necessary for the policyholder to obtain more information from the seed supplier or seed company to prove it is an insurable type.

- The contract (acreage based, acreage and production based, or production based) must be executed by the policyholder and the business enterprise and be in effect for the applicable crop year.

- If there is more than one contract price for the same type, a weighted average price will be used for the type.

Pricing For Yield Protection at the Contract Price:
The projected price for a fixed contract price will be the contract price. If the contract provides a premium over market price, the projected price will be that premium amount added to the CEPP projected price. The contract price cannot exceed the amount determined by multiplying the CEPP projected price by the contract price limit factor shown in the SP.

Pricing For Revenue Protection at the Contract Price:
The projected price for a fixed contract price will be the contract price. To determine the harvest price, the price will be the CEPP projected price subtracted from the contract price and the difference added to the CEPP harvest price. The contract price cannot exceed the amount determined by multiplying the projected price by the contract price limit factor shown in the SP. For example,

\$14.50 Contract price \$13.00 CEPP projected price \$14.50 Projected price used to determine guarantee	Limit factor=1.30 Not limited because: \$13.00 x 1.30= \$16.90
\$14.50 Projected price -\$13.00 CEPP projected price \$1.50 Difference between contract & projected price	\$14.00 CEPP harvest price +\$1.50 Difference \$15.50 Harvest price used to determine indemnity

If the contract provides a premium over market price, the specialty soybean projected price will be the premium amount added to the CEPP projected price. To determine the harvest price the price will be the CEPP projected price subtracted from the specialty soybean projected price and the difference shall be added to the CEPP harvest price. The contract price cannot exceed the amount determined by multiplying the projected price by the contract price limit factor shown in the SP. For example,

\$13.00 CEPP projected price +\$4.00 Contract premium price \$17.00 Projected price used to determine guarantee (subject to limit factor)	Limit factor=1.30 Limited because: \$13.00 x 1.30= \$16.90
\$16.90 Projected price -\$13.00 CEPP projected price \$3.90 Difference between contract & projected price	\$14.00 CEPP harvest price +\$3.90 Difference \$17.90 Harvest price used to determine indemnity

Replant Provisions

- For soybeans insured at the contract price, it will not be considered practical to replant the specialty type unless production from the replanted acreage can be delivered under the terms of the contract or the business enterprise has agreed to accept the production.

- When it is practical to replant the specialty type originally planted, the acreage must be replanted to the specialty type originally planted on the acreage.

- When it is **NOT** practical to replant to the same specialty type originally planted on the acreage, the policyholder may (1) choose to not replant and may receive an indemnity based on a crop appraisal; (2) replant the same specialty type originally planted on the acreage; or plant to another crop, in which case the first/second crop rules apply; or (3) replant to another specialty type or commodity type, provided it is practical to replant such type. The replanted type will be considered a replanted crop. If it is not practical to replant to another specialty type or commodity type and any other type of soybean is planted, the crop planted will be considered a second crop.

Crop Insurance Handbook Information

1. Refer to FCIC-18010 Crop Insurance Handbook (CIH), Section 13C(3), for instructions on establishing or dividing APH databases when actuarial documents release new practices/types (P/T), divide an existing P/T into new P/T(s), or modify an existing P/T specifications that may impact what P/T the crop production history is considered.

   a. Separate APH databases are required for each P/T listed on the actuarial documents that has been produced in previous crop years or the policyholder plans to plant for the current crop year. This applies even when transitional yields (T-Yields) are the same for different types and regardless of whether the policyholder chooses to insure based on a contract price.

   b. If the production history contained within the APH database does not change as a result of the new P/T code change, or the policyholder already has APH databases established according to the new P/T(s), no action is necessary except to apply the proper P/T code to the database (the 10 percent yield limitation applies).

   c. Policyholders may certify production and acreage when establishing or dividing APH databases, but must maintain and provide supporting acceptable records in accordance with applicable procedures.

   d. If T-Yields among types are the same (e.g. all other food grade, low linolenic acid, low saturated fat, and high protein all have a T-yield equal to 35), the order of precedence to determine the higher yielding type is: commodity, all other food grade, low linolenic, low saturated fat, high protein, large seeded food grade, and small seeded food grade.

2. Due to the Specialty Trait Soybean insurance program being released after the 2012 CIH was issued, any references to specialty type soybeans in the 2012 CIH should be disregarded. The CIH will be updated upon the next issuance.

Loss Adjustment Information

Specialty trait soybeans will be quality adjusted as commodity soybeans. The discount factor (DF) charts in the SP, or the reduction in value (RIV) and local market price (LMP) for commodity soybeans, as applicable, will be used for quality adjustment purposes, without regard to any contract price for the specialty type insured.

Example: A policyholder has a contract for 100 acres of high protein soybeans. The contract price for high protein soybeans is $12.00 per bushel. The acreage produces 40 bu. per acre (4,000 bu.) All contracted production is delivered to the processor. Due to insurable causes, the production has a test weight of 40 lbs. per bushel. As a result, the processor discounts the high protein soybeans $6.00 a bushel for the production. The policyholder receives $6.00 per bushel for the production.

On the day the soybeans were sold to the processor, the LMP for U.S. No. 1 commodity type is $7.00 per bushel. The RIV for commodity type with the same 40 lb. test weight is $4.00. Regardless of the discount applied by the processor for the high protein soybeans, quality adjustment will be based on the RIV and the LMP for commodity type at the time of the sale. In accordance with the SP, the Quality Adjustment Factor (QAF) and production to count will be determined as follows:

a. $4.00 commodity type RIV / $7.00 commodity type LMP = .571 DF

b. 1.000- .571 DF = .429 QAF

c. 100 acres X 40 bu.= 4,000 bu. of high protein soybeans X .429 QAF= 1,716 bu. production to count.

Refer to the Crop Insurance Handbook, Loss Adjustment Manual, Soybean Loss Adjustment Standards Handbook, and Prevented Planting Loss Adjustment Standards Handbook for more procedures regarding crops with multiple types.