



United States Department of Agriculture
Risk Management Agency

August 2010

2011 COMMODITY INSURANCE FACT SHEET

Grass Seed Pilot

Minnesota

Crop Insured

The crop insured will be all grass seed grown in the county on insurable acreage, for which premium rates are provided by the actuarial documents:

- That is produced under a grass seed production contract;
- In which you have a share;
- That has an adequate stand;
- That is grown on insurable acreage.

Acreage of Kentucky Bluegrass may be insured for as long as the crop meets the requirements for insurability contained in the Crop Provisions.

Acreage of Perennial Ryegrass may only be insured for one year. The stand must be replaced each year.

Counties Available

Insurable in Kittson, Lake of the Woods, Marshall, and Roseau counties. Not insurable in other counties.

Causes of loss

Adverse weather conditions¹
Failure of irrigation water supply²
Fire³
Insects⁴
Plant disease⁴
Wildlife

¹Natural perils such as hail, frost, freeze, wind, drought, and excess moisture. ²If caused by an insured peril during the insurance period.

³If due to natural causes. ⁴But not damage due to insufficient or improper application of control measures.

Reporting Requirements

Acreage Report — You must give a report of all your cultivated grass seed acreage in the county by the acreage reporting date.

Insurance Period

Kentucky Bluegrass coverage begins on May 22 of the second calendar year after planting and on Oct 16 following the end of the insurance period for all subsequent years the Special Provisions allow coverage. Perennial ryegrass coverage begins on May

22 of the calendar year after planting and may only be insured for one year.

Important Dates

Sales Closing Date September 30, 2010
Cancellation Date September 30, 2010
Contract Changes Date June 30, 2010
Acreage Reporting Date June 30, 2011
Premium Billing Date August 15, 2011
End of Insurance Date October 15, 2011

Definitions

APH Yield — Actual production history (APH) yield used to determine the production guarantee. The APH yield is based on up to 10 years of actual and/or assigned yields.

Unit — The insurable acreage used to determine the APH yield, the production guarantee and any indemnity (loss payment).

Adequate Stand — A population of live plants per acre of the insured type whose leaf area covers an average of at least 75 percent of the acreage planted to that type.

Clean Seed — Grass seed which has been conditioned.

Grass Seed Production Contract — A written agreement between you and the buyer, signed by both parties on or before the acreage reporting date containing at a minimum:

- Promise to plant;
- Buyer's promise to purchase;
- A fixed price, or a method to determine such price compiled by a third party, that will be paid to you for at least 50 percent of the production stated in the contract.

Local Market Price — The lesser of the price election or the amount you would be paid for clean seed as stated in your grass seed production contract.

Production Guarantee — Number of pounds guaranteed per unit. Multiply your APH yield per acre \times the coverage level \times the acres in the unit.

Coverage Levels and Premium Subsidies

Grass seed may be insured at the coverage levels shown in the table below. Crop insurance premiums are subsidized as shown. For example if you select the 75-percent coverage level, your coverage will be 75 percent of your approved APH yield, the premium subsidy is 55 percent, and your premium share is 45 percent of the base premium. Catastrophic coverage (CAT) is available at 50 percent of your APH yield and 55 percent of the established price election. The total cost for CAT coverage will be an administrative fee of \$300 per crop per county, regardless of the acreage. Administrative fees, in addition to premium costs, for coverage levels above CAT are \$30 per crop per county.

Item	Percent					
Coverage Level	50	55	60	65	70	75
Premium Subsidy	67	64	64	59	59	55
Your Premium Share	33	36	36	41	41	45

Price Election

Price of compensation per pound in case of loss:

Established price: \$0.85 per finished pound Kentucky Bluegrass and \$0.61 per finished pound Perennial Ryegrass.

In addition, the price election may be the Grass Seed Production Contract price up to the limit of 120 percent of the amount contained in the Special Provisions, or in an addendum thereto provided the Grass Seed Production Contract price is determined before the acreage reporting date.

Unit Division

Basic Unit — Generally, all the insured crop acreage in a county by share. Premiums are reduced by 10 percent for a basic unit. In addition, a separate basic unit may be established for each type of grass seed.

Optional Unit — If a basic unit consists of two or more sections of land, and certain record keeping requirements are met, you may apply for optional units by section. The 10-percent premium discount will not apply.

Plans of Insurance

APH is the only plan of insurance available for grass seed. The production guarantee is based on your individual yield history. Only basic and optional units are available.

Late and Prevented Planting

The late and prevented planting provisions of the Basic Provisions are not applicable.

Loss Example

A loss occurs when the pounds of grass seed produced for the unit fall below the production guarantee as a result of damage from a covered cause of loss. This Kentucky Bluegrass example assumes an APH yield of 300 pounds, 75-percent coverage level, 100 percent of established price.

$$\begin{array}{r} 300 \text{ pounds per acre APH yield} \\ \times .75 \text{ coverage level} \\ \hline 225 \text{ pound guarantee*} \\ -100 \text{ clean seed produced} \\ \hline 125 \text{ pounds per acre loss} \\ \times \$0.85 \text{ price election} \\ \hline \$106.25 \text{ gross indemnity*} \\ - \$18.61 \text{ premium per acre (varies by county)} \\ \hline \text{\$87.64 Net indemnity per acre*} \end{array}$$

Quality Standards Example

Grass seed may fail to meet the quality standards of the production contract due to insurable causes. This example assumes a local market price of \$0.85 per pound and damaged production price of \$0.70 per pound.

$$\begin{array}{r} 100 \text{ pounds damaged production} \\ \times .82 \text{ quality adjustment factor } (.70/.85) \\ \hline 82 \text{ pounds adjusted damaged production} \\ \\ 225 \text{ pounds guarantee*} \\ - 82 \text{ pounds adjusted damaged production} \\ \hline 143 \text{ pounds per acre loss} \\ \times \$0.85 \text{ price election} \\ \hline \$121.55 \text{ gross indemnity*} \\ - \$18.61 \text{ premium per acre (varies by county)} \\ \hline \text{\$102.94 Net indemnity per acre*} \end{array}$$

*Figures shown on a per acre basis; guarantees and losses paid are on a unit basis. See policy provisions.

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