

**SUMMARY OF CHANGES FOR THE
INCOME PROTECTION - BARLEY CROP INSURANCE
MALTING BARLEY PRICE AND QUALITY ENDORSEMENT (2000-391MB)**

The following is a brief description of changes to the Income Protection-Barley crop insurance Malting Barley Price and Quality Endorsement that will be effective for the 2000 crop year. Please refer to the Malting Barley Price and Quality Endorsement for more complete information. These modifications include, but are not limited to:

- (a) Section 7 of Options A and B were modified to clarify guarantee and loss calculations
- (b) Section 3(b) of Option B was modified to clarify what is an acceptable feed barley reference price in a malting barley contract



**UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION
INCOME PROTECTION-BARLEY CROP INSURANCE
MALTING BARLEY PRICE AND QUALITY ENDORSEMENT**

(This is a continuous endorsement. Refer to section 2 of the Basic Provisions.)

In return for your payment of premium for the coverage contained herein, this endorsement will be attached to and made part of the Common Crop Insurance Policy (Basic Provisions) and Income Protection-Barley Crop Provisions, subject to the terms and conditions described herein.

1. You must have the Common Crop Insurance Policy and the Income Protection-Barley Crop Insurance Provisions in force to elect to insure malting barley under this endorsement.
2. You must select either Option A or Option B on or before the sales closing date. Failure to select either Option A or Option B, or if you elect Option B but fail to have a malting barley contract in effect by the acreage reporting date, will result in no coverage under this endorsement for the applicable crop year. If you elect coverage under Option A, and subsequently enter into a malting barley contract, your coverage will continue under the terms of Option A. Your selection (Option A or B) will continue from year to year unless you cancel or change your selection on or before the sales closing date.
3. The additional premium amount for this coverage will be determined by multiplying your production amount by the additional value price per bushel, the net acres planted to approved malting barley varieties, the malting barley premium rate for the Option elected stated in the Actuarial documents, and any premium adjustment percentage that may apply.
4. In addition to the reporting requirements contained in section 6 of the Basic Provisions, you must provide the information required by the Option you select.
5. In lieu of the provisions regarding units and unit division in the Basic Provisions and the Income Protection-Barley Crop Provisions, all barley acreage in the county that is planted to malting varieties that is insurable under the Income Protection-Barley Crop Provisions for feed barley and your selected Option must be insured under this endorsement and will be considered as one unit regardless of whether such acreage is owned, rented for cash, or rented for a share of the crop. The producer's shares in the malting barley acreage to be insured under this endorsement must be designated on the acreage report.
6. In lieu of the provisions in the Common Crop Insurance Policy that requires us to pay your loss within 30 days after we reach agreement with you, whenever any production fails one or more of the quality criteria specified herein, the claim may not be settled until the earlier of :
 - (a) The date you sell, feed, donate, or otherwise utilize such production for any purpose; or
 - (b) May 31 of the calendar year immediately following the calendar year in which the insured malting barley is normally harvested.

If the production meets all quality criteria contained herein or grades U.S. No. 4 or lower in accordance with the grades and grade requirements for the subclasses Six-rowed and Two-rowed barley, and for the class Barley in accordance with the Official United States Standards for Grain, the claim will be settled within 30 days in accordance with the Common Crop Insurance Policy.
7. This endorsement does not provide additional prevented planting coverage. Such coverage is only provided in accordance with the provisions of the Income Protection-Barley Crop Provisions for feed barley.
8. Production from all acreage insured under this endorsement and any production of feed barley varieties must not be commingled prior to our making all determinations necessary for the purposes of this insurance. Failure to keep production separate may result in denial of your claim for indemnity.
9. Definitions:
 - (a) **APH** - Actual production history as determined in accordance with 7 CFR part 400, subpart G.
 - (b) **Approved malting variety** - A variety of barley specified as such in the Special Provisions.
 - (c) **Brewery** - A facility where malt beverages are commercially produced for human consumption.
 - (d) **Contracted production** - A quantity of barley the producer agrees to grow and deliver, and the buyer agrees to accept, under the terms of the malting barley contract.
 - (e) **Malting barley contract** - An agreement in writing between the producer and a brewery or a business enterprise that produces or sells malt or processed mash to a brewery, or a business enterprise owned by such brewery or business, that contains the amount of contracted production, the purchase price, or a method to determine such price, and other such terms that establish the obligations of each party to the agreement.
 - (f) **Objective test** - A determination made by a qualified person using standardized equipment that is widely used in the malting industry, and following a procedure approved by the American Society of Brewing Chemists when determining percent germination or protein content; grading performed by an inspector licensed by the Federal Grain Inspection Service when determining quality factors other than percent germination or protein content; or by the Food and Drug Administration when determining concentrations of mycotoxin or other substances or conditions that are identified as being injurious to human or animal health.
 - (g) **Subjective test** - A determination made by a person using olfactory, visual, touch or feel, masticatory, or other senses unless performed by a licensed grain grader; or that uses non-standardized equipment; or that does not follow a procedure approved by the

OPTION A

(FOR PRODUCERS OF PRODUCTION CONTRACTED AFTER THE SALES CLOSING DATE, NON-CONTRACTED PRODUCTION, OR A COMBINATION OF CONTRACTED AFTER THE SALES CLOSING DATE AND NON-CONTRACTED PRODUCTION)

This option provides coverage for malting barley revenue losses at a price per bushel greater than that offered under the Income Protection-Barley Crop Provisions.

1. To be eligible for coverage under this option, you must provide us acceptable records of your sales of malting barley and the number of acres planted to malting varieties for at least the last four crop years in your APH database (including years in which an approved malting variety was grown but zero production was sold for malting purposes). For example, to determine your production amount for the 1999 crop year, records must be provided for the 1994 through the 1997 crop years, if malting barley varieties were planted in each of those crop years. Failure to provide acceptable records or reports as required herein will make you ineligible for coverage under this endorsement. You must provide these records to us no later than the production reporting date specified in the Basic Provisions.
2. Your malting barley production amount per acre will be the lesser of:
 - (a) The production amount per acre for feed barley for acreage planted to approved malting varieties calculated in accordance with the Income Protection-Barley Crop Provisions and APH regulations; or
 - (b) The production amount per acre calculated in accordance with the Income Protection-Barley Crop Provisions and APH procedures using the malting barley sales and acreage records provided by you.
3. The additional value price per bushel for this Option is designated in the Special Provisions.
4. Your malting barley amount of protection is determined by multiplying your malting barley production amount determined in accordance with section 2 of this Option times the additional value price per bushel determined in section 3 of this Option times the net acres planted to approved malting barley varieties.
5. In the event of loss or damage covered by this endorsement, we will settle your claim by:
 - (a) Multiplying the total production to count determined in section 6 of this Option by the additional value price determined in section 3 of this Option;
 - (b) Subtracting the result of section 5(a) of this Option from the malting barley amount of protection determined in section 4 of this Option.

If the result of section 5(b) of this Option is greater than zero, an indemnity will be paid to you. If the result of section 5(b) is zero or less, no indemnity will be due.
6. The total production to count will be determined as follows:
 - (a) Total production to count from all insurable malting barley acreage will include your share of:
 - (1) Appraised production determined in accordance with sections 12(b)(1)(i) and (ii) of the Income Protection-Barley Crop Provisions;
 - (2) Harvested production and potential unharvested

production that meets, or would meet if properly handled:

- (i) Tolerances established by the Food and Drug Administration or other public health organization of the United States for substances or conditions, including mycotoxin, that are identified as being injurious to human health; and
- (ii) The following quality standards, as applicable:

	<u>Six-rowed Malting Barley</u>	<u>Two-rowed Malting Barley</u>
Protein (dry basis)	14.0% maximum	14.0% maximum
Plump kernels	65.0% minimum	75.0% minimum
Thin kernels	10.0% maximum	10.0% maximum
Germination	95.0% minimum	95.0% minimum
Blight damaged	4.0% maximum	4.0% maximum
Injured by mold	5.0% maximum	5.0% maximum
Mold damaged	0.4% maximum	0.4% maximum
Sprout damaged	1.0% maximum	1.0% maximum
Injured by frost	5.0% maximum	5.0% maximum
Frost damaged	0.4% maximum	0.4% maximum

- (3) Harvested production that does not meet the quality standards contained in section 6(a)(2) of this Option, but is accepted by a buyer for malting purposes. For such production, the production to count may be reduced in accordance with sections 6(b) and (c) of this Option.
- (b) The quantity of production that initially fails any quality standard contained in section 6(a)(2) of this Option, but is sold as malting barley (except production included in section 6(c) of this Option), may be reduced as described in this section, provided the failure of such production to meet these standards is due to insurable causes. The production to count of production sold under section 6(a)(3) (except production included in section 6(c) of this Option) will be determined as follows:
 - (1) Determine the price per bushel received for the damaged production;
 - (2) Add the harvest price under the Income Protection-Barley Crop Provisions and the additional value price;
 - (3) Divide the result of paragraph (1) by the result of paragraph (2); and
 - (4) Multiply the result of paragraph (3) (not to exceed 1.000) by the number of bushels of damaged production.
- (c) The quantity of production that initially fails any quality standard contained in section 6(a)(2) of this Option, but is conditioned and then sold as malting barley, may be reduced by the cost incurred for any conditioning required to improve the quality of production so that it is marketable as malting barley, provided the failure of such production to meet these standards is due to insurable causes. The production to count of production sold under this section will be determined as follows:
 - (1) Subtract the cost of conditioning required to improve the quality of production so that it is marketable as malting barley (not to exceed the discount you would have received had you sold the barley without conditioning) from the price per bushel received for the conditioned production;
 - (2) Add the harvest price under the Income Protection-Barley Crop Provisions and the

- additional value price;
- (3) Divide the result of paragraph (1) by the result of paragraph (2); and
 - (4) Multiplying the result of paragraph (3) (not to exceed 1,000) by the number of bushels of conditioned production.
- (d) No reduction in the malting barley production to count or additional value price will be allowed for moisture content, damage due to uninsured causes; costs or reduced value associated with drying, handling, processing, or quality factors other than those contained in section 6(a)(2) of this Option; or any other costs associated with normal handling and marketing of malting barley.
- (e) All grade and quality determinations must be based on the results of objective tests. No indemnity will be paid for any loss established by subjective tests. We may obtain one or more samples of the insured crop and have tests performed at an official grain inspection location established under the U.S. Grain Standards Act or laboratory of our choice to verify the results of any test. In the event of a conflict in the test results, our results will determine the amount of production to count.
7. For example, assume you insure 400 acres of barley under the Income Protection-Barley Crop Provisions, of which 200 acres are planted to feed barley and 200 acres are planted to approved malting varieties. Assume the following:
- (a) You have a 100 percent share in these 400 acres;
 - (b) Your feed barley approved yield is 52 bushels per acre;
 - (c) Your malting barley approved yield, based on your sales records, is 54 bushels per acre;
 - (d) You have selected the 75 percent coverage level;
 - (e) The additional value price per bushel from the Special Provisions is \$0.40.
 - (f) The projected price is \$1.92 per bushel;
 - (g) The harvest price is \$1.89 per bushel; and
 - (h) Your total production from the 200 acres of feed barley is 9,600 bushels, all of which meets the grade requirements for U.S. #2 barley. Your total production from the 200 acres of malting barley is 9,600 bushels, all of which fails to meet the quality standards specified by this Option. Four thousand seven hundred fifty (4,750) bushels are sold for malting purposes at \$2.31 per bushel. After conditioning, an additional 2,500 bushels are sold for malting purposes at \$2.20 per bushel. The conditioning cost is \$0.05 per bushel. All remaining production is sold as feed barley.

Your malting barley production amount per acre is 39 bushels (52 bu. X .75). Your additional value price is \$0.40 per bushel. Your malting barley amount of protection is \$3,120 (39 X \$0.40 X 200). Your total production to count for malting barley is: 0 bushels from section 6(a); plus 4,750 bushels from section 6(b), $(\$2.31/(\$1.89 + \$0.40) \times 4,750)$, not to exceed 1,000; plus 2,347 bushels from section 6(c), $(\$2.20 - \$0.05)/(\$1.89 + \$0.40) \times 2,500$; for a total of 7,097 bushels. The value of your total production to count for malting barley is \$2,839 (7,097 X \$0.40). Your indemnity for malting barley is \$281 ($\$3,120 - \$2,839$).

OPTION B

(FOR PRODUCERS OF CONTRACTED PRODUCTION ONLY)

This option provides coverage for malting barley revenue losses at a price per bushel greater than that offered under the Income Protection-Barley Crop Provisions provided you have a malting barley contract.

1. If you elect this option you must provide us a copy of your

- current crop year malting barley contract on or before the acreage reporting date. All terms and conditions of the contract, including the contract price or futures contract premium price, must be specified in the contract and be effective on or before the acreage reporting date. If you fail to timely provide the contract, or any terms are omitted, we will elect to determine the relevant information necessary for insurance under Option B, or deny liability. Only contracted production or acreage is covered by Option B.
2. Your malting barley production amount per acre will be the lesser of:
 - (a) The production amount per acre for feed barley for acreage planted to approved malting barley varieties calculated in accordance with the Income Protection-Barley Crop Provisions and APH regulations; or
 - (b) The number of bushels obtained by:
 - (1) Dividing the number of bushels of contracted malting barley production by the number of acres planted to approved malting varieties in the current crop year; and
 - (2) Multiplying the result by the percentage for the coverage level you elected under the Income Protection-Barley Crop Provisions.
 3. The additional value price per bushel will be the lesser of, as applicable:
 - (a) The guaranteed sale price per bushel established in the malting barley contract (without regard to discounts or incentives that may apply) minus the projected price under the Income Protection-Barley Crop Provisions;
 - (b) The premium price per bushel for malting barley (without regard to discounts or incentives) above a feed barley price based on a futures market price or a future reference price for feed barley to be determined at a later date, that is acceptable to us and specified in the malting barley contract; or
 - (c) if a variable premium price option from the malting barley contract is elected, your additional value price per bushel will be calculated under section 3(a) of this Option even though you did not elect that pricing option in the malting barley contract.

Under no circumstances will the additional value price election per bushel exceed \$2.00 per bushel.
 4. Your malting barley amount of protection is determined by multiplying your malting barley production amount determined in accordance with section 2 of this Option by the additional value price per bushel determined in section 3 of this Option and times the net acres planted to approved malting barley varieties.
 5. In the event of loss or damage covered by this endorsement, we will settle your claim by:
 - (a) Multiplying the total production to count determined in section 6 of this Option by the additional value price determined in section 3 of this Option;
 - (b) Subtracting the result of section 5(a) of this Option from the malting barley amount of protection determined in section 4 of this Option.

If the result of section 5(b) of this Option is greater than zero, an indemnity will be paid to you. If the result of section 5(b) is zero or less, no indemnity will be due.
 6. The total production to count will be determined as follows:
 - (a) Total production to count from all insurable malting barley acreage will include your share of:
 - (1) Appraised production determined in accordance with sections 12(b)(1)(i) and (ii) of the Income Protection-Barley Crop Provisions;
 - (2) Harvested production and potential unharvested production that meets, or would meet if properly handled, the minimum acceptable standards

contained in the malting barley contract for protein, plump kernels, thin kernels, germination, blight damage, mold injury or damage, sprout damage, frost injury or damage, and mycotoxin or other substances or conditions identified by the Food and Drug Administration or other public health organization of the United States as being injurious to human health, or the following quality standards, as applicable:

	<u>Six-rowed Malting Barley</u>	<u>Two-rowed Malting Barley</u>
Protein (dry basis)	14.0% maximum	14.0% maximum
Plump kernels	65.0% minimum	75.0% minimum
Thin kernels	10.0% maximum	10.0% maximum
Germination	95.0% minimum	95.0% minimum
Blight damaged	4.0% maximum	4.0% maximum
Injured by mold	5.0% maximum	5.0% maximum
Mold damaged	0.4% maximum	0.4% maximum
Sprout damaged	1.0% maximum	1.0% maximum
Injured by frost	5.0% maximum	5.0% maximum
Frost damaged	0.4% maximum	0.4% maximum

- (3) Harvested production that does not meet the quality standards contained in section 6(a)(2) of this Option, but is accepted by a buyer for malting purposes. For such production, the production to count may be reduced in accordance with sections 6(b), and (c) of this Option.
- (b) The quantity of production that initially fails any quality standard contained in section 6(a)(2) of this Option, but is sold as malting barley (except production included in section 6(c) of this Option), may be reduced as described in this section, provided the failure of such production to meet these standards is due to insurable causes. The production to count of production sold under section 6(a)(3) (except production included in section 6(c) of this Option) will be determined as follows:
 - (1) Determine the price per bushel received for the damaged production;
 - (2) Add the harvest price under the Income Protection-Barley Crop Provisions and the additional value price;
 - (3) Divide the result of paragraph (1) by the result of paragraph (2); and
 - (4) Multiply the result of paragraph (3) (not to exceed 1.000) by the number of bushels of damaged production.
- (c) The quantity of production that initially fails any quality standard contained in section 6(a)(2) of this Option, but is conditioned and then sold as malting barley, may be reduced by the cost incurred for any conditioning required to improve the quality of production so that it is marketable as malting barley, provided the failure of such production to meet these standards is due to insurable causes. The production to count of production sold under this section will be determined as follows:
 - (1) Subtract the cost of conditioning required to improve the quality of production so that it is marketable as malting barley (not to exceed the discount you would have received had you sold the barley without conditioning) from the price per bushel received for the conditioned production;
 - (2) Add the harvest price under the Income Protection-Barley Crop Provisions and the additional value price;
 - (3) Divide the result of paragraph (1) by the result of paragraph (2); and
 - (4) Multiplying the result of paragraph (3) (not to exceed 1.000) by the number of bushels of conditioned production.

- (d) No reduction in the malting barley production to count or additional value price will be allowed for moisture content, damage due to uninsured causes; costs or reduced value associated with drying, handling, processing, or quality factors other than those contained in section 6(a)(2) of this Option; or any other costs associated with normal handling and marketing of malting barley.
 - (e) All grade and quality determinations must be based on the results of objective tests. No indemnity will be paid for any loss established by subjective tests. We may obtain one or more samples of the insured crop and have tests performed at an official grain inspection location established under the U.S. Grain Standards Act or laboratory of our choice to verify the results of any test. In the event of a conflict in the test results, our results will determine the amount of production to count.
7. For example, assume you insure 400 acres of barley under the Income Protection-Barley Crop Provisions, of which 200 acres are planted to feed barley and 200 acres are planted to approved malting varieties. Assume the following:
- (a) You have a 100 percent share in these 400 acres;
 - (b) Your feed barley approved yield is 52 bushels per acre;
 - (c) You have selected the 75 percent coverage level;
 - (d) You have a contract for the sale of 10,000 bushels of malting barley at \$2.60 per bushel;
 - (e) The projected price is \$1.92 per bushel;
 - (f) The harvest price is \$1.89 per bushel; and
 - (g) Your total production from the 200 acres of feed barley is 9,600 bushels, all of which meets the grade requirements for U.S. #2 barley. Your total production from the 200 acres of malting barley is 9,600 bushels, all of which fails to meet the quality standards specified by this Option. Four thousand seven hundred fifty (4,750) bushels are sold for malting purposes at \$2.31 per bushel. After conditioning, an additional 2,500 bushels are sold for malting purposes at \$2.20 per bushel. Conditioning cost is \$0.05 per bushel.

Your malting barley production amount per acre is 37.5 bushels: the lesser of; (52 bu. X .75) or ((10,000/200) X .75). Your additional value price is \$0.68 per bushel (\$2.60-\$1.92). Your malting barley amount of protection is \$5,100 (37.5 X .68 X 200). Your total production to count for malting barley is: 0 bushels from section 6(a); plus 4,269 bushels from section 6(b), ((\$2.31/(\$1.89 + \$0.68)) X 4,750); plus 2,091 bushels from section 6(c), ((\$2.20 - \$0.05)/(\$1.89 + \$0.68) X 2,500); for a total of 6,360 bushels. The value of your total production to count for malting barley is \$4,325 (6,360 X \$0.68). Your indemnity for the malting barley unit is \$775 (\$5,100 - \$4,325).