

SUMMARY OF CHANGES FOR THE GRASS SEED (PILOT) CROP PROVISIONS (Released June 2014)

The following is a brief description of the changes to the Grass Seed (Pilot) Crop Provisions effective for the 2015 crop year. Please refer to the Grass Seed (Pilot) Crop Provisions for complete information.

Section 1 – Definitions

Added the definition of “Quality Adjustment Factor.”

Revised the definition of “price election” so that it specifically refers to the fixed price component of the contract and removed redundant clause referring to the date of determination of the contract.

Removed the definition of “local market price.”

Section 6(b) – Revised the provisions to make the grass seed underwriting report mandatory by removing the phrase “if we request that document.”

Section 12(e) – Revised and reformatted the provisions to show how the production is reduced by the quality adjustment factor when required and updated the example to show how the process is done using the predominant grass seed type of “perennial ryegrass.”

UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
GRASS SEED (PILOT) CROP PROVISIONS



1. **Definitions**

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.

Buyer – Any business enterprise regularly engaged in the contracting or processing of grass seed that possesses all licenses and permits for marketing grass seed required by the State in which it operates, and that possesses facilities, or has contractual access to such facilities, with sufficient drying, screening, and bagging or packaging equipment to accept and process the contracted grass seed.

Clean seed – Grass seed which has been conditioned.

Combining – Mechanically separating (threshing) the grass seeds from the stems with a machine designed for that purpose.

Condition – To remove chaff, sterile florets, immature seeds, weed seeds, inert matter, other crop seeds, and other materials to the extent such removal is possible.

Crop year – The period from the date insurance attaches to any grass seed type insured under these Crop Provisions until the end of the insurance period, designated by the calendar year in which harvest normally occurs.

Deficiency in quality – Grass seed which, due to insurable causes, does not meet the quality standards contained in the grass seed production contract.

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:

- (a) Your promise to plant and grow one or more specific types of grass seed, and deliver the production to the buyer;
- (b) The buyer's promise to purchase all the production stated in the grass seed production contract that meets the quality standards stated therein;
- (c) A fixed price, or a method to determine such price based on published information compiled by a third party, that will be paid to you for at least 50 percent of the production stated in the grass seed production contract.

Harvest – Removal of the insured crop from the windrow and processing it with a combine or thresher.

Price Election – In addition to the definition contained in the Basic Provisions, the price election may be the fixed price included in the grass seed production contract up to the limit of 120 percent of the amount contained in the Special Provisions, or in an addendum thereto.

Quality Adjustment Factor – The value of damaged production divided by the lower of the established price or the fixed price component of the contract.

Swath – To cut the insured crop and place it into a windrow.

Type – A category of grass seed identified as a type in the Special Provisions.

Value of damaged production – The price negotiated between you and the buyer or the price you received for sales to a person who is not a party to the grass seed production contract if such price is representative of the market for seed of the type with the quality characteristics of the damaged production. If the price is not representative, the value of the damaged production shall be the price election.

Year of establishment – The period of time from the date the grass seed crop is planted until insurance attaches in accordance with section 9 of these Crop Provisions.

2. **Unit Division**

In addition to the definition of basic unit contained in the Basic Provisions, a separate basic unit may be established for each type of grass seed.

3. **Insurance Guarantees, Coverage Levels, and Prices for Determining Indemnities**

In addition to the requirements of section 3 of the Basic Provisions:

- (a) You may only select one price election for each type designated in the Special Provisions. The price election you choose for each type must have the same percentage relationship to the maximum price offered by us for each type. For example, if you choose 100 percent of the maximum price election for a specific type, you must also choose 100 percent of the maximum price election for all other types.
- (b) Separate guarantees will be determined by type.

4. **Contract Changes**

In accordance with section 4 of the Basic Provisions, the contract change date is the June 30 preceding the cancellation date.

5. **Cancellation and Termination Dates**

In accordance with section 2 of the Basic Provisions, the cancellation and termination dates are the September 30 of the calendar year preceding the crop year.

6. **Report of Acreage**

In addition to section 6 of the Basic Provisions, you must:

- (a) Certify you possess a grass seed production contract as defined herein.
- (b) Provide a Grass Seed Underwriting Report.

7. **Insured Crop**

- (a) In accordance with section 8 of the Basic Provisions, the crop insured will be all the grass

seed in the county for which a premium rate is provided by the actuarial documents:

- (1) That is produced under a grass seed production contract;
 - (2) That has an adequate stand;
 - (3) In which you have a share; and
 - (4) That is grown on insurable acreage.
- (b) In addition to section 8 of the Basic Provisions, a grass seed crop will NOT be insured under these Crop Provisions:
- (1) During the year of establishment;
 - (2) If an adequate stand does not exist at the beginning of each insurance period; or
 - (3) If grown with a non-grass seed crop after the year of establishment.

8. Insurable Acreage

In addition to the requirements of section 9 of the Basic Provisions, all the acreage insured must be included under one or more grass seed production contracts.

9. Insurance Period

- (a) In addition to section 11 of the Basic Provisions, coverage begins as follows:
- (1) For Kentucky bluegrass, on May 22 of the second calendar year after planting;
 - (2) For perennial ryegrass, on May 22 of the calendar year after planting; and
 - (3) On October 16 following the end of the insurance period for all subsequent years the Special Provisions allow the acreage to be insured.
- (b) In accordance with section 11 of the Basic Provisions, the calendar date for the end of the insurance period is October 15.

10. Causes of Loss

In accordance with section 12 of the Basic Provisions, insurance is provided only against the following causes of loss that occur during the insurance period:

- (a) Adverse weather conditions;
- (b) Fire;
- (c) Insects, plant disease, or weed infestation provided that:
 - (1) Adverse weather conditions prevented application of control measures or caused control measures to be ineffective after application, and reapplication was not possible or permitted before damage occurred or was worsened; or
 - (2) No pesticides are registered with the Environmental Protection Agency labeled for use on grass seeds to control the damaging agent;
- (d) Wildlife;
- (e) Earthquake;
- (f) Volcanic eruption; and
- (g) Failure of the irrigation water supply due to a cause of loss specified in sections 10(a) through (f) that also occurs during the insurance period.

11. Duties in the Event of Damage or Loss

- (a) Representative samples are required in accordance with section 14 of the Basic Provisions.

- (b) You must provide us a copy of your grass seed production contract.

12. Settlement of Claim

- (a) We will determine your loss separately for each unit you defined on your acreage report or that we find to exist in accordance with section 2 of these Crop Provisions. If you do not or cannot provide acceptable records of production for the crop year for:
- (1) Any optional unit, we will combine all optional units for which such records were not provided; or
 - (2) Any basic unit, we will allocate commingled production to each basic unit in proportion to our liability on the harvested acreage for each unit.
- (b) In the event of loss or damage covered by this policy, we will settle your claim by:
- (1) Multiplying the insured acreage by the production guarantee per acre;
 - (2) Subtracting the total production to count (see section 12(c)) from the result of section 12(b)(1); and
 - (3) Multiplying the result of section 12(b)(2) by the price election and share if that result is positive or determining the indemnity to be zero otherwise.
- (c) The total production to count from all insurable acreage on the unit will be the sum of the following determinations:
- (1) For appraised acreage or production:
 - (i) Not less than the production guarantee per acre multiplied by the number of affected acres for any acreage:
 - (A) That is abandoned;
 - (B) Put to another use without our consent;
 - (C) That is damaged solely by uninsured causes; or
 - (D) For which you fail to provide acceptable records.
 - (ii) Any production lost due to uninsured causes.
 - (iii) Any unharvested production.
 - (iv) Potential production on insured acreage you intend to put to another use or abandon if you agree to our appraisal of the value of such production, which will be your share of the quantity of such appraised production multiplied by the price election. Upon such agreement, the insurance period for that acreage will end when you put the acreage to another use or abandon the crop. If agreement on the appraised value is not reached:
 - (A) If you do not elect to continue to care for the crop, we may give you consent to put the acreage to another use if you agree to leave intact, and provide sufficient care for, representative samples of the crop in locations acceptable to us. The

production to count for such acreage will be based on the greater of the harvested production or our appraisal in accordance with section 15(b) of the Basic Provisions from the samples at the time harvest should have occurred. If you do not leave the required samples intact, or fail to provide sufficient care for the samples, our appraisal made prior to giving you consent to put the acreage to another use will be used to determine the production to count; or

- (B) If you elect to continue to care for the crop, the production to count for the acreage will be based on the greater of harvested production or our reappraisal in accordance with section 15(b) of the Basic Provisions if additional damage occurs and the crop is not harvested.
- (2) All harvested production of clean seed.
- (d) The quantity of all or part of the harvested production may be reduced, unless otherwise specified in the Special Provisions, according to the following terms:
- (1) The production has a deficiency in quality;
 - (2) The deficiency in quality is determined following procedures established by regulations of the state where the grass seed crop was grown.
- (e) Whenever all the terms of section 12(d) are met, grass seed production may be reduced as follows: The number of pounds of damaged production will be multiplied by the lesser of 1.00 or the quality adjustment factor, which is the ratio determined by dividing the value of the damaged production by the lower of the established price or the fixed price component of the grass seed production contract.

Example:

You certify production records for perennial ryegrass production for the past five years. Since you have more than four years of certified production history, the preliminary approved yield is the simple average of those certified yields. Assume this value is 815 pounds per acre. None of the five yields qualifies for the 60 percent yield adjustment as specified in section 36 of the Basic Provisions or you do not request such adjustment. Thus, the approved yield also is 815 pounds per acre. The established price is \$0.52 per pound and the fixed price component of the contract is \$0.60 per pound. You elect the contract price and 75 percent coverage level. You have a 100 percent share in 100 acres in a unit.

Scenario 1. Assume that, due to an insured cause of loss, the unit produces only 30,000 pounds of clean seed. Any indemnity is calculated as follows:

815 lbs X 0.75 = 611.25 lbs production guarantee per acre

611.25 lbs X 100 acres = 61,125 lbs unit guarantee

61,125 lbs – 30,000 lbs = 31,125 lbs unit deficiency

31,125 lbs X \$0.60 X 1.000 share = \$18,675 indemnity.

Scenario 2. Assume the grass seed fails to meet the quality standards of the grass seed production contract due to the presence of weed seeds that cannot be removed. The loss adjuster determined that the presence of weed seeds was due to insurable causes. The value of the damaged production is \$0.45 per pound. The quality adjustment factor is determined by dividing the value of the damaged production by the lower of the established price or the fixed price component of the contract. Any indemnity is calculated as follows:

30,000 lbs of damaged production X (\$0.45 / \$0.52) = 25,962 lbs

61,125 lbs – 25,962 lbs = 35,163 lbs

35,163 lbs X \$0.60 X 1.000 share = \$21,098 indemnity

13. Late and Prevented Planting

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

14. Written Agreements

The Written Agreement provisions of the Basic Provisions are not applicable.