



Soybean Kernel Damage Quality Adjustment Procedure

October 2018

Background

In accordance with the Coarse Grains Crop Provisions, soybean production will be eligible for quality adjustment if deficiencies in quality, in accordance with the Official U.S. Standards for Grain result in Soybeans not meeting the grade requirements for U.S. No. 4 (grades U.S. Sample grade).

According to the Official U.S. Standards for Grain, soybeans which have kernel damage greater than 8.0 percent results in a U.S. Sample grade. U.S. Sample grade qualifies for Quality Adjustment (QA) in accordance with RMA's Special Provisions of Insurance (SP), which is part of the policy.

What to do

If you believe there is damage to your soybean crop, you should file a notice of loss with your insurance agent within 72-hours of initial discovery of the damage.

Quality Adjustment

If the soybean crop qualifies for quality adjustment (U.S. Sample grade), the QAF will be based on the Discount Factor (DF) charts contained in the SP.

QA statements in the SP list the applicable pre-established DF charts that are applied for various quality deficiencies. The Quality Adjustment Factor (QAF) is determined by subtracting the DF from 1.000. The QAF is multiplied by the bushels of damaged soybeans to determine the production to count (PTC) for the claim.

Zero Market Value

Soybeans qualifying for QA may also qualify for Zero Market Value (ZMV), if there are no buyers willing to purchase the damaged production. The Approved Insurance Provider (AIP) along with the insured must perform due diligence to find a market or salvage market for the damaged production. If the AIP and insured are unable to find a salvage market, the AIP can apply ZMV procedures in accordance with the Loss Adjustment Manual, FCIC-25010 (LAM). A ZMV determination by the AIP will result in zero PTC for claims purposes.

QA Example – Calculating PTC

Assume you deliver 1,000 bushels of soybeans to the elevator. Tests performed show the production contains 14.0 percent kernel damage, resulting in a grade of U.S. Sample grade. Assuming there are no other quality deficiencies, the PTC would be determined as follows:

The DF for 14.0 percent kernel damage in the SP is 0.084.

The DF for U.S. Sample grade in the SP is 0.030.
 $0.084 + 0.030 = 0.114$

$1.000 - 0.114 \text{ DF} = 0.886 \text{ QAF}$

$1,000 \text{ bushels} \times 0.886 \text{ QAF} = 886.0 \text{ bushels PTC}$

Where to Buy Crop Insurance

All multi-peril crop insurance, including Catastrophic Risk Protection policies, are available from private insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA website at www.rma.usda.gov/tools/agent.html.

Relevant Questions and Answers

Question 1: If soybean kernel damage is 8.0 percent or below (not U.S. Sample grade), the production is not eligible for quality adjustment, regardless of whether or not the insured can sell the grain or sells it at salvage value?

RMA Response: Correct, assuming there are no other qualifying quality deficiencies.

Question 2: If soybean kernel damage is in excess of 8.0 percent (U.S. Sample grade), the soybeans are rejected by the elevator, and the insured or AIP cannot find a salvage buyer, could ZMV apply?

RMA Response: Yes, ZMV may apply; insureds need to work with their AIP.

Question 3: If soybean kernel damage is 8.0 percent or below (not U.S. Sample grade), the soybeans are rejected by the elevator, and the insured or AIP cannot find a salvage buyer, could ZMV apply?

RMA Response: According to the Official U.S. Standards for Grain, soybeans with kernel damage of 8.0 percent or below will grade at U.S. No. 4 or better. Since the soybeans are not U.S. Sample grade, they do not qualify for quality adjustment and ZMV procedure in the LAM will not apply. The AIP will determine any yield or revenue losses, based on the plan of insurance, and work the claim according to loss adjustment procedures.

Question 4: Are insureds required to cut a load of soybeans and take them to the elevator to have them rejected or can AIPs allow them to cut a sample quantity by farm number and not the whole load?

RMA Response: AIPs can pull representative samples from each field or work with the insured to harvest representative samples for each field and submit these samples for quality determinations.

Question 5: Is there a way that AIPs can work with elevators to issue a blanket rejection letter, for a set period of time?

RMA Response: No. While an elevator may have a standard rejection letter or process, AIPs must make all loss determinations for claims purposes on a case-by-case basis with each individual insured. Therefore, rejection letters must also be issued on an individual insured basis and included in the claim file.

Questions

You should contact your crop insurance agent, AIP, or applicable Risk Management Agency (RMA) Regional Office if you have questions about your crop insurance coverage or responsibilities

www.rma.usda.gov/aboutrma/fields/rsos.html.

Contact Us

USDA/RMA

1400 Independence Ave., SW, Stop 0801

Washington, D.C. 20250-0801

Website: www.rma.usda.gov

Email: RMA.Media.requests@rma.usda.gov

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