

Specialty Corn Fact Sheet
Additional Information for Insuring Specialty Corn
 Updated February 2016

How Can I Insure Specialty Corn?

Producers of specialty corn who meet the requirements in the Special Provisions (SP) may insure their blue, high amylose, or high amylose corn under:

	Yield Protection	Revenue Protection	Revenue Protection w/ Harvest Price Exclusion
Blue	At your contract price	The projected price to calculate premium and indemnity	The projected price to calculate premium and indemnity.
High Amylose	At your contract price or at the CEPP projected price	At your contract price (with the benefit of price movement) or at the CEPP price like any other corn producer	At your contract price (with the benefit of a price decline) or at the CEPP price like any other corn producer
High Amylose	At the CEPP projected price multiplied by a factor of 1.4	At the CEPP projected price and harvest price multiplied by a factor of 1.4 (with the benefit of price movement)	At the CEPP projected price multiplied by a factor of 1.4 (with the benefit of a price decline)

- A Special Provision (SP) statement in certain states and counties allow insurance for blue and high amylose corn types without a WA. Section 5(b)(2)(i) of the Coarse Grains Crop Provisions states a written agreement (WA) is required to insure these two corn types. The SPs allowing insurance for these types without a WA does require these types to be grown under a contract for insurance to attach. A WA can be made for blue and high amylose corn in counties where blue and high amylose type is not available on the SPs, but the contract price is not available through a WA.

What are the Basic Requirements?

- Corn must meet the specialty type requirements stated in the SP.
- Corn that does not meet the specialty type requirements stated in the SP and that is insurable under the Coarse Grains Crop Provisions will be considered grain or silage type depending on what type is insurable in a county (or otherwise specified through WA).
- Specialty types (blue, high amylose, and high amylose) insured at a contract price must be grown under a contract and the policyholder must elect to use the contract price and 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 for the type will be used.

How Does Contract Pricing Work For Yield Protection?

- The projected price for a fixed price contract will be the contract price. If the contract provides a premium over a 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.

How Does Contract Pricing Work For Revenue Protection?

- The projected price for a fixed price contract will be the contract price. The harvest 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:

\$5.15 Contract price <u>\$4.15</u> CEPP projected price \$5.15 Projected price used to determine guarantee	Limit factor=1.20 Not limited because: \$4.15 x 1.20= \$4.98
\$5.15 Projected price <u>-\$4.15</u> CEPP projected price \$1.00 Difference between contract & projected price	\$3.83 CEPP harvest price <u>+\$1.00</u> Difference \$4.83 Harvest price used to determine indemnity

- If the contract provides a premium over market price, the specialty corn projected price will be the premium amount added to the CEPP projected price. The harvest price the price will be the CEPP projected price subtracted from the specialty corn 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:

\$4.15 CEPP projected price <u>+\$1.20</u> Contract premium price \$5.35 Projected price used to determine guarantee (subject to limit factor)	Limit factor=1.20 Limited because: \$4.15 x 1.20= \$4.98
\$5.35 Projected price <u>-\$4.15</u> CEPP projected price \$1.20 Difference between contract & projected price	\$3.83 CEPP harvest price <u>+\$1.20</u> Difference \$5.03 Harvest price used to determine indemnity

How Does Contract Pricing Work For High Amylose Type?

- High amylose type insurance is a simple contract price insurance. The contract price requirements for other specialty corn types are not applicable. For this type, the price used for the projected price and harvest price will be the result of the respective CEPP projected price and harvest price multiplied by a factor of 1.4. For example:

\$4.15 CEPP projected price <u>x 1.4</u> High amylose factor \$5.81 Projected price used to determine guarantee	\$3.83 CEPP harvest price <u>x 1.4</u> High amylose factor \$5.36 Harvest price used to determine indemnity
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Crop Insurance Handbook Information

- Refer to FCIC-18010 Crop Insurance Handbook (CIH), Paragraph 1523, 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.
 - 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.
 - 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).
 - 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.
 - If T-Yields among types are the same the order of precedence to determine the higher yielding type is: grain, high amylose, high amylose, and blue.
 - Previous uninsurable acreage, crops, practices, or types made insurable can be reported and used to establish an APH database (see Para. 1305B of the 2016 Crop Insurance Handbook). High amylose type may be insured as provided by the options in MGR-13-002.1: 1) insure that specialty type using the contract price, set up on a separate APH database; or 2) insure it as regular corn for grain, not using the contract price and not having to have a separate APH database.

Loss Adjustment Information

- Specialty corn (except blue corn, which does not receive quality adjustment) will be quality adjusted on the same basis as corn for grain. The discount factor (DF) charts in the SP, or the reduction in value (RIV) for corn as grain and local market price (LMP) for U.S. No. 2 yellow corn, as applicable, will be used for quality adjustment purposes, without regard to any contract price for the specialty type corn insured.
- Example: A policyholder has a contract for 100 acres of high amylase corn. The contract price for high amylase corn is \$5.20 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 amylase corn \$2.00 a bushel. The policyholder receives \$3.20 per bushel for the production.

On the day the corn was sold to the processor, the LMP for U.S. No. 2 yellow corn is \$4.00 per bushel. The RIV for corn as grain with the same 40 lb. test weight is \$2.00. Regardless of the discount applied by the processor for the high amylase corn, quality adjustment will be based on the RIV for corn as grain and the LMP for U.S. No. 2 yellow corn at the time of sale. In accordance with the SP, the Quality Adjustment Factor (QAF) and production to count will be determined as follows:

- $\$2.00 \text{ corn as grain RIV} / \$4.00 \text{ U.S. No. 2 yellow corn LMP} = .500 \text{ DF}$
- $1.000 - .500 \text{ DF} = .500 \text{ QAF}$
- $100 \text{ acres} \times 40 \text{ bu.} = 4,000 \text{ bu. of high amylase corn} \times .500 \text{ QAF} = 2,000 \text{ bu. production to count.}$
- Refer to the Crop Insurance Handbook, Loss Adjustment Manual, Corn Loss Adjustment Standards Handbook, and Prevented Planting Loss Adjustment Standards Handbook for more procedures regarding crops with multiple types.