

# Corn Quality Adjustment

## Background

In accordance with the Coarse Grains Crop Provisions (CP), corn grain production will be eligible for quality adjustment (QA) if:

- Deficiencies in quality, in accordance with the Official U.S. Standards for Grain, result in corn not meeting the grade requirements for U.S. No. 4 (grades U.S. No. 5 or worse) because of test weight or kernel damage, or having a musty, sour or commercially objectionable foreign odor; or
- Substances or conditions are present that are identified by the Food and Drug Administration or other public health organizations of the United States as being injurious to human or animal health.

Quality deficiencies eligible for QA must be due to an insured cause of loss, which includes the following:

- Adverse weather conditions such as hail, frost, freeze, wind, drought, and excess moisture;
- Failure of irrigation water supply, if caused by an insured cause of loss during the insurance period;
- Fire, if due to natural causes;
- Insects and plant disease, but not damage due to insufficient or improper application of pest or disease control measures; or
- Wildlife.

The Special Provisions (SP) for corn, which are part of the policy, provide information for determining the amount of QA based on the type or level of quality deficiency for corn grain production not meeting U.S. No. 4 (grades U.S. No. 5 or worse).

## What to Do

If you have a crop loss, or think you may have a crop loss, notify your crop insurance agent within 72 hours of the of the initial time of discovery of damage or loss of production.

## Sampling Requirements

In accordance with the SP, samples of production used to determine insurable quality deficiencies must be obtained no later than 60 days after the end of the insurance period (EOIP), except for production that may contain substances or conditions injurious to human or animal health.

If substances or conditions that are injurious to human or animal health are suspected in the production, appropriate samples must be obtained prior to the production entering storage, except for Vomitoxin. For Vomitoxin only, samples for testing may be obtained from storage.

## Quality Adjustment

If your corn grain crop qualifies for QA (grades U.S. No. 5 or worse), the Quality Adjustment Factor (QAF) will be based on the Discount Factor (DF) charts contained in the SP.

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

If there is a type or level of deficiency that exceeds the levels shown on the DF charts contained in Section A of the QA statement in the SP, the DF will be determined in accordance with Section B. Section B determines the DF based on a reduction in value (RIV) calculation or DF of 0.500, depending on whether the production is sold or unsold.

If substances or conditions that are injurious to human or animal health are present, the DF will be determined in accordance with Section C of the QA statement in the SP, which contains additional pre-established DFs and RIV calculations.

## Zero Market Value

“Zero market value” (ZMV) occurs when no buyers in your local area are willing to purchase the production and fair consideration to deliver production to a market outside your local marketing area (distant market) is equal to or greater than the production’s value at the distant market, or when acreage of an insured crop in which the edible portion of the crop has been exposed to flood waters.

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 if the production is destroyed in an acceptable manner.

# Relevant Questions and Answers

**Question 1:** When should production samples be obtained for quality determination purposes?

**RMA Response:**

- Buyer or Commercial Storage: Samples obtained at the time of delivery.
- Farm-Stored: Samples can be obtained either before or after entering storage but must be obtained no later than 60 days after the EOIP.
- For production that may contain substances or conditions injurious to human or animal health, the appropriate samples of such production must be obtained prior to the production entering storage, except for Vomitoxin. For Vomitoxin only, samples for testing may be obtained from storage.

**Question 2:** Who is authorized to obtain samples for quality determination purposes?

**RMA Response:** Samples can be obtained and submitted for grading only by the adjuster or a disinterested third party approved by the AIP (elevator or processor personnel that are trained to pull samples are considered disinterested third parties).

**Question 3:** Who is authorized to determine quality deficiencies?

**RMA Response:** In accordance with the CP, samples are to be analyzed for deficiencies in quality by a grain grader:

- Licensed under the United States Grain Standards Act or the United States Warehouse Act;
- Licensed under State law and employed by a warehouse operator who has a storage agreement with the Commodity Credit Corporation; or
- Not licensed under State law, but who is employed by a warehouse operator who has a commodity storage agreement with the Commodity Credit Corporation and is in compliance with State law regarding warehouses.

For production that may contain substances or conditions injurious to human or animal health, the samples are to be analyzed by a laboratory approved by the AIP.

**Question 4:** Are insureds required to harvest corn to receive QA on production?

**RMA Response:** No. 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.

**Question 6:** Can I delay settlement of my claim?

**RMA Response:** Yes. You may elect, in writing, to delay settlement of your claim for up to 60 days after the calendar date for the EOIP.

# QA Example – Calculating PTC

Assume you deliver 1,000 bushels of corn to the elevator. Tests performed show the production contains 16.0 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 16.0% kernel damage in the SP is 0.118.

The DF for U.S. Sample grade in the SP is 0.085.

$$0.118 + 0.085 = 0.203$$

$$1.000 - 0.203 \text{ DF} = 0.797 \text{ QAF}$$

$$1,000 \text{ bushels} \times 0.797 \text{ QAF} = 797.0 \text{ bushels PTC}$$

**Note:** Example is based on 2020 QA DFs. Applicable QA DFs by county can be found in the actuarial documents [here](#).

## 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 on the [RMA website](#) by using the [RMA Agent Locator](#).

## 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.

### National Office

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Washington, DC 20250  
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*This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.*

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