

SUMMARY OF CHANGES FOR THE HYBRID SORGHUM SEED CROP PROVISIONS (98-050)

The following is a brief description of changes to the crop provisions that will be effective for the 1998 crop year. Please refer to the crop provisions for more complete information.

- The crop provisions have been modified to accommodate changes made to the Basic Provisions of the Common Crop Insurance Policy. These modifications may include, but are not limited to, removal of some definitions now contained in the Basic Provisions.
- Section 1 adds definitions for "approved yield," "bushel," "certified seed test," "county yield," "coverage level factor," "field run," "good farming practices," "hybrid sorghum seed processor contract," "insurable interest," "local market price," "minimum guaranteed payment," "non-seed production," "planted acreage," "planting pattern," "practical to replant," "sample," and "seed production." Also, revises definitions for "adjusted yield," "amount of insurance per acre," "commercial hybrid sorghum seed," "dollar value per bushel," "female parent plants," "prevented planting," and "seed company."
- Section 2 clarifies unit structure for hybrid sorghum seed when the processor contract specifies an amount of production to be delivered.
- Section 3 specifies that the producer may select only one price election for all the hybrid sorghum seed in the county insured under the policy unless the Special Provisions provide different price elections by type or variety. The price election chosen for each type or variety must have the same percentage relationship to the maximum price offered for each type or variety.
- Section 4 changes the contract change date to November 30.
- Section 5 changes the cancellation and termination dates to March 15.
- Section 6 requires the producer to certify that a hybrid sorghum seed processor contract has been executed with the seed company, and report the amount of any minimum guaranteed payment.
- Section 7 specifies the conditions under which a seed producer who is also a seed company can be eligible for crop insurance. Also, any of the insured crop that is under contract with different seed companies may be insured under separate policies with different insurance providers provided all acreage of the insured crop in the county is insured.
- Section 8 clarifies that no insurance will be provided if either the female or male parent plants are damaged before the final planting date and the insurance provider determines that it is practical to replant the insured crop but it is not replanted.
- Section 9 specifies that insurance attaches upon completion of planting the female and male parent plant.
- Section 10 specifies that insect damage is an insurable cause of loss if sufficient and proper applications of pest control measures are used, and that plant disease is an insurable cause of loss if sufficient and proper applications of disease control measures are used. In addition, no insurance is provided against any loss of production due to failure to follow the requirements stated in the hybrid sorghum seed processor contract and production management practices of the seed company.
- Section 11 specifies the size of representative crop samples required when damage is discovered.
- Section 12 clarifies the indemnity computation, adds an example of the indemnity calculation, and clarifies the types of production that will be considered seed production to count.
- Section 13 provides that prevented planting coverage will be 60 percent of the producer's amount of insurance for timely planted acreage. If the producer has limited or additional levels of coverage, as specified in 7 CFR part 400, subpart T, and pays an additional premium, the producer may increase his or her prevented planting coverage to a level specified in the actuarial documents.

UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
HYBRID SORGHUM SEED CROP PROVISIONS



If a conflict exists among the policy provisions, the order of priority is as follows: (1) the Catastrophic Risk Protection Endorsement, if applicable; (2) the Special Provisions; (3) these Crop Provisions; and (4) the Basic Provisions, with (1) controlling (2), etc.

1. Definitions.

Adjusted yield - An amount determined by multiplying the county yield by the coverage level factor.

Amount of insurance per acre - A dollar amount determined by multiplying the adjusted yield by the price election you select and subtracting any minimum guaranteed payment, not to exceed the total compensation specified in the hybrid sorghum seed processor contract. If your hybrid sorghum seed processor contract contains a minimum guaranteed payment that is stated in bushels, we will convert that value to dollars by multiplying it by the price election you selected.

Approved yield - In lieu of the definition contained in the Basic Provisions, an amount FCIC determines to be representative of the yield that the female parent plants are expected to produce when grown under a specific production practice. FCIC will establish the approved yield based upon records provided by the seed company and other information it deems appropriate.

Bushel - Fifty-six pounds avoirdupois of the insured crop.

Certified seed test - A warm germination test performed on clean seed according to specifications of the "Rules for Testing Seeds" of the Association of Official Seed Analysts.

Commercial hybrid sorghum seed - The offspring produced by crossing a male and female parent plant, each having a different genetic character. This offspring is the product intended for use by an agricultural producer to produce a commercial field sorghum crop for grain or forage.

County yield - An amount contained in the actuarial documents that is established by FCIC to represent the yield that a producer of hybrid sorghum seed would be expected to produce if the acreage had been planted to commercial field sorghum.

Coverage level factor - A factor contained in the Special Provisions to adjust the county yield for commercial field sorghum to reflect the higher value of hybrid sorghum seed.

Dollar value per bushel - An amount that determines the value of any seed production to count. It is determined by dividing the amount of insurance per acre by the result of multiplying the approved yield by the coverage level percentage, expressed as a decimal.

Female parent plants - Sorghum plants that are grown for the purpose of producing commercial hybrid sorghum seed and are male sterile.

Field run - Commercial hybrid sorghum seed production before it has been processed or screened.

Good farming practices - In addition to the definition contained in the Basic Provisions, good farming practices include those practices required by the hybrid sorghum seed processor contract.

Harvest - Combining, threshing or picking of the female parent plants to obtain commercial hybrid sorghum seed.

Hybrid sorghum seed processor contract - An agreement executed in writing between the hybrid sorghum seed crop producer and a seed company containing, at a minimum:

- (a) The producer's promise to plant and grow male and female parent plants, and to deliver all commercial hybrid sorghum seed produced from such plants to the seed company;
- (b) The seed company's promise to purchase the commercial hybrid sorghum seed produced by the producer; and
- (c) Either a fixed price per unit of measure (bushels, hundredweight, etc.) of the commercial hybrid sorghum seed or a formula to determine the value of such seed. Any formula for establishing the value must be based on data provided by a public third party that establishes or provides pricing information to the general public, based on prices paid in the open market (e.g., commodity futures exchanges), to be acceptable for the purpose of this policy.

Inadequate germination - Germination of less than 80 percent of the commercial hybrid sorghum seed as determined by using a certified seed test.

Insurable interest - Your share of the financial loss that occurs in the event seed production is damaged by a cause of loss specified in section 10.

Local market price - The cash price offered by buyers for any production from the female parent plants that is not considered commercial hybrid sorghum seed under the terms of this policy.

Male parent plants - Sorghum plants grown for the purpose of pollinating female parent plants.

Minimum guaranteed payment - A minimum amount (usually stated in dollars or bushels) specified in your hybrid sorghum seed processor contract that will be paid or credited to you by the seed company regardless of the quantity of seed produced.

Non-seed production - Production that does not qualify as seed production because of inadequate germination.

Planted acreage - In addition to the definition contained in the Basic Provisions, the insured crop must be planted in rows wide enough to permit mechanical cultivation, unless provided by the Special Provisions or by written agreement.

Planting pattern - The arrangement of the rows of the male and female parent plants in a field. An example of a planting pattern is four consecutive rows of female parent plants followed by two consecutive rows of male parent plants.

Practical to replant - In addition to the definition contained in the Basic Provisions, practical to replant applies to either the female or male parent plant. It will not be considered practical to replant unless production

from the replanted acreage can be delivered under the terms of the hybrid sorghum seed processor contract, or the seed company agrees that it will accept the production from the replanted acreage.

Prevented planting - In addition to the definition contained in the Basic Provisions, prevented planting applies to the female and male parent plants. The male parent plants must be planted in accordance with the requirements of the hybrid sorghum seed processor contract to be considered planted.

Sample - For the purpose of the certified seed test, at least 3 pounds of randomly selected field run sorghum seed for each type or variety of commercial hybrid sorghum seed grown on the unit.

Seed company - A business enterprise that possesses all licenses for marketing commercial hybrid sorghum seed required by the state in which it is domiciled or operates, and which possesses facilities with enough storage and drying capacity to accept and process the insured crop within a reasonable amount of time after harvest. If the seed company is the insured, it must also be a corporation.

Seed production - All seed produced by female parent plants with a germination rate of at least 80 percent as determined by a certified seed test.

Type - Grain sorghum, forage sorghum, or sorghum sudan parent plants.

Variety - The name, number or code assigned to a specific genetic cross by the seed company or the Special Provisions for the insured crop in the county.

2. Unit Division.

(a) For any processor contract that stipulates the amount of production to be delivered:

- (1) In lieu of the definition of "basic unit" contained in the Basic Provisions, a basic unit will consist of all acreage planted to the insured crop in the county that will be used to fulfill a hybrid sorghum seed processor contract;
- (2) There will be no more than one basic unit for all production contracted with each processor contract;
- (3) In accordance with section 12, all production from any basic unit in excess of the amount under contract will be included as production to count if such production is applied to any other basic unit for which the contracted amount has not been fulfilled; and

(4) Optional units will not be established.

(b) For any processor contract that stipulates a number of acres to be planted, the provisions in the Basic Provisions that allow optional units by irrigated and non-irrigated practices are not applicable.

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

(a) In addition to the requirements of section 3 of the Basic Provisions, you may select only one price election for all the hybrid sorghum seed in the county insured under this policy unless the Special Provisions provide different price elections by type or variety, in which case you may elect one price election for each hybrid sorghum seed type or variety designated in the Special Provisions. The price election you choose for each type or variety must have the same percentage relationship to the

maximum price offered by us for each type or variety. For example, if you choose 100 percent of the maximum price election for one specific type or variety, you must also choose 100 percent of the maximum price election for all other types or varieties.

(b) The production reporting requirements contained in section 3 of the Basic Provisions are not applicable to this contract.

4. Contract Changes.

In accordance with section 4 of the Basic Provisions, the contract change date is November 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 March 15.

6. Report of Acreage.

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

- (a) Report by type and variety, the location and insurable acreage of the insured crop;
- (b) Report any acreage that is uninsured, including that portion of the total acreage occupied by male parent plants; and
- (c) Certify that you have a hybrid sorghum seed processor contract and report the amount, if any, of any minimum guaranteed payment.

7. Insured Crop.

(a) In accordance with section 8 of the Basic Provisions, the crop insured will be all the female parent plants in the county for which a premium rate is provided by the actuarial documents:

- (1) In which you have a share;
- (2) That are grown under a hybrid sorghum seed processor contract executed before the acreage reporting date;
- (3) That are planted for harvest as commercial hybrid sorghum seed in accordance with the requirements of the hybrid sorghum seed processor contract and the production management practices of the seed company; and
- (4) That are not (unless allowed by the Special Provisions or by written agreement):
 - (i) Planted with a mixture of female and male parent seed in the same row;
 - (ii) Planted for any purpose other than for commercial hybrid sorghum seed;
 - (iii) Interplanted with another crop; or
 - (iv) Planted into an established grass or legume.

(b) An instrument in the form of a "lease" under which you retain control of the acreage on which the insured crop is grown and that provides for delivery of the crop under substantially the same terms as a hybrid sorghum seed processor contract will be treated as a contract under which you have an insurable interest in the crop.

(c) A commercial hybrid sorghum seed producer who is also a commercial hybrid sorghum seed company may be able to insure the hybrid sorghum seed crop if the following requirements are met:

- (1) The seed company has an insurable interest in the hybrid sorghum seed crop;

- (2) Prior to the sales closing date, the Board of Directors of the seed company has executed and adopted a corporate resolution containing the same terms as an acceptable hybrid sorghum seed processor contract. This corporate resolution will be considered a contract under the terms of this policy;
 - (3) Sales records for at least the previous years' seed production must be provided to confirm that the seed company has produced and sold seed. If such records are not available, the crop may be insured under the Coarse Grains Crop Provisions with a written agreement; and
 - (4) Our inspection reveals that the storage and drying facilities satisfy the definition of a seed company.
- (d) Any of the insured crop that is under contract with different seed companies may be insured under separate policies with different insurance providers provided all acreage of the insured crop in the county is insured. If you elect to insure the insured crop with different insurance providers, you agree to pay separate administrative fees for each insurance policy.

8. Insurable Acreage.

In addition to the provisions of section 9 of the Basic Provisions, we will not insure any acreage of the insured crop:

- (a) Planted and occupied exclusively by male parent plants;
- (b) Not in compliance with the rotation requirements contained in the Special Provisions or, if applicable, required by the hybrid sorghum seed processor contract; or
- (c) If either the female or male parent plants are damaged before the final planting date and we determine that insured crop is practical to replant but it is not replanted.

9. Insurance Period.

- (a) In addition to the provisions of section 11 of the Basic Provisions, insurance attaches upon completion of planting of:
 - (1) The female parent plant seed on or before the final planting date designated in the Special Provisions, except as allowed in section 16 of the Basic Provisions; and
 - (2) The male parent plant seed.
- (b) In accordance with the provisions of section 11 of the Basic Provisions, the calendar date for the end of the insurance period is the November 30 immediately following planting.

10. Causes of Loss.

- (a) In accordance with the provisions of section 12 of the Basic Provisions, insurance is provided only against the following causes of loss that occur during the insurance period:
 - (1) Adverse weather conditions;
 - (2) Fire;
 - (3) Insects, but not damage due to insufficient or improper application of pest control measures;
 - (4) Plant disease, but not damage due to insufficient or improper application of disease control measures;
 - (5) Wildlife;

- (6) Earthquake;
- (7) Volcanic eruption; or
- (8) Failure of the irrigation water supply, if due to a cause of loss contained in section 10 (a)(1) through (7) that occurs during the insurance period.

- (b) In addition to the causes of loss excluded by section 12 of the Basic Provisions, we will not insure against any loss of production due to:

- (1) The use of unadapted, incompatible, or genetically deficient male or female parent plant seed;
- (2) Frost or freeze after the date set by the Special Provisions;
- (3) Failure to follow the requirements stated in the hybrid sorghum seed processor contract and production management practices of the seed company;
- (4) Inadequate germination, even if resulting from an insured cause of loss, unless you have provided adequate notice as required by section 11(b)(1); or
- (5) Failure to plant the male parent plant seed at a time or in a manner sufficient to assure adequate pollination of the female parent plants, unless you are prevented from planting the male parent plant seed by an insured cause of loss.

11. Duties In The Event of Damage or Loss.

- (a) In accordance with the requirements of section 14 of the Basic Provisions, you must leave representative samples of at least one complete planting pattern of the male and female parent plant rows that extend the entire length of each field in the unit. If you are going to destroy any acreage of the insured crop that will not be harvested, the samples must not be destroyed until after our inspection.
- (b) In addition to the requirements of section 14 of the Basic Provisions:
 - (1) You must give us notice of probable loss at least 15 days before the beginning of harvest if you anticipate inadequate germination on any unit; and
 - (2) You must provide a completed copy of your hybrid sorghum seed processor contract unless we have determined it has already been provided by the seed company, and the seed company certifies that such contract is used for all its producers without any waivers or amendments.

12. Settlement of Claim.

- (a) We will determine your loss on a unit basis. In the event you are unable to provide separate acceptable production records:
 - (1) For any optional units, we will combine all optional units for which such production records were not provided; or
 - (2) For any basic units, we will allocate any commingled production to such units in proportion to our liability on the harvested acreage for the units.
- (b) You will not receive an indemnity payment on a unit if the seed company refuses to provide us with records we require to determine the dollar value per bushel of production for each variety.

(c) In the event of loss or damage covered by this policy, we will settle your claim on any unit by:

- (1) Multiplying the insured acreage by its respective amount of insurance per acre, by type and variety if applicable;
- (2) Totaling the results of section 12(c)(1) if there are more than one type or variety;
- (3) Multiplying the total seed production to count (see section 12(d)) for each type and variety of commercial hybrid sorghum seed by the applicable dollar value per bushel for that type or variety;
- (4) Multiplying the total non-seed production to count (see section 12(e)) for each type and variety by the applicable local market price determined on the earlier of the date the non-seed production is sold or the date of final inspection;
- (5) Totaling the results of sections 12(c)(3) and 12(c)(4) by type and variety;
- (6) Subtracting the result of section 12(c)(5) from the result of section 12(c)(1) if there is only one type or variety, or subtracting the result of 12(c)(5) from the result of section 12(c)(2) if there are more than one type or variety; and
- (7) Multiplying the result of section 12(c)(6) by your share.

For example:

You have a 100 percent share in 50 acres insured for the development of type "A" hybrid sorghum seed in the unit, with an amount of insurance per acre guarantee of \$361 (county yield of 170 bushels times a coverage level factor of .867 for the 65 percent coverage level, times a price election of \$2.45 per bushel, minus the minimum guaranteed payment of zero). Your seed production was 1,400 bushels and the dollar value per bushel was \$3.47. Your non-seed production was 100 bushels with a local market value of \$2.00 per bushel. Your indemnity would be calculated as follows:

- (1) $50 \text{ acres} \times \$361 = \$18,050$ amount of insurance guarantee;
- (3) $1,400 \text{ bushels} \times \$3.47 = \$4,858$ value of seed production;
- (4) $100 \text{ bushel of non-seed} \times \$2.00 = \$200$ of non-seed production;
- (5) $\$4,858 + \$200 = \$5,058$;
- (6) $\$18,050 - \$5,058 = \$12,992$; and
- (7) $\$12,992 \times 100 \text{ percent share} = \$12,992$ indemnity payment.

You also have a 100 percent share in 50 acres insured for the development of type "B" hybrid sorghum seed in the unit, with an amount of insurance per acre guarantee of \$340 (county yield of 160 bushels times a coverage level factor of .867 for the 65 percent coverage level, times a price election of \$2.45 per bushel, minus the minimum guaranteed payment of zero). You harvested 1,200 bushels and the dollar value per bushel for the harvested amount was \$4.63. You also harvested 200 bushels of non-seed with a market value of \$2.00 per bushel. Your indemnity would be calculated as follows:

- (1) $50 \text{ acres} \times \$361 = \$18,050$ amount of insurance guarantee for type "A" and $50 \text{ acres} \times \$340 = \$17,000$ amount of insurance guarantee for type "B";
 - (2) $\$18,050 + \$17,000 = \$35,050$ amount of insurance guarantee;
 - (3) $1,400 \text{ bushels} \times \$3.47 = \$4,858$ value of seed production for type "A" and $1,200 \text{ bushels} \times \$4.63 = \$5,556$ value of seed production for type "B";
 - (4) $100 \text{ bushel of non-seed} \times \$2.00 = \$200$ of non-seed production for type "A" and $200 \text{ bushel of non-seed} \times \$2.00 = \$400$ of non-seed production for type "B"
 - (5) $\$4,858 + \$200 + \$5,556 + \$400 = \$11,014$ value of production to count;
 - (6) $\$35,050 - \$11,014 = \$24,036$; and
 - (7) $\$24,036 \times 100 \text{ percent share} = \$24,036$ indemnity payment.
- (d) Production to be counted as seed production will include:
- (1) All appraised production as follows:
 - (i) Not less than the amount of insurance per acre for 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 production records;
 - (ii) Production lost due to uninsured causes;
 - (iii) Mature unharvested production with a germination rate of at least 80 percent of the commercial hybrid sorghum seed as determined by a certified seed test. Any such production may be adjusted in accordance with section 12(f);
 - (iv) Immature appraised production;
 - (v) Potential production on insured acreage that you intend to put to another use or abandon, if you and we agree on the appraised amount of production. 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 amount of production 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 amount of production to count for such acreage will be based on the harvested production or appraisals 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 amount of production to count); or

- (B) If you elect to continue to care for the crop, the amount of production to count for the acreage will be the harvested production, or our reappraisal if additional damage occurs and the crop is not harvested; and

- (2) Harvested production that you deliver as commercial hybrid sorghum seed to the seed company stated in your hybrid sorghum seed processor contract, regardless of quality, unless the production has inadequate germination.

- (e) Production to be counted as non-seed production will include all harvested or mature appraised production that does not qualify as seed production to count as specified in section 12(d). Any such production may be adjusted in accordance with section 12(f).

- (f) For the purpose of determining the quantity of mature production:

- (1) Commercial hybrid sorghum seed production will be:

- (i) Increased 0.12 percent for each 0.1 percentage point of moisture below 13.0 percent; or
- (ii) Decreased 0.12 percent for each 0.1 percentage point of moisture in excess of 13.0 percent.

- (2) When records of commercial hybrid sorghum seed production provided by the seed company have been adjusted to a basis of 13.0 percent moisture and 56 pound avoirdupois bushels, section 12(f)(1) above will not apply to harvested production. In such cases, records of the seed company will be used to determine the amount of production to count, provided that the moisture and weight of such production are calculated on the same basis as that used to determine the approved yield.

13. Prevented Planting.

Your prevented planting coverage will be 60 percent of your amount of insurance for timely planted acreage. If you have limited or additional levels of coverage as specified in 7 CFR part 400, subpart T, and pay an additional premium, you may increase your prevented planting coverage to a level specified in the actuarial documents.