Quality Adjustment Procedures for Damaged Soybeans

Fact Sheet

Background

In accordance with the Coarse Grains Crop Provisions soybean production will be eligible for quality adjustment (QA) 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) because of kernel damage, or having a musty, sour or commercially objectionable foreign odor (except garlic odor), or which meet the special grade requirements for garlicky soybeans.

Quality deficiencies eligible for QA must be due to an insured cause of loss.

RMA's Soybean Special Provisions of Insurance (SP), which are part of the policy, provide information for determining the amount of QA based on the type or level of quality deficiency for soybean production not meeting U.S. No. 4 (grading U.S. Sample grade). Soybeans which have kernel damage greater than 8.0 percent results in a U.S. Sample grade.

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.

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 the soybean crop qualifies for QA (U.S. Sample grade), 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 soybeans 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. You are protected against the following:

- Adverse weather;
- Earthquake;
- Failure of irrigation water supply;
- Fire;
- Insect damage and/or plant disease; unless you have insufficiently or improperly applied pest or disease control measures;
- Volcanic eruption; or
- Wildlife.

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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.

You, along with the Approved Insurance Provider (AIP) must perform due diligence to find a market or salvage market for the damaged production. If you and the AIP 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.

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 DF = 0.886 QAF

1,000 bushels × 0.886 QAF = 886.0 bushels PTC

Note: *Example is based on 2018 QA DFs. Applicable QA DFs by county can be found here:* https://aibpf-rma.fpac.usda.gov/apps/ActuarialInformationBrowser/CropCriteria.aspx

FAQ 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 Coarse Grain Crop Provisions, 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.

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Question 4: Am I required to harvest soybeans to receive QA on production?

RMA Response: No. AIPs can pull representative samples from each field or work with you 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.

Question 7: If soybean kernel damage is 8.0 percent or below (not U.S. Sample grade), will the production be ineligible 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 8: 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.

Where to Buy Crop Insurance

Contact a crop insurance agent to see how Federal crop insurance can meet the specific needs of your operation. Crop insurance is sold and delivered solely through private crop insurance agents. A list of crop insurance agents is available online at rma.usda.gov/agent-locator.

More Information

Producers can learn more about crop insurance and the modern farm safety net at rma.usda.gov or by contacting their RMA Regional Office.

RMA fact sheets give only a general overview of Federal crop insurance programs, not complete policies. For further information and an evaluation of your risk management needs, contact a crop insurance agent.

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