

SUMMARY OF CHANGES FOR THE SILAGE SORGHUM PILOT ENDORSEMENT (11-0059)

The following is a brief description of the changes to Silage Sorghum Pilot Endorsement that will be effective for the 2011 crop year and succeeding crop years. Please refer to the endorsement for complete information.

Section 1- Revised the definition of Maximum Price Election to show it will not be released until January 31st of the crop year.

Section 3 – Clarified revenue and yield protection does not apply to this endorsement.

Section 7 – Added a Causes of Loss section that states section 8(i) of the Coarse Grains Crop Provisions does not apply to this endorsement. This clarifies price change is not an insured cause of loss for silage sorghum since revenue protection is not available.

Section 8 - Revised to specify the actual cost for replanting is not considered when determining the amount of a replant payment.

Section 11 – Revised settlement of claim to reflect silage sorghum uses a price election and does not have revenue protection.

**DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
SILAGE SORGHUM PILOT ENDORSEMENT**



(This is a Continuous Endorsement)

This Endorsement is available beginning with crop year 2011. This Endorsement shall be available only in those counties identified in the actuarial documents. The terms of this Endorsement shall control in the event of a conflict between it and the Coarse Grains Crop Provisions. The terms of the Special Provisions shall control in the event of a conflict between it and this Endorsement. This is a pilot program, and because of the experimental nature of the program, we may revise, cancel, or terminate it upon written notice to you.

1. Applicability

- (a) You must have the Basic Provisions, the Coarse Grains Crop Provisions, and, if applicable, the Catastrophic Risk Protection Endorsement, in force before you may elect this Endorsement.
- (b) You must make application for this Endorsement in writing on or before the sales closing date for the initial year that you wish to insure silage sorghum.
- (c) Once you elect this Endorsement, it will remain in effect for each subsequent crop year until such time as you or we cancel it in writing or it is terminated in accordance with the applicable provisions of the Basic Provisions and the Coarse Grains Crop Provisions.
- (d) This Endorsement is attached to and made part of your Coarse Grains Crop Provisions subject to the terms and conditions described herein.

2. Definitions

Buyer - A business enterprise regularly engaged in feeding livestock for the production of animals or animal products, that possesses all licenses and permits that may be required to operate the business, and that fed a sufficient number of livestock to utilize at least the contracted quantity of silage in the twelve months ending on the acreage reporting date for the crop year, and in which you or a member of your household has no financial interest.

Coarse grains - In addition to the definition of coarse grains contained in section 1 of the Coarse Grains Crop Provisions, for the purposes of this Endorsement only, the term coarse grains includes silage sorghum.

Maximum price election - The price determined by multiplying the projected price for corn silage by 80 percent. In lieu of any policy provision that specifies that the price election will be released by the contract change date, the silage sorghum maximum price election will be determined by RMA and released by January 31 of the crop year on RMA's website.

Production guarantee (per acre) - In lieu of the definition of production guarantee (per acre) contained in section 1 of the Coarse Grains Crop Provisions, the term production guarantee (per acre) means your approved yield (in tons) per acre multiplied by the coverage level percentage you elect.

Silage sorghum - Dual purpose grain sorghum varieties (a variety used for both grain and silage), male sterile grain sorghum varieties, or photo-period sensitive grain sorghum varieties, that have been developed to produce green matter to be ensiled.

Silage sorghum purchase contract - An agreement between a buyer of silage sorghum and you executed in writing on or before the final planting date for a crop year containing, at a minimum:

- (a) Your promise to plant silage sorghum and deliver a specified quantity or the production from a specified number of acres to that buyer;
- (b) The buyer's promise to purchase the stated amount of silage sorghum from you; and
- (c) Either a fixed price per ton of the silage sorghum or a formula to determine its price. 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.

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

In addition to the requirements of section 3 of the Basic Provisions and in lieu of section 2 of the Coarse Grains Crop Provisions, you may elect a price election for all of your silage sorghum grown in the county on insurable acreage based on:

- (a) The maximum price election; or
- (b) The price specified in your silage sorghum purchase contract subject to the following:
 - (1) The silage sorghum purchase contract must cover all of your share of the production guarantee from the insurable acreage of silage sorghum in the county;
 - (2) If the price received under your silage sorghum purchase contract exceeds \$2.00 over the maximum price election, your price election will be limited to \$2.00 over the maximum price election; and
 - (3) If you select the contract price, you may use one of the following options subject to paragraph (2):
 - (i) If your silage sorghum purchase contract contains only a fixed price, that fixed price will be used to determine your price election;
 - (ii) If your silage sorghum purchase contract contains both a fixed price and a formula-determined price, the formula driven price can be used to determine your price election only if the price under such formula can be determined not later than the final

planting date, otherwise your fixed price will be used to determine your price election; or

- (iii) If your silage sorghum purchase contract contains only a formula-determined price, the formula driven price will be used to determine your price election only if the price under such formula can be determined not later than the final planting date, otherwise your price election will be determined based on the maximum price election.

4. Cancellation and Termination Dates

In accordance with section 2 of the Basic Provisions, the cancellation and termination dates are the same as stated in section 4(a) of the Coarse Grains Crop Provisions for corn and grain sorghum.

5. Insured Crop

In lieu of section 5(d) of the Coarse Grains Crop Provisions, the crop insured will be all the silage sorghum planted in the county:

- (a) That is planted for harvest as silage;
- (b) That is not a combine-type hybrid grain sorghum (grown from hybrid seed); and
- (c) That is not Sudan, Sudax, or Sudex varieties, varieties developed for haying and grazing, or any other variety not intended for the production of silage.

6. Insurance Period

In lieu of section 7(c) of the Coarse Grains Crop Provisions, for all counties where silage sorghum is produced, the calendar date for the end of the insurance period is the October 15 immediately following the date the crop is planted.

7. Causes of Loss

The provision contained in section 8(i) of the Coarse Grains Crop Provisions does not apply.

8. Replanting payments

(a) In lieu of section 9 of the Coarse Grains Crop Provisions, a replanting payment is allowed as follows:

- (1) In lieu of provisions in section 13 of the Basic Provisions that limit the amount of a replant payment to the actual cost of replanting, the amount of any replanting payment will be determined in accordance with this Endorsement;
- (2) Except as specified in section 8(a)(1), you must comply with all requirements regarding replanting payments contained in section 13 of the Basic Provisions; and
- (3) The insured crop must be damaged by an insurable cause of loss to the extent that the remaining stand will not produce at least 90 percent of the production guarantee for the acreage.

(b) Unless otherwise specified in the Special Provisions, the amount of the replanting payment

per acre insured under this endorsement will be the lesser of 20 percent of the production guarantee per acre or 1.0 ton, multiplied by your price election, multiplied by your share.

(c) When the crop is replanted using a practice that is uninsurable for an original planting, the liability on the unit will be reduced by the amount of the replanting payment. The premium amount will not be reduced.

(d) If the acreage is replanted to an insured crop type that is different than the insured crop type originally planted on the acreage:

- (1) The production guarantee, premium, and price election will be adjusted based on the replanted type;
- (2) Replanting payments will be calculated using your price election and production guarantee for the crop type that is replanted and insured; and
- (3) A revised acreage report will be required to reflect the replanted type, as applicable.

9. Report of Acreage

In addition to the requirements of section 6 of the Basic Provisions, if you have a silage sorghum purchase contract, you must provide a copy of all such contracts on or before the acreage reporting date. If you fail to provide a copy of the silage sorghum purchase contracts on or before the acreage reporting date, your price election for all your silage sorghum will be determined based on the maximum price election.

10. Duties in the Event of Damage or Loss

In addition to the requirements in section 14 of the Basic Provisions, you must notify us at least seven (7) calendar days prior to the harvest of any acreage of the silage sorghum crop if the silage will be placed in silage bags or at least seven (7) calendar days prior to utilizing any acreage in any manner other than for the production of silage. You must leave representative samples of the crop for our inspection. Production to count for indemnity purposes will be based on our silage tonnage appraisal. Failure to timely provide notice or leave the required number and size of representative strips will result in production to count for indemnity purposes in accordance with section 11(c)(1).

11. Settlement of Claim

In lieu of section 11 of the Coarse Grains Crop Provisions, the following will apply:

- (a) We will determine your loss on a unit basis. In the event you are unable to provide records of production that are acceptable to us for any:
 - (1) Optional unit, we will combine all optional units for which acceptable records of production were not provided; or
 - (2) Basic unit, we will allocate any commingled production to such units in proportion to our liability on the harvested acreage for each unit;

- (b) In the event of loss or damage covered by this policy, we will settle your claim by:
- (1) Multiplying the number of insured acres of each type by the production guarantee for the applicable type;
 - (2) Multiplying each result by your price election for the applicable type;
 - (3) Totaling the results of section 11(b)(2);
 - (4) Multiplying the production to count of each type by your price election for that type;
 - (5) Totaling the results of section 11(b)(4);
 - (6) Subtracting the result of section 11(b)(5) from the result of section 11(b)(3); and
 - (7) Multiplying the result of section 11(b)(6) by your share;
- (c) The total production to count (in tons) from all insurable acreage on the unit will include:
- (1) All appraised production as follows:
 - (i) Not less than the production guarantee for acreage:
 - (A) That is abandoned;
 - (B) Put to another use without our consent;
 - (C) Damaged solely by uninsured causes;
 - (D) For which you fail to provide records of production that are acceptable to us; or
 - (E) For which you fail to give notice or leave the representative samples required in section 10;
 - (ii) Production lost due to uninsured causes;
 - (iii) Unharvested production; and
 - (iv) Potential production on insured acreage you will 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 you 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) All harvested production from the insurable acreage;

- (d) Any production harvested from plants growing in the insured crop may be counted as production of the insured crop on a weight basis; and
- (e) All production to count of silage sorghum will be increased to a 32 percent dry matter basis equivalent (68 percent moisture basis) if it is harvested or appraised after the normal end of the harvest period or after the calendar date for the end of the insurance period.

Example of Your Protection under This Endorsement

Example 1:

Assume that you have a unit consisting of 150 acres in which you have a 60 percent share and a second unit consisting of 75 acres in which you have a 100 percent share. You have selected a 70 percent coverage level. Your approved yield is 20.0 tons per acre on the first unit and 22.0 tons per acre on the second unit.

You have a silage sorghum purchase contract that contains a price equal to 6.0 times the CBOT price of corn minus \$0.15. The first futures contract you may use for this purpose is December. The silage sorghum purchase contract includes 2,500 tons.

You are able to harvest only 450 tons of silage sorghum from unit 1 due to an insured cause of loss that reduced production. You harvested 1,350 tons from unit 2. All acres are harvested.

On the final planting date, the settlement price for the December corn contract is \$2.35 per bushel of corn. The maximum price election is \$12.00 per ton. Thus, your price election is $6 \times (\$2.35 - \$0.15) = 6 \times \$2.20 = \13.20 per ton because the contract price is less than \$2.00 greater than the maximum price election.

The first step is to determine the unit guarantee and determine the appropriate price election:

Production guarantee per acre unit 1
 $20.0 \text{ tons} \times 0.70 = 14.0 \text{ tons}$
 Production guarantee per acre unit 2
 $22.0 \text{ tons} \times 0.70 = 15.4 \text{ tons}$
 Unit guarantee unit 1
 $150 \text{ acres} \times 14.0 \text{ tons} = 2,100 \text{ tons}$
 Unit guarantee unit 2

75 acres x 15.4 tons = 1,155 tons
Your share of the unit guarantee unit 1
2,100 tons x 0.60 = 1,260 tons
Your share of the unit guarantee unit 2
1,155 tons x 1.00 = 1,155 tons
Your share of the unit guarantee for all units combined
= 2,415 tons
You qualify to use the contract price option because
the contracted quantity (2,500 tons) is greater than
your share of the production guarantee for all units
combined.

The next step is to apply the loss calculation from
section 11:

Unit 1:
150 acres x 14.0 tons per acre = 2,100 tons unit
guarantee
2,100 tons unit guarantee x \$13.20 price election =
\$27,720 value of guarantee
450 tons production to count x \$13.20 price election =
\$5,940 value of production to count
\$27,720 value of guarantee - \$5,940 value of
production to count = \$21,780 loss
\$21,780 loss x 0.60 your share = \$13,068 indemnity

Unit 2; since the harvested production exceeded the
guarantee, no indemnity is due.

Example 2:
Silage is not harvested and we are not able to appraise
the production until after the calendar date for the end
of the insurance period. We appraise 320 tons of
silage and determine that it contains 55 percent
moisture (45 percent dry matter).

The first step is to convert the production to a 32
percent dry matter basis:
Appraised unharvested production = 320 tons x 0.45 =
144 tons of dry matter
Production to count = 144 tons divided by 0.32 = 450
tons green weight equivalent

The next step is to apply the loss calculation from
section 11:
150 acres x 14.0 tons per acre = 2,100 tons unit
guarantee
2,100 tons unit guarantee x \$13.20 price election =
\$27,720 value of guarantee
450 tons green weight equivalent production to count x
\$13.20 price election = \$5,940 value of production to
count
\$27,720 value of guarantee - \$5,940 value of
production to count = \$21,780 loss
\$21,780 loss x 0.60 share = \$13,068 indemnity

12. Written Agreements

In lieu of any other provisions of this Endorsement, the
Coarse Grains Crop Provisions or the Basic Provisions,
including but not limited to section 18 of the Basic

Provisions, no written agreements may be authorized
to amend or modify any terms of the policy or to extend
coverage to any county for which actuarial documents
are not filed.