MALTING BARLEY ENDORSEMENT INSURANCE STANDARDS HANDBOOK

United States
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2022 and Succeeding Crop Years

RISK MANAGEMENT AGENCY
KANSAS CITY, MO 64133

TITLE: MALTING BARLEY ENDORSEMENT INSURANCE STANDARDS HANDBOOK	**NUMBER: FCIC-20240-1**
EFFECTIVE DATE: 2022 and Succeeding Crop Years	**ISSUE DATE: June 24, 2021**
SUBJECT: **Provides the procedures and instructions for the Malting Barley Endorsement crop insurance program**	**OPI: Product Administration and Standards Division** **APPROVED:** ***/s/ Richard Flournoy*** **Deputy Administrator for Product Management**

REASONS FOR AMENDMENT

This handbook is issued to provide official FCIC-issued underwriting instructions for administering the Malting Barley Endorsement for the 2022 and subsequent crop years. It is effective until reissued or until the program is terminated by FCIC.

In the absence of industry developed, FCIC-approved procedure for this crop, all reinsured companies will utilize these standards for both underwriting and training.

This handbook has been revised as indicated below. Minor changes and corrections are not included in this listing. See changes or additions in text that have been highlighted. Three stars (***) identify where information has been removed.

1. **Subparagraph 1E:** Added Indiana to the list of states having counties within the approved area.

2. **Paragraph 28:** Added language related to timeframe specifications for settlement of a claim and references to section 8(c)(6) of the MBE.

MALTING BARLEY ENDORSEMENT INSURANCE STANDARDS HANDBOOK

CONTROL CHART

Malting Barley Endorsement Insurance Standards Handbook							
	TP Page(s)	TC Page(s)	Text Page(s)	Exhibit Numbers	Exhibit Page(s)	Date	Directive Number
Remove	1-2		1-2 9-12			06-2020 06-2020	FCIC-20240 FCIC-20240
Insert	1-2		1-2 9-12			06-2021 06-2021	FCIC-20240-1 FCIC-20240-1
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FILING INSTRUCTIONS

The handbook pages listed in the Control Chart above under the “Insert” heading replace such pages in the 2021 Malting Barley Endorsement Insurance Standards Handbook, FCIC-20240 (06-2020). This handbook is effective for the 2022 and succeeding crop years and is not retroactive to any 2021 or prior crop year determinations.

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EXHIBITS

PART 1 GENERAL INFORMATION AND RESPONSIBILITIES

1 General Information

A. Purpose

This handbook provides procedure for administering the Malting Barley Endorsement (MBE) in accordance with the BP and the Small Grains CP and supplements the CIH, LAM, the Prevented Planting Loss Adjustment Standards Handbook, the Small Grains LASH and any other procedural issuance via exceptions, changes, and additions. If there is a conflict between this handbook and the CIH, GSH or LAM or other issuance, this handbook controls. If there is a conflict between this handbook and the policy, the policy controls.

B. Source of Authority

The MBE is a privately-developed product submitted and approved, by the FCIC Board of Directors, in accordance with section 508(h) of the Federal Crop Insurance Act to extend and enhance yield and revenue coverage to producers of malting barley. This handbook provides the FCIC-approved procedures for administering the MBE in the approved areas.

C. Duration

The MBE was available beginning with the 2016 crop year and is authorized until terminated or converted to a permanent program.

D. AIP Option to Offer

Since this is a 508(h) submission, AIPs are not required to offer the MBE to producers. Accordingly, each AIP must determine whether it will offer the MBE in the approved pilot area. AIPs that elect to offer the MBE must offer it to all eligible producers in the approved pilot area, and must administer the program according to the procedures in this handbook.

E. Approved Area

The MBE is available in selected counties in Alaska, Colorado, Idaho, Indiana, Minnesota, Montana, Nebraska, North Dakota, Ohio, Oregon, South Dakota, Washington, and Wyoming where applicable information is filed in the actuarial documents for the county.

F. Applying for Malting Barley Coverage

Use the standard application or policy change form to add coverage to an existing policy or to transfer the policy from another AIP. The document must indicate the insured has selected the MBE along with the other required information.

1 General Information (Continued)

G. Related Handbooks

The following table lists handbooks related to the MBE Program.
Important: Not all sections of related handbooks or all procedures in a section apply to the MBE Program. See Part 3 for more information.

Handbook	Purpose
CIH	General underwriting procedures
GSH	General Standards Handbook
LAM	General loss procedures
Small Grains LASH	Crop specific loss procedures
Prevented Planting LASH	General procedures for administering prevented planting losses

2 Responsibilities

A. AIP's Responsibilities

AIPs must use standards, procedures, methods and instructions as authorized by FCIC in the sale and service of crop insurance contracts. Each AIP is responsible for using RMA approved procedure. AIPs should report any program issues or concerns to the Product Administration and Standards Division (PASD) of RMA.

B. Insured's Responsibilities

To be eligible for the MBE, insured must comply with all terms and conditions of the BP, Small Grains CP and the MBE.

3-20 (Reserved)

PART 2 Insurability

21 MBE Insurability Requirements

A. Acreage Insured and Contract Required

All acreage in the county planted to malting barley that is insurable under the Small Grains CP must be insured under the MBE if it is elected by the insured by the deadline and all its requirements are met.

Yield protection, revenue protection, and revenue protection with harvest price exclusion are available. The same insurance plan must be elected for all types.

Eligible contracts include a malting barley contract, malting barley price agreement or a malting barley seed contract. The contract must specify the amount of contracted production; the purchase price or a method to determine such price; and establish the obligations of each party to the agreement. The term contract is used when the specific reference is not needed. Refer to the definitions for requirements for each type of contract.

Contracted malting barley – The quantity of malting barley production the producer agrees to grow and deliver, and the buyer agrees to accept if the malting barley meets contract terms, under the terms of the producer's contract(s).

The insured must provide the AIP with copies of all contracts on or before the acreage reporting date applicable for the insured acres. Failure to provide at least one contract by the acreage reporting date requires that all planted acres be insured under the terms of the Small Grains CP without the additional coverage provided by MBE.

For the crop to be considered as being under contract, in most instances the contract must contain the name or names of each individual whose production will be accepted under the malting barley contract. However, in some cases a person's name may not be listed on the contract even though their share of the production is considered to be under contract by the buyer. In these instances, if the AIP can verify that the production will be accepted under the contract, then the AIP can consider all production under this contract as insurable. Verification that the production is under contract should be documented and maintained in the insurance file.

Additionally, some malting barley contracts are executed with crop share included upfront. For example, Landlord Smith has a one third crop share with Operator Jones on 100 acres. The share was accounted for when the contract was initiated for Landlord Smith's malt barley acreage by only contracting 30 acres. If the AIP can verify that share was accounted for and addressed in the insured's malting barley contract, then share can be adjusted out upfront (use 100 percent share when determining the contracted and non-contracted acres and the projected price for MBE) and applied as the last step when determining the initial and final revenue guarantee.

Example: The revenue guarantee = 55 bushels x 0.70 coverage level x max ($4.45 projected price, $4.95 harvest price) x 100 acres x **0.3333** share = $6,351.86.

A. Acreage Insured and Contract Required (continued)

The AIP must document and maintain in the insured's file verification that the share was accounted for in the contract and its subsequent removal to determine contracted vs non-contracted acres and the MBE projected price.

If there are multiple eligible contracts and one or more of the contracts are not provided by the acreage reporting date, the malting barley acreage determined for the missing contract(s) are considered non-contracted acres.

If there are separate contracts for organic and conventional malting barley, all projected price calculations and contracted and non-contracted acreage calculations are completed separately (in accordance with this handbook) for organic acreage (using the organic contract(s)) and conventional acreage (using the conventional contract(s)).

There are no minimum acres required for malting barley to be insured under MBE and the contract(s) are not required to include all planted acreage of malting barley in which the insured has a share.

The maximum acreage that will be considered to be contracted acres will be the lowest of (a) the number of bushels specified in a contract divided by the APH yield, (b) the number of acres in the contract or (c) the number of insurable acres planted to malting barley.

Insurable planted acreage that exceeds the number of acres needed to produce the contracted quantity also is insurable under the MBE. Those acres would be considered non-contracted acreage and to which the barley projected price applies for purposes of determining a weighted average projected price.

All malting barley acreage is not required to be under contract to be insured; therefore, eligible prevented planting acres are determined in accordance with section 17(e)(1)(i) of the BP. Replant and prevented planting payments are based on the projected price as determined in section 4 of MBE. Prevented planting acres are charged the MBE rate. Weighted average prices are all based on insurable planted acres, so prevented planting acres are not considered when calculating the weighted average projected price.

B. Eligibility Requirements

To be eligible for the MBE, the insured must have a contract and comply with all terms and conditions of the MBE in addition to the BP and the Small Grains CP that are not in conflict with the MBE.

The insured must elect MBE in writing on or before the sales closing date for the first crop year they wish to insure malting barley under this Endorsement.

B. Eligibility Requirements (continued)

In counties with both fall and spring sales closing dates, the insured may elect MBE until the spring sales closing date only if they do not have any fall planted acreage of malting barley. Thereafter, the MBE will continue from year to year subject to the terms of section 2 of the BP.

See the insurance documents for other terms and conditions for an insured crop and insured acreage.

22 Insurable Types and Practices

A. Types and Practices Insurable *

Types insured are:	Malting (Spring) 873 and Malting (Winter) 973
Insurable practices are:	Irrigated 002 and Non-irrigated 003
	Continuous Cropping 004 and Summerfallow 005
	Organic (Certified) Irrigated 702
	Organic (Certified) Non-irrigated 713
	Organic (Transitional) Irrigated 712
	Organic (Transitional) Non-irrigated 714
	Continuous Cropping (OC) 715 and Summerfallow (OC) 717
	Continuous Cropping (OT) 716 and Summerfallow (OT) 718

*refer to the actuarial documents for types and practices by county.

23 Units and Coverage Levels

A. Units

Provisions in section 34 of the BP regarding basic, optional and enterprise units apply to acreage insured under the MBE.

(1) Basic units are allowed.

(2) Optional units are allowed.

(3) Enterprise units are allowed.

(4) Whole farm units are not allowed. If the underlying Small Grains CP is insured under a whole farm unit in accordance with section 34 of the BP, the insured is not eligible for MBE.

B. Coverage Levels

The insured must elect an additional coverage level on the underlying Small Grains CP to be eligible for MBE. Coverage is available in five percent (5%) increments from 50 percent (50%) to 85 percent (85%) unless specified otherwise on the actuarial documents. The catastrophic (CAT) level of coverage is available only when taken in accordance with the terms of section 3(b)(2)(ii) of the BP (high risk land exclusion).

24 Insurable and Uninsurable Causes of Loss

A. Insurable Causes of Loss

In addition to the causes of loss contained in the Small Grains CP, rejection of any production by the buyer for failure to meet the standards contained in a malting barley contract is an insured cause of loss provided said rejection is due to a condition resulting from an insurable cause as specified in the Small Grains CP and the conditions specified in the MBE are met.

Rejection of production by the buyer under a malting barley price agreement for failure to meet the standards contained in the SP is also an insured cause of loss provided such rejection is due to a condition resulting from an insurable cause of loss as specified in the Small Grains CP. However, in the case of a malting barley price agreement, if rejected the relevant standards are specified in the SP, not the standards in the malting barley price agreement.

The buyer must cooperate with the AIP and the AIP must have evidence that the rejection was due to an insurable cause of loss and that the condition resulting in rejection is in accordance with the malting barley contract or the quality standards for a malting barley price agreement contained in the Special Provisions. See paragraph 54 below for detailed responsibilities of the loss adjuster with respect to rejected production.

Rejection of production is not an insured cause of loss for a malting barley seed contract.

B. Uninsurable Causes of Loss

Uninsurable causes of loss contained in the BP and the Small Grains CP apply.

25 Premium Rates

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The Malting Endorsement (ME) insurance option appears in the Optional Coverage Rate(s) section of the Rates tab in the actuarial documents. It is an additive (A) rate, meaning the amount applicable to the chosen coverage level is added to the base rate for the unit.

26 Approved Yields and Transitional Yields

Approved APH yields are based on the malting barley type APH databases following APH rules in the CIH. Transitional yields are published in the actuarial documents for the malting barley type.

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Production to count for the malting barley type APH database is determined following the terms of the MBE then the terms of the Small Grains CP as applicable. Any resulting yield reductions are included in determining the APH yield.

27 Projected Price and Harvest Price

Determination of the projected price and the harvest price are similar to the rules for determining those prices under the Contract Price Addendum.

Base price is the price determined in the insured's contract using a reference market and reference commodity for a specific futures market option month and year.

If the malting barley contract provides a fixed price for the contracted production, the base price for that malting barley contract is the contract price.[1]

Item	Priced	Commodity	Quantity	Date	Price
DO1	Yes	US 2016 ABI Voyager 2Row	10,000.000	12/02/2017	6.00

Example: The contract states that the price to be paid to the producer is $6.00 per bushel. The base price is $6.00 per bushel for that malting barley contract.

If the contract provides for a premium amount (assume minus $1.00 per bushel (-$1.00)) relative to a base price to be determined (i.e., for soft red winter wheat) and:

Pricing	
Price Lock Begin Date:	12/02/2017
Price Lock End Date:	07/31/2018
Reference Market:	Chicago Board of Trade
Basis Amount:	1.00 (Less)
Option Year:	2018
Option Month:	September

Item	Priced	Commodity	Quantity	Date	Price
001	No	US 2016 Conrad 2Row	10,000.000		

(i) The contract price is set on or before the acreage reporting date, the base price for that malting barley contract is the contract price;

[1] The contract specifications shown are examples only and are not intended to be inclusive of all buyer's purchasing terminology.

Example: The producer chooses to price the malting barley contract on February 15. Since this is before the acreage reporting date, the base price is the contract price determined on that date. The closing price for soft red winter wheat on that date is $7.25 per bushel. The base price for that malting barley contract is ($7.25 - $1.00) = $6.25 per bushel. [This determination is made by the buyer and documented in the malting barley contract the producer must submit under the terms of the MBE.]

(ii) The base price is not available by the acreage reporting date; the base price for that contract is the result of adding the premium amount to the projected price for soft red winter wheat.

Example: The contract provides for a premium amount of minus $1.00 (-$1.00) per bushel from a future price for soft red winter wheat.

Producer has not established the contract price on or before the acreage reporting date. The projected price for soft red winter wheat in the county is $6.75 per bushel. The base price is $6.75 - $1.00 = $5.75 per bushel. [This determination is made by the AIP based on the contract and the projected price in effect for the soft red winter wheat in accordance with Section 10 of the MBE.]

The base price as defined above is used to determine the projected price for malt barley.

If there is one malting barley contract, the base price will be the projected price. If there are multiple malting barley contracts, a weighted average of the projected price will be calculated by multiplying each contract price by the quantity applicable to the contract; adding those results; and, dividing by the total contracted quantity. The result is the production weighted average of the base prices applicable to each contract.

Example: There are two malting barley contracts, one for 5,000 bushel and one for 7,500 bushel. The base price for the 5,000 bushel contract is $5.75; the base price for the 7,500 bushel contract is $6.00. The projected price is

($5.75 x 5,000 bushel + 7,500 bushel x $6.00) ÷ 12,500 bushel = $5.90

If there are both contracted and non-contracted acres, a weighted average projected price must be calculated by multiplying the insurable contracted acreage by its applicable projected price(s); multiplying the insurable non-contracted acreage by the projected price for barley determined by the CEPP; adding those results; and, dividing by the total insurable planted acres.

Example: The producer's contracts call for delivery of 12,500 bushel. The APH applicable to the insured acreage is 50 bushel. The minimum acreage to produce the contracted quantity is 12,500 ÷ 50 bushel = 250 acres. The producer plants 260 acres of malting barley so there are contracted (250) and non-contracted (10) acres. The barley projected price from the CEPP is $4.25 per bushel. The weighted average projected price is:

[($5.90 x 250 acres) + ($4.25 x (260.0 – 250.0 acres))] ÷ 260.0 acres = $5.84

This weighted average projected price is applicable to all insurable planted acres.

The harvest price for revenue protection is determined by subtracting the projected price for wheat in accordance with section 10 of the MBE from the projected price determined in section 4(a), and adding that result to the harvest price for wheat in accordance with section 10 of the MBE. For yield protection, the harvest price is the projected price as there is no price change coverage.

Example: Continuing the previous example, we determined the weighted average projected price to be $5.84 per bushel. The harvest price for the soft red winter wheat (in accordance with section 10 of the MBE) is $9.00 per bushel. The harvest price for malting barley under MBE is determined as follows:

Subtract the projected price for soft red winter wheat from the projected price established for malting barley:

$5.84 per bushel - $8.00 per bushel = -$2.16 per bushel.

Add the result of the previous calculation to the harvest price for soft red winter wheat:

$9.00 per bushel - $2.16 per bushel = $6.84 per bushel.

The projected price for malting barley under MBE may not exceed the applicable projected price for barley under the CEPP multiplied by 2.50.

Note: The provisions of section 3(c)(5)(i) and (ii) of the BP apply if the projected price or harvest price cannot be calculated for the current crop year under the provisions in section 10 of the MBE.

28 Quality Adjustment

Insured acreage could qualify for two types of quality adjustment (see subparagraphs A and B below).

Production from all acreage insured under the MBE and any production of other barley types must not be commingled prior to making loss determinations. Failure to keep production separate as required herein will result in denial of the claim.

Production meeting the minimum quality requirements contained in the malting barley contract or SP (whichever is applicable) or that is accepted by a buyer, even if not meeting such quality requirements, is not eligible for the additional quality adjustment in accordance with sections 8(a)(5) and 8(a)(6) of the MBE.

All samples of production used to determine insurable quality deficiencies under the MBE must be obtained in accordance with the Quality Adjustment Statements of the SP, but not later than 90 days after the EOIP, otherwise such production will not be adjusted for quality. All quality deficiencies based on the timely-obtained samples must be determined no later than March 15 of the calendar year immediately following the calendar year in which the insured malting barley is normally harvested. Damage that occurs after the end of the insurance period is not covered.

A. Quality Adjustment for Rejected Malting Barley (if proven due to insurable causes)

(1) Production under malting barley contracts may be adjusted based upon the failure to meet quality stated in the contract specifications.

(2) Production under malting barley price agreements may be adjusted upon the failure to meet the malting barley quality specifications in the SP.

(3) Production under malting barley seed contracts is not eligible for the additional quality adjustment under the MBE. Malting barley seed is only eligible for quality adjustment in accordance with the Small Grains CP.

Eligible contracted malting barley production (under a malting barley contract or malting barley price agreement) rejected by the buyer, in accordance with the terms of the MBE, is reduced by multiplying the amount of such production by the LMP divided by the harvest price determined in accordance with section 4 of the MBE. This applies for both yield and revenue protection for purposes of quality adjustment on eligible rejected production only.

Eligible malting barley production that fails to meet the standards applicable to a malting barley contract, or a malting barley price agreement, but is accepted by a buyer at a discounted purchase price, will be reduced by multiplying the amount of such production by the greater of the discounted purchase price or the LMP divided by the contract price in accordance with section 8(a)(6) of the MBE.

A. **Quality Adjustment for Rejected Malting Barley (if proven due to insurable causes) (continued)**

Notwithstanding the AIP's initial acceptance of the buyer's decision to reject certain production and payment of an indemnity, the insured must document to the AIP the ultimate disposition of the production on or before the sales closing date for the next crop year. If the insured retains any insured production after this date, the AIP may defer this requirement until such a time as the production is disposed of in accordance with section 8(c)(6) of the MBE. If adequate documentation of the disposition of such production is not provided by the applicable deadline, it will be considered to be production accepted by the buyer. Any indemnity previously paid will be recalculated. The insured must repay the amount of any over-paid indemnity determined as a result.

Acceptable evidence of ultimate disposition is a bill of sale from a disinterested third party that is not involved in the procurement of barley for malting purposes. Said bill of sale must include the quantity sold and the amount paid for the production. Other acceptable evidence for APH purposes is described in the CIH.

(1) Duties and responsibilities of the insured in addition to those contained in the BP and the Small Grains CP:

Notify the AIP within 72 hours if any production is rejected by the buyer for failure to meet the quality standards contained in the contract. However, in the case of a malting barley price agreement, the AIP will use the quality standards contained in the SP to determine whether or not any quality adjustment can be done in accordance with the MBE.

(a) This notice is required only for the first instance that rejection occurs.

(b) The insured must also provide the same notice if eligible malting barley production fails to meet the standards applicable to a malting barley contract or a malting barley price agreement but is accepted by a buyer at a discounted purchase price in accordance with section 8(a)(6) of the MBE.

(2) Duties and responsibilities of the loss adjuster in the event production is rejected by the buyer for failure to meet the quality standards in the contract.

(a) Verify that the decision to reject was based on a determination made following established procedures of the buyer. To be considered established procedures, there must be a reference manual, reference slides, compact discs, computer files, or other media that identify rejection levels or conditions.

(b) Verify that the decision to reject was made by a person trained in the use of established procedures and that the person did follow those procedures.

(c) Verify that the specific cause leading to the decision to reject has been documented in writing.

A. Quality Adjustment for Rejected Malting Barley (if proven due to insurable causes) (continued)

(d) Verify that the sample used to make the decision to reject has been preserved and that an adequate quantity is available for review by the AIP.

(e) Determine whether it is necessary to send a portion of the sample to a third party for review.

(f) If it cannot be demonstrated to the loss adjuster's satisfaction that the rejection was based on valid, supportable reasons, the quantity of malting barley in question is not eligible for quality adjustment due to rejection.

(3) All grades and quality determinations must be based on the results of an objective test made by a qualified person following approved procedure as outlined in the MBE.

Whenever any production fails one or more of the quality criteria specified in section 8(a)(2) of the MBE, the claim may not be settled until the earlier of:

(a) The date such production was sold, used for feed, donated, or otherwise utilized for any purpose; or

(b) April 14 of the calendar year immediately following the calendar year in which the insured malting barley is normally harvested. If the insured retains any insured production after this date, the AIP will defer completion of the claim if the insured agrees to such deferment or if the insured does not agree to deferment the claim will be completed with no adjustment for quality deficiencies including all remaining unsold insured production in accordance with section 8(c)(6) of the MBE.

If the insured over-reports liability for the unit (reported information results in liability higher than the liability determined by the AIP to exist), the information contained in the acreage report will be revised to be consistent with the correct information. If the AIP determines acres or approved APH yields need to be revised on the acreage report before processing the claim (LAM para 501B(8) and B(9)), then the acreage report will be revised to reflect the correct acres and/or yields and the newly-adjusted projected price.

B. Quality Adjustment in Accordance with the Small Grains CP

Production of malting barley that is eligible for quality adjustment under sections 8(a)(5) and 8(a)(6) and 8(a)(7) of the MBE and all production under a malting barley seed contract, is also eligible for quality adjustment under the terms of the Small Grains CP.

For example, if malting barley was rejected due to a low germination percentage, the quantity first is reduced to account for the rejection. This reduction adjusts the quantity of the malting barley so that its value is equivalent to the price of "all other" barley.

B. Quality Adjustment in Accordance with the Small Grains CP (continued)

The premise of the quality adjustment for malting type barley is that, after the quality adjustment, the production now is suitable for sale as “all other” barley. However, if the production does not meet the quality standards contained in the SP for barley, it fails to be marketable at the “all other” barley market price. The quality factors specified in the SP are intended to compensate for failure of barley production to meet the market standard for that price.

29 Transfer of Policy

If the policy is transferred to a different AIP, the MBE must be included on the Policy Transfer/Application or Application form submitted to the AIP to which the transfer is effective on or before the applicable SCD.

30 Approved Malting Barley Varieties

In accordance with the SP, approved malting barley varieties will include all varieties approved for malting by the American Malting Barley Association for the current crop year or any variety grown under the terms of a malting barley contract.

31 Proration of Acres Reportable as Contracted Acres and Non-contracted Acres when the Acreage to Fulfill the Contract is Located in Multiple Counties or Multiple Units/APH Databases

When the contract specifies bushels and the acreage to fulfill the contract is located in more than one county or more than one unit, determine the acres to be reported as contracted malting barley and the acreage to be reported as non-contracted malting barley) as follows:

Example 1: Two Counties (or multiple units) and One Contract

(1) Determine the malting barley bushels for each county (unit).

(a) Multiply the insurable planted acres intended to fulfill the contracts with each buyer by the approved APH yield (by unit, type, and practice) for each county (unit) to determine the bushels per county (unit) (if barley is not insured in all counties covered by the malting barley contract, use the county T-Yield as a substitute for approved APH yields for the counties in which barley is not insured).

Example:
282.0 acres planted in County A (unit 0001-0001OU) with APH X 70 bushels = 19,740 bushels

219.3 acres planted in County B (unit 0001-0002OU) with APH X 60 bushels = 13,158 bushels

(b) Sum the bushels for each county (unit) (the example assumes a single practice in each county (unit)).

County A (unit 0001-0001OU) bushels = 19,740 bushels
County B (unit 0001-0002OU) bushels = 13,158 bushels

(2) Total the bushels for all counties (units) by summing the bushels for the individual counties (units).

Example
19,740 + 13,158 = 32,898 total bushels.

(3) Determine the proration factor for each county by dividing the bushels per county determined in 1 by the total bushels determined in 2 (0.xxx).

Example
19,740/32,898 = 0.600; 13,158/32,898 = 0.400.

(4) Prorate contracted bushels for each county (unit) by multiplying the factor determined in 3 by the total contracted bushels.

Example (The total bushels included under the contract are 25,000)
25,000 X 0.600 = 15,000 prorated contracted bushels in County A (unit 0001-0001OU).
25,000 X 0.400 = 10,000 prorated contracted bushels in County B (unit 0001-0002OU).

(5) Determine the contracted acres by dividing by the APH yield

Example
County A (unit 0001-0001OU) 15,000 / 70 = 214.3 acres
County B (unit 0001-0001OU) 10,000 / 60 = 166.7 acres

(6) Determine the non-contracted acres.

Example
County A (unit 0001-0001OU) 282.0 – 214.3 = 67.7 acres
County B (unit 0001-0002OU) 219.3 – 166.7 = 52.6 acres

The calculations must be documented on a worksheet, and approved by the AIP. It becomes part of the APH file and is subject to verification during the APH review process.

31 Proration of Acres Reportable as Contracted Acres and Non-contracted Acres when the Acreage to Fulfill the Contract is Located in Multiple Counties or Multiple Units/APH Databases (Continued)

Example 2: Three Units and One Contract

Planting 100 Acres				Planting 35 acres				Planting 20 acres			
2017	Crop: Barley (0091)			**2017**	Crop: Barley (0091)			**2017**	Crop: Barley (0091)		
UNIT #	Practice: NI (003)			UNIT #	Practice: NI (003)			UNIT #	Practice: NI (003)		
0001OU	Type: **Malting (873)**			0002OU	Type: **Malting (873)**			0003OU	Type: **Malting (873)**		
Year	Production	Acres	Yield	Year	Production	Acres	Yield	Year	Production	Acres	Yield
								2009			T45
2010			T45	2010				2010			T45
2011		0	Z	2011	2066	30	A69	2011		0	Z
2012	4040	105	A38	2012		0	Z	2012	1200	12	A100
2013		0	Z	2013	966	10	A97	2013		0	Z
2014	2720	40	A68	2014	2220	36	A62	2014		0	Z
2015	5520	80	A69	2015	2090	35	A60	2015	1134	14.8	A77
T-YLD 45	Approved Yield 55			T-YLD 45	Approved Yield 72			T-YLD 45	Approved Yield 67		

100 X 55 Bu = 5,500　　35 X 72 Bu = 2,520　　20 X 67 = 1,340

Total Bushels all three units = 9,360

Proration Factors
5,500/9,360 = 0.588　　2,520/9,360 = 0.269　　1,340/9360= 0.143

Prorate contracted bushels for each unit by multiplying the above factor by the total contracted bushels.

Total bushels included under the contract are 9,000.
9,000 X 0.588 = 5,292　　9,000 X 0.269 = 2,421　　9,000 x 0.143 = 1,287

Determine the contracted acres by dividing by the APH Yield.
5,292/55 = 96.2 acres　　2,421/72 = 33.6 acres　　1,287/67 = 19.2 acres

Determine the non-contracted acres by subtracting contracted acres from total acres by unit.
100 – 96.2 = 3.8　　35 – 33.6 = 1.4　　20 – 19.2 = 0.8

32 LMP Determination

Loss adjusters must verify the LMP used for MBE. The following steps are required to verify LMP in addition to LAM Par. 1102(E)(11)(b) that states:

"The LMP is defined in the applicable CP. In extenuating circumstances, the LMP may be difficult to determine or appears to be unreasonable because of unusual market conditions in the region; e.g., wide-spread high levels of Aflatoxin. Under these circumstances, the daily Posted County Price for the applicable commodity issued by FSA may be used as a tool to assist in establishing the LMP along with LMPs from areas outside the local market area."

The following steps are required to determine the LMP for the MBE in cases where LMP is difficult to determine or it appears unreasonable.

(1) The loss adjuster is to use the MBE definition for LMP, in addition to the CP definition, to determine the LMP for MBE loss adjustment.

(2) The date of rejection for failure to meet contract specifications must be used for LMP determination in the MBE.

(3) The adjuster will compare bids from several local elevators, if available, to determine the LMP on that day.

(4) If the LMP is 50 percent higher or lower than the harvest price for the applicable (spring or winter) All Other type of barley, then the loss adjusters must contact the county FSA office to find the Posted County Price (PCP) for barley in that county on the date the malting barley was rejected. This may be used to establish an appropriate LMP.

(5) The adjuster may check FSA-published PCPs for neighboring counties to support LMP verification.

(6) Additional information or news sources may be submitted as supporting evidence as of the LMP used.

(7) All steps taken to determine the LMP must be summarized in the "Narrative" section of the PW.

(8) The location used to determine the LMP must be stated in the "Narrative" section of the PW.

33 APH for MBE

All factors impact the malting barley APH when there is a reduction in yield and a calculated reduction in yield due to quality under the MBE and Small Grains CP. All yield changes must be captured and reflected in the malting type APH database.

Examples
Below is an example that shows the APH impact.

Example 1 – Unit 0001 (with APH impact for 2021 and succeeding CYs)

Contract for 5,500 bushels at premium of -$1.50 per bushel.
Approved yield is 55 bushels per acre, the share is 1.000, the insurance plan is RP @ 70%, and the insured plants 100 contracted acres.

The base price is not available by the ARD. The projected price for soft red winter wheat is $8.00 per bushel.

The contract price for the contracted malting barley acreage is $8.00 + (-$1.50) = $6.50 per bushel. The LMP is determined to be $5.50.

The harvest price for soft red winter wheat is $9.00 per bushel. The harvest price for malting barley under the MBE is $7.50 per bushel.

Revenue guarantee = 55 bu/acre x 0.70 x max ($6.50 projected price, $7.50 harvest price) = $288.75/acre x 100 acres x 1.000 share = **$28,875**.

5,000 bushels are produced in Unit 0001, all of which are rejected by the buyer and grade U.S No. 5.

The adjusted quantity under the MBE is 5,000 bushels x ($5.50 ÷ $7.50) = 3,667 bushels.

The adjusted quantity from the MBE is also then further adjusted for quality under the Small Grains Crop Provisions. The discount for the barley grading U.S. No. 5 from the quality statement in the Special Provisions is (1 – 0.284).

3,667 adjusted bushels under MBE X (1 – 0.284) = 2,626 bushels.

Note: The acres and production to put on next year's APH for Unit 0001 are 100 acres and 2,626 bushels.

34 QLO for MBE

The QLO is available for the MBE if contained in the actuarial documents. The CIH contains the necessary requirements and actions an insured must meet to select QLO. The insured chooses this option at SCD.

35-39 (Reserved)

40 Guarantee Calculation Example

Assume the malting barley APH is 60 bushels per acre. The projected price is established as $6.00 per bushel based on the terms of the producer's contract(s) and the insurable planted acreage (see first example in section 27).

The insured chooses the 70 percent coverage level and reports 100 acres in the county. Share is 100 percent. Additionally, assume planted acres are equal to contracted acres, wherein contracted acres are calculated by dividing the contracted quantity of malting barley by the approved yield.

The guarantee is calculated as APH x Coverage Level x Projected Price x Acres x Share. The guarantee for malting barley is 60.0 x 0.70 x $6.00 x 100 acres x 1.000 share = $25,200.

41 Indemnity Calculation Example

Assume the production to count for 100 acres of malting barley is 3,000 bushels. The projected price for malting barley is $6.00 and the harvest price is calculated as $5.00. The indemnity will be determined as follows.

The guarantee for yield protection is APH x Coverage Level x Projected Price x Acres x Share = 60 bushels x 0.70 (coverage level) x $6.00 x 100 acres x 1.000 share = $25,200.

The harvest guarantee for revenue protection is APH x Coverage Level x max (projected price, harvest price) x Acres x Share = 60 bushels x 0.70 (coverage level) x max ($6.00, $5.00) x 100.00 acres x 1.000 share = $25,200.

The value of production to count for yield protection = Production to Count x Projected Price = 3,000 x $6.00 = $18,000.00.

The value of production to count for revenue protection = Production to Count x Harvest Price = 3,000 x $5.00 = $15,000.00.

The indemnity for yield protection is (Guarantee – Value of Production to Count) x Share = ($25,200 - $18,000.00) x 1.000 = $7,200 indemnity.

The indemnity for revenue protection is (Revenue Guarantee – Value of Production to Count) x Share = ($25,200 - $15,000.00) x 1.000 = $10,200 indemnity.

42 Conditioning

If the quantity of malting barley that meets the terms of the contract can be increased by conditioning, the AIP will compensate the insured for the cost of the conditioning but the payment for conditioning will not exceed the increase in the value of the production to count.

Example: It costs $90.00 to condition 1,000 bushels of production. The insured sold 900 bushels of conditioned malting barley. The conditioning cost per bushel is ($90.00 ÷ 1,000 bushels) = $0.09 per bushel.

The conditioning cost per bushel is subtracted from the harvest price for the insured malting barley. The harvest price for the insured malting barley is $7.41. Harvest price minus average conditioning cost = $7.32. The harvest price minus the conditioning cost is divided by the harvest price for the insured's malting barley and multiplied by the number of bushels that is conditioned and sold as malting barley.

The cost of conditioning cannot exceed the discount the insured would have received had the barley been sold without conditioning. For example, if the price per bushel of the production without conditioning is $6.40 and the price for such production after conditioning is $6.50, the cost of conditioning cannot exceed $0.10 per bushel.

In the case of conditioning, the total amount of production to count is determined as follows:

*** Assume that 900 of 1,000 bushels delivered were conditioned. The LMP is $5.50 and the harvest price determined in accordance with section 4 of the MBE is $7.41.

(1) Damaged production that is not reconditioned: 100 bushels x $5.50 ÷ $7.41 = 74 bushels.

(2) Damaged production that is reconditioned and sold as malting barley: 900 bushels X $7.32 ÷ $7.41 = 889.1 bushels.

(3) Total production to count against the malting barley guarantee: 963.1 bushels (74 + 889.1).

43-49 (Reserved)

Production from acreage insured under the MBE and any production of any other barley types must not be commingled prior to making loss determinations. All planted acres in the examples are insurable.

Example 1:

The insured has a malting barley contract for delivery of 5,000 bushels of malting barley. The approved yield is 60 bushels per acre. The share is 1.000. The insured plants 90 acres to malting barley. The contracted acres are the lesser of the 5,000 bushels divided by 60 bushels or the 90 planted acres. The result of this comparison is 83.3 acres of contracted acres. The remaining 6.7 acres are non-contracted acres and must be insured at the barley projected price.

The malting barley contract provides premium amount of minus $1.50 per bushel. The base price is not available by the acreage reporting date. The projected price for soft red winter wheat (see Section 10 of the MBE) is $8.00 per bushel. Accordingly, the contract price for the contracted malting barley acreage is $8.00 + (-$1.50) = $6.50 per bushel. The projected price for barley in accordance with the CEPP is $5.25 per bushel.

Because the insured has both contracted and non-contracted acres in the unit, the weighted average projected price for the 90 acres planted to malting barley is determined as follows:

> [(83.3 acres x $6.50) + (6.7 acres x $5.25)] ÷ 90 acres = ($541.45 + $35.18) ÷ 90 acres = $6.41 per bushel.

The insured chose revenue protection and the 70 percent coverage level. The revenue guarantee is:

> 60.0 bushels per acre x 0.70 x $6.41 = $269.22 per acre x 90.0 acres x 1.000 share = $24,230.

The harvest price for soft red winter wheat (see Section 10 of the MBE) is $9.00 per bushels. The harvest price for malting barley is determined as follows:

> $6.41 per bushel - $8.00 per bushel = minus $1.59 per bushel
> $9.00 per bushel - $1.59 per bushel = $7.41 per bushel.
>
> The revenue guarantee is 60 bushels per acre x 0.70 x max($6.41 projected price, $7.41 harvest price) = $311.22 per acre x 90 acres x 1.000 share = $28,010

Due to drought, only 3,000 bushels are produced, all of which are accepted by the buyer.

The insured's indemnity will be determined as follows (following the steps specified in the Small Grains CP):

(1) The revenue protection guarantee is (60 bushels per acre x 0.70 x max ($6.41,$7.41)) = $311.22 per acre; $311.22 per acre x 90.0 acres = $28,010.

(2) The revenue guarantee for the unit is $28,010.

(3) Revenue to count = 3,000 bushels x $7.41 per bushel = $22,230

(4) There is only one type; thus the total value of the production to count is $22,230;

(5) $28,010 - $22,230 = $5,780 and

(6) $5,780 x 1.000 (share insured) = $5,780 indemnity.

Example 1(A):

The conditions stated in example 1 are changed only to the extent that the buyer rejects 1,000 bushels of harvested production due to an insurable cause. All the conditions from section 6 of the MBE that allow the AIP to accept the rejection of these 1,000 bushels are met. The revenue guarantee for the purpose of determining the loss is unchanged. The 1,000 bushels of rejected production plus the 2,000 bushels of delivered production are less than the 5,000 bushels contracted; hence, the 1,000 bushels are eligible for quality adjustment.

*** The LMP is $5.50. The adjusted quantity is 1,000 bushels x $5.50 ÷ $7.41 = 742.2 bushels. The quantity of production to count is 2,000 bushels + 742.2 bushels = 2,742.2 bushels.

To calculate an indemnity (following the steps specified in the Small Grains CP):

(1) $311.22 x 90.0 acres = $28,010;
(2) There is only one type; thus, the revenue guarantee is $28,010;
(3) 2,742.2 bushels x $7.41 = $20,320;
(4) There is only one type; thus the value of the production to count is $20,320;
(5) $28,010 - $20,320 = $7,690; and
(6) $7,690 x 1.000 = $7,690 indemnity.

Example 1(B):

Assume the production to count is 5,100 bushels, of which the buyer rejects 2,000 bushels due to an insurable cause. The revenue guarantee for the purpose of determining the loss is
*** unchanged. The LMP is $5.50. The adjusted quantity is 2,000 bushels x $5.50 ÷ $7.41 = 1,484.5 bushels. The quantity of production to count is 3,100 bushels delivered + 1,484.5 bushels rejected production to count = 4,584.5 bushels.

To calculate an indemnity (following the steps specified in the Small Grains CP):

(1) $311.22 x 90.0 acres = $28,010;
(2) There is only one type; thus, the revenue guarantee is $28,010;
(3) 4,584.5 bushels x $7.41 = $33,971;
(4) There is only one type; thus the value of the production to count is $33,971;
(5) $33,971 is greater than $28,010, there is no indemnity payable.

Example 1(C)

Using the same scenario with the exception that production to count is 5,000 bushels, of which the buyer rejects all due to an insurable cause and the production also qualifies for quality under the Small Grains CP. The revenue guarantee for the purpose of determining the loss is unchanged. The 5,000 bushels of rejected production are eligible for quality adjustment for failing to meet the contract specifications and also for grading at U.S. No. 5 due to weather.

*** The LMP is $5.50. The adjusted quantity under the MBE is:

5,000 bushels x $5.50 ÷ $7.41 = 3,711.2 bushels.

The adjusted quantity from the MBE is then further adjusted for quality under the Small Grains CP. The discount for the barley grading U.S. No. 5 from the quality statement in the SP is:

(1 – 0.262)

3,711.2 adjusted bushels under MBE X (1 – 0.262) = 2,738.9 bushels

To calculate an indemnity (following the steps specified in the Small Grains CP):

(1) The revenue guarantee is $28,010;
(2) 2,,738.9 bushels x $7.41 = $20,295;
(3) The value of the production to count is $20,295;
(4) $28,010 - $20,295= $7,715 indemnity payable.

Example 2:

The insured has a malting barley price agreement for delivery of 5,000 bushels of malting barley. The approved yield is 60 bushels per acre and share is 1.000. The insured plants 90 acres to malting barley. The contracted acres are the lesser of the 5,000 bushels divided by 60 bushels or the 90 planted acres. The result of this comparison is 83.3 acres of contracted acres. The remaining 6.7 acres are non-contracted acres and must be insured at the barley projected price.

Example 2 (continued):

The malting barley price agreement provides a premium amount of minus $1.50 per bushel. The base price is not available by the acreage reporting date. The projected price for soft red winter wheat (see Section 10 of the MBE) is $8.00 per bushel. Accordingly, the contract price for the contracted malting barley acreage is $8.00 + (-$1.50) = $6.50 per bushel. The projected price for barley is $5.25 per bushel.

The insured has both contracted and non-contracted acres in the unit. Hence, the weighted average projected price for the 90 acres planted to malting barley is determined as follows:

(83.3 acres x $6.50 + 6.7 acres x $5.25) ÷ 90 acres = ($541.45 + $35.18) ÷ 90 acres = $6.41 per bushel.

The insured chose revenue protection and the 70 percent coverage level. The revenue guarantee is:

60.0 bushels per acre x 0.70 x $6.41 = $269.22 per acre x 90.0 acres x 1.000 share = $24,230.

The harvest price for soft red winter wheat is $9.00 per bushel. The harvest price for malting barley is determined as follows:

$6.41 per bushel - $8.00 per bushel = minus $1.59 per bushel;
$9.00 per bushel - $1.59 per bushel = $7.41 per bushel.

The revenue guarantee is 60 bushels per acre x 0.70 x max($6.41 projected price, $7.41 harvest price) = $311.22 per acre x 90 acres x 1.000 share = $28,010.

Due to drought, only 3,000 bushels are produced, all of which are accepted by the buyer.

The insured's indemnity will be determined as follows (following the steps specified in the Small Grains CP):

(1) The revenue protection guarantee is 60 bushels per acre x 0.70 x max ($6.41 projected price, $7.41 harvest price) = $311.22 per acre x 90 acres x 1.000 share = $28,010;

(2) There is only one type; thus, the revenue guarantee for the unit is $28,010;

(3) 3,000 bushels x $7.41 per bushel = $22,230;

(4) There is only one type; thus, the total value of the production to count is $22,230;

(5) $28,010 - $22,230 = $5,780; and

(6) $5,780 x 1.000 = $5,780 indemnity.

Example 2(A):

The conditions stated in example 2 above are changed only to the extent that the buyer rejects 1,000 bushels of harvested production due to an insurable cause. The rejection was based upon rejection by the buyer and the malting barley production failing to meet one or more quality requirements as shown in the SP.

All the conditions of the MBE that allow rejection of these 1,000 bushels are met. The revenue guarantee for the purpose of determining the loss is unchanged. The 1,000 bushels of rejected production plus the 2,000 bushels of delivered production are less than the 5,000 bushels contracted; hence, the 1,000 bushels are eligible for quality adjustment. The LMP is $5.50. The adjusted quantity is 1,000 bushels x $5.50 ÷ $7.41 = 742.2 bushels. The quantity of production to count is 2,000 bushels + 742.2 bushels = 2,742.2 bushels.

To calculate an indemnity (following the steps specified in the Small Grains CP):

(1) $311.22 x 90.0 acres = $28,010;
(2) There is only one type; thus, the revenue guarantee is $28,010;
(3) 2,742.2 bushels x $7.41 = $20,320;
(4) There is only one type; thus the value of the production to count is $20,320;
(5) $28,010 - $20,320= $7,690 and
(6) $7,690x 1.000 = $7,690 indemnity.

Example 2(B):

The conditions in example 2(A) are changed only to the extent that a) the buyer who rejected the 1,000 bushels of harvested production because it failed one or more of the quality standards applicable to the contract decides to accept the production but at a discounted purchase price or
*** b) the 1,000 bushels of harvested production failed one or more of the quality standards applicable to the contract, is rejected by the buyer, and then is accepted for use as malt by a different buyer at a discounted purchase price.

All the conditions of the MBE that allow rejection of these 1,000 bushels are met. The revenue guarantee for the purpose of determining the loss is unchanged. The 1,000 bushels of initially rejected production plus the 2,000 bushels of delivered production are less than the 5,000 bushels contracted; hence, the 1,000 bushels are eligible for quality adjustment.

The 1,000 bushels will be reduced by multiplying by the greater of the discounted purchase price or the LMP divided by the contract price. The contract price for the contracted malting barley acreage is $8.00 + (-$1.50) = $6.50 per bushel. The discounted purchase price agreed upon by the buyer (or accepted by the subsequent buyer, after rejection by the original contract buyer) is $5.75 per bushel and the LMP is $5.50 per bushel.

The adjusted quantity is 1,000 bushel x $5.75 ÷ $6.50 = 884.6 bushels. The quantity of production to count is 2,000 bushels + 884.6 bushel = 2,884.6 bushels.

To calculate an indemnity (following the steps specified in the Small Grains CP):

(1) $311.22 x 90.0 acres = $28,010;
(2) There is only one type; thus, the revenue guarantee is $28,010;
(3) 2,884.6 bushels x $7.41 = $21,375;
(4) There is only one type; thus the value of the production to count is $21,375;
(5) $28,010 - $21,375 = $6,635; and
(6) $6,635 x 1.000 = $6,635 indemnity.

Example 3:

The insured has a malting barley seed contract for delivery of 5,000 bushels of malting barley. Their approved yield is 60 bushels per acre and the share is 1.000. The insured plants 90 acres to malting barley. The contracted acres are the lesser of the 5,000 bushels divided by 60 bushels or the 90 planted acres. The result of this comparison is 83.3 acres of contracted acres. The remaining 6.7 acres are non-contracted acres and must be insured at the barley projected price.

The seed contract provides a fixed contract price of $6.50 per bushel for malting barley seed production. The projected price is $6.50, since the contract had a fixed price. The projected price for barley in accordance with the CEPP is $5.25 per bushel.

The insured has both contracted and non-contracted acres in the unit. Hence, the weighted average projected price for the 90 acres planted to malting barley is determined as follows:

(83.3 acres x $6.50 + 6.7 acres x $5.25) ÷ 90 acres = ($541.45 + $35.18) ÷ 90 acres = $6.41 per bushel.

The insured chose the 70 percent coverage level. The revenue guarantee is:

60.0 bushels per acre x 0.70 x $6.41 = $269.22 per acre x 90.0 acres x 1.000 share = $24,230.

The harvest price for soft red winter wheat (see Section 10 of the MBE) is $9.00 per bushel. The harvest price for malting barley is determined as follows:

$6.41 per bushel - $8.00 per bushel = minus $1.59 per bushel.
$9.00 per bushel - $1.59 per bushel = $7.41 per bushel.

The revenue guarantee is 60 bushels per acre x 0.70 x max($6.41 projected price, $7.41 harvest price) = $311.22 per acre x 90 acres x 1.000 share = $28,010.

Example 3 (continued):

Due to drought, only 3,000 bushels are produced. The indemnity will be determined as follows (following the steps specified in the Small Grains CP):

(1) The revenue protection guarantee is (60 bushels per acre x 0.70 x max($6.41, $7.41)) = $311.22 per acre; $311.22 per acre x 90.0 acres = $28,010;

(2) There is only one type; thus, the revenue guarantee for the unit is $28,010;

(3) Revenue to count = 3,000 bushels x $7.41 per bushel = $22,230;

(4) There is only one type; thus, the total value of the production to count is $22,230;

(5) $28,010 - $22,230 = $5,780; and

(6) $5,780 x 1.000 share = $5,780 indemnity.

Seed contracts are not eligible for quality adjustment except as barley under the Small Grains CP.

Example 4:
This example shows how MBE works with optional units.

Using the example from Par 31: The insured plants acreage to fulfill a contract in 3 optional units. The acres of contracted and non-contracted were in proportion to the acres planted and average approved yield in each unit or in each county.

Planting 100 Acres | Planting 35 acres | Planting 20 acres

2017	Crop: Barley (0091)			**2017**	Crop: Barley (0091)			**2017**	Crop: Barley (0091)		
UNIT #	Practice: NI (003)			UNIT #	Practice: NI (003)			UNIT #	Practice: NI (003)		
0001OU	Type: **Malting (873)**			0002OU	Type: **Malting (873)**			0003OU	Type: **Malting (873)**		
Year	Production	Acres	Yield	Year	Production	Acre s	Yield	Year	Production	Acres	Yield
								2009			T45
2010			T45	2010				2010			T45
2011		0	Z	2011	2066	30	A69	2011		0	Z
2012	4040	105	A38	2012		0	Z	2012	1200	12	A100
2013		0	Z	2013	966	10	A97	2013		0	Z
2014	2720	40	A68	2014	2220	36	A62	2014		0	Z
2015	5520	80	A69	2015	2090	35	A60	2015	1134	14.8	A77
T-YLD 45	Approved Yield 55			T-YLD 45	Approved Yield 72			T-YLD 45	Approved Yield 67		

100 X 55 Bu = 5,500 35 X 72 Bu = 2,520 20 X 67 = 1,340

Total Bushels all three units = 9,360

Example:
100 X 55 Bu = 5,500 35 X 72 Bu = 2,520 20 X 67 = 1,340

Total Bushels all three units = 9,360

Proration Factors
5,500/9,360 = 0.588 2,520/9,360 = 0.269 1,340/9360= 0.143

Prorate contracted bushels for each unit by multiplying the above factor by the total contracted bushels.

Total bushels included under the contract are 9,000.
9,000 X 0.588 = 5,292 9,000 X 0.269 = 2,421 9,000 x 0.143 = 1,287

Determine the contracted acres by dividing by the APH Yield.
5,292/55 = 96.2 acres 2,421/72 = 33.6 acres 1,287/67 = 19.2 acres

Determine the non-contracted acres by subtracting contracted acres from total acres by unit.
100 – 96.2. = 3.8 35 – 33.6 = 1.4 20 – 19.2 = 0.8

The malting barley contract provides premium amount of minus $1.50 per bushel. The base price is not available by the acreage reporting date. The projected price for wheat (see section 10 of the MBE) is $8.00 per bushel. Accordingly, the contract price for the contracted malting barley acreage is $8.00 + (-$1.50) = $6.50 per bushel. The projected price for barley in accordance with the CEPP is $5.25 per bushel.

The weighted average projected prices are determined as follows:

Unit 0001 (96.2 acres x $6.50 + 3.8 acres x $5.25) ÷ 100 acres = ($625.30 + $19.95) ÷ 100 acres = $6.45 per bushel.

Unit 0002 (33.6 acres x $6.50 + 1.4 acres x $5.25) ÷ 35 acres = ($218.40 + $7.35) ÷ 35 acres = $6.45 per bushel.

Unit 0003 (19.2 acres x $6.50 + 0.8 acres x $5.25) ÷ 20 acres = ($124.80 + $4.20) ÷ 20 acres = $6.45 per bushel.

Unit 0001: The insured delivered 5,500 bushels of accepted malting barley so there is no loss.

Unit 0002: The insured delivered only 1,000 bushels of acceptable malting barley due to a hail storm.

Unit 0003: The insured delivered 1,200 bushels of acceptable malting barley so there is no loss.

The insured is short bushels of production to count for unit 0002.

Unit 0002's loss would be calculated as follows:

The insured chose revenue protection and the 70 percent coverage level. The revenue guarantee is:

> 72.0 bushels per acre x 0.70 x $6.45 = $325.08 per acre x 35.0 acres x 1.000 share = $11,378.

The harvest price for soft red winter wheat is $9.00 per bushel. The harvest price is determined as follows:

> $6.45 per bushel - $8.00 per bushel = minus $1.55 per bushel.
> $9.00 per bushel - $1.55 per bushel = $7.45 per bushel.
>
> The revenue guarantee is 72 bushels per acre x 0.70 x max($6.45 projected price, $7.45 harvest price) = $375.48 per acre x 35 acres x 1.000 share = $13,142.

All 1,000 bushels produced from unit 0002 are accepted by the buyer. The insured's indemnity will be determined as follows (following the steps specified in the Small Grains CP):

(1) The revenue protection guarantee is $13,142;
(2) Revenue to count = 1,000 bushels x $7.45 per bushel = $7,450;
(3) There is only one type; thus, the total value of the production to count is $7,450;
(4) $13,142 - $7,450.00 = $5,692; and
(5) $5,692 x 1.000 (share insured) = $5,692 indemnity.

PART 3 APPLICABILITY OF HANDBOOKS

51 General Overview

This part identifies information specific to the applicability of the CIH, LAM, Small Grains LASH (FCIC-25430) and any other procedural issuance that may require supplemental information with regard to the malting barley insured under the MBE. Unless specifically amended, supplemented, or deleted by information in this handbook, all procedural issuances apply to the MBE Program.

52 Specific Information – CIH

The general rules of crop insurance as provided in the CIH apply to the MBE.

Written agreements that alter the terms of the MBE not allowed. A written agreement to add the MBE to an underlying policy when the MBE is not provided in the actuarial documents for the crop/county/P/T is not authorized.

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53 Loss Adjustment Manual

The duties and responsibilities identified in the LAM are adopted for the MBE Program with the following additions.

53	**Loss Adjustment Manual**
LAM Section Reference	**Supplemental Instructions**
1102A(2)(a)(v)	A blended sample is allowed for a field or subfield containing contracted and non-contracted acres.
1102A(2)(c)(ii)	Blended samples are not allowed for contracted malting barley rejected by the buyer and accepted by the AIP for quality adjustment.
1102B(1)	The buyer may determine the quality of malting barley delivered under a malting barley contract. The AIP may, at its discretion, submit sample(s) of the rejected production to an entity as further described in subparagraph (1) of 1102B(1).
1102E(4)	The parenthetical after barley is amended to read as follows: (not applicable to the additional coverage for malting barley insured under the Malting Barley Endorsement), Malting barley insured under the MBE is eligible for additional quality protection offered under the Small Grains Crop Provisions.

54 Small Grains LASH

The Small Grains LASH (FCIC-25430) applies to the MBE with the exception of the changes and additions contained in this Handbook.

LASH Reference	**Supplemental Instructions**
Exhibit 6	Small Grains Loss Adjustment Standards Form Standards - Production Worksheet SECTION I – DETERMINED ACREAGE APPRAISED, PRODUCTION AND ADJUSTMENTS
Element 31	Appraised Potential MALTING BARLEY: For any acreage that is appraised BEFORE the grain is mature, the entire appraisal will be counted. Any acreage that is appraised AFTER the grain reaches maturity may be adjusted as specified in section 8(a)(5) of the MBE. The quantity of any mature unharvested production that exceeds the difference between the contracted quantity and the accepted quantity is not eligible for adjustment under section 8(a)(5) but does qualify under section 8(a)(6).
Element 32a	MALTING BARLEY: Make no entry for malting barley insured under the MBE.
Element 35	MALTING BARLEY: a. *** Enter the ratio of LMP divided by the harvest price determined in accordance with section 4 of the MBE (to three decimal places) for mature, unharvested malting barley production which, due to insurable causes, DOES NOT meet the quality standards contained in the production contract or the SP, as applicable, that is rejected by the buyer, and does not qualify for additional quality adjustment in accordance with the quality provisions of the Small Grains CP for barley. b. Enter the result of multiplying the quality factor determined for (a) above by the QAF when the malting barley does not meet the quality standards for malting barley contained in the contract or the SP, as applicable, and as allowed by the quality adjustment statement for barley contained in the SP. Make no entry if the mature, unharvested production meets the malting barley quality standards contained in the contract or the SP, as applicable.

LASH Reference	Supplemental Instructions
Additional Requirements	NARRATIVE INSTRUCTIONS MALTING BARLEY ADDITIONAL REQUIREMENTS a. Indicate if more than one contract price is applicable. Indicate the number of bushels of production to count and the associated contract prices. b. Explain any uninsured causes, (including rejection of production by the buyer that is not accepted by the loss adjuster), or unusual or controversial cases in this item, or on an attachment. c. Explain any harvested production that is not accepted by a malting barley buyer and state the factors that make the production unacceptable. Identify whether barley is two-rowed or six-rowed (by line, if differing), and indicate the variety name. Verify that the variety is an approved malting variety as specified in a production contract.
Exhibit 6 Forms	Standards Production Worksheet SECTION II – DETERMINED HARVESTED PRODUCTION
Element 64a Value	MALTING BARLEY: Harvested production to count may be reduced or the values used to settle the claim may be adjusted as outlined in the MBE. *** a. If the malting barley fails any quality standards in the MBE and is not accepted by a buyer, enter the LMP. *** b. If the malting barley initially fails any quality standards in the MBE but is accepted by a buyer at a discounted purchase price and has not been conditioned, enter the greater of the discounted purchase price per bushel of the damaged production or the LMP.

LASH Reference	Supplemental Instructions
Element 64a Value (continued)	c. If the malting barley initially fails any quality standards specified in the MBE or price agreement but is accepted by a buyer and has been conditioned, enter the result of subtracting the conditioning cost per bushel from the harvest price for malting barley. The conditioning costs will be shown in the narrative. The cost incurred for any conditioning required to improve the quality of production so that it is marketable as malting barley may be allowed, provided the failure of such production to meet the standards is due to insurable causes and the cost of conditioning does not exceed the discount that would have been incurred had the malting barley been sold "as is". EXAMPLE: It cost \$90.00 to condition 1,000 bushels of production. The insured sold 900 bushels of conditioned malting barley. The conditioning cost per bushel is (\$90.00 ÷ 1,000 bushels) = \$0.09 per bushel. The conditioning cost per bushel is subtracted from the harvest price for the insured malting barley. The harvest price for the insured malting barley from the MBE is \$7.41. Harvest price minus average conditioning cost = \$7.32 (entered in column "64a"). The cost of conditioning cannot exceed the discount the insured would have received had they sold the barley without conditioning. For example, if the price per bushel of the production without conditioning is \$6.40 and the price for such production after conditioning is \$6.50, the cost of conditioning cannot exceed \$0.10 per bushel. In the case of conditioning, the total amount of production to count is determined as follows: Assume that 900 out of 1,000 bushels delivered were conditioned. The LMP is \$5.50 and the harvest price determined in accordance with section 4 of the MBE is \$7.41. (1) Damaged production that is not reconditioned: 100 bushels x \$5.50 ÷ \$7.41 = 74 bushels. (2) Damaged production that is reconditioned and sold as malting barley: 900 bushels X \$7.32 ÷ \$7.41 = 889.1 bushels. (3) Total production to count against the malting barley guarantee: 963.1 bushels (74 + 889.1). The harvest price minus the conditioning cost is divided by the harvest price for the insured's malting barley and multiplied by the number of bushels that is conditioned and sold as malting barley.

LASH Reference	Supplemental Instructions
Element 64b MKT Price	MALTING BARLEY: a. If the malting barley fails any quality standards in accordance with the MBE and is not accepted by a buyer, enter the harvest price for malting barley in accordance with the MBE. b. If the malting barley initially fails any quality standards in accordance with the MBE but is accepted by a buyer at a discounted purchase price and has not been conditioned, enter the contract price of the damaged production. If the malting barley initially fails any quality standards in accordance with the MBE but is accepted by a buyer and has been conditioned, enter the harvest price for malting barley in accordance with the MBE.
Element 65 Quality Factor	MALTING BARLEY: If the production listed in item 63 is not eligible for quality adjustment, make no entry. If the production is eligible for quality adjustment, enter the 3 digit factor determined by dividing column 64a by column 64b, as applicable. If a claim is filed under both the MBE and the Small Grains CP: a. Calculate the quality factor for the MBE claim. b. Record the calculation and the result in the narrative. c. Calculate the quality factor relating to the claim under the base policy. d. Record the calculation and the result in the narrative. Then calculate the final quality factor by: a. Multiply the Quality Factor for the claim under the base policy. b. Record the result in PW 65 and the calculation in the narrative. Proceed with Production-to-Count calculation per MBE.

55-59 (Reserved)

Acronyms

The following table provides approved acronyms used in this handbook.

Approved Acronym	Term
AIP	Approved Insurance Provider
APH	Actual Production History
BP	Basic Provisions
CAT	Catastrophic Risk Protection
CEPP	Commodity Exchange Price Provisions
CIH	Crop Insurance Handbook (FCIC-18010)
CP	Crop Provisions
GSH	General Standards Handbook (FCIC-18190)
EOIP	End of the Insurance Period
FCIC	Federal Crop Insurance Corporation
LASH	Loss Adjustment Standards Handbook
LAM	Loss Adjustment Manual (FCIC-25010)
LMP	Local Market Price
MBE	Malt Barley Endorsement
PASD	Product Administration and Standards Division
QLO	Quality Loss Option
RMA	Risk Management Agency
SP	Special Provisions

Definitions

The following are definitions of terms used in this handbook.

Approved Insurance Provider means the same as the term “approved insurance provider” in the Federal Crop Insurance Act. For the purposes of this handbook, Approved Insurance Provider includes managing general agents as defined in the Standard Reinsurance Agreement.

Base price means a price determined in your contract using a reference market and reference commodity for a specific futures market option month and year.

Contract means a malting barley contract, a malting barley price agreement or a malting barley seed contract.

Contract Price means the price contained in a contract between you and a buyer. The contract price is the amount specified without regard to incentives or discounts, and may be a fixed price or a base price with a premium amount.

Contracted acres means the smallest number of acres found by comparing:
(a) The result determined by dividing the quantity stated in your contract by the approved yield;
(b) The sum, if applicable, of the number of acres specified in your contract(s); or
(c) The number of insurable planted acres.

Discounted purchase price means a price less than the contract price at which a buyer agrees to purchase malting barley that fails to meet one or more of the applicable quality criteria specified in the contract or the Special Provisions, as applicable.of the MBE.

Local market price means in addition to the definition contained in the Small Grains Crop Provisions, the cash grain price per bushel for U.S. No. 2 barley on the date the malting barley production is rejected by the buyer due to its failure to meet contract specifications.

Malting barley contract means a document in writing:
(a) Between you and a buyer that is a brewery or any other buyer that produces or sells malt or malt products to a brewery, or a business enterprise owned by such brewery or business,
(b) That specifies the amount of contracted production and the purchase price or a method to determine such price; and
(c) That establishes the obligations of each party to the agreement.

Malting barley price agreement means a document in writing that meets all conditions required for a malting barley contract except that it is executed with a buyer who is not described in the definition of a malting barley contract, but who normally contracts to purchase malting barley production.

Malting barley seed contract means a document in writing between you and a buyer under which you agree to produce malting barley seed and that meets all the conditions to otherwise be considered a malting barley contract. Malting barley seed is only eligible for quality adjustment in accordance with the Small Grains CP.

Non-contracted acres means the total insurable planted acres minus the contracted acres.

Premium amount means the additional price above or below the base price for contracted production and is not an incentive that is related to the performance of the crop production (e.g. quality, timing, etc.). The premium amount must be converted to an amount per bushel if a different unit of measurement (cwt., tons) is stated in the contract. The premium amount can be positive or negative.

Qualified representative means an employee or agent of the buyer who has been trained in evaluating malting barley production to determine if such production meets the standards contained in a contract.