

CROP INSURANCE AND AFLATOXIN INFECTED CORN

- If a corn producer, who has a crop insurance policy, suspects his yield potential is below the insurance guarantee, or if he suspects aflatoxin contamination in the corn, this producer should immediately notify his insurance agent. If the producer has started harvest and finds that a truckload of grain cannot be sold because of high aflatoxin, the producer should immediately notify the insurance company of this situation. The insurance company will assign a loss adjuster to work with the producer in documenting the claim.
- If a producer has an unharvested cornfield that he believes has aflatoxin above **saleable** levels, he should ask the insurance company to sample that field and have the sample tested. If the sample contains aflatoxin above the **saleable** level, then the insurance company will notify the producer, who can then destroy the corn and will receive insurance coverage on the basis of a zero value on that corn. In such a case, the corn must be destroyed before the insurance claim will be paid.
- The maximum level of aflatoxin contamination in corn sold for human consumption is 20 parts per billion. **In some instances**, elevators will purchase corn up to 150 parts per billion at a salvage value. When corn is sold at salvage value, the insurance payments will be adjusted to account for the loss in value.
- If the insurance company samples a field and finds aflatoxins low, but the moisture content above saleable level, then both aflatoxin and moisture content must be re-evaluated at the time the farmer wants to again consider harvesting.
- The Mississippi Department of Agriculture & Commerce is required to report to the Federal Drug Administration any aflatoxin that it tests for which tests above 20 parts per billion.
- The yield adjustment factor for corn sold for salvage value is based on the salvage price and the “posted county price” for that date. The adjustment factor is the salvage price divided by the posted county price. The posted county price is provided by the Farm Service Agency (FSA) and changes daily.
- Examples of how crop insurance computes quality losses for aflatoxin contamination are attached.

Crop Insurance Examples for Figuring Quality Loss for Aflatoxin in Corn

A corn producer has a proven history of 100 bushels per acre and planted 100 acres in 1998
The FCIC Established Price for Corn is \$2.60

The insurance guarantee in bushels at various crop insurance coverage levels is:

Catastrophic (50/60)	100 acres x 100 bushels per acre x .50 = 5,000 bushels
Limited Buy-up (50/100)	100 acres x 100 bushels per acre x .50 = 5,000 bushels
Full Buy-up (65/100)	100 acres x 100 bushels per acre x .65 = 6,500 bushels
Full Buy-up (75/100)	100 acres x 100 bushels per acre x .75 = 7,500 bushels

Scenario #1

The corn is tested and found to have an aflatoxin level of 300 ppb. There is no market for the corn so it has no value. The claim is figured as:

Catastrophic insurance (50/60)	5,000 x \$1.56 = \$7,800 claim
Limited Buy-up insurance (50/100)	5,000 x \$2.60 = \$13,000 claim
Full Buy-up insurance (65/100)	6,500 x \$2.60 = \$16,900 claim
Full Buy-up insurance (75/100)	7,500 x \$2.60 = \$19,500 claim

Scenario # 2

The producer harvests 3,000 bushels of corn from his 100 acres. The corn is tested and found to have an aflatoxin level of 50 ppb. The local elevator agrees to buy the corn at a salvage price of \$1.00 per bushel. The loss adjuster contacts the County FSA Office and determines that the Posted County Price is \$2.00 per bushel on that day. To adjust the claim, we must first figure the production to count for claim purposes. To do this, a reduction in value factor is determined as:

$$\text{\$1.00 (Salvage price) / \$2.00 (posted county price) = .50 Reduction in Value}$$

Then the production is adjusted based on the Reduction in Value (RIV):

$$3,000 \text{ bushels} \times .50 \text{ RIV} = 1,500 \text{ bushels production to count}$$

Claims are computed as follows:

Catastrophic Coverage (50/60)	5,000 - 1,500 = 3,500 x \$1.56 = \$5,460 claim
Limited Buy-up (50/100)	5,000 - 1,500 = 3,500 x \$2.60 = \$9,100 claim
Full Buy-up (65/100)	6,500 - 1,500 = 5,000 x \$2.60 = \$13,000 claim
Full Buy-up (75/100)	7,500 - 1,500 = 6,000 x \$2.60 = \$15,600 claim