



# Diversified Crop Insurance Services

July 13, 2012

**RE: AFLATOXIN – CONDITIONS INJURIOUS TO HUMAN AND ANIMAL HEALTH**

**This is a brief overview and is meant to serve as a guide. All claims are subject to policy provisions. If you have additional claim-related questions, please contact your area claims supervisor.**

We have received numerous questions regarding the presence of aflatoxin in corn. The following aflatoxin guidelines are provided as an overview to the procedures governing the terms and conditions of the MPCCI Policy and loss adjustment procedures. In addition, the FDA has identified aflatoxin as a potential health hazard to both human and animals and the procedural steps noted below are required to avoid any potential injury.

## **SAMPLING REQUIREMENTS:**

Aflatoxin contamination is a covered cause of loss for insured's as long as representative samples of the grain are taken before the grain is moved into commercial, on the farm storage, or any other facility. Crop insurance coverage ends at harvest and since there is the possibility of post-harvest contamination, **samples must be taken prior to storage.**

For production that will be harvested and farm stored, and samples cannot be obtained prior to harvest – the insured must leave unharvested field representative sample areas, as designated by the Company adjuster. These representative sample areas must be left intact to allow the adjuster to remove samples for testing purposes. The adjuster will determine the size, length, and number of representative sample rows (areas).

If harvested production is delivered to commercial storage, samples must be obtained by the adjuster or a trained disinterested third party approved by DCIS (i.e. the elevator is considered qualified to take samples). With approval of DCIS, the elevator can obtain the insured's samples. The elevator must use Federal Grain Inspection Service recognized sample sizes, equipment and procedures.

**NOTE:** It will be incumbent upon the insured to pay for any expense incurred for testing/analyzing of the grain. DCIS cannot pay for this expense as it would be considered a conflict of interest.

## **APPROVED TESTING FACILITY:**

1. Analysis of the samples pulled by the adjuster or a trained disinterested third party must be performed by an approved testing facility that performs quantitative tests and the results are itemized (i.e. parts per billion-ppb).

- Criteria for Approved testing facility:

A. Performs a quantitative test that results in the production being itemized in parts per billion and the quantitative test kit must be certified by the Federal Grain Inspection Service.

B. The testing site must be a recognized commercial, governmental or university testing laboratory (including an approved testing facility on site at the delivery point, i.e. elevators). The elevator must use industry recognized sample sizes, equipment and procedures for testing the specific type of mycotoxin.

C. The testing facility must be disinterested. A disinterested testing facility is **not involved in buying or selling the production** on which the test is being determined. The facility can perform the test only if the facility does not buy or had no intention of buying the production from the insured for which it is doing the testing.

2. For harvested production delivered to the elevator but the elevator does not have the testing facilities or is not a disinterested third party. DCIS can authorize the elevator to extract a sample from each load (that can be later blended into one sample per unit). This one blended sample can be utilized for testing purposes for the unit.

- Samples can be forwarded by the elevator to an approved testing facility **WITHIN 4 DAYS (or sooner, if specified by the testing facility)** of the time the sample was taken. The samples must be packaged and transported in a container that conforms to the requirements of the testing facility. If the elevator elects not to submit the samples to the testing facility, only the adjuster or authorized representative can collect the sample from the elevator and transport to the approved facility. The samples must be stored in a cool, climate-controlled environment. The samples must be tagged in a way that will identify the insured's name, load number and unit from which the samples were obtained.

## QUALITY ADJUSTMENT OF PRODUCTION

1. For sampled production that is **unsold** (unharvested, stored on-the-farm or commercially stored, fed, used in any other manner than feed) or sold to other than a disinterested third party, we will utilize the Discount Factors (DF), as found in the respective County Actuarial Special Provisions. Other Discount Factors may also apply (i.e. test weight and/or kernel damage).

Example: Corn sample was analyzed at 60 ppb. The DF for that level of aflatoxin is 0.200.  $1.000 - 0.200 = 0.800$  Quality Adjustment Factor. Therefore, 1,000 bu. of corn would be quality adjusted to 800 bu. production to count.

2. For production harvested and **delivered/sold (without going into on-farm storage)** to a disinterested third party buyer prior to 60 days after the calendar date for the end of the insurance period, the Discount Factor will be the sum of all RIV's applied by the buyer due to all insurable quality deficiencies and that value divided by the local market price.

The Discount Factor for a Reduction in Value (RIV) is calculated dividing the RIV by the local market price (US No. 2 yellow corn). This result is subtracted from 1.000 to give us a quality adjustment factor. EXAMPLE: The buyer discounts the corn for aflatoxin at \$1.50 per bushel; the local market price is \$6.00.  $\$1.50$  divided by  $\$6.00 = 0.250$ .  $1.000 - 0.250 = 0.750$  Quality Adjustment Factor. Therefore, 1,000 bu. of corn would be quality adjusted to 750 bushels of production to count.

3. For sampled production that **exceeds 300 ppb for aflatoxin:**
  - a. For production harvested and **delivered/sold (without going into on-farm storage)** to a disinterested third party buyer, the Discount Factor will be based on the RIV applied by the buyer.
  - b. A DF of 0.500 is used for production that was farm stored and was later sold, fed or used. No other Discount Factors will be applied.
  - c. A DF of 1.000 is used if production is destroyed in a manner acceptable to us.
  - d. For production destroyed in a manner unacceptable to us, such production will not be adjusted for any quality deficiencies related to aflatoxin.
  - e. The claim will not be finalized until the grain has been sold, fed or destroyed.

4. Zero Market Value Production:

- a. The Discount Factor will be 1.000 if such production is destroyed in a manner acceptable to us.
- b. If you destroy such production in a manner unacceptable to us, such production will not be adjusted for any quality deficiencies related to aflatoxin.
- c. If you do not destroy such production, a claim will not be completed until such production is sold, fed or utilized in any other manner.