

United States
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Risk
Management
Agency

Product
Development
Division

FCIC 24150
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**2005
SILAGE SORGHUM
PILOT
UNDERWRITING
GUIDE/LOSS
ADJUSTMENT and
PREVENTED
PLANTING
PROCEDURES**

2005 and Succeeding Crop Years

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**SILAGE SORGHUM PILOT ENDORSEMENT UNDERWRITING GUIDE,
LOSS ADJUSTMENT MANUAL and PREVENTED PLANTING
HANDBOOK**

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(RESERVED)

**U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250**

FEDERAL CROP INSURANCE CORPORATION DIRECTIVE		NUMBER: XXXXXX
SUBJECT: 2005 FCIC SILAGE SORGHUM PILOT UNDERWRITING GUIDE, LOSS ADJUSTMENT MANUAL and PREVENTED PLANTING HANDBOOK	DATE: XXXXXX	
	OPI: Product Development Division	
	APPROVED: Deputy Administrator, Research and Development	

SECTION 1

1 PURPOSE

To provide instructions for establishing silage sorghum crop insurance coverage in accordance with the Pilot Silage Sorghum Endorsement for the 2005 and succeeding crop years.

1A Effective Date. Upon approval.

DISTRIBUTION Risk Management Agency Directors, Branch Chiefs, Washington, D.C., and Kansas City; Regional and Risk Compliance Field Offices; Reinsured Companies, National Appeals Division, National Crop Insurance Services and Crop Insurance Research Bureau.

SECTION 2

2 STANDARDS AND INSTRUCTIONS

2A General Information.

In general, the Federal Crop Insurance Corporation (FCIC) 18010 Crop Insurance Handbook (CIH), FCIC 25010 Loss Adjustment Manual (LAM) Standards Handbook and FCIC 25370 Prevented Planting Loss Adjustment Standards, apply to silage sorghum. Exceptions, changes, and additions are referenced in this supplement.

2B Special Instructions.

- B(1) **IF A CONFLICT EXISTS BETWEEN THE LANGUAGE OF THIS HANDBOOK AND THE CROP INSURANCE HANDBOOK (CIH), LOSS ADJUSTMENT MANUAL (LAM), OR PREVENTED PLANTING HANDBOOK (PPH), THE LANGUAGE OF THIS HANDBOOK WILL CONTROL.**
- B(2) All procedures, rules, and requirements for Category B APH crops apply to silage sorghum and are supplemented with additional instructions in this handbook.
- B(3) This handbook is written and maintained by:

Office of the Deputy Administrator for Research and Development,
Product Development Division
Kansas City, Missouri 64133
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If an error is found, notify Product Development Division (PDD) in writing at the above address. Outline the error and indicate the proposed correction. Errors may be corrected for the current crop year. Proposed changes should be submitted in writing through proper organizational channels to the PDD for consideration.

3 CHANGES AND ADDITIONS TO THE CROP INSURANCE HANDBOOK (CIH)

Changes and additions to the FCIC-18010 CIH for silage sorghum are described in this section.

3A Definitions – CIH Section 3.

- A(1) Terms, abbreviations, and definitions specific to silage sorghum and this handbook, which are not defined in Section 3 of the CIH, are defined as they appear in the text.

Buyer – Any business enterprise regularly engaged in feeding livestock for the production of fat cattle, milk, or other 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 the insured or a member of the insured's household has no financial interest. Varieties not covered under this endorsement include Sudan, Sudax, haying and grazing varieties, or any other variety not intended for the production of silage.

Coarse Grains – In lieu of the definition of coarse grains contained in Section 1 of the Coarse Grains Crop Provisions, the term coarse grains means silage sorghum for the purpose of the Pilot Silage Sorghum Endorsement.

Silage Sorghum – Dual purpose grain sorghum varieties, 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 executed between a buyer of silage sorghum and the insured on or before the final planting date for a crop year containing, at a minimum:

- (1)(a) The insured's promise to plant silage sorghum and deliver a specified quantity or the production from a specified number of acres to that buyer;
- (1)(b) The buyer's promise to purchase the stated amount of silage sorghum from the insured; and
- (1)(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 price observed in the open market (e.g., a commodity futures exchanges) to be acceptable for the purpose of this policy.

(1)(d) The price election established by using these options shall not exceed the maximum price election contained in the actuarial documents by more than \$2.00 per ton.

3B General Rules – CIH Section 4.

The following specific changes to Section 4 of the CIH are itemized below:

CIH
Section
Reference

4D(6)(b) Crop Replanting Requirements

Silage sorghum is added to the Crop Replanting Requirements table as a Coarse Grains crop.

4D(7) Late Planting (LP)

Silage sorghum is added to the Late Planting Guarantee table as a Coarse Grains crop.

4D(8) Prevented Planting (PP)/Basic Provisions

Silage sorghum is added to the Prevented Planting (PP)/Basic Provisions table as a Coarse Grains crop.

4D(8)(e) Eligible PP Acreage

Silage sorghum is added to the Eligible PP Acres by Crop table as a Coarse Grains crop.

4E(2)(b) Locations Available

Silage sorghum is added as a crop for which the High-Risk Land Exclusion Option applies. Check the county actuarial table to review the High Risk Rate Table.

3C Underwriting and APH Responsibilities (Category B & C APH Crops) – CIH Section 5.

Silage sorghum is added as a crop for which the Category B underwriting and APH responsibilities apply.

3D Category B APH Crop Procedures – CIH Section 6.

Category B APH crop procedures apply to silage sorghum. Specific changes to this Section 6 of the CIH are itemized below:

CIH
Section
Reference

6B Eligible Category B Crops and Procedures

Silage Sorghum is added as an eligible category B crop.

6J(2) Coarse Grains

Silage sorghum is added to the list of Coarse Grains for purposes of establishing APH provisions.

In addition to the other provisions contained in this section, separate silage sorghum production reports are required for practices specified in the actuarial documents.

6J(2)(a) Acceptable Supporting Records

The Silage Sorghum Loss Adjustment Standards Handbook is added as a source for silage sorghum record instructions.

6J(2)(b) Quality Adjustment

Quality adjustment is not available for silage sorghum.

6J(2)(k) Indexing Procedures for Silage Sorghum

Silage sorghum yield determination methods are based on the standard APH yield procedures with the addition of a yield indexing procedure.

The following additional information, definitions, and examples, are added to CIH section 6 J(2)(k) to be used in determining yields for silage sorghum:

6J(2)(k)

Approved (Indexed Yield).

1 General Information.

Silage sorghum production guarantees (per acre) are calculated by indexing the standard APH yield as determined for a Category B crop. The standard APH yield and county yield data are used to calculate a yield conversion factor that is multiplied by a trend yield to compute the insured's approved (indexed) yield. Rather than using a simple average of yields, this procedure provides coverage that is based on the insured's expected yield taking into account historic farmer yield relative to the historic county yield.

2 Definitions Specific to Approved Indexed Yield

Approved APH Yield – The Approved APH Yield is the producer's yield calculated in accordance with 7 CFR part 400, subpart G using standard APH procedures as described in Section 6 of the Crop Insurance Handbook.

Approved (Indexed) Yield – The insured's approved yield as defined in the Common Crop Insurance Policy Basic Provisions multiplied by the yield index.

Average County Yield – If the insured reported at least four years of actual production history, the Average County Yield is the sum of the county average yields shown in the actuarial documents for the same years for which the insured reported actual production history divided by the number of years that the insured reported. In all other cases, Average County Yield is the sum of the county average yields shown in the actuarial table for the last ten crop years divided by ten.

County Average Yield – RMA's calculation of the average productivity per acre of silage sorghum for a previous crop year. This value represents the estimated total production in tons of silage sorghum in the county divided by the estimated planted acres for a crop year.

County Expected Yield – A value included in the actuarial documents that represents RMA's estimate of the county average yield that would be achieved for the crop year under normal production conditions. This value is based on RMA's statistical analysis of the trends in production in the county.

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 the insured's approved (indexed) yield per acre

expressed in tons multiplied by the coverage level percentage the insured elected.

Yield Index – The ratio calculated by dividing the county expected yield by the average county yield.

3 Examples of Calculating Silage Sorghum Yields (Per Acre)

Example 1 – This example shows the calculation of a silage sorghum Approved (Indexed) Yield for unit A with 4 years of actual yields (i.e., no T-yields are required). The production reported for unit 00101 along with the county yields from the ADM are shown in the table below.

State: KS	Type: Brown Mid - Rib
County: Barton	Prac: IRR

YEAR	TOTAL PRODUCTION	ACRES	YIELD	YIELD TYPE	COUNTY YIELD
				A=Actual	
				Z=Zero Acreage	
19XX					
19XX					
19XX					
19XX	1800	100	18.0	A	16.0
19XX	0	0	0.0	Z	
19XX	2000	100	20.0	A	18.0
19XX	0	0	0.0	Z	
19XX	0	0	0.0	Z	
20XX	1200	100	12.0	A	10.0
20XX	1800	100	18.0	A	13.0

County Expected Yield	13.0	Approved APH Yield	17.0	Average County Yield	14.3
Yield Index	0.91	Approved (Indexed) Yield	15.5		

The Approved APH Yield shown in Example 1 is the simple average of the 4 years of actual yields shown in the column titled YIELD, i.e., it is identical to that calculated under the standard APH plan. The Average County Yield is the average of the county yields for the same 4 years reported by the insured, i.e., $(16 + 18 + 10 + 13) \div 4$.

The next step is to calculate the Yield Index. The Yield Index is equal to the County Expected Yield divided by the Average County Yield. Given the County Expected Yield of 13.0 tons (obtained from the FCI-35), the Yield Index for this unit is 0.91 $(13.0 \div 14.3)$.

The Approved (Indexed) Yield (per acre) is calculated as the Approved APH yield multiplied by the Yield Index. For unit 00101 the Approved (Indexed) Yield is $17.0 \times 0.91 = 15.5$ tons per acre.

Example 2 – This example shows the calculation of a silage sorghum Approved (Indexed) Yield for unit 00102 with only 2 years of actual yields. Hence, two T-yields must be used to complete the 4-year yield database. The production reported for unit 00102 along with the county yields from the ADM are shown in the table below. For illustrative purposes only, the variable T-yield (Yield Type = N) is assumed to equal 13.2 tons per acre.

State: KS	Type: Brown Mid - Rib
County: Barton	Prac: IRR

YEAR	TOTAL PRODUCTION	ACRES	YIELD	YIELD TYPE	COUNTY YIELD
				A=Actual	
				N=90% T-Yield	
19XX					17.0
19XX					14.0
19XX					12.0
19XX					16.0
19XX					12.0
19XX					18.0
19XX	0	0	13.2	N	16.0
19XX	0	0	13.2	N	11.0
20XX	900	100	9.0	A	10.0
20XX	1800	100	18.0	A	13.0

County Expected Yield	13.0	Approved APH Yield	13.4	Average County Yield	13.9
Yield Index	0.94	Approved (Indexed) Yield	12.6		

The calculations in Example 2 are identical to those in Example 1 except for the computation of the Average County Yield. Since unit B reported only 2 years of actual yields, the Average County Yield is based on the county yields from the most recent 10 year period.

Following the steps illustrated in Example 1 and given the County Expected Yield of 13.0 tons and the Yield Index for unit 00102 of 0.94 (13.0 ÷ 13.9), the Approved (Indexed) Yield (per acre) is 12.6 tons (13.4 x 0.94).

3F Use of the APH Form – CIH Section 9.

The following change is added to Section 9 of the CIH:

CIH
Section
Reference

9B(1) Approved APH Forms

The Approved APH Form will be used for obtaining yield reports for silage sorghum.

3G Acreage and Production Evidence Requirements (APH) – CIH Section 10.

The following change is added to Section 10 of the CIH:

CIH
Section
Reference

10C(1)(a) Farm management records

Silage sorghum is added to list of crops for which Farm Management Records as described in this section are acceptable.

3H CIH Exhibits.

The following change is added to Exhibits for the CIH:

Exhibit 1 Silage sorghum is added to the Crop Policy Information table's Coarse Grain entry.

4 ADDITIONS TO THE LOSS ADJUSTMENT MANUAL

The following changes are added for the LAM, FCIC-25010.

4A Paragraph Changes.**A(1) Paragraph 64 C (1) (a) Self Certification Replant Inspections**

Silage sorghum is added as a crop for which a self-certification replant inspection is authorized.

A(2) Paragraph 101 D

Incorporate the following: Test-weight for Silage Sorghum: See the Silage Sorghum Loss Adjustment Standards Handbook for specific instructions.

A(3) Paragraph 101 F

Incorporate the following:

Standard Weight for Silage Sorghum. See the Silage Sorghum Loss Adjustment, Standards Handbook, FCIC-XXXX.

A(4) Paragraph 107 C General Rounding Applications - Round

Silage sorghum is added to the table of general rounding applications in the same row as corn silage sample weight to be rounded in pounds to tenths (12.0, 13.8).

A(5) Paragraph 137 B Crops having automatic LP coverage are:

Silage sorghum is added as a crop having automatic LP coverage.

A(6) Paragraph 137 C Guarantee

Paragraph 137 C (a) (1) and the applicable "Note" applies to silage sorghum; i.e., the per-acre production guarantee will be reduced one (1) percent per day for each day planted after the final planting date, unless otherwise specified in the Special Provisions.

NOTE: The per-acre production guarantee is reduced a maximum of 25 percent for planting 25 days after the final planting date.

4B Exhibit Changes.B(1) Exhibit 1 Expected Market Price (Price Election)

Silage sorghum is added as a crop for which an expected market price is applicable.

B(2) Exhibit 2 Crop Policy Information

Silage sorghum information is added in the Coarse Grains section of the Crop Policy Information table.

B(3) Exhibit 4 Units of Measure

Add silage sorghum to the table of units of measure as Tons (Ton = 2,000 pounds).

5 ADDITIONS TO THE PREVENTED PLANTING HANDBOOK

The following changes are added for the Prevented Planting Handbook (FCIC-25370):

PPH
Section
Reference

4A Eligible Crops

Silage sorghum is added as a crop eligible for prevented planting coverage.

4E Production Guarantees

Silage sorghum is added as a crop with a prevented planting guarantee equal to 60, 65,* or 70* percent of the per-acre guarantee for timely planted acres.

4F(3) Maximum eligible acreage for each crop

Silage sorghum is added to the table as a crop not requiring a processor contract.