USDA United States Department of Agriculture

Risk Management Agency Fact Sheet

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Malting Barley Endorsement

Malting Barley Endorsement (MBE)

Provides additional quality protection (based on the specifications from your malting barley contract or Special Provisions if insuring under a malting barley price agreement) for malting barley acreage that is insured under the Small Grains Crop Provisions.

MBE incorporates projected and harvest prices based on your malting barley contract(s) versus using projected and harvest prices from the Commodity Exchange Price Provisions (CEPP).

You may elect either revenue protection or yield protection under this Endorsement.

Available Coverage

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

Crop Insured

If you have elected the MBE, all acreage in the county planted to malting barley that is insurable under the Small Grains Crop Provisions must be insured under this Endorsement.

Insurable Types and Practices

Includes all malting types and their associated practices that are insurable for barley under the Small Grains Crop Provisions in accordance with the actuarial documents.

Approved Malting Barley Varieties

The approved malting barley varieties 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.

You must elect an additional coverage level on the underlying Small Grains Crop Provision policy 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 Basic Provisions (high-risk land exclusion).

Eligibility Requirements

You must elect MBE in writing on or before the sales closing date if you wish to insure your malting barley under this Endorsement.

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.

You must provide the Approved Insurance Provider (AIP) with copies of all your malting barley contracts on or before the acreage reporting date applicable for your insured acres. Failure to provide at least one of your contracts requires that all planted acres be insured under the terms of the Small Grains Crop Provisions without the additional coverage provided by MBE.

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

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 you have a share.

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

In counties with both fall and spring sales closing dates, you may elect MBE until the spring sales closing date only if you 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 Basic Provisions.

Projected and Harvest Prices

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

Coverage Levels

The projected price for contracted malting barley acreage is determined as follows:

- If the contract provides a fixed price for the contracted production, the projected price is the contract price.
- If the contract provides for a premium amount above or below a base price to be determined and:
    - The base price is set on or before the acreage reporting date, the projected price is the contract price;
    - The base price is not available by the acreage reporting date, the projected price is the result of adding the premium amount to the projected price for wheat in accordance with section 10 of the MBE.
    - The base price is the price determined in the contract using the reference market and reference commodity for a specific futures market option month and year.
- If the contract provides for a premium amount above a feed barley price that is determined after the acreage reporting date, the contract price will be the result of adding the premium amount to the published projected price for barley in accordance with the Small Grains Crop Provisions.
- If there are multiple contracts, a weighted average of the projected price will be calculated for each unit by multiplying each contract price by the quantity applicable to the contract; adding those results; and dividing by the total contracted quantity.
- If there are both contracted and non-contracted acres, a weighted average projected price for each unit is calculated by multiplying the contracted acreage by its applicable projected price(s); multiplying the non-contracted acreage by the projected price for barley determined by the CEPP; adding those results; and dividing by the total 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) of the MBE, 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.

Insurance Units

Unit choices follow the yield or revenue protection coverage you have in the underlying Small Grains Crop Provision policy except whole farm units are not allowed. If your underlying policy is insured under a whole farm unit, you are not eligible for the MBE.

Insurance Period and Program Dates

The insurance period and program dates are the same as for barley that is covered under the Small Grains Crop Provisions.

Causes of Loss

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

Rejection of production by the buyer under a malting barley price agreement is also an insuredcause of loss provided such rejection is due to an insurable cause of loss as specified in the Small Grains Crop Provisions. However, in the case of a malting barley price agreement, if rejected the relevant quality standards are specified in the Special Provisions, not the quality standards in the malting barley price agreement.

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

Requirement to Document Disposition of the Crop

Notwithstanding the AIP's initial acceptance of the buyer's decision to reject certain production and payment of an indemnity, you must document to the AIP the ultimate disposition of the production on or before the sales closing date for the next crop year. If you retain any insured production after this date, the AIP may defer this requirement until such a time as the production is disposed of. If adequate documentation of the disposition of such production is not provided, it will be considered to be production accepted by the buyer. Any indemnity previously paid will be recalculated and any over-paid indemnity determined as a result must be repaid.

Quality Adjustment

Your insured acreage can qualify for two types of quality adjustment.

1) Quality Adjustment for Rejected Malting Barley

- Production under malting barley contracts may be adjusted based upon the failure to meet quality stated in the contract specifications.
- Production under malting barley price agreements may be adjusted upon the failure to meet the malting barley quality specifications in the Special Provisions.
- 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 as specified under 2) below.

Eligible contracted malting barley production rejected by the buyer is reduced by multiplying the amount of the production by the applicable harvest price of barley from the CEPP divided by the harvest price determined in accordance with section 4 of the MBE.

2) Quality Adjustment in Accordance with the Small Grains Crop Provisions
Malting barley production that has been reduced as described in (1) above plus all production under a malting barley seed contract is eligible for quality adjustment under the terms of the Small Grains Crop Provisions.

The harvest price for the soft red winter wheat in accordance with MBE section

All samples of production used to determine quality deficiencies under the MBE must be obtained in accordance with the Quality Adjustment Statements of the Special Provisions, but not later than 90 days after the end of the insurance period (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 the spring sales closing date 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.

Conditioning

If the quantity of malting barley that meets the terms of the contract can be increased by conditioning, the AIP will compensate you for the cost of the conditioning. The cost of conditioning cannot exceed the discount you would have received had you 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.

Loss Example

The following example illustrates the coverage provided under the MBE:

> Malting barley contract - 5,000 bushels
>
> Insurance plan - revenue protection
>
> Approved yield - 60 bushels per acre
>
> Share - 1.000
>
> Planted malting barley acres - 90 acres
>
> Coverage Level – 70 percent

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.

The malting barley contract provides a premium amount of minus $1.00 per bushel. The base price is not available by the acreage reporting date. The projected price for soft red winter wheat in accordance with MBE section 10 is $5.75 per bushel.

The contract price for the contracted malting barley acreage is $5.75 + (-$1.00) = $4.75 per bushel.

The projected price for barley from the CEPP is $3.40 per bushel.

The weighted average projected price for the 90acres planted to malting barley is determined as follows:

> [(83.3 acres. x $4.75) + (6.7 acres x $3.40)] ÷ 90 acres = ($395.68 + $22.78) ÷ 90 acres = $4.65 per bushel.

The revenue guarantee for the purpose of calculating the premium is

> 60.0 bu/acre x 0.70 x $4.65 = $195.30 per acre x 90.0 acres x 1.000 share = $17,577.00.

The harvest price for the soft red winter wheat in accordance with MBE section 10 is $6.00 per bu. The harvest price for malting barley under the MBE is determined as follows:

> $4.65 per bu. - $5.75.00 per bushel = -$1.10 per bushel. $6.00 per bushel - $1.10 = $4.90 per bushel.

The revenue guarantee is 60 bu/acre x 0.70 x max ($4.65, $4.90) = $205.80 per acre x 90 acres x 1.000 share = $18,522.00.

Due to drought, only 3,000 bushels are produced, of which 1,000 bushels are rejected by the buyer.

The harvest price for barley from the CEPP is $3.60. The adjusted quantity is 1,000 bu. x $3.60 ÷ $4.90 = 734.7 bushels. The quantity of production to count is 2,000 bu. + 734.7 bu. = 2,734.7 bu.

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

> (1) The revenue guarantee is $205.80 x 90.0 acres = $18,522.00
>
> (2) 2,734.7 bu. x $4.90 = $13,400.03;
>
> (3) There is only one type; thus the value of the production to count is $13,400.03;
>
> (4) $18,522.00 - $13,400.03= $5,121.97; and
>
> (5) $5,121.97 x 1.000 = $5,122 indemnity.

Where to Buy Crop Insurance

All multi-peril crop insurance, including CAT policies, are available from private insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA web site at Agent Locator.

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This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent