

UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
SMALL GRAINS CROP INSURANCE
MALTING BARLEY ENDORSEMENT



(This is a continuous Endorsement. Refer to Section 2 of the Common Crop Insurance Policy.)

In return for your payment of the premium for the coverage contained herein, this Endorsement will be attached to and made part of the Common Crop Insurance Policy and the Small Grains Crop Provisions, subject to the terms and conditions described herein.

1. Applicability.

- (a) This Endorsement operates only in those counties where coverage is offered in the actuarial documents.
- (b) You must have the Common Crop Insurance Policy and the Small Grains Crop Provisions in force to elect this Endorsement.
- (c) You must elect this Endorsement in writing on or before the sales closing date if you wish to insure your malting barley under this Endorsement. In counties with both fall and spring sales closing dates, you may elect this Endorsement until the spring sales closing date only if you do not have any fall planted acreage of malting barley. Thereafter, this Endorsement will continue from year to year subject to the terms of section 2 of the Basic Provisions.
- (d) Except when in conflict with this Endorsement, all provisions of the Basic Provisions and the Small Grains Crop Provisions apply.
- (e) 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 Basic Provisions.
- (f) Replant and prevented planting payments are based on the projected price as determined in section 4 of this Endorsement.
- (g) You may elect either revenue protection or yield protection under this Endorsement.
- (h) If you have elected this Endorsement, all acreage in the county planted to malting barley that is insurable under the Small Grains Crop Provisions must be insured under this Endorsement.
- (i) You must elect an additional coverage level on the underlying Small Grains Crop Provision policy to be eligible for this Endorsement. You are not eligible for this Endorsement if you have elected the Catastrophic Risk Protection Endorsement unless such election is made in accordance with section 3(b)(2)(ii) of the Basic Provisions.
- (j) This Endorsement will be effective for the crop year only if you provide at least one contract in the county in accordance with section 5. There is no minimum requirement for contracted acres and the contract(s) are not required to include all planted acreage of malting barley.

- (k) All planted acres of malt barley will be insured in accordance with the terms of the Small Grains Crop Provisions if you fail to provide at least one contract in accordance with section 5.

2. Definitions.

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

Brewery – A facility where malt beverages are commercially produced for human consumption.

Bushel – A unit of measure equal to 48 pounds. Quantities stated in a malting barley contract that specify a different unit of measurement (cwt., tons, etc.) will be converted to bushels for the purpose of this Endorsement.

Buyer – Any person who is in the business of acquiring malting barley, malting barley seed, or both, by contracting with agricultural producers, who has facilities appropriate to handle and store malting barley production, and who has one or more qualified representatives at the point where the contracted malting barley is received from growers.

Contract – A malting barley contract, a malting barley price agreement or a malting barley seed contract.

Contract Price – 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 – The smallest number of acres found by comparing:

- (a) The result determined by dividing the quantity of barley 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 planted acres.

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

Malt – A substance produced by germinating malting barley under controlled conditions and then drying it.

Malt products – Substances produced from malt such as malt extracts, malt powders, baker's malt, and similar substances.

Malting barley – Varieties of barley recommended for malting as specified in the Special Provisions.

Malting barley contract – 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, 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 – 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 – 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 Crop Provisions.

Non-contracted acres – The total planted acres minus the contracted acres.

Premium amount – 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 – 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.

3. Unit Division.

If the underlying Small Grains Crop Provision policy is insured under a whole farm unit in accordance with section 34 of the Basic Provisions, you are not eligible for this Endorsement.

4. Insurance Guarantees, Coverage Levels, and Prices.

In addition to section 3 of the Basic Provisions:

- (a) To determine the projected price for contracted malting barley acreage:
 - (1) If the contract provides a fixed price for the contracted production, the projected price is the contract price.
 - (2) If the contract provides for a premium amount above or below a base price to be determined and:
 - (i) The base price is set on or before the acreage reporting date, the projected price is the contract price;
 - (ii) 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 (see section 10); and
 - (3) If there is more than one contract price, we will calculate a weighted average projected price applicable to all contracted acres by:

- (i) Multiplying each contract price by the quantity applicable to the contract;
- (ii) Adding the results from (i); and
- (iii) Dividing the result from (ii) by the total contracted quantity.

- (4) If there are both contracted and non-contracted acres, we will calculate a weighted average projected price applicable to all acres by:

- (i) Multiplying the contracted acreage by the projected price determined in section 4(a)(1), 4(a)(2), or 4(a)(3) as applicable;
- (ii) Multiplying the non-contracted acreage by the projected price for barley determined by the Commodity Exchange Price Provisions;
- (iii) Adding the results from (i) and (ii); and
- (iv) Dividing the result from (iii) by the total planted acres.

- (b) The harvest price of malting barley for revenue protection will be determined by subtracting the projected price for wheat in accordance with section 10 from the projected price for malting barley determined in section 4(a), and adding that result to the harvest price for wheat in accordance with section 10. For yield protection, the harvest price is used only for quality adjustment purposes in accordance with section 8(a)(5).
- (c) If you plant acreage to fulfill a contract in multiple units or in multiple counties, we will allocate the quantity included under the contract in proportion to the acres planted and average approved yield in each unit or in each county in accordance with procedures.
- (d) The provisions of section 3(c)(5)(i) and (ii) of the Basic Provisions apply if the projected price or harvest price cannot be calculated for the current crop year under the provisions in section 10 of this Endorsement.

5. Report of Acreage.

In addition to section 6 of the Basic Provisions, you must provide us with copies of all your contracts on or before the acreage reporting date. If there are multiple contracts and one or more of the contracts are not provided by the acreage reporting date, the barley acres determined for the missing contract(s) will be considered non-contracted acres.

6. Causes of Loss.

- (a) In addition to the causes of loss specified in section 8 of the Small Grains Crop Provisions, rejection of any production by the buyer under a malting barley contract or price agreement is an insurable cause of loss provided:
 - (i) Such rejection is due to an insurable cause of loss specified in section 8(a) through section 8(h) of the Small Grains Crop Provisions;
 - (ii) The production failed to meet one or more quality requirements:
 - (A) Specified in your malting barley contract; or
 - (B) Specified in the Special Provisions in the case of a malting barley price agreement;
 - (iii) The buyer cooperates with us to demonstrate that the conditions of (i) and (ii) are met;

- (iv) All of the contracted quantity has not been accepted by the buyer; and
 - (v) All the conditions of sections 7 and 8 of this Endorsement are met.
- (b) In addition, 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 the buyer at a purchase price lower than the contract price is an insurable cause of loss provided all requirements of sections 6, 7 and 8 of this Endorsement are met.
- (c) In addition to the uninsured causes of loss in the Basic Provisions and Crop Provisions, rejection of production is not an insured cause of loss for a malting barley seed contract.

7. Notices.

In addition to your duties as specified in section 14 of the Basic Provisions, you must notify us within 72 hours of learning that malting barley production has been rejected by the buyer for failure to meet the quality terms of the malting barley contract or the malting barley price agreement.

- (a) This notice is required only for the first instance that rejection occurs.
- (b) You 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 the buyer at a purchase price lower than the contract price.

8. Settlement of Claim.

(a) In addition to section 11(b) of the Small Grains Crop Provisions, any indemnity will be determined as follows:

- (1) In addition to the terms of section 11(d)(2) of the Small Grains Crop Provisions:
 - (i) Any malting barley production that meets or exceeds the standards specified in a malting barley contract or the Special Provisions (whichever is applicable) will be considered to be accepted by the buyer. No quality adjustment will be available for such production.
 - (ii) Any malting barley production (except production insured under a malting barley seed contract) rejected by the buyer for failure to meet one or more of the quality standards of the contract due to an insurable cause may be eligible for quality adjustment as described in section 8(a)(5).
 - (iii) Any malting barley production that fails to meet one or more of the quality standards specified in a malting barley contract or the Special Provisions (whichever is applicable) but that is accepted by the buyer at a price lower than the contract price may be eligible for quality adjustment as described in section 8(a)(6).
- (2) In addition to the terms of section 11(d)(3)(i) of the Small Grains Crop Provisions, quality deficiencies may be a factor in determining your loss if production is rejected for failure to

meet the terms of a malting barley contract or the standards for a malting barley price agreement contained in the Special Provisions.

- (3) In addition to the terms of section 11(d)(3)(ii) of the Small Grains Crop Provisions, samples of the production may be obtained by the buyer.
 - (4) In addition to the terms of section 11(d)(3)(iii) of the Small Grains Crop Provisions, the samples may be analyzed by a qualified representative.
 - (5) In addition to the terms of section 11(d)(4) of the Small Grains Crop Provisions, eligible contracted malting barley production rejected by the buyer and that we determine was rejected in accordance with the terms of this Endorsement will be reduced by multiplying the amount of such production by the applicable harvest price of barley from the Commodity Exchange Price Provisions divided by the harvest price determined in accordance with section 4 of this Endorsement. This applies for both yield and revenue protection for purposes of quality adjustment on eligible rejected production only.
 - (6) In addition to the terms of section 11(d)(4) of the Small Grains Crop Provisions, eligible malting barley production that fails to meet one or more of the quality standards applicable to a malting barley contract, or a malting barley price agreement, but is accepted by the buyer at a purchase price lower than the contract price will be reduced by multiplying the amount of such production by the purchase price divided by the contract price.
 - (7) In addition to the terms of section 11(c)(1)(iii) of the Small Grains Crop Provisions, unharvested production of malting barley may be adjusted as specified in sections 8(a)(5) of this Endorsement.
 - (8) Malting barley production that has been reduced as described in sections 8(a)(5), 8(a)(6), and 8(a)(7) of this Endorsement is eligible for further reduction in accordance with the terms of the Small Grains Crop Provisions.
 - (9) The amount of any production eligible for reduction under sections 8(a)(5), 8(a)(6), or 8(a)(7) will not exceed the difference between the contracted quantity and the accepted delivered quantity.
 - (10) If the quantity of malting barley that meets the terms of the contract can be increased by conditioning, we 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.
- (b) The following example illustrates the coverage provided under this Endorsement:

You have a malting barley contract for delivery of 5,000 bushels of malting barley. You elect revenue protection to insure your malting barley. Your approved yield is 60 bushels per acre. Your share is 1.000. You plant 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.

Your 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 is \$8.00 per bushel. Accordingly, we determine the contract price for your contracted malting barley acreage is $\$8.00 + (-\$1.50) = \$6.50$ per bushel. The projected price for barley from the CEPP is \$5.25 per bushel.

You have 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 \text{ acres} \times \$6.50) + (6.7 \text{ acres} \times \$5.25)] \div 90 \text{ acres} = (\$541.45 + \$35.18) \div 90 \text{ acres} = \6.41 per bushel.

You chose the 70 percent coverage level. The revenue guarantee for the purpose of calculating the premium is

$60.0 \text{ bu./ac.} \times 0.70 \times \$6.41 = \$269.22$ per acre $\times 90.0 \text{ acres} \times 1.000 \text{ share} = \$24,229.80$.

Example 1: The harvest price for the soft red winter wheat (in accordance with section 10) is \$9.00 per bu. The harvest price for malting barley under this Endorsement is determined as follows:

$\$6.41$ per bu. - $\$8.00$ per bushel = $-\$1.59$ per bushel. $\$9.00$ per bushel - $\$1.59 = \7.41 per bushel.

The revenue guarantee is $60 \text{ bu./ac.} \times 0.70 \times \max(\$6.41, \$7.41) = \311.22 per acre $\times 90 \text{ acres} \times 1.000 \text{ share} = \$28,009.80$.

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

Your indemnity will be determined as follows:

Following the steps specified in the Small Grains Crop Provisions):

- (1) The revenue guarantee is $\$311.22$ per acre $\times 90.0 \text{ acres} = \$28,009.80$;
- (2) $3,000 \text{ bu.} \times \7.41 per bushel = $\$22,230.00$;
- (3) There is only one type; thus the total value of the production to count is $\$22,230.00$;
- (4) $\$28,009.80 - \$22,230.00 = \$5,779.80$; and
- (5) $\$5,779.80 \times 1.000 = \$5,780.00$ indemnity.

Example 2: 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 in section 6 of this Endorsement that allow us 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 harvest price for barley is \$5.50. The adjusted quantity is $1,000 \text{ bu.} \times \$5.50 \div \$7.41 = 742$ bushels. The quantity of production to count is $2,000 \text{ bu.} + 742 \text{ bu.} = 2,742$ bu.

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

- (1) The revenue guarantee is $\$311.22 \times 90.0 \text{ acres} = \$28,009.80$
 - (2) $2,742 \text{ bu.} \times \$7.41 = \$20,318.22$;
 - (3) There is only one type; thus the value of the production to count is $\$20,318.22$;
 - (4) $\$28,009.80 - \$20,318.22 = \$7,691.58$; and
 - (5) $\$7,691.58 \times 1.000 = \$7,692.00$ indemnity.
- (c) In addition to section 11(c)(2) of the Small Grains Crop Provisions:
- (1) Malting barley production meeting the minimum quality requirements contained in the malting barley contract or Special Provisions (whichever is applicable) or that is accepted by the buyer at the contract price even if not meeting such quality requirements will not be eligible for quality adjustment as described in section 8(a)(5);
 - (2) All production from any unit of malting barley in excess of the amount under contract for that unit will be included as production to count for another unit if such production meets the terms of the contract for the other unit;
 - (3) Malting barley production that does not meet the minimum quality requirements contained in the malting barley contract or Special Provisions (whichever is applicable) due to insurable causes will be eligible for quality adjustment as described in section 8(a)(5) provided all conditions for an insurable cause of loss are met; and
 - (4) All samples of farm stored production used to determine eligibility for quality adjustment as described in section 8(a)(5) must be obtained in accordance with the terms of the Special Provisions and this Endorsement, but not later than 30 days after the end of the insurance period, otherwise such production will not be adjusted for quality.
 - (5) If the harvested production is delivered to a buyer or put into commercial storage within 30 days after the end of the insurance period, samples to determine the quality deficiencies must be taken at time of the delivery to be

eligible for quality adjustment as described in section 8(a)(5).

- (6) We may, at our sole discretion, submit samples of any rejected production to any grain grader or laboratory of our choice for verification that the deficiencies, substances, or conditions causing rejection do fail to meet the specifications contained in the malting barley contract or the Special Provisions.
- (d) Notwithstanding our initial acceptance of the buyer's decision to reject certain production and payment of an indemnity, you must document to us the ultimate disposition of the production on or before the spring sales closing date for the next crop year.
 - (1) If you retain any insured production after this date, the AIP may defer this requirement until such a time as you dispose of the production.
 - (2) Such production will not be eligible for the quality adjustment described in section 8(a)(5) if you fail to provide such documentation or if the documentation demonstrates the production was sold or used for any purpose other than livestock feed.
 - (3) Any indemnity previously paid to you will be recomputed accordingly and you must repay the amount of any indemnity we determine to have been overpaid.
 - (4) Acceptable evidence of ultimate disposition is a bill of sale from a non-related third party that is not involved in the procurement of barley for malting purposes.
 - (5) Said bill of sale must include the quantity sold and the amount you were paid for the production.
 - (6) If you have fed such production to livestock that you own, you must provide supporting records to show that the total quantity of barley used for the livestock operation at least equals the quantity in question.

9. Written Agreements.

Written agreements that alter the terms of this Endorsement are not permitted.

10. Price Discovery.

- (a) In accordance with section 4 of this Endorsement and in addition to the Commodity Exchange Price Provisions, this section specifies the type of wheat, the commodity exchange, and the price discovery period to be used for determining the projected price and harvest price for contracted malting barley.
- (b) The projected price for malting barley under this Endorsement may not exceed the applicable projected price for barley under the Commodity Exchange Price Provisions multiplied by 2.50.
- (c) The type of wheat, the contract month, and the futures contract exchange to be used for establishing the projected price and the harvest price for contracted malting barley are soft red winter wheat, the September contract pertaining to the crop year, and the Chicago Board of Trade.
- (d) The projected price discovery period for the fall planted malting barley type using the contract

specified in (c) is August 15 through September 14 of the calendar year preceding the crop year.

- (e) The projected price discovery period for the spring planted malting barley type using the contract specified in (c) is February 1 through the last calendar day of February of the calendar year of the crop year.
- (f) The harvest price discovery period for all malting barley types using the contract specified in (c) is August 1 through August 31 of the calendar year of the crop year.