

# AFLATOXIN FACT SHEET

(2012 Crop Year)

Aflatoxin is a fungus whose population increases in hot dry weather, and will have a greater impact on corn that has been produced under stress conditions, such as drought. Do those circumstances sound familiar?

As many of us are painfully aware, hot dry weather and drought conditions have impacted a huge percentage of this year's corn crop. As a result, concern has been steadily growing with regard to potential Aflatoxin contamination, and this concern is certainly valid. However, Aflatoxin is a quality deficiency that is covered under your Multi-Peril Crop Insurance policy, and the Great American Insurance Company (GAIC) Claims Team stands ready to help you understand the crop insurance rules in relation to your farm management decisions, as well as continue our long tradition of top-notch claims service.

The next several paragraphs will walk you through the technical aspects of what the crop insurance procedures require when your crop is contaminated with Aflatoxin. We encourage you to read the information below to glean an understanding of your options. ***If you discover or suspect that your crop has Aflatoxin, contact your Agent as soon as possible.*** Your Agent will submit a Notice of Loss to GAIC, and our Adjuster will contact you to gather information and discuss how best to proceed.

## **Obtaining Samples:**

In order to provide consideration for Aflatoxin when calculating your crop insurance claim, it is necessary for us to obtain samples of the crop and send those samples to be graded at an approved testing facility. Due to the possibility of an Aflatoxin contamination increasing in storage, these samples must be obtained prior to your crop being stored. If samples are not obtained prior to storage of your crop, we cannot include Aflatoxin damage when calculating your final production to count. Your Adjuster may provide a few options for obtaining samples of your crop, which include:

- Obtaining samples prior to harvest
- Obtaining samples from Representative Sample Areas (a.k.a Strips)
  - Your Adjuster must provide prior authorization to leave strips
- If your crop will be delivered to an elevator, samples can be obtained from each load delivered. The samples can either be pulled by GAIC's Adjuster or, if authorized by your Adjuster, an elevator representative.

## **Submitting & Grading Samples:**

Once samples have been obtained, GAIC's Adjuster, or the elevator if authorized, will submit the samples to an approved testing facility. Approved testing facilities can include commercial, governmental and university labs that perform quantitative tests using industry recognized testing equipment, procedures, etc., as long as they are also a disinterested third party. In other words, a test performed at an elevator where you plan to sell your grain cannot be used for crop insurance purposes, since the elevator would not qualify as being disinterested.

The test results will inform us whether Aflatoxin is present, and to what extent the crop is contaminated. Your crop insurance policy begins covering Aflatoxin once it exceeds an action/advisory of the Food & Drug Administration (FDA), another U.S. public health organization or the State public health agency, whichever is lowest. To avoid confusion, currently we cover Aflatoxin contamination once it exceeds the FDA action/advisory level of 20.0 parts per billion (ppb). If the test results indicate an Aflatoxin contamination that exceeds 20ppb, GAIC's Adjuster will discuss several factors that can have an impact on your crop insurance claim.

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**If your production was transported directly from the field to the buyer, or directly to commercial storage, AND:**

- **The production is sold prior to February 8<sup>th</sup>, 2013\***
  - We will calculate a Discount Factor by dividing the Local Market Price into the Reduction In Value applied by the buyer.

**EXAMPLE - USING A REDUCTION IN VALUE (RIV):**

Aflatoxin = 50.0 ppb

Local Market Price = \$7.25

RIV applied by the buyer = \$1.00

Discount Factor = .138 ( $\$1.00 \div 7.25$ )

Quality Adjustment Factor(QAF) = .862 ( $1.000 - .138$ )

Assuming that your Gross Production was 10,000bu, we would calculate you net production to count by taking 10,000 gross bu. X .862(QAF) = 8,620 net bu. to count

- **The production is unsold prior to February 8<sup>th</sup>, 2013\***
  - We will use a pre-established Discount Factor, as shown in your county's Special Provisions, unless you elect to delay claim settlement.

The pre-established Discount Factors are as follows:

Aflatoxin Range	Discount Factor
0.1 – 20.0 ppb	.000
20.1 – 50.0 ppb	.100
50.1 - 100.0 ppb	.200
100.1 – 200.0 ppb	.300
200.1 – 300.0 ppb	.400
300.1 ppb & above	Discussed below

Note: The above chart values can be added to any applicable Discount Factors associated with Section A or B2 of your county's Special Provisions (i.e. a discount factor for low test weight).

**EXAMPLE - USING PRE-ESTABLISHED DISCOUNT FACTOR CHART:**

Aflatoxin = 50.0 ppb

The production is in commercial storage, is unsold on the date of your final adjustment (i.e. December 20<sup>th</sup>, 2012), and you elect NOT to delay claim settlement.

Discount Factor from chart for 50.0 ppb = .100

Quality Adjustment Factor (QAF) = .900 ( $1.000 - .100$ )

Assuming that your Gross Production was 10,000bu, we would calculate you net production to count by taking 10,000 gross bu. X .900(QAF) = 9,000 net bu. to count

- You may elect to delay settlement of your claim up to 60 days after the Calendar Date for the End of the Insurance Period. (In most areas, this will allow you to extend settlement until February 8<sup>th</sup>, 2013; however, you should check the policy language for your county to be sure).

This delay may allow you time to sell your production, in which case, we will use an RIV to settle your claim instead of the pre-established discount factor chart. However, if your production remains unsold on February 8<sup>th</sup>, 2013, we will settle your claim using the pre-established discount factor chart, as shown above.

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## EXAMPLE - WHEN AN INSURED CHOOSES TO DELAY CLAIM SETTLEMENT:

Aflatoxin = 50.0 ppb

The production is in commercial storage and is unsold on the date of your final adjustment (i.e. December 20, 2012); however, you inform GAIC's Adjuster that you would like to delay claim settlement.

You subsequently sell your production on February 1<sup>st</sup>, 2013.

Since the grain was sold prior to February 8<sup>th</sup>, 2013, we will use an RIV to settle your claim as follows:

Local Market Price = \$7.25

RIV applied by the buyer = \$1.00

Discount Factor = .138 ( $\$1.00 \div 7.25$ )

Quality Adjustment Factor(QAF) = .862 ( $1.000 - .138$ )

Assuming that your Gross Production was 10,000bu, we would calculate you net production to count by taking 10,000 gross bu. X .862(QAF) = 8,620 net bu. to count

- **The production remains unsold on February 8<sup>th</sup>, 2013:**
  - We will use a pre-established discount factor, as explained above.

## **If your production is or was in on-farm storage, is in commercial storage but was not transported directly from the field, was fed/utilized in any other manner, or was sold to someone that does not qualify as a disinterested third party**

- We will use a pre-established discount factor, as explained above.

## **If your production's Aflatoxin level exceeds the pre-established Discount Factor chart's maximum (i.e. 300.1 ppb and above), AND:**

- **The production was sold after being transported directly from the field, or was transported directly from the field to commercial storage prior to being sold**
  - We will calculate a Discount Factor by dividing the Local Market Price into the Reduction In Value applied by the buyer.
- **The production was in on-farm storage at any time before being sold, was fed, utilized in any other manner, or was sold to someone that does not qualify as a disinterested third party**
  - We will use a Discount Factor of .500
    - No other Section A or B Discount Factors can be included (i.e. DF for low test weight)
- **The production is destroyed in a manner acceptable to GAIC**
  - We will use a Discount Factor of 1.000 (i.e. zero production to count)
- **The production is destroyed in a manner that is NOT acceptable to GAIC**
  - No quality adjustment allowed for Aflatoxin, or any other Mycotoxin/Substance covered under section C of the Special Provisions
- **NOTE: Production that exceeds the maximum level allowed (i.e. 300.1 ppb) must be sold, fed, used or destroyed before your claim can be settled.**

It is our opinion that the above fact sheet will cover the majority of scenarios that you will encounter; however, for simplicity's sake, some scenarios have been left out. We encourage you to stay in close contact with your Agent and GAIC Adjuster when Aflatoxin is discovered or suspected.

The information contained in this fact sheet is to be used for informational purposes only. Nothing contained in this fact sheet is meant to conflict with approved crop insurance policy or procedure