

## Special Provisions of Insurance

### 2011 and Succeeding Crop Years

|                 |                             |                          |
|-----------------|-----------------------------|--------------------------|
| Year: 2011      | Commodity: Safflower (0049) | State: South Dakota (46) |
| Date: 11/5/2010 | Plan: APH (90)              | County: Corson (031)     |

#### Program Dates for Insurable Types and Practices

| Sales Closing Date    | Earliest Planting Date                | Final Planting Date | Acreage Reporting Date | Premium Billing Date |
|-----------------------|---------------------------------------|---------------------|------------------------|----------------------|
| 3/15/2011             | 3/25/2011                             | 5/20/2011           | 6/30/2011              | 10/1/2011            |
| <b>Type</b>           | <b>Practice</b>                       |                     |                        |                      |
| No Type Specified 997 | Irrigated 002                         |                     |                        |                      |
| No Type Specified 997 | Non-Irrigated 003                     |                     |                        |                      |
| No Type Specified 997 | Organic(Certified) Irr. 702 *2        |                     |                        |                      |
| No Type Specified 997 | Organic(Transitional) Irr. 712 *2     |                     |                        |                      |
| No Type Specified 997 | Organic(Certified) Non-Irr. 713 *2    |                     |                        |                      |
| No Type Specified 997 | Organic(Transitional) Non-Irr. 714 *2 |                     |                        |                      |

#### Statement

##### General

Contact your agent regarding possible premium discounts, options, and/or additional coverage that may be available.

##### Practice

- \*2 Acreage and production history from certified organic or transitional acreage will be contained in separate APH databases. Each APH database will include production and acreage from any applicable buffer zone. Any yearly average APH yields, for the most recent four crop years only, from the transitional acreage database will be used in place of Transitional Yields (T-yields) to establish the certified organic APH database. A variable T-yield will be used to complete the database, if required.

##### Quality

##### GENERAL STATEMENTS:

Subparagraph 11 (d) (3) (ii) of the Safflower Crop Provisions does not apply. In lieu of subparagraph 11 (d) (2) of the Safflower Crop Provisions, safflower will be eligible for quality adjustment if it has a musty, sour, or commercially objectionable foreign odor or if it has a test weight below 35 pounds per bushel or has kernel damage in excess of 25 percent. Production is also eligible for quality adjustment if substances or conditions are present, including mycotoxins, that are identified by the Food and Drug Administration or other public health organizations of the United States as being injurious to human or animal health.

The following sections only apply to safflower production for the insured crop.

The Quality Adjustment Factor (QAF) is 1.000 minus the sum of the applicable Discount Factors (DF) expressed below as three-place decimals. The sum of all applicable DFs will be limited to 1.000. Only the quality adjustment factors contained herein are considered in determining production to count. The production to count remaining after any reduction due to excessive moisture (in accordance with the applicable Crop Provisions), is multiplied by the QAF (not less than zero) to determine net production to count.

Production qualifying for quality adjustment, that does not contain substances or conditions that are injurious to human or animal health, shall be adjusted under section A or B, but not both.

Unless the AIP grants an extension of time to harvest as specified below, the samples of production used to determine insurable quality deficiencies under sections A, B and C must be obtained in accordance with this Quality Adjustment Statement, but not later than 60 days after the calendar date for the end of the insurance period (EOIP).

For any production qualifying under section B or C (except for section C3) that is sold\*\*\*\* to other than a disinterested third party\*\*, or that is not sold 60 days after the calendar date for the EOIP, we will settle your claim using the applicable DFs. If the production is later sold, we will not recalculate or adjust your claim for indemnity.

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For production qualifying under section B or C (except for production qualifying under section C3) that is unsold 60 days after the calendar date for the EOIP, an automatic 30 day extension will be allowed only for the purpose of submitting your claim for indemnity, unless an extension of time to harvest has been granted under the general statements below.

The DF for production qualifying for quality adjustment containing substances or conditions that are injurious to human or animal health will be determined in accordance with section C. For production qualifying for quality adjustment under:

- a Section C1 or C2 and section A below, the DF will be determined by adding the applicable DFs from section A to the applicable DFs from section C1 or C2.
- b Section C1 or C2 and section B below, the DF will be determined by adding the applicable DFs from section B to the applicable DFs from section C1 or C2.
- c Section C3, the DF will be determined under section C3 only. No additional DFs from section A or section B will be included.

#### 1 OPTION TO DELAY CLAIM SETTLEMENT:

- a On the date of final inspection for the unit, if any of your unsold\*\*\*\*\* production qualifies for quality adjustment under sections B and/or C 1 or 2 below, your claim will be settled using the applicable DF's for unsold production unless you elect in writing to delay settlement of your claim for up to 60 days after the calendar date for the EOIP.
- b If you sell the production to a disinterested third party during this delay, your claim will be settled using the Reduction In Value (RIV) as outlined below, unless the production qualifies under section C (except for production containing Vomitoxin only) and has been in on-farm storage.
- c At any time during this delay in settlement, you may request in writing to settle your claim for any unsold production using the applicable DFs.
- d For any production sold\*\*\*\* to other than a disinterested third party\*\*, or that is not sold 60 days after the calendar date for the EOIP, we will settle your claim using the applicable DFs.
- e If the production is later sold, we will not recalculate or adjust your claim for indemnity.
- f If the time to harvest has been extended as stated below, this option will not apply beyond 60 days after the calendar date for the EOIP.
- g This option will not apply to any production qualifying under section C 3.

#### 2 ADDITIONAL EXTENSION OF TIME TO SUBMIT A CLAIM

Regardless of any extension of time to submit a claim provided in this quality adjustment SPOI statement, you also have the right to request an additional extension of time to submit a claim for indemnity in accordance with section 14 of the Basic Provisions.

#### 3 EXTENSION OF TIME TO HARVEST

If we determine you are prevented from harvesting by the calendar date for the EOIP due to an insurable cause of damage that occurred during the insurance period and we allow an extension of time to harvest, the time to determine insurable quality deficiencies will also be extended. If you harvest the crop prior to 60 days after the calendar date for the EOIP, your claim will be settled in accordance with sections A, B, or C as applicable unless you elected to delay settlement of your claim, in which case, refer to 1 above. If you were unable to harvest your crop until AFTER 60 days after the calendar date for the EOIP, and your production qualifies for quality adjustment under sections B1, C1a or C2ai, you will be allowed 30 days after harvest to market your grain and receive an RIV unless the production qualifies solely under section A, in which case, only the DF(s) in section A will be used. If the production is not sold within this 30 day period, the claim will be settled using the applicable pre-established DF. You must complete and submit a claim for indemnity not later than the earlier of 60 days after harvest, or 60 days after the date we determine the crop could have been harvested and you did not harvest. If your production qualifies under section C3, your claim will be settled as specified in section C3.

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#### 4 DELAY IN MEASUREMENT OF FARM STORED PRODUCTION

If you elect to delay measurement of farm stored production as provided in the Basic Provisions, all samples of farm stored production used to determine insurable quality deficiencies must be obtained in accordance with this Quality Adjustment Statement, but not later than 60 days after the calendar date for the EOIP, otherwise such production will not be adjusted for quality. All samples obtained to test for substances or conditions injurious to human or animal health (other than vomitoxin) must be taken prior to production entering storage. For Vomitoxin only, samples for testing may be obtained from storage. Your claim will be settled using the applicable DFs for the quality deficiencies determined by us not later than 60 days after the calendar date for the EOIP. The gross amount of production will be determined by us not later than 180 days after the EOIP. Your claim will be completed and submitted no later than 30 days after the 180th day.

#### 5 FAIR CONSIDERATION TO DELIVER TO DISTANT MARKETS

Except as allowed in paragraph 7 6 b below, fair consideration to deliver sold production to a distant market is allowed only when there are no buyers in your local market area willing to purchase the production and is only applicable for the types and levels of damage included in sections B1, C1a, C2ai, C3ai and C3bi below. The amount of fair consideration allowed will only be an amount that is reasonable, usual, and customary. Fair consideration is not allowed for production that is unsold, sold to other than a disinterested third party, fed, utilized in any other manner, or when a pre-established DF is applicable.

#### 6 ZERO MARKET VALUE

If on the date of final inspection for the unit, any production which due to insurable causes is determined to have zero market value\*\*\*, such production will not be considered production to count if the production is destroyed in a manner acceptable to us (see section D). Fair consideration may be used in the determination of zero market value, except for production fed or used in any other manner.

#### 7 REDUCTION IN VALUE (RIV):

No RIV will be made or accepted by us if it is due to:

- 1 Moisture content;
- 2 Damage due to uninsured causes;
- 3 Drying;
- 4 Handling;
- 5 Processing; or
- 6 Any other costs associated with normal harvesting, handling, and marketing of your production.
  - a RIVs cannot be used in combination with chart DFs.
  - b If a lower RIV is available for production sold at a distant market, the RIV at the distant market may be increased by the fair consideration to deliver the production to the distant market, provided the resulting RIV does not exceed the RIV in your local marketing area.
  - c If the RIV can be decreased by conditioning the production, the RIV may be increased by the cost of conditioning provided such cost is reasonable, usual, and customary and the resulting RIV does not exceed the RIV before conditioning.
  - d The RIV and local market price\* are determined on the date such quality adjusted production is sold to a disinterested third party.

#### SECTION A – DISCOUNT FACTOR CHARTS

On the date of final inspection for the unit, the discount factors are determined using the following charts. If the DF for any

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one qualifying level of deficiency is not shown on the charts in this section, then determine all DFs using section B or C as applicable.

#### DAMAGE DISCOUNT:

Discounts for excessive kernel damage (excluding heat damage) as follows:

| Damage %     | DF    | Damage % | DF    | Damage % | DF            |
|--------------|-------|----------|-------|----------|---------------|
| 25 and below | None  | 29.01-30 | 0.491 | 34.01-35 | 0.625         |
| 25.01-26     | 0.385 | 30.01-31 | 0.518 | 35.01-36 | 0.652         |
| 26.01-27     | 0.411 | 31.01-32 | 0.545 | Above 36 | See Section B |
| 27.01-28     | 0.438 | 32.01-33 | 0.572 |          |               |
| 28.01-29     | 0.465 | 33.01-34 | 0.598 |          |               |

#### SAMPLE GRADE DISCOUNTS:

Discounts for sample grade factors are as follows:

|            |       |
|------------|-------|
| Musty Odor | 0.053 |
| Sour Odor  | 0.053 |
| COFO       | 0.075 |

#### SECTION B – DEFICIENCY NOT IN DISCOUNT FACTOR CHARTS

DFs included in section A are not used if production meets requirements under this section. For production that has a test weight below 35 pounds per bushel, a kernel damage above 36 percent, on the date of final inspection for the unit adjust production as follows:

- 1 If sold to a disinterested third party prior to 60 days after the calendar date for the EOIP, the DF will be the sum of all RIVs applied by the buyer (provided the RIVs are reasonable, usual, and customary) due to all insurable quality deficiencies, and that value divided by the local market price. Production receiving an RIV for sprout damage will not also receive an RIV for falling numbers.
- 2 For unsold production or production sold to other than a disinterested third party prior to 60 days after the calendar date for the EOIP, the DF will be .500 (unless you elect to delay settlement as specified in the General Statements above).
- 3 If unsold 60 days after the calendar date for the EOIP, fed, utilized in any other manner or is sold to other than a disinterested third party the DF will be .500.

#### SECTION C - SUBSTANCES OR CONDITIONS THAT ARE INJURIOUS TO HUMAN OR ANIMAL HEALTH

The sum of all DFs for production containing substances or conditions that are injurious to human or animal health is allowed, in addition to applicable DFs from section A or B above, except as shown in C3 below.

Any potential loss due to substances or conditions identified by the Food and Drug Administration, other public health organizations of the United States, or a public health agency of the applicable State in which the insured crop is grown, at a level determined as injurious to human or animal health, will be covered only if the appropriate samples of the production were obtained by our adjuster (or a trained disinterested third party approved by us), and the analysis was performed by an approved laboratory using quantitative tests.

For production that contains substances or conditions determined to be injurious to human or animal health, adjustments will be made for levels of substances or conditions in excess of the amount allowed by the lower of the following:

- a The action or advisory level of the Food and Drug Administration; or
- b Another public health organization of the United States; or
- c A public health agency of the applicable State in which the insured crop is grown.

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For production that will be stored on the farm, or in commercial storage (except for production containing Vomitoxin), the appropriate samples must be obtained prior to the production entering storage, otherwise such production will not be adjusted for such quality deficiencies listed in section C. For Vomitoxin only, samples for testing may be obtained from storage.

- 1 For production containing Vomitoxin only (no other section C deficiencies are present) qualifying under section C and that has a level of 10.0 ppm or less, adjust the production in the following manner. If on the date of final adjustment for the unit, the production is:
  - a Sold to a disinterested third party prior to 60 days after the calendar date for the EOIP, the DF will be the sum of all RIVs applied by the buyer (provided the RIVs are reasonable, usual, and customary) due to all insurable quality deficiencies, and that value divided by the local market price.
  - b For unsold production or production sold to other than a disinterested third party prior to 60 days after the calendar date for the EOIP, the DF will be the applicable DFs shown in the chart below (unless you elect to delay settlement as specified in the General Statements above) added to the applicable DFs included in section A or B2 above.
  - c Unsold 60 days after the calendar date for the EOIP, fed, utilized in any other manner, or is sold to other than a disinterested third party, the DF will be the applicable DFs shown in the chart below added to the applicable DFs included in section A or B3 above

DFs for Vomitoxin:

| <b>Vomitoxin Range</b> | <b>DF</b>    |
|------------------------|--------------|
| 0.1 – 5.0 ppm          | .000         |
| 5.1 – 10.0 ppm         | .450         |
| 10.1 ppm & above       | See C3 below |

- 2 For production containing substances or conditions, other than Vomitoxin, that qualifies under section C with an Aflatoxin level of 300 ppb or less, or other substances or conditions with a level less than the maximum allowable, adjust the production in the following manner.
  - a If on or before the date of final adjustment for the unit, the production was transported directly from the field to the buyer, or transported directly from the field and put into commercial storage without going into on farm storage, the DF will be:
    - i For production sold to a disinterested third party prior to 60 days after the calendar date for the EOIP, the sum of all RIVs applied by the buyer (provided the RIVs are reasonable, usual, and customary) due to all insurable quality deficiencies, and that value divided by the local market price.
    - ii For unsold production containing Aflatoxin prior to 60 days after the calendar date for the EOIP, the applicable DFs shown in the chart below in section C2b (unless you elect to delay settlement as specified in the General Statements above), added to the applicable DFs included in section A or B2 above.
    - iii For unsold production containing Aflatoxin 60 days after the calendar date for the EOIP, the applicable DFs shown in the chart below in section C2b, added to the applicable DFs included in section A or B3 above.
    - iv For unsold production containing all other mycotoxins or substances or conditions prior to 60 days after the calendar date for the EOIP (unless you elect to delay settlement as specified in the General Statements above), the DFs will be .500, except as stated in section C3 below. This DF will be added to the applicable DFs included in section A or B2 above.
    - v For unsold production containing all other mycotoxins or substances or conditions 60 days after the calendar date for the EOIP, the DFs will be .500, except as stated in section C3 below. This DF will be added to the applicable DFs included in section A or B3 above.
  - b If on the date of final adjustment for the unit, the unsold production is in on-farm storage, is in commercial storage but was not transported directly from the field, was fed or utilized in any other manner, was in on-farm storage and has been sold, or was sold to other than a disinterested third party, we will use the applicable DFs shown in the

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chart below, except as stated in section C3 below. This chart DF will be added to the applicable DFs included in section A or B2 above.

DFs for Aflatoxin:

| <b>Aflatoxin Range</b> | <b>DF</b>    |
|------------------------|--------------|
| 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      | See C3 below |

- 3 For production that has an Aflatoxin level in excess of 300 ppb, a Vomitoxin level in excess of 10 ppm, or any other substances or conditions qualifying under section C having a level exceeding the maximum amount allowed, a claim will not be completed until all such production is sold, fed, utilized in any other manner, or destroyed. An automatic 30 day extension will be allowed for you to submit your claim for indemnity, following the date we determine the production was sold, fed, utilized in any other manner, or destroyed. On the date of final adjustment for the unit, the following will apply (if such production is Zero Market Value, see section D):
  - a For production containing Vomitoxin only (no other section C deficiencies are present), the DF will be:
    - i The RIV applied by the buyer (provided the RIVs are reasonable, usual, and customary) due to all insurable quality deficiencies, and that value divided by the local market price for production sold to a disinterested third party; or
    - ii .500 for production, fed, utilized in any other manner, or sold to other than a disinterested third party. No other DF from section A or B will be included.
  - b For production containing Aflatoxin or any other substances or conditions (except for production containing Vomitoxin as detailed in section C3a above), the DF will be:
    - i The RIV applied by the buyer (provided the RIVs are reasonable, usual, and customary) due to all insurable quality deficiencies, and that value divided by the local market price for production sold to a disinterested third party. Such production must have been transported directly from the field to the buyer, or transported directly from the field and put into commercial storage prior to being sold.
    - ii .500 for production that was in on-farm storage and was later sold, was in on-farm storage and was transported to commercial storage and later sold, was fed, was utilized in any other manner, or was sold to other than a disinterested third party. No other DF from section A or B will be included.
  - c If production qualifying under section C3 is destroyed in a manner acceptable to us, the DF will be 1.000. For production destroyed in a manner unacceptable to us, such production will not be adjusted for any quality deficiencies listed in section C.

#### SECTION D – ZERO MARKET VALUE PRODUCTION

For production listed in sections A, B, or C that we determine has zero market value due to insured quality deficiencies:

- 1 The DF will be 1.000 if such production is destroyed in a manner acceptable to us.
- 2 If you do not destroy (or refuse to destroy) production in a manner acceptable to us, such production to count is no longer considered to be zero market value and will be adjusted as follows:
  - a For production in section A – the pre-established DFs.
  - b For production in section B – .500.
  - c For production in section C1 or C2, such production will not be adjusted for any quality deficiencies listed in section C.

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- 3 If you destroy production qualifying under section C3 in a manner unacceptable to us, such production will not be adjusted for any quality deficiencies listed in section C. If you do not destroy (or refuse to destroy) such production, a claim will not be completed until such production is sold, fed, utilized in any other manner, or destroyed. An automatic extension of time will be allowed for you to submit your claim for indemnity.
- \* "Local Market Price" as defined in the applicable Basic, Crop, or these Provisions.
- \*\* "Disinterested third party" as defined in the applicable Basic, Crop, or these Provisions. In addition to the definition of "Disinterested third party", a person or business who does not routinely purchase production for resale or for feed will not be considered a disinterested third party if the RIVs applied by the buyer are not reflective of the RIVs in the local market.
- \*\*\* "Zero market value" occurs when no buyers in your local marketing area are willing to purchase the production and fair consideration to deliver production to a market outside your local marketing area (distant market) is equal to or greater than the production's value at the distant market.
- \*\*\*\* "Sold" – Grain is considered sold on the date that final settlement between the buyer and seller has occurred and title of the grain has passed from the seller to the buyer.
- \*\*\*\*\*"Unsold" – Grain that does not meet the definition of "sold."