

Loss Adjustment Procedures for Aflatoxin

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Moisture stress, insect damage, and high-temperature stress are major contributing factors in aflatoxin contamination in certain unharvested crops. Aflatoxin contamination can be harmful to humans and animals at certain levels. The U.S. Food and Drug Administration (FDA) has established action levels for aflatoxin present in food or animal feed. Post-harvest aflatoxin contamination can increase during storage and if crop drying is delayed. The commodities with the highest risk of aflatoxin contamination are corn, peanuts, and cottonseed.

If aflatoxin is in your corn crop you may receive:

- no discounts;
- varying discounts; or
- a destruction order.

The Food and Drug Administration (FDA) has no published action levels or use restrictions for crops with 0 to 20.0 parts per billion (ppb) of aflatoxin. Therefore, crop insurance policy provisions do not provide quality adjustments for levels below 20.1 ppb.

If you think your insured crop has aflatoxin, contact your crop insurance agent **before** you:

- harvest the grain;
- put the grain in storage; or
- deliver it for sale.

Your insurance provider will:

- take samples for testing; and
- submit them to an approved aflatoxin testing facility.

Because aflatoxin can worsen in storage, aflatoxin losses are only insurable if:

- the grain is tested at an approved testing facility **before** being moved into commercial or on-farm storage; or
- your insurance provider asks you to leave representative sample areas of the unharvested

crop for taking samples for testing.

Losses not covered under the crop insurance policy include:

- losses due to an increase in the aflatoxin level while in farm storage; and
- losses that cannot be determined because proper testing was not completed.

Refer to the applicable *Special Provisions of Insurance* for the most current policy on testing.

The FDA, or another Government agency, may require the destruction of crops with more than 300 ppb. If you destroy the crop in an acceptable manner, you will be paid for a full loss. Please ask your approved insurance provider about acceptable ways to destroy your crop before doing so.

If the crop qualifies for quality adjustment (test results are over 20.0 ppb), you may receive the actual reduction in value (RIV) if:

- You deliver your crop to a buyer directly from the field; **or**
- You put it in commercial storage without the crop going into farm storage, and the crop is sold not later than 59 days after the calendar date of the end of the insurance period to a disinterested third party.

You can find aflatoxin discount factors on a chart in the *Special Provisions of Insurance*. The *Special Provisions of Insurance* contain information, such as quality adjustment factors, which are part of your insurance policy.

Claims will not be settled for production that contains levels of aflatoxin over the maximum amounts shown in the *Special Provisions of Insurance* until the crop is sold to a disinterested third party, fed, used, or destroyed.

If you are concerned about placing aflatoxin-infected grain in storage or about efforts to reduce the spread of aflatoxin within grain storage facilities, you should contact local agricultural experts. You should contact your crop insurance agent or approved insurance provider if you have questions about your crop insurance coverage or responsibilities.

Criteria for Approved Testing Facilities

Testing facilities meeting the criteria below can be considered “approved testing facilities” for crop insurance.

1. An approved testing facility must be able to perform quantitative tests on grain, itemizing results in parts per billion. Test kits used must be certified by the USDA Grain Inspection, Packers and Stockyards Administration (GIPSA). (<http://www.gipsa.usda.gov/fgismain.html>)
2. The facility must be a recognized commercial, government, or university testing lab that uses industry-recognized sample sizes, equipment, and procedures for testing aflatoxin. Please visit the GIPSA Web site above for approved testing facilities.
3. The facility must be a disinterested testing facility. The facility must not be involved in buying or selling the type of grain that is being tested.

Talk to your crop insurance provider or agent for more information.

Example: Assume 1,000 bushels of corn with 45.0 ppb of aflatoxin are delivered directly from the field to a disinterested third-party buyer not later than 59 days after the calendar date of the end of the insurance period. The local market discount (RIV) for 45.0 ppb is \$1.50 per bushel, and the local market (spot cash) price is \$4.25 per bushel.

$$\begin{array}{rcl}
 \$1.50 & \text{(RIV)} & \\
 \div \$4.25 & \text{per bushel} & \\
 \hline
 0.353 & \text{discount factor (DF)} & \\
 \\
 1.000 & & \\
 - 0.353 & \text{DF} & \\
 \hline
 0.647 & \text{quality adjustment factor (QAF)} &
 \end{array}$$

$$\begin{array}{rcl}
 1,000 & \text{bushels delivered} & \\
 \times 0.647 & \text{QAF} & \\
 \hline
 647 & \text{bushels (production to count)} &
 \end{array}$$

Example: Assume 1,000 bushels of corn with 220.0 ppb of aflatoxin (tests taken before on-farm storage) were in on-farm storage and have been sold. Since the crop was not transported directly from the field to the buyer, the claim must be settled using the discount factor charts in the *Special Provisions of Insurance (SPOI)*.

$$\begin{array}{rcl}
 0.400 & \text{DF from SPOI chart} & \\
 \\
 1.000 & & \\
 - 0.400 & \text{DF} & \\
 \hline
 0.600 & \text{QAF} & \\
 \\
 1,000 & \text{bushels delivered} & \\
 \times 0.600 & \text{QAF} & \\
 \hline
 600 & \text{bushels (production to count)} &
 \end{array}$$

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