

# **CROP INSURANCE DECISIONS & MARKETING STRATEGIES**



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## **Presentation Objectives**

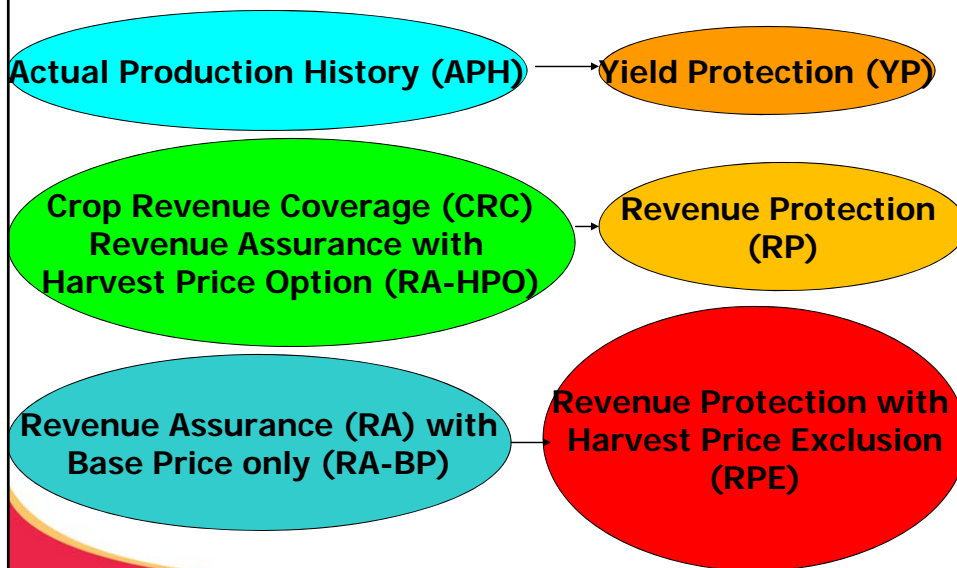
- Highlight the new Common Crop Insurance Policies (CCIP) or COMBO
- Review Crop Insurance Changes for 2011 and Related Decisions before March 15<sup>th</sup>
- Highlight 2010 Policies Utilized, Levels of Coverage and Historical Projected vs. Harvest Prices
- Compare Crop Revenue Guarantees and Farmer Paid Premiums; Forecast 2011 Guarantees
- Highlight 2011 New Crop Futures Charts & Planted Acreage Uncertainty
- Summarize 5 Crop Insurance Strategies & 5 Related Web Sites

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## Common Crop Insurance Policy (CCIP)

- In effect for 2011 crops
- Combines old policies plans and automatically converts to new policies
- Simplifies guarantees and payments
- Clarifies enterprise and whole farm units
- Clarifies replant and prevented planting.

## 2011 Common Crop Insurance Policies



## Yield Protection (YP)

- Same as old APH (or MPCl) policy
- No change to APH yield determination
- Projected price is the average closing futures price during February  
(same as for revenue protection coverage)
  - Corn: December futures average closing price
  - Soybeans: November futures average closing price
- Catastrophic coverage is 55% of projected price and 50% of APH yield
  - \$300 per crop administrative fee only.

## Revenue Protection (RP)

- Same as old CRC and RA-HPO
- No change to APH yield determination
- Projected price is the average closing futures price during the month of February
- Harvest price is average during October of futures prices (RA corn used the month of November)
- Final guarantee is based on the higher of the February or October average closing price
- No price election—must take 100%
- Revenue guarantee can be 65%--85%
- No catastrophic coverage.

## Revenue Protection with Harvest Price Exclusion (RPE)

- Same as old RA or IP policy
- Final guarantee is based on the February futures price only
- No increasing guarantee if price rises
- No catastrophic coverage
- Insured must “opt out” of Harvest Price.

## Replant Payments & Prevented Planting

- Replant payments are no longer based on actual costs
- Corn: 8 bu/A x February Projected Price
- Soybeans: 3 bu/A x February Projected Price
- Prevented Planting based on Projected Price only (February average); not the higher of February or October average closing prices.

## Premium Changes for 2011

- Only one rating system for all Policies
- Similar to the old RA rating system
- RP premium > RPE premium > YP premium
- 2011 Premiums will be Higher than 2010, since Projected Prices will be roughly 40% Higher
  - 2010 Projected Prices (Spring):
    - \$3.99/bu Corn vs. Dec. '11 Corn Futures in February
    - \$9.23/bu Soybeans vs. Nov. '11 Soybean Futures average in February.

## Enterprise Units

- Available for YP, RP and RPE
- Must include at least 2 sections
- CRC used acres instead of sections
- At least 2 sections must have acres equal to or greater than the lesser of 20 acres or 20% of the total.

## Crop Insurance Premium Subsidies

Coverage level	RA and CRC subsidy rate	New rate for Enterprise Units	New rate for Whole Farm
60%	64%	80%	not available
65%	59%	80%	80%
70%	59%	80%	80%
75%	55%	77%	80%
80%	48%	68%	71%
85%	38%	53%	56%

## Enterprise Unit (EU) Advantages

- Fits well with consistent yield histories across all farm ground
- Generally, the more acres you combine into one unit, the lower the cost per acre
- Premium savings allows higher levels of coverage (ie. move from 75% to 80% level)
- Acres in more than one section makes it easier to qualify for Replant and Prevented Planting.



## Enterprise Unit (EU) Disadvantages

- Probability of collecting an indemnity payment is lower
- Insured has inconsistent APHs or variability in farm ground and crop rotations
- Farm ground is dispersed throughout a county
- Increases the need for additional crop hail coverage should localized losses occur
- Irrigated and non-irrigated crops must be combined
- Crop disease and quality issues could arise.



## Biotech Endorsement (BE) Qualifications

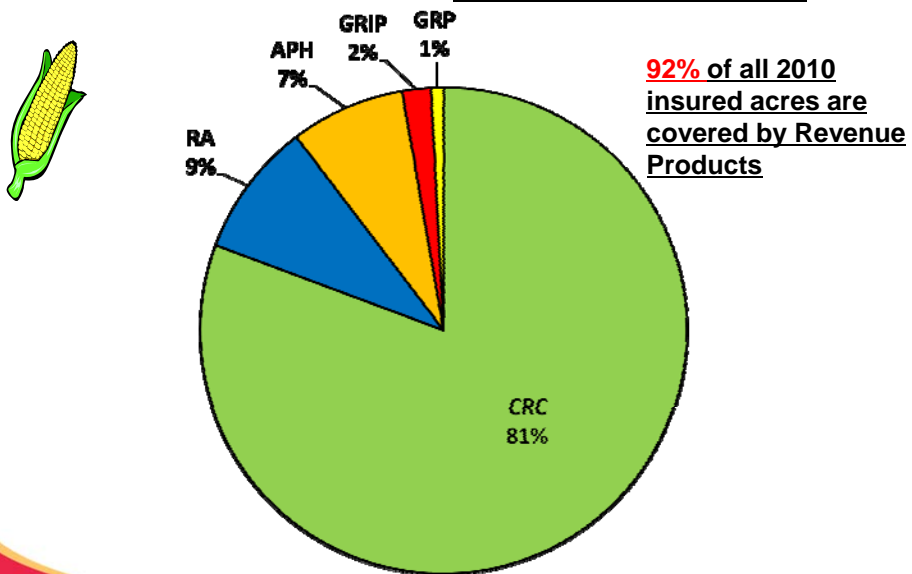
- Does not apply to high risk land
- 75% of the acres per unit must be planted to qualifying hybrids
- Customer must complete certification form and provide seed invoices by FSA acreage reporting deadline (typically June 30<sup>th</sup> or July 15<sup>th</sup>)
- Producer must keep track of where corn is planted by unit.



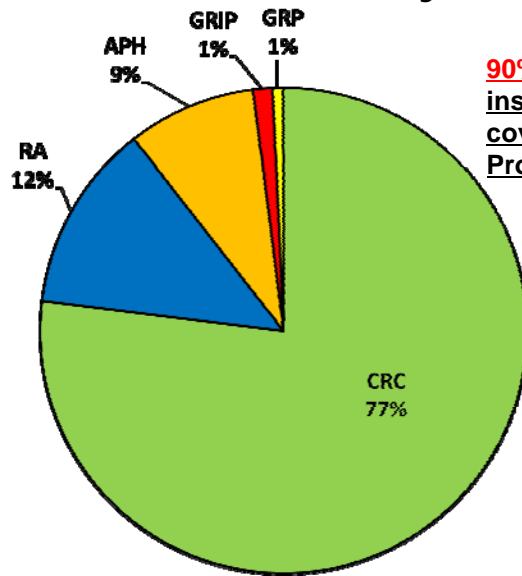
## 2011 Crop Insurance Reminders

- Update your 2010 APH yields to allow your agent to better determine your 2011 guarantees
- Notify your agent of any Entity Changes or Added/Deleted farm ground
- Insureds recordkeeping has become more important with 2008 Farm Program and 2010 Standard Reinsurance Act (SRA) changes
- APH yields are used for crop insurance as well as both the SURE and ACRE programs. Insured should be keep yield records for up to 3 years (including the current year)
- Crop insurance policy entity type and Tax ID and/or SSN number needs to match FSA documentation.

## 2010 Policies for Iowa Corn Acres



## 2010 Policies for Iowa Soybean Acres

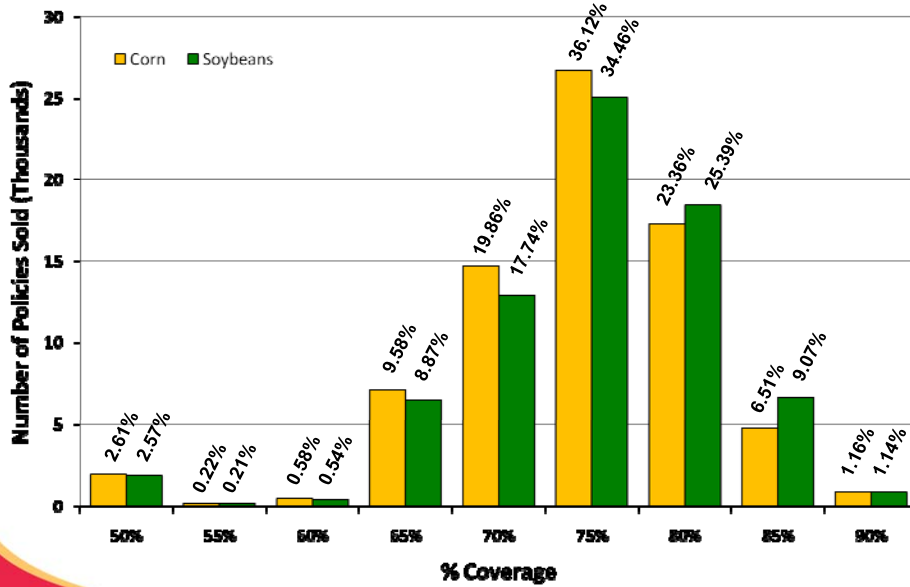


**90% of all 2010 insured acres are covered by Revenue Products**

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Source: USDA Risk Management Agency, October 2010

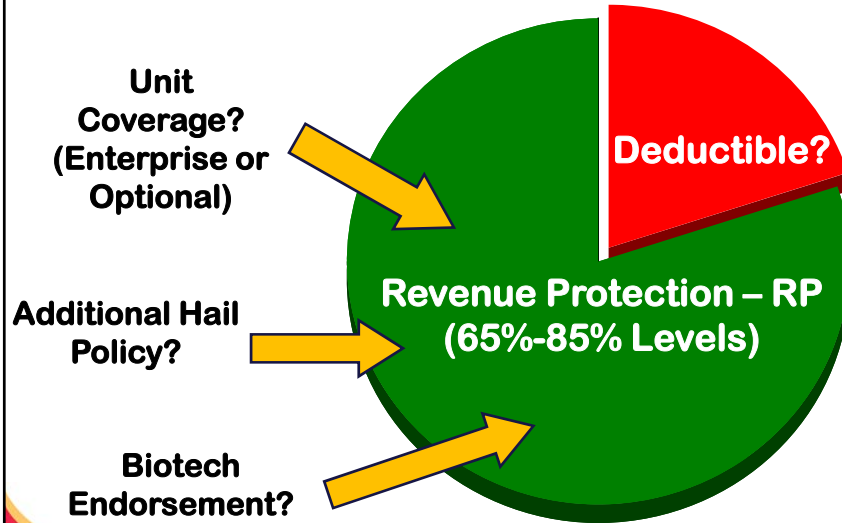
## Level of Coverage for Iowa Corn Acres - 2010



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Source: USDA Risk Management Agency, October 2010

## 2011 Crop Insurance Decisions



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Source: Johnson, ISU Extension, February 2011

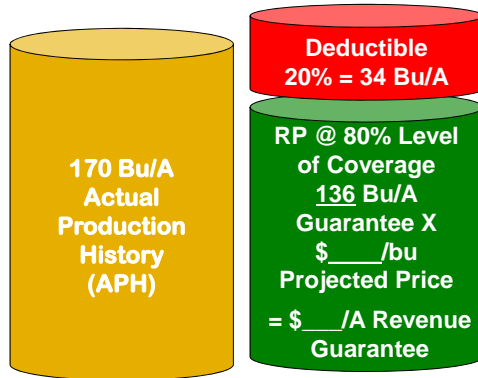
## Leveraging Your Revenue Protection



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Source: Johnson, ISU Extension, February 2011

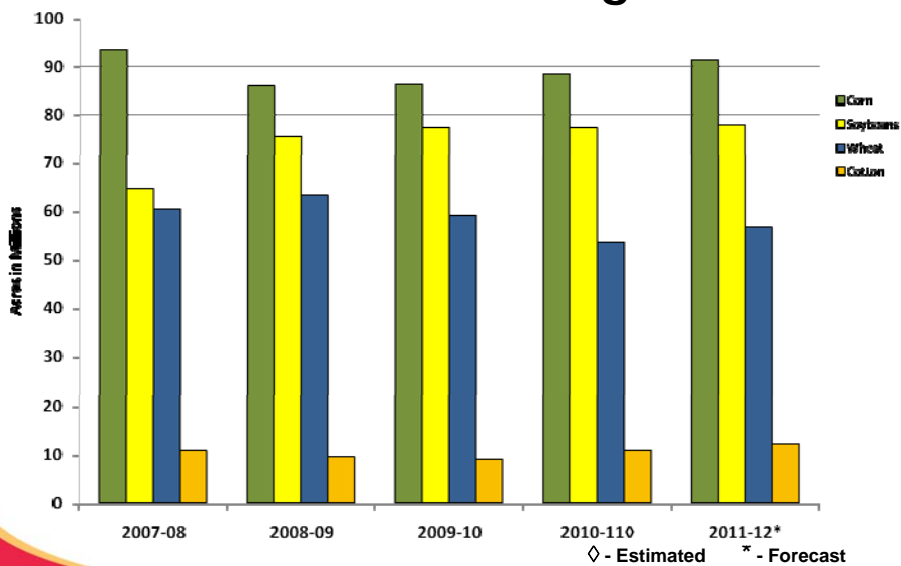
## Corn Revenue Protection (RP) Example



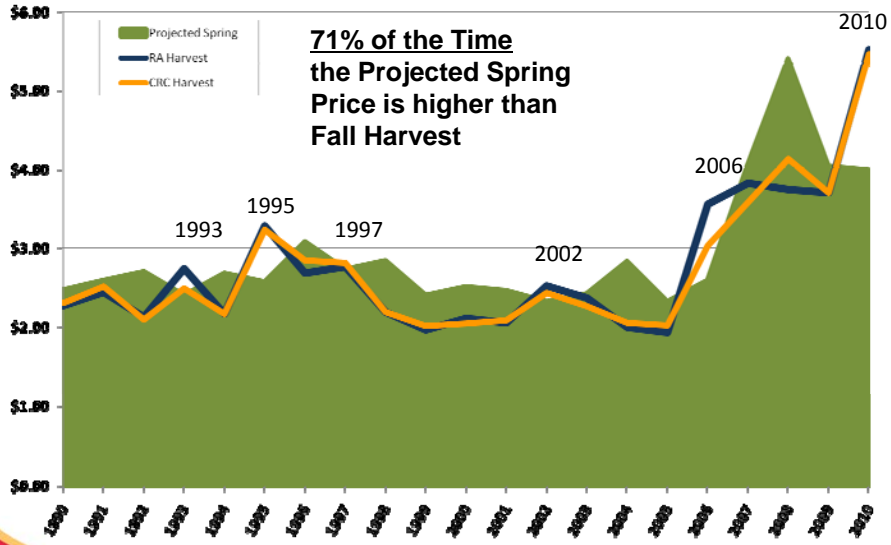
### Marketing Strategy

- Pre-Harvest Sell for Delivery up to 136 Bu/A
- Price Guarantee is Higher of the Projected Price vs. Harvest Price
- Slight Basis Risk

## 2011 U.S. Planted Acreage Forecast



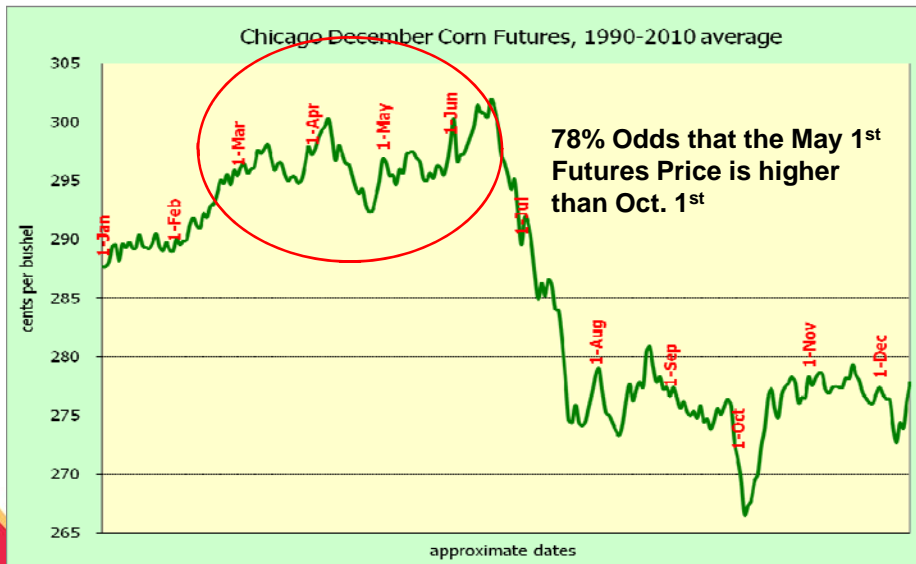
# Corn Historical Crop Insurance Prices



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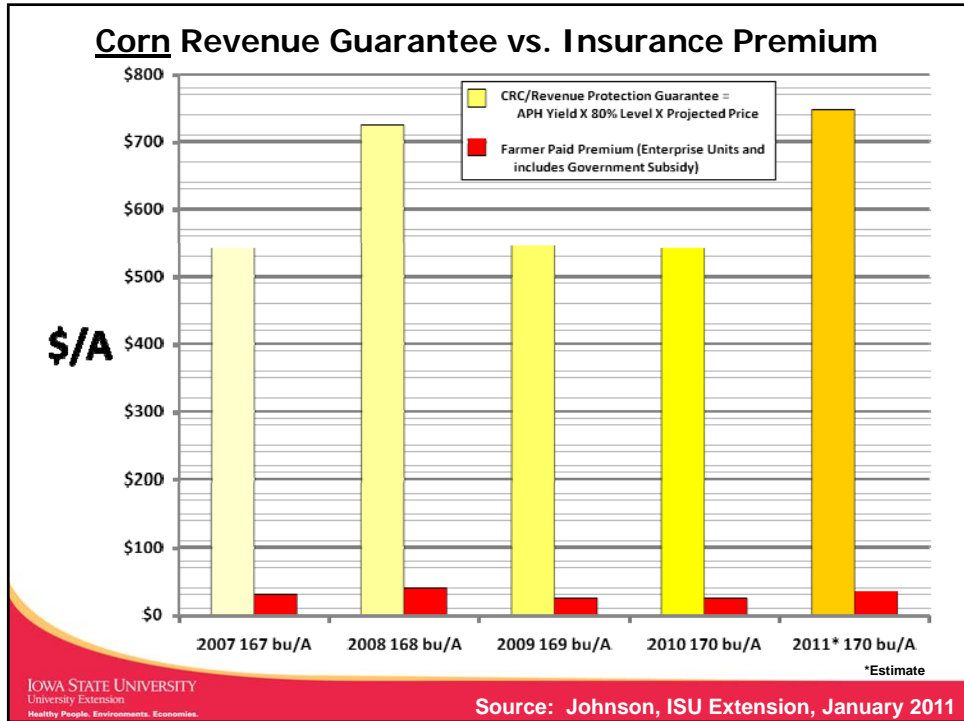
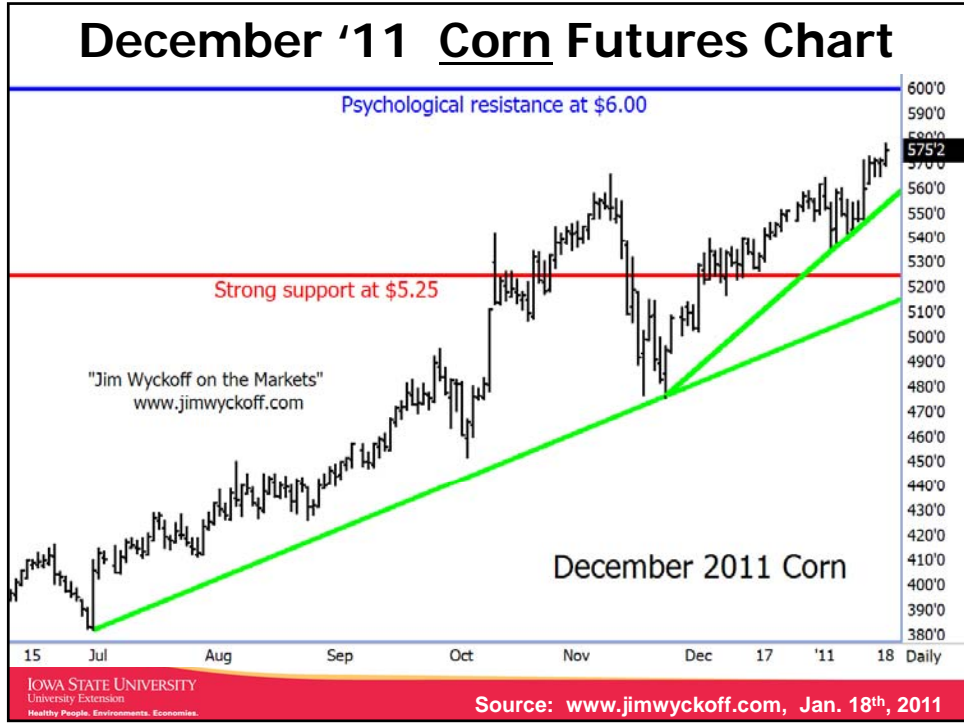
Source: USDA Risk Management Agency, December 2010

# December Corn Seasonal Trend

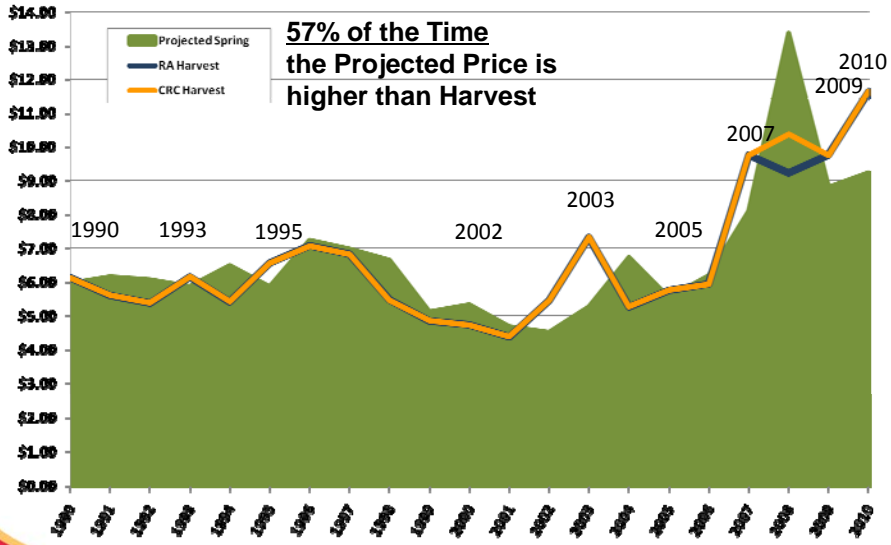


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Source: [www.cmegroup.com](http://www.cmegroup.com) U of MN, CFM, 2010



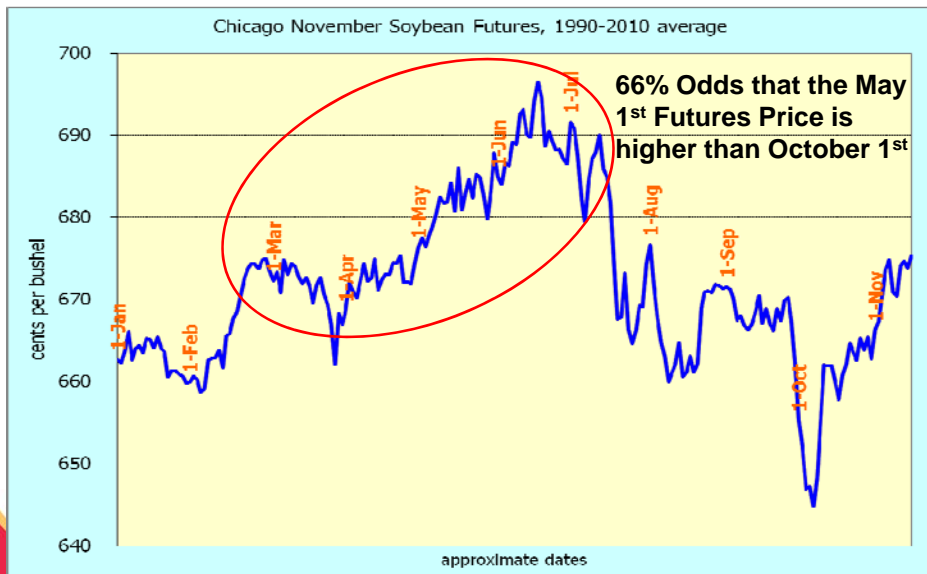
## Soybean Historical Crop Insurance Prices



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Source: USDA Risk Management Agency, December 2010

## November Soybean Seasonal Trend



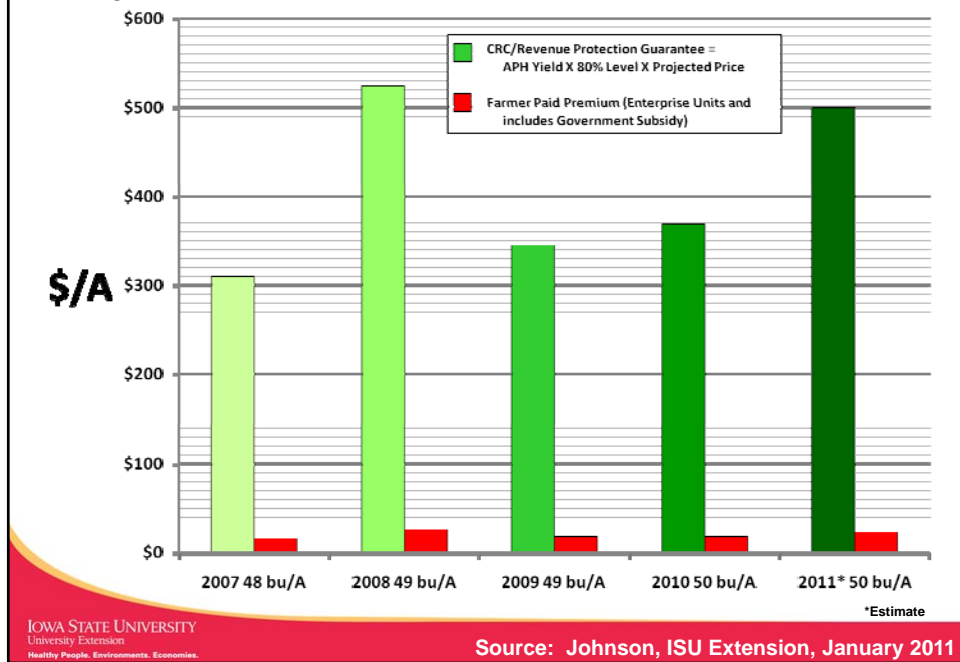
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Source: [www.cmegroup.com](http://www.cmegroup.com) U of MN, CFM, 2010

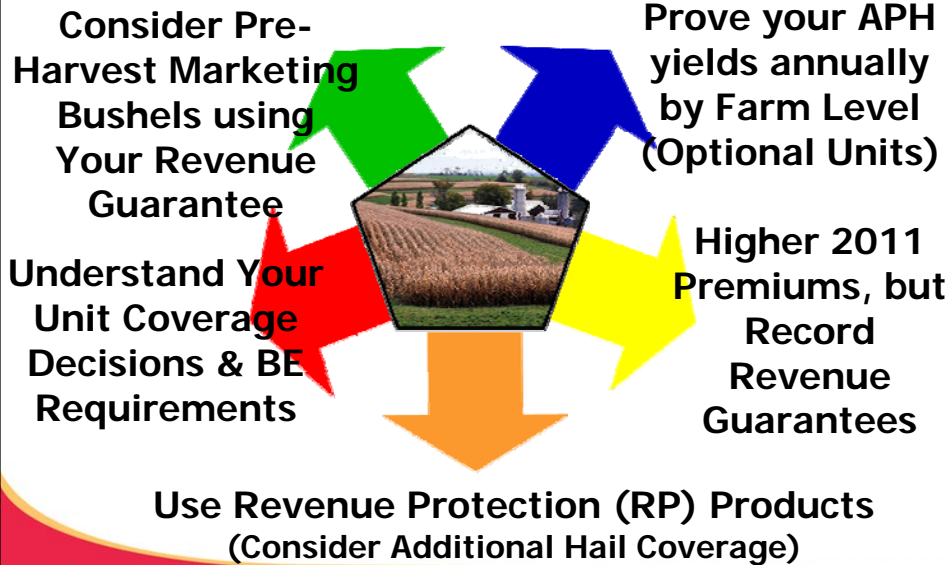
# November '11 Soybean Futures Chart



## Soybean Revenue Guarantee vs. Insurance Premium



## 5 Crop Insurance Strategies



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Source: Johnson, ISU Extension, January 2011

## 5 Crop Insurance Web Sites

- **Crop Risk Management - ISU Polk County**  
(Crop Marketing Newsletter & Crop Insurance Updates, Webcasts)  
[www.extension.iastate.edu/polk/farmmanagement](http://www.extension.iastate.edu/polk/farmmanagement)
- **USDA Risk Management Agency (RMA)**  
[www.rma.usda.gov](http://www.rma.usda.gov)
- **Ag Manager – K-State Extension**  
[www.agmanager.info](http://www.agmanager.info)
- **Farm Doc – U. of Illinois Extension**  
[www.farmdoc.illinois.edu](http://www.farmdoc.illinois.edu)
- **Ag Decision Maker – ISU Extension**  
(Decision Tools, Newsletters, Publications and Voiced Media)  
[www.extension.iastate.edu/agdm](http://www.extension.iastate.edu/agdm)

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Source: Johnson, ISU Extension, February 2011