

# **CROP INSURANCE DECISIONS & MARKETING STRATEGIES**



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**Steven D. Johnson**

Farm & Ag Business Management Specialist

(515) 957-5790

[sdjohns@iastate.edu](mailto:sdjohns@iastate.edu)

[www.extension.iastate.edu/polk/farmmanagement.htm](http://www.extension.iastate.edu/polk/farmmanagement.htm)

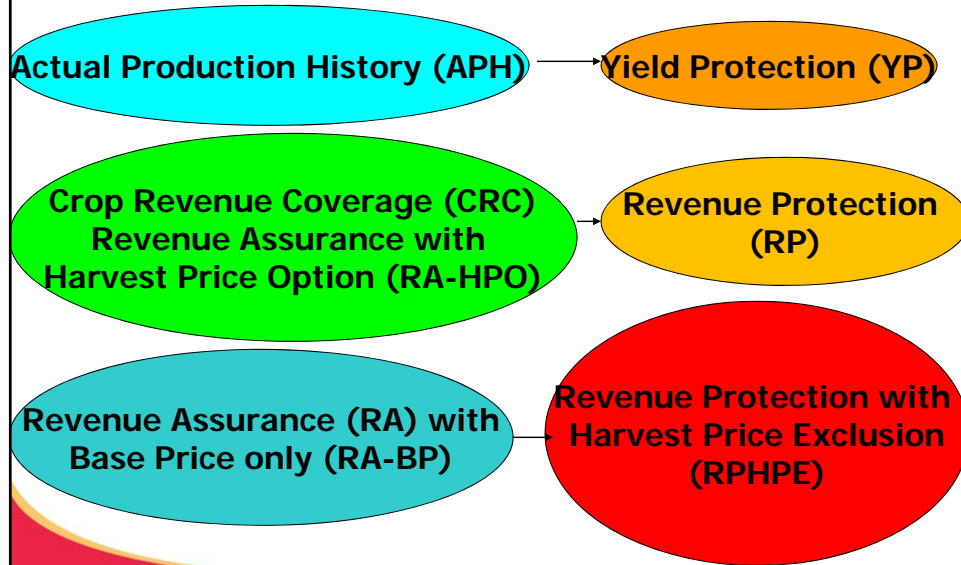
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## **Presentation Objectives**

- **Review Crop Insurance Changes for 2011 and Related Decisions before March 15<sup>th</sup>**
- **Update 2011 Crop Price Outlook & Crop Insurance Revenue Guarantees**
- **Demonstrate the Ability to Pre-Harvest Sell for Delivery New Crop Using Revenue Protection (RP) Insurance Coverage**
- **Highlight 2011 Crop Cost Estimates, Crop Revenue & Crop Margin Forecasts**
- **Provide 5 Crop Risk Management Strategies & 5 Related Websites**

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## New Farm-Level Coverage Names



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Source: USDA Risk Management Agency, Oct. 2010

## Premium Changes for 2011

- **Only one rating system for all Policies**
- **Similar to the old RA rating system**
- **RP premium > RPHPE premium > YP premium**
- **2011 Premiums will be Higher than 2010, since Projected Prices increased by roughly 50%:**
  - 2010 Projected Prices (February Average):
    - \$3.99/bu Corn vs. Dec. '11 Corn Futures in February
      - Current 2011 Estimate: \$ **6.01**/bu.
    - \$9.23/bu Soybeans vs. Nov. '11 Soybean Futures average in February
      - Current 2011 Estimate: \$ **13.49**/bu.

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Source: USDA RMA Website, March 2011

## Yield Protection (YP)

- Same as old APH (or MPCI) policy
- No change to APH yield determination
- Projected price is the average closing futures price during February  
(same as for revenue protection)
  - Corn: December contract
  - Soybeans: November contract
- 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 of October futures price (RA corn used November)
- Final guarantee is based on the higher of the February or October price
- No price election—must take 100%
- Revenue guarantee can be 65%--85%
- No catastrophic coverage.

## Revenue Protection with Harvest Price Exclusion (RPHPE)

- 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.

## Enterprise Unit Qualification

- Available for YP, RP and RPHPE
- At least 2 sections must have acres equal to or greater than the lesser of 20 acres or 20% of the total
- Sections can be aggregated
- CRC used acres instead of sections.

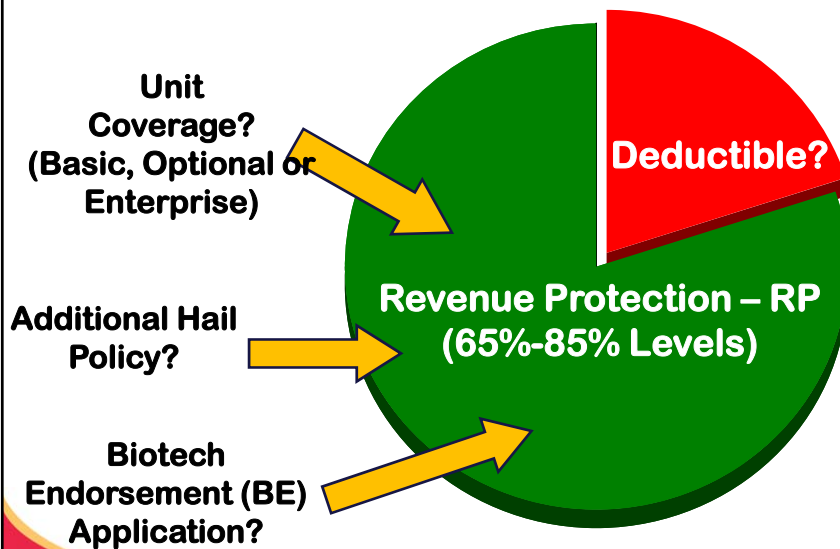
## Same Crop Insurance Premium Subsidies

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%

## 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.

## 2011 Crop Insurance Decisions



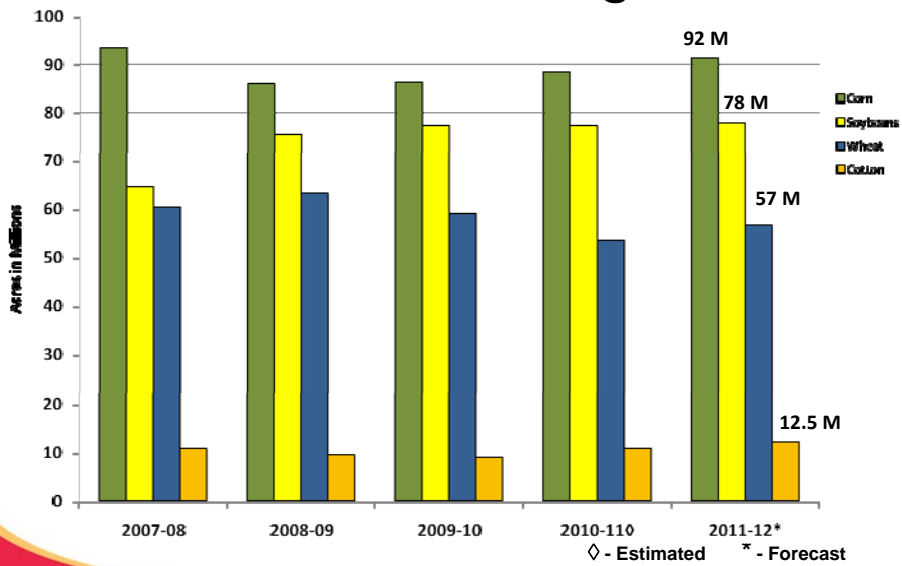
# Leveraging Your Revenue Protection



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Source: Johnson, ISU Extension, March 2011

# 2011 U.S. Planted Acreage Forecast

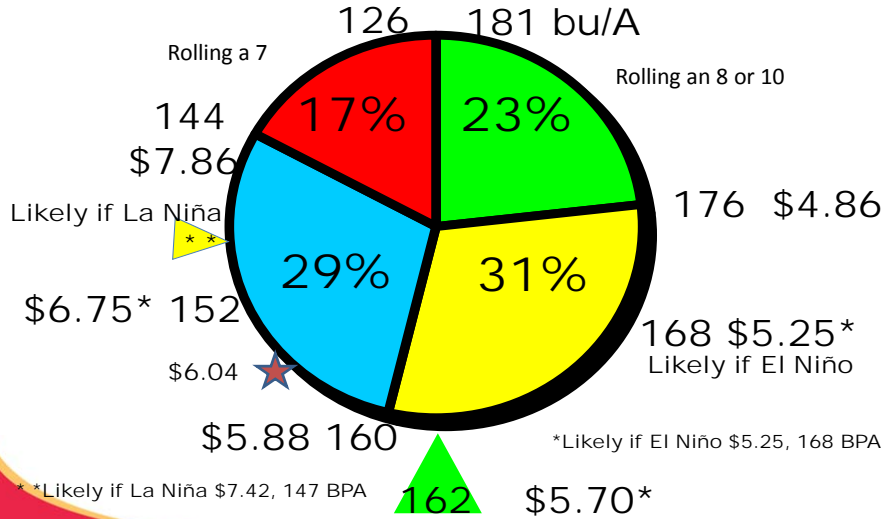


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Source: USDA NASS & Ag Outlook Conference, February 2011

# Long-Term U.S. Corn Yields

If Neutral El Niño/Southern Oscillation (ENSO) on June 1<sup>st</sup>, 2011



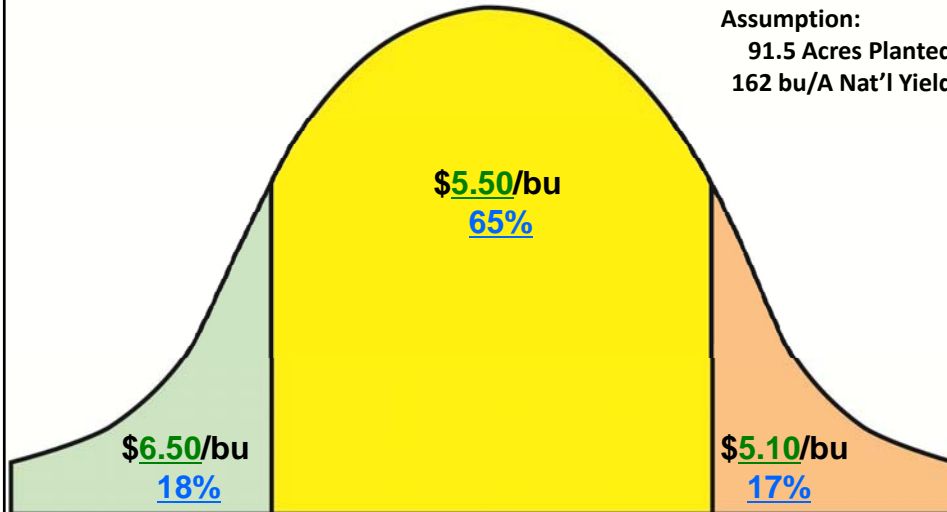
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Source: Taylor & Wisner, ISU Extension, Feb. 2011

# Corn Cash Price & Probability Forecast

'11-'12 Marketing Year

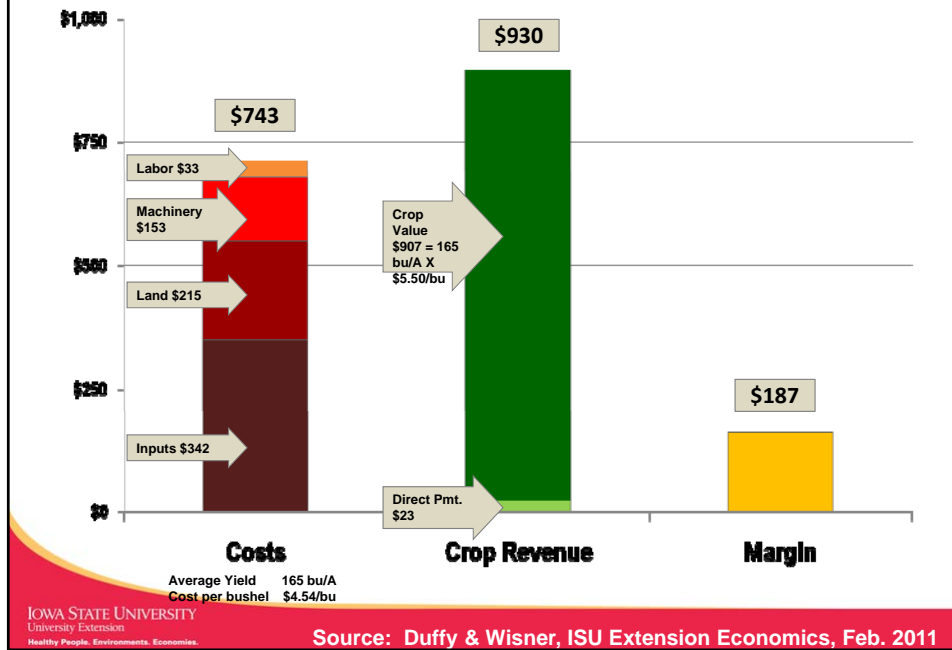
Assumption:  
91.5 Acres Planted  
162 bu/A Nat'l Yield



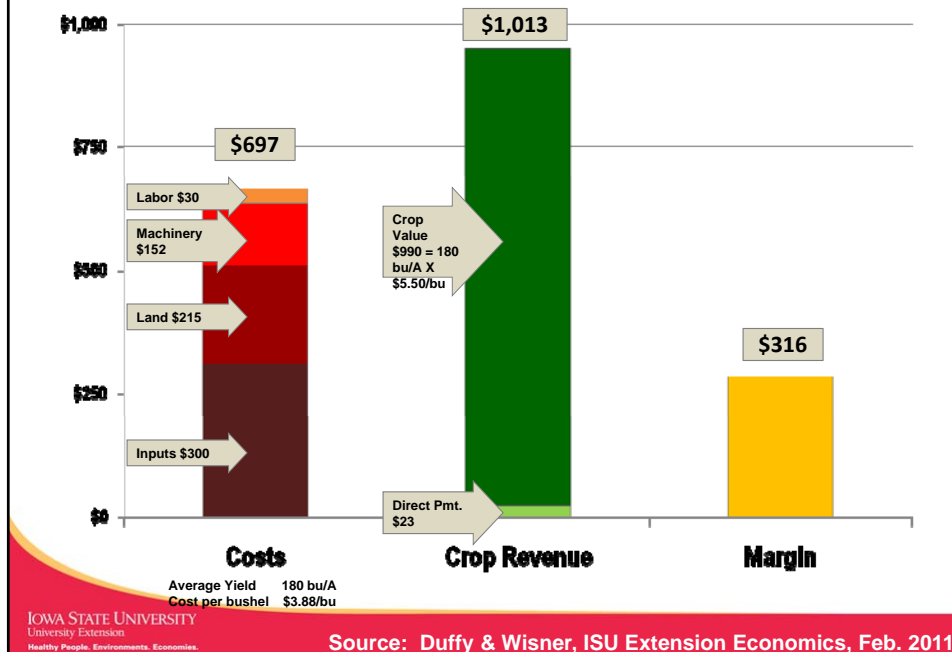
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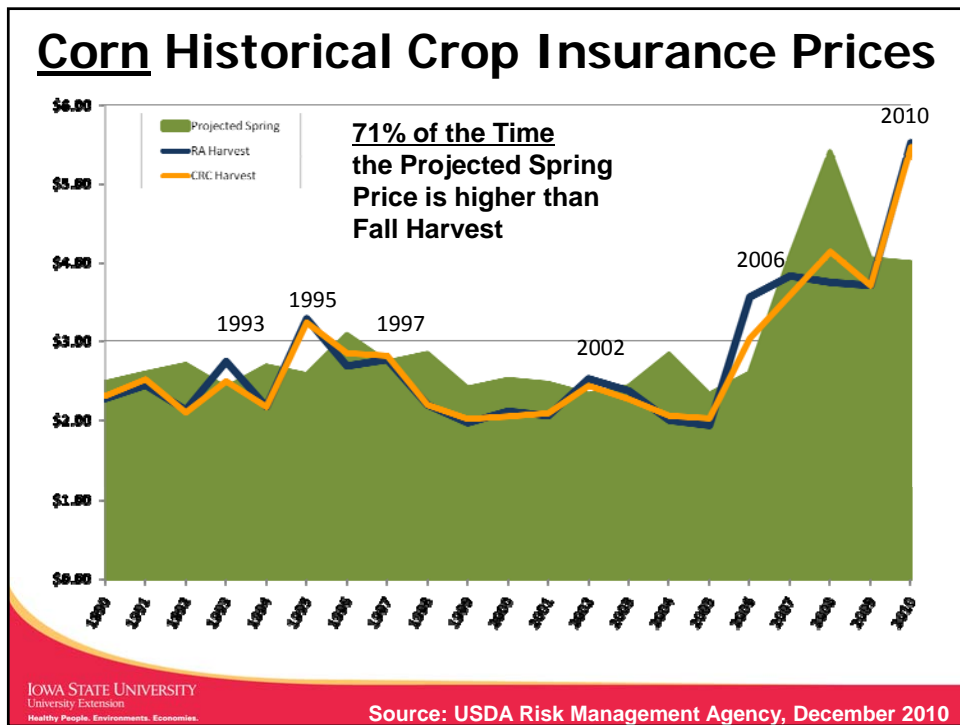
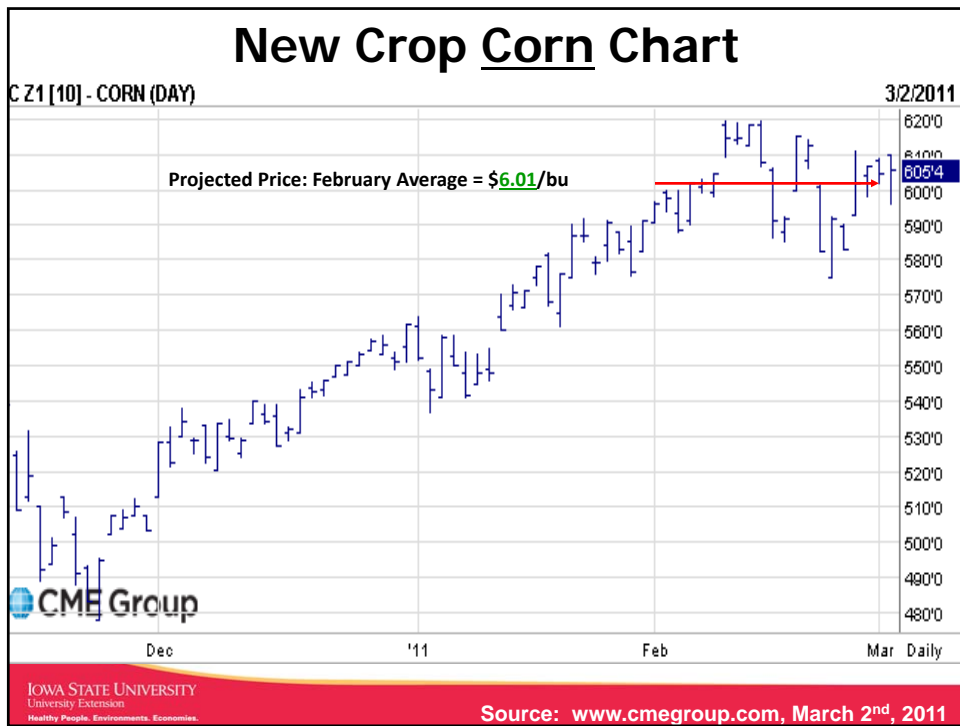
Source: Wisner, ISU Biofuels Economist, Feb. 21<sup>st</sup>, 2011

## 2011 Margin Estimate: Corn following Corn

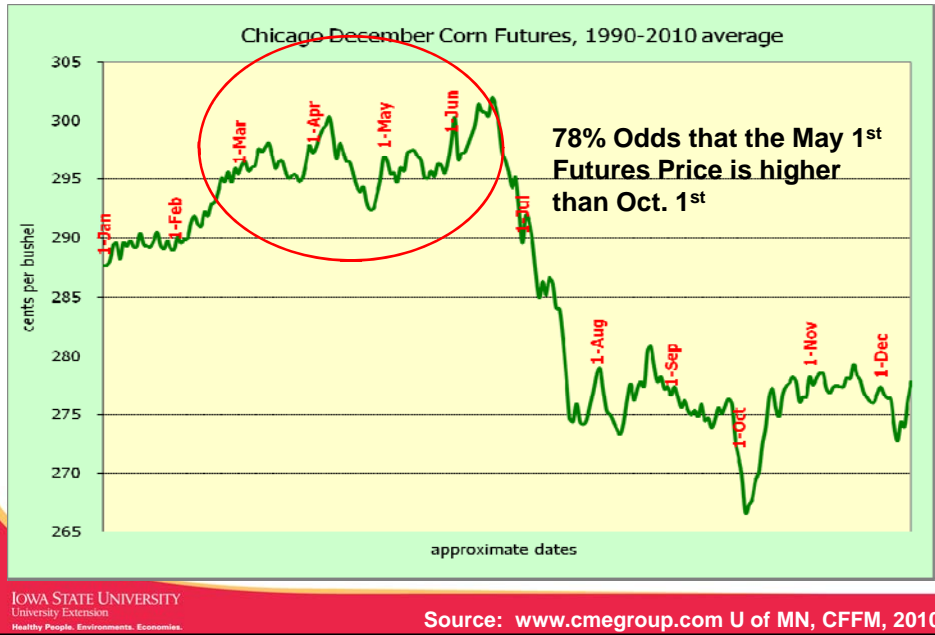


## 2011 Margin Estimate: Corn following Soybeans

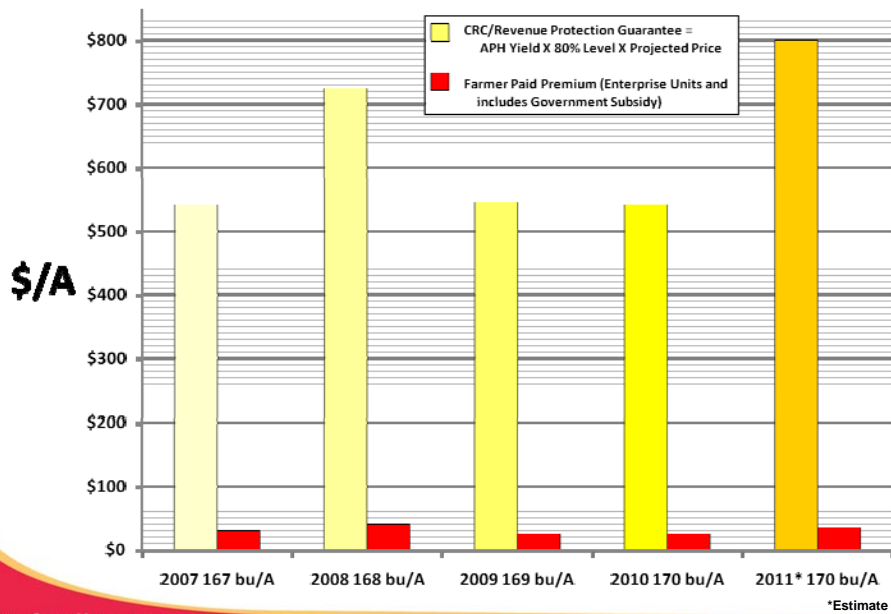




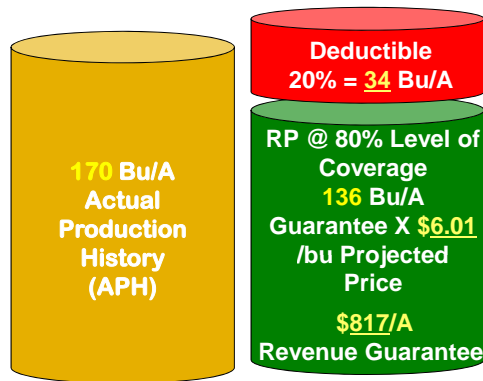
## December Corn Seasonal Trend



## Corn Revenue Guarantee vs. Insurance Premium



## Corn Revenue Protection (RP) Example



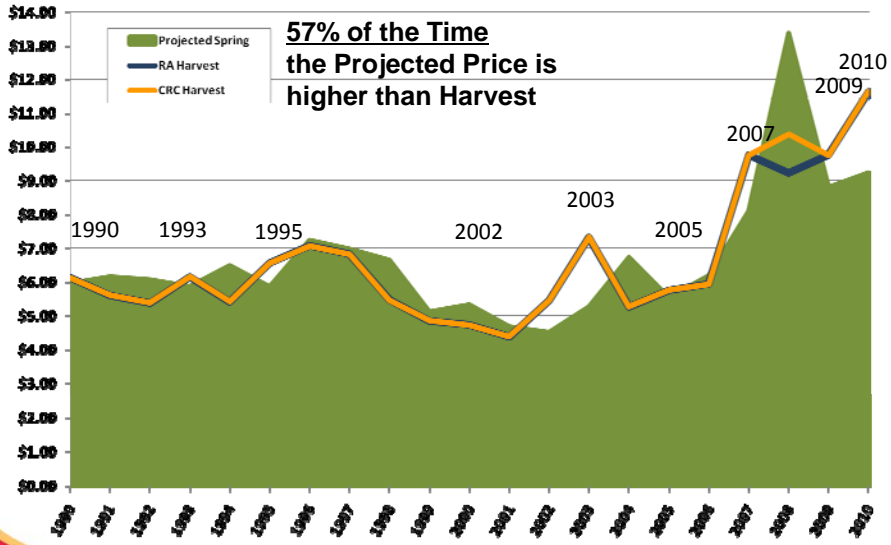
### Marketing Strategy

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

## 2011 Corn RP Coverage Example

- Revenue Guarantee **\$ 817 /A**
  - Delivery 130 bu/A X \$5.50/bu = **\$ 715 /A**
  - 2011 Harvest Price (Oct. Futures) **\$ 8.00 /bu**
  - 2011 Actual Harvest **100 bu/A**
- 
- New Revenue Guarantee **\$1,088 /A**
  - Revenue to Count **\$ 800 /A**
    - Indemnity Payment **\$ 288 /A**
    - Replace 30 bu X \$8.00 /bu = **\$ 240 /A**

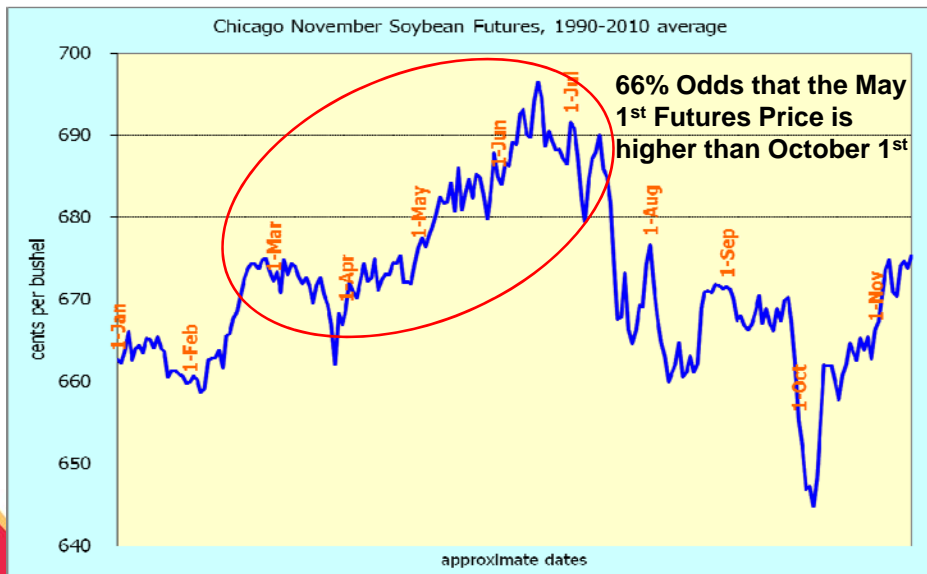
## Soybean Historical Crop Insurance Prices



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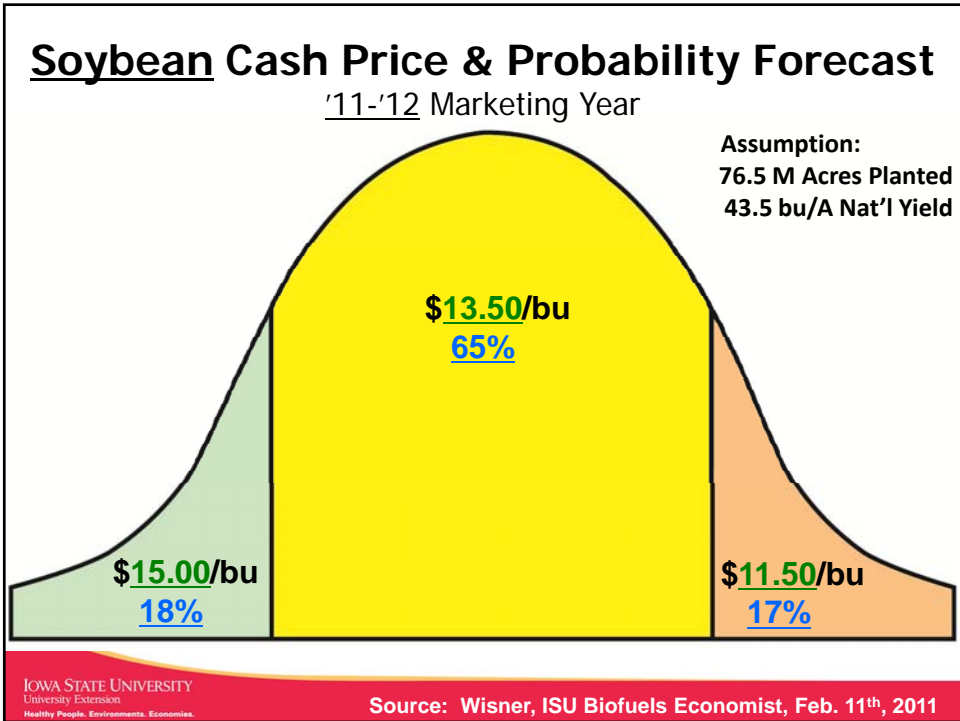
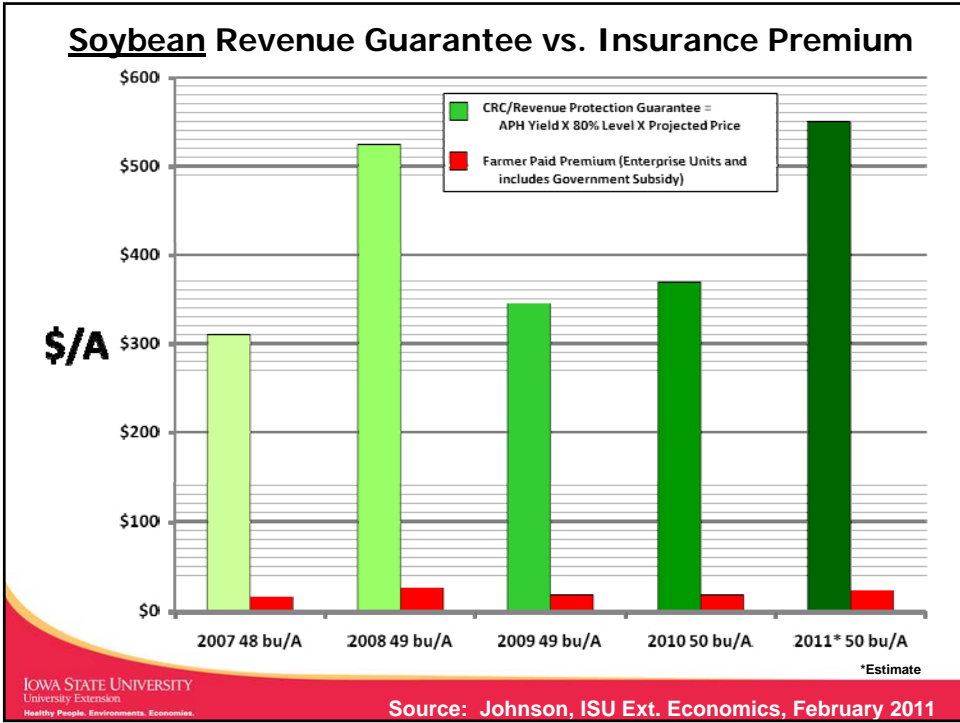
Source: USDA Risk Management Agency, December 2010

## November Soybean Seasonal Trend

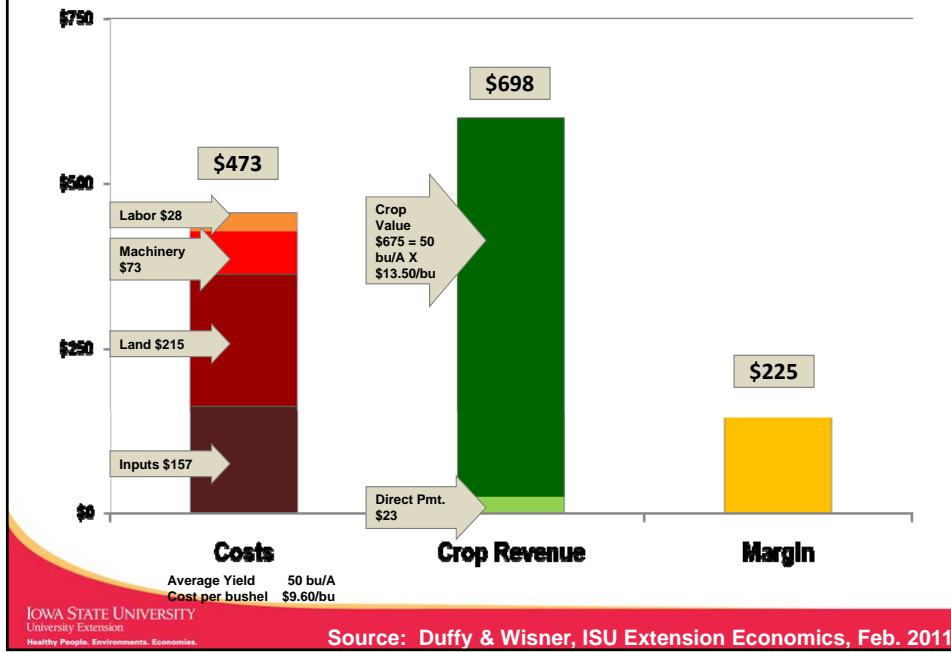


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Source: [www.cmegroup.com](http://www.cmegroup.com) U of MN, CFM, 2010



## 2011 Margin Estimate: Soybeans following Corn



## New Crop Soybean Chart



## 5 Crop Risk Management Strategies

With RP Coverage  
Consider Delivery  
of Bushels:  
Forward Contracts  
or HTAs

Pre-Harvest  
Sales based on  
Cash Flow Needs  
& Crop Insurance  
Decisions

Consider Revenue  
Protection (RP)  
and Consider  
Additional Hail  
Coverage

Know Your Cost  
of Production &  
Manage Potential  
Profit Margins



**Lock-in 2011 Crop Costs, Make Pre-Harvest Sales**

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Source: Johnson, ISU Extension, March 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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