

CROP MARKETING STRATEGIES

Crop Insurance Changes for 2009

The 2008 crop insurance coverage saw record high indemnity prices. The result was large revenue guarantees and high premiums for both corn and soybean coverage. For 2009, those levels will be significantly smaller as the spring base price for crop insurance revenue products is \$4.04/bu for corn and \$8.80/bu for soybeans. These prices were determined in the month of February and reflect the average daily settlement prices for December corn and November soybean futures.

In January, the Risk Management Agency (RMA) announced indemnity prices for traditional APH (yield) products at \$4.00 per bushel for corn and \$9.90 per bushel for soybeans. This is the second highest price levels ever offered.

Producers should carefully calculate their insurance coverage needs before meeting with their crop insurance provider this year. Crop input costs (non-land) have gone up roughly 25% to 35% over those from 2008. In addition, the forecast is for lower market prices for corn and especially soybeans for the 2009 crop year.

Higher input costs and lower indemnity prices mean farmers will have higher revenue risk this year. Some farmers will likely may change products and/or choose a higher percentage level of coverage to protect their cost of production. The deadline for finalizing federal crop coverage is Monday, March 16th, since the traditional deadline of March 15th falls on a Sunday.

Change in Maximum and Minimum Fall Prices for CRC and GRIP Policies

A couple significant changes in revenue products will affect premiums in 2009. The farm-level products of Crop Revenue Coverage (CRC) and Revenue Assurance (RA) with the Fall Harvest Price (HP) are very similar this year. CRC and the county-level Group Risk Income Protection (GRIP) have traditionally had a maximum and minimum adjustment to fall prices. This cap and cup from the spring base price was \$3.00/bu for soybeans and \$1.50/bu for corn, prior to 2009. Since RA-HP did not have a maximum or minimum price adjustment, it was typically preferred over CRC, even though CRC might have a lower premium. All three revenue products will have the same cap on fall prices, 200% of the spring base price and no minimum price adjustment for the fall price. However, because they have different calculations for determining premiums, CRC products will likely be selected over RA-HP this year primarily based on cost savings.

Enterprise and Whole Farm Units Subsidies Increased

RMA has changed the subsidy rates for policies in which insured acres are grouped into enterprise or whole farm units. Enterprise units include all acres of one crop grown in the same county by one producer on a single policy. Whole farm units combine all crops into a single policy. Since the likelihood of a large indemnity payment is smaller as more acres are combined, these units have always had lower premiums than basic or optional units. Before this year, these units received the same percent premium subsidy from RMA as basic units did. Beginning in 2009, enterprise units will receive the same dollar value of subsidy, which will be a higher percent. At the 75 percent coverage level, for example, basic units receive a 55 percent premium subsidy while enterprise units will receive a 77 percent subsidy and whole farm units will receive an 80 percent subsidy. Producers with multiple farming units who want to lower their crop insurance premiums may want to consider applying for enterprise or whole farm units this year.

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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%

Source: USDA Risk Management Agency, December 2008.

Biotech Endorsement

A premium discount for planting certain biotech corn hybrids was made available to corn growers in Iowa, Illinois, Indiana and Minnesota last year. The Biotech Endorsement (BE) option has been extended to seven additional Corn Belt states. Hybrids containing YieldGuard, Herculex or Agrisure genetics planted on non-irrigated acres may be eligible. Farmers must plant at least 75 percent of their corn acres in an insurance unit to an approved hybrid. Discounts averaged about 13 percent last year, or a little over \$3 per acre. With lower spring base prices, the discounts will likely be smaller if the same product, level of coverage and unit structure is elected for 2009. The discounts are not available for the county-based group risk insurance policies, GRP and GRIP, however.

The decision to enroll in the BE for 2009 must be made by the Planted Acreage deadline which is June 30th in Iowa. Those that elect BE will need to provide their crop insurance provider copies of receipts for biotech seed planted, returned and any free seed they might have received. Insureds should also note where these biotech traits are planted for each unit they wish to apply for the BE coverage. That's because if a spot check is conducted, the insured needs to inform the adjuster where biotech seed was planted in that particular unit.

Conclusion

All the federal crop insurance policies and premiums are the same regardless of the insuring agency. The companion policies that provide additional coverage for losses such as hail and/or wind can typically be added to traditional federal crop policies. The decision for these "add-on policies" can be typically be made after the traditional March 15th spring planting deadline for crop insurance. These premiums for such "add-ons" can be different depending on the provider, so find a knowledgeable provider that provides both products and service. Because March 15th falls on a Sunday this year, the deadline for changing providers, products, coverage and unit structure for 2009 crop insurance is Monday, March 16th.

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