Sure 2008

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Materials referenced:

Chad Hart, Iowa State University, chart@iastate.edu

William Edwards, Iowa State University, wedwards@iastate.edu
Impact of the 2008 Farm Bill

• Both ACRE and SURE provide additional revenue risk protection.
• Prices, yields, timing differ from crop insurance.
• Probably should not influence the crop insurance decision.
Supplemental Revenue Assistance (SURE)
A Permanent Disaster Program
Impact of SURE

- SURE provides 15% added coverage above the crop insurance guarantee (up to 90%).
- All crops must be insured except crops that are less than 5% of total crop value.
- Can use CAT level coverage for minor crops.
- Can use NAP coverage for noninsurable crops.
- All crops and all acres per producer are added together to calculate coverage and losses.
- Payment is 60% of loss not paid by insurance.
Supplemental Revenue Assistance (SURE)

- New in the 2008 farm bill
- “Add-on” coverage to crop insurance
- All crops, not individual crops
- Administered by Farm Service Agency
- In place through 2012
To be Eligible:

- Land must be in a “disaster” county (U.S. Secretary of Ag designation)
- Or, in a contiguous county
- Or, production loss on all crops on the farm must exceed 50% of expected gross value.
- At least one crop must have a 10% or greater production loss.
- Must have bought crop insurance — was a one time opportunity to “buy in” with a late fee of $100 per crop before May 18th, 2009 to get eligible for 2008 and required to purchase crop insurance the following year.
Production loss is calculated in $
“Secretarial Designated” Disaster Counties

SURE Program Eligibility
- Not Eligible
- Secretarial Disaster County
- Contiguous County

IOWA STATE UNIVERSITY
University Extension
SURE is Based on All Acres Farmed by an Operator

- Aggregate guarantees and revenues across:
  - All crops
  - All counties
  - States
Increases Guarantees by 15% or 20%

For 2008 program

- Adds 15% or 20% to value of crop insurance guarantee
- Maximum is 90% of expected revenue

<table>
<thead>
<tr>
<th>Crop insurance guarantee</th>
<th>15% SURE guarantee</th>
<th>20% SURE guarantee</th>
</tr>
</thead>
<tbody>
<tr>
<td>70 %</td>
<td>80.5 %</td>
<td>84 %</td>
</tr>
<tr>
<td>75 %</td>
<td>86.25 %</td>
<td>90 %</td>
</tr>
<tr>
<td>80 %</td>
<td>90 %</td>
<td>90 %</td>
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<tr>
<td>85 %</td>
<td>90 %</td>
<td>90 %</td>
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</tbody>
</table>
Yields Used for SURE

- Use higher of crop insurance proven yield (APH) or counter-cyclical payment base yield (93.5% of 1998-2001 yields)

- If APH yield uses “plug” yields (60% of T-yield) these years are not used for SURE.

For County crop yields for GRP, GRIP
http://www.nass.usda.gov/QuickStats/Create_County_Indv.jsp
### Corn and Soybean SURE Guarantee Prices (used to calculate guar. rev.)

<table>
<thead>
<tr>
<th></th>
<th>MCPI</th>
<th>CRC/RA HP</th>
<th>GRP</th>
<th>GRIP</th>
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<tbody>
<tr>
<td>2008</td>
<td>$4.75</td>
<td>$5.40</td>
<td>$3.75</td>
<td>$5.40</td>
</tr>
<tr>
<td>2009</td>
<td>$4.00</td>
<td>$4.04</td>
<td>$4.00</td>
<td>$4.04</td>
</tr>
<tr>
<td>2010</td>
<td>$3.90</td>
<td>3.99 est.</td>
<td>$3.55</td>
<td>$3.99 est.</td>
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</table>

<table>
<thead>
<tr>
<th></th>
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<th>CRC/RA HP</th>
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<th>GRIP</th>
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<td>$11.50</td>
<td>$13.36</td>
<td>$8.70</td>
<td>$13.36</td>
</tr>
<tr>
<td>2009</td>
<td>$9.90</td>
<td>$8.80</td>
<td>$9.90</td>
<td>$8.80</td>
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</table>
## Estimated Corn and Soybean Crop Insurance Premium Prices per Acre (Hardin)

<table>
<thead>
<tr>
<th></th>
<th>MCPI O.U. 75%</th>
<th>RA - H.P. 75%</th>
<th>GRP 90-60</th>
<th>GRP 90-100</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$9.16</td>
<td>$24.73</td>
<td>$6.69</td>
<td>$11.15</td>
</tr>
<tr>
<td>2009</td>
<td>$7.91</td>
<td>$22.36</td>
<td>$9.10</td>
<td>$15.16</td>
</tr>
<tr>
<td>2010</td>
<td>$6.07</td>
<td>$6.22</td>
<td>$9.06</td>
<td>$15.10</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>MCPI O.U. 75%</th>
<th>RA - H.P. 75%</th>
<th>GRP 90-60</th>
<th>GRP 90-100</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$6.83</td>
<td>$20.43</td>
<td>$4.30</td>
<td>$7.16</td>
</tr>
<tr>
<td>2009</td>
<td>$5.45</td>
<td>$20.34</td>
<td>$6.06</td>
<td>$10.10</td>
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<tr>
<td>2010</td>
<td>$4.98</td>
<td>$9.98</td>
<td>$5.33</td>
<td>$8.88</td>
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</table>
Max. SURE Guarantees 2008

- For APH crop insurance, SURE yield $x$ % guarantee. (Assume 170 APH)
  - Ex: $170 \text{ bu.} \times 90\% = 153 \text{ bu.} \times $4.75 = $727$

- For revenue insurance use crop insurance indemnity price (Assume 170 APH)
  - Ex: $170 \text{ bu.} \times 90\% \times $5.40 = $826$

- For GRP (uses county expected yields)
  - Ex: $174.7 \text{ bu.} \times 90\% \text{ (bu.) level} \times $3.75 = $589.61$

- For GRIP (uses county expected yields)
  - Ex: $174.7 \text{ bu.} \times 90\% \text{ (bu.) level} \times $5.45 = $856.90$
SURE Actual Revenue

- Actual yields (same as for insurance)
- Plus crop insurance payments received (minus premium paid)
- Plus 15% of FSA direct payments
- Plus any other FSA or disaster payments
# Corn and Soybean SURE Guarantee Prices (Market Year Average)

<table>
<thead>
<tr>
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<th>MCPI</th>
<th>CRC/ RA HP</th>
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<th>GRIP</th>
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<td>$4.06</td>
<td>$4.06</td>
<td>$4.06</td>
<td>$4.06</td>
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<tr>
<td>2009</td>
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<td>$3.56 est.</td>
<td>$3.56 est.</td>
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<tr>
<td>2010</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>MCPI</th>
<th>CRC/ RA HP</th>
<th>GRP</th>
<th>GRIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$9.38 est.</td>
<td>$9.38 est.</td>
<td>$9.38 est.</td>
<td>$9.38 est.</td>
</tr>
<tr>
<td>2010</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>
SURE Payment

- $(\text{Guarantee minus actual revenue}) \times 60\%$
- Limit of $100,000$ per year per producer and per spouse
Example corn 2008

- Crop insurance – RA HP
  - Actual yield is 150 bu. per acre
  - November futures price was $3.74
  - Actual revenue is $561 per acre
  - Crop insurance payment would be $688 - $561 = $127 per acre
RA HP 75% Example - SURE  2008

- Actual yield is 150 bu. per acre
- 2008 marketing year price is $4.06
- Actual revenue is $609 per acre
- Plus $127 crop insurance payment - $24.73
- Plus 15% of $20 FSA direct payment ($3)
- Equals $714 SURE revenue
- Shortfall = $826 - $714 = $112
- Payment = 60% x $112 = $67
Example corn 2008

- Crop insurance – RA HP
  - Actual yield is 125 bu. per acre
  - November futures price is $3.74
  - Actual revenue is $467.50 per acre
  - Crop insurance payment is $688 - $467.50 = $220 per acre
RA HP 75% Example - SURE 2008

- Actual yield is 125 bu. per acre
- 2008 marketing year price is $4.06
- Actual revenue is $507.50 per acre
- Plus $220 crop insurance pmt. - $24.73
- Plus 15% of $20 FSA direct payment ($3)
- Equals $705 SURE revenue
- Shortfall = $826 - $705 = $121
- Payment = 60% x $160 = $73
Example  GRP 90/100-60

- Crop insurance - Hardin
  - Insurance yield is 174.7 bu. per acre @ 90% = 157.2 bu. coverage
  - Insurance is 174.7 bu. X $3.75 X 1.5 X (60%-100% factor) = $589 to $983
  - Actual county yield is 154.7 = 2.5 bu. loss
  - 100% factor pmt = $983 X 0.0161 = $15.81 or $15.81/2.5 bu. = $6.25/bu. of loss
  - 60% factor pmt = $589 X 0.0161 = $9.48 or $9.48/2.5 = ~$3.75/bu. of loss
Example SURE GRP 90/100 - 2008

- Actual yield is 150 bu. per acre
- 2008 marketing year price is $4.06
- Actual revenue is $609 per acre
- Plus $15.81 crop insurance payment - $11.15
- Plus 15% of $20 FSA direct payment ($3)
- Equals $615 SURE revenue
- SURE GRP Guarantee = $589.61
- Shortfall = $589.61 - $615 = $0
- Payment = 60% x $0 = $0
Example - SURE GRP - 2008

- Actual yield is 125 bu. per acre
- 2008 marketing year price is $4.06
- Actual revenue is $507.50 per acre
- Plus $9.48 crop insurance payment – $6.69
- Plus 15% of $20 FSA direct payment ($3)
- Equals $513 SURE revenue
- SURE GRP Guarantee = $589.61
- Shortfall = $589.61 - $513 = $77
- Payment = 60% x $77 = $46
SURE Guarantees 2008

• For APH crop insurance, SURE yield x % guarantee.
  – Ex: 50 bu. x 90 % = 45 bu. @$11.50 = $517.50

• For revenue insurance use crop insurance indemnity price
  – Ex: 50 bu. x 90% x $13.36 = $601

• For GRP (Hardin)
  – Ex: 48.4 bu. X 90% (bu.) level X $8.70 = $379

• For GRIP
  – Ex: 48.4 bu. X 90% (bu.) level X $13.36 = $582
## Corn Income per Acre

<table>
<thead>
<tr>
<th></th>
<th>APH</th>
<th>RA HP</th>
<th>GRP</th>
<th>GRP 100</th>
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<tbody>
<tr>
<td><strong>Price</strong></td>
<td>$673</td>
<td>$673</td>
<td>$673</td>
<td>$673</td>
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<tr>
<td><strong>Yield</strong></td>
<td></td>
<td></td>
<td>170 bu.</td>
<td></td>
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<tr>
<td><strong>Crop</strong></td>
<td>$673</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Insurance</strong></td>
<td>$-</td>
<td>$52</td>
<td>$9</td>
<td>$16</td>
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<tr>
<td><strong>SURE</strong></td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
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<tr>
<td><strong>Total rev.</strong></td>
<td>$673</td>
<td>$725</td>
<td>$683</td>
<td>$689</td>
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## Corn Income per Acre

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<th></th>
<th>Price</th>
<th>$3.96</th>
<th>market</th>
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<tbody>
<tr>
<td><strong>Yield</strong></td>
<td>150 bu.</td>
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<tr>
<td><strong>APH</strong></td>
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<td></td>
<td></td>
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<tr>
<td><strong>RA HP</strong></td>
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<td><strong>GRP</strong></td>
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</tr>
<tr>
<td><strong>GRP 100</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>crop</strong></td>
<td>$594</td>
<td>$594</td>
<td>$594</td>
</tr>
<tr>
<td><strong>insurance</strong></td>
<td>$ -</td>
<td>$127</td>
<td>$9</td>
</tr>
<tr>
<td><strong>SURE</strong></td>
<td>$69</td>
<td>$67</td>
<td>$ -</td>
</tr>
<tr>
<td><strong>Total rev.</strong></td>
<td>$663</td>
<td>$788</td>
<td>$603</td>
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### Corn Income per Acre

<table>
<thead>
<tr>
<th></th>
<th>Price</th>
<th>Yield</th>
<th>market</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$3.96</td>
<td>125 bu.</td>
<td></td>
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<table>
<thead>
<tr>
<th></th>
<th>APH</th>
<th>RA HP</th>
<th>GRP 90/100</th>
</tr>
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<tbody>
<tr>
<td>crop</td>
<td>$495</td>
<td>$495</td>
<td>$495</td>
</tr>
<tr>
<td>insurance</td>
<td>$12</td>
<td>$220</td>
<td>$16</td>
</tr>
<tr>
<td>SURE</td>
<td>$128</td>
<td>$73</td>
<td>$46</td>
</tr>
<tr>
<td></td>
<td>$635</td>
<td>$788</td>
<td>$557</td>
</tr>
</tbody>
</table>
Determine if you are eligible for a SURE payment.

- Secretarial declared disaster county, or
- Contiguous county, or
- At least 50% loss of gross revenue
  - $\text{APH yield} \times \text{crop insurance prices} \times \text{acres}$, summed over all crops (SURE expected revenue), compared to:
  - Actual yield $\times$ USDA marketing year price $\times$ acres, summed over all crops (SURE actual revenue)
  - Unlikely in Iowa
Information Needed

- Yields submitted for crop insurance, for all land farmed.
- Crop insurance payments received.
- USDA commodity payments received.
How will SURE affect my crop insurance decision?

- Higher or lower levels of crop insurance give a higher or lower SURE trigger.
- Producers who insure at the 80% or 85% level get less additional coverage due to 90% cap.
- SURE is for all crops and all acres together
- Sure pays only 60% of the revenue loss
SURE USDA WEB Site

SURE calculator
www.extension.iastate.edu/agdm/crops/xls/a1-44surecalculator.xls
Acres Insured in 2008
Corn and Soybeans--Iowa

- RA: 67%
- GRIP: 2%
- GRP: 3%
- APH: 12%
- CRC: 15%
Acres Insured in 2009
Corn and Soybeans--Iowa

- CRC: 74%
- APH: 10%
- Other: 1%
- RA: 12%
- GRIP: 2%
- GRP: 1%
February and Harvest Prices 2009

<table>
<thead>
<tr>
<th></th>
<th>February</th>
<th>Fall-CRC</th>
<th>Fall-RA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>$4.04</td>
<td>$8.80</td>
<td>$9.66</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$3.72</td>
<td>$3.90</td>
<td>$9.66</td>
</tr>
</tbody>
</table>
Indemnity Prices: Corn (revenue insurance)
Indemnity Prices: Soybeans (revenue insurance)
2010 Crop Insurance Decision Tool

This program calculates premiums, evaluates insurance payments, and provides historical data useful when making crop insurance decisions for multiple crops. Estimates are for crops in midwest and southeast states that are harvested in 2010.

For recent updates on this tool and other FAST tools, visit us at www.farmdoc.uiuc.edu.

http://www.farmdoc.illinois.edu/

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Enter your input values in shaded cells.
Estimated season-average prices are in green.

<table>
<thead>
<tr>
<th>Marketing year month</th>
<th>Actual U.S. monthly farm price</th>
<th>Current futures price by trading contract</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Corn</td>
<td>Soybeans</td>
</tr>
<tr>
<td>Sept. 2009</td>
<td>3.25</td>
<td>9.75</td>
</tr>
<tr>
<td>Oct. 2009</td>
<td>3.54</td>
<td>9.74</td>
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<tr>
<td>Nov. 2009</td>
<td></td>
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<td>Dec. 2009</td>
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<td>Jan. 2010</td>
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<td>Feb. 2010</td>
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<td>Mar. 2010</td>
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<td>Apr. 2010</td>
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<tr>
<td>Jun. 2010</td>
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<tr>
<td>Jul. 2010</td>
<td></td>
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<tr>
<td>Aug. 2010</td>
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Monthly farm prices are available from USDA here.

CME Group Corn Futures
CME Group Soybean Futures

Estimated season-average prices

<table>
<thead>
<tr>
<th></th>
<th>Corn</th>
<th>Soybeans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.84</td>
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</table>

Version 1.0
Author: Chad Hart
Date Printed: 11/18/2009

http://www.extension.iastate.edu/agdm/crops/xls/a2-15pricecalc.xls
Key Points for 2010

1. SURE and ACRE do not reduce the need for crop insurance.
2. Indemnity prices will be a little lower.
3. Higher enterprise unit subsidy allows higher coverage levels or allows lower producer cost.
5. Specialty soybeans can be insured separately.
6. Look at the SURE “revenue” crop prices
Fit for Risk Strategies

ACRE

- Allows farmers to align their gov’t programs and crop insurance
  - ACRE covers state-level revenues
  - Crop insurance covers county, farm, or field-level revenues or yields

- Provides opportunities for payments in “shallow loss” years
  - 10% “deductible” on state revenues, no “deductible” on farm revenues

- Crop insurance participation enhances ACRE opportunities by increasing ACRE farm revenue trigger
USDA Web Site


http://www3.rma.usda.gov/apps/premcalf/calc_login.cfm

ftp://ftp.fsa.usda.gov/manuals/1-sure_r00_a01.pdf
Resource Material on Ag Decision Maker

- Fact sheets
- SURE calculator
  www.extension.iastate.edu/agdm/crops/xls/a1-44surecalculator.xls
- ACRE estimator
  www.extension.iastate.edu/agdm/crops/xls/a1-45acrecalculator.xls
- www.extension.iastate.edu/agdm