Use of Crop Revenue Insurance in 2004

With a rapidly approaching Monday, March 15 deadline for crop insurance on spring crops, many producers are facing tough decisions in 2004. If in doubt, corn and soybean producers should use revenue insurance. Options include Crop Revenue Coverage (CRC) or Revenue Assurance with the Fall Harvest Price Option (RA w/HPO).

An example would be a farm with a 133 bu/A APH corn yield protected at 75% coverage or a 100 bu/A yield guarantee. If there is a crop loss below 100 bu/A, then the indemnity payment for loss of Multi-Peril Crop Insurance (MPIC) coverage is made at the Spring Base Price of $2.45/bu for corn (soybeans at $5.60/bu).

However, RA Standard, CRC and RA w/HPO uses the average December corn futures and average November soybean futures prices in the month of February to establish the Base Price. For 2004, that price for corn is $2.83/bu and for soybeans is $6.82/bu. Thus, a 100 bu/A yield guarantees a producer $283 per acre for corn. RA

In 2004, it is anticipated that Iowa producers will use the higher price guarantees to assure more revenue per acre. Use of CRC or RA w/HPO insures the higher of the spring or the fall price.

The yield and price experienced with soybeans over the past six months indicates...
soybean acres will be insured using these revenue tools and likely at higher coverage levels than in the past.

**Which product should you choose?**

Across Iowa, CRC appears cheaper at higher levels of coverage (over 70%) for both corn and soybeans. However, a tradeoff is the fact that CRC is capped at $1.50 per bushel for corn and $3 per bushel for soybeans, should higher fall prices occur.

If you add $1.50 to the $2.83 February base price, corn indemnity payments cannot exceed $4.33/bu this fall. The odds for this occurring with corn prices appear much less than the potential for soybean prices in the fall to exceed the $3 cap. Calculated at:

\[ \text{base price} + \text{cap} = \text{total price} \]

\[ 6.72/bu + 3/bu = 9.72/bu \]

How much should growers pay in additional premium to move to RA w/HPO versus CRC? A rule of thumb:

You shouldn't pay more than $0.50 per acre on corn or $1 per acre on soybeans for RA w/HPO over CRC at the same level of coverage.

Many producers have elected RA in the past because of lower premiums. Producers should consider using RA w/HPO or switch to CRC this year, depending on the premium for their desired level of coverage in their county.

To check premiums for your county, enter your state, county, crop and Actual Production History at this website: