Crop Insurance Has Some Changes for 2009

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Crop Insurance Has Some Changes for 2009

Abstract
Crop insurance indemnity prices, guarantees and premiums were all at record levels for corn and soybeans in 2008. Current market conditions make it unlikely that those levels will be reached again in 2009, but they will still be attractive. The Risk Management Agency has announced indemnity prices of $4 per bushel for corn and $9.90 per bushel for soybeans for APH (yield) insurance guarantees for 2009, the second highest prices ever offered. Prices for revenue insurance policies will not be known until the end of February.

Keywords
Economics

Disciplines
Agricultural Science | Agriculture | Agronomy and Crop Sciences | Insurance Law
Crop Insurance Has Some Changes for 2009

By William Edwards, Departments of Economics

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Producers should carefully calculate their insurance coverage needs before meeting with their crop insurance agent this year. Higher input costs and lower indemnity prices mean farmers will have to choose a higher percentage level of coverage to protect their costs of production.

Payments in 2008
Loss payouts in Iowa for 2008 crops were substantial. Yield losses from flooding and wet weather were significant, but the biggest factor was the large decrease in market prices from February to harvest time. As of late January, insurance companies had paid out an average of $20.47 per acre for corn losses and $24.52 per acre for soybeans losses. Payments amounted to 90 percent of the premiums paid by Iowa farmers for corn, and 139 percent of the premiums paid for soybeans.

Payments for Revenue Assurance (RA) policies were larger than for Crop Revenue Coverage (CRC) policies. This was because CRC insurance had price movement limits from February to harvest of $1.50 and $3.00 per bushel for corn and soybeans, respectively. The downward limits have been removed for 2009, and an upward limit equal to twice the February price has been established for both CRC and RA insurance.

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 the remaining Corn Belt states. Hybrids containing YieldGuard, Herculex or Agrisure genetics may be eligible. Farmers must plant at least 75 percent of the corn acres in an insurance unit to an approved hybrid. Discounts averaged about 13 percent last year, or a little over $3 per acre. The discounts are not available for the group risk insurance policies, GRP and GRIP, however.

Enterprise and Whole Farm Units
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. Now they 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 (see table). 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.

<table>
<thead>
<tr>
<th>Coverage level</th>
<th>RA and CRC subsidy rate</th>
<th>New rate for Enterprise Units</th>
<th>New rate for Whole Farm Units</th>
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<td>53%</td>
<td>56%</td>
</tr>
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More information about managing risk with crop insurance can be found in a series of fact sheets available from Iowa State University Extension, from the Ag Decision Maker web site at www.extension.iastate.edu/agdm/ or the Extension online store at www.extension.iastate.edu/store/.


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