

7-13-2012

# Insurance Coverage for Drought-Damaged Crops

William M. Edwards

Iowa State University, [wedwards@iastate.edu](mailto:wedwards@iastate.edu)

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## Recommended Citation

Edwards, William M., "Insurance Coverage for Drought-Damaged Crops" (2012). *Integrated Crop Management News*. 228.  
<http://lib.dr.iastate.edu/cropnews/228>

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# Insurance Coverage for Drought-Damaged Crops

**Abstract**

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**Keywords**

Economics

**Disciplines**

Agribusiness | Agricultural and Resource Economics | Agricultural Economics | Agricultural Science | Agriculture | Economics | Insurance

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## Insurance Coverage for Drought-Damaged Crops

By William Edwards, Department of Economics

Nearly 90 percent of the corn and soybean acres in Iowa are covered by multiple peril crop insurance. Drought damage is an insurable loss under these policies. Producers should consult with their crop insurance agents before harvesting or destroying any drought-damaged crops, however.

The agent will notify a certified crop adjuster to appraise the insured crops. Keep in mind that when damage is widespread, adjusters cannot be everywhere at once. The adjuster may declare the crop a complete loss. If it has significant yield potential, it can be left and harvested in the fall. If the producer elects to harvest it early, as silage, check strips can be left to verify the actual yield achieved. In any case, the acres must be released by the insurance company before the crop can be harvested early or destroyed.

Any insurance indemnity payments will be settled based on actual harvested production over the entire insurance unit. Fields declared a complete loss will be combined with any harvested acres in the same insurance unit to calculate the final yield. Yield losses are equal to the farm's historical yield times the level of guarantee purchased, minus the actual yield.

Ninety percent of the insured acres in Iowa are covered by Revenue Protection insurance policies in 2012. Yield losses will be paid at a rate equal to the average CME futures price during the month of October, if it exceeds the average February price of \$5.68 for corn (December contract) or \$12.55 for soybeans (November contract).

Following harvest, the usual evidence of actual production should be collected and submitted to the crop insurance agent as soon as possible if it appears that a payment is likely, but not later than 15 days after the end of the insurance period, which is Dec. 10 for corn and soybeans in Iowa. If a producer has a history of selling more than half the crop in the tax year following harvest, reporting of crop insurance proceeds can be deferred to the next tax year.

More information about crop insurance policies and procedures can be found on the [Ag Decision Maker website](#).

*William Edwards is an Iowa State University professor of economics with extension responsibilities in farm business management. Edwards can be contacted at 515-294-6161 or by emailing [wedwards@iastate.edu](mailto:wedwards@iastate.edu).*

This article was published originally on 7/13/2012. The information contained within the article may or may not be up to date depending on when you are accessing the information.

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Last Updated 7/13/2012