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Crop insurance has some changes for 2009

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Crop insurance has some changes for 2009

By William Edwards, extension economist, 515-294-6161, wedwards@iastate.edu

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.

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.

harvest of \$1.50 and \$3 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

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Handbook updates

For those of you subscribing to the handbook, the following updates are included.

Managing Risk with Crop Insurance – A1-48 (4 pages)

Important Crop Insurance Dates – A1-50 (2 pages)

Actual Production History Crop Insurance – A1-52 (2 pages)

Crop Revenue Insurance – A1-54 (4 pages)

Proven Yields and Insurance Units for Crop Insurance – A1-55 (4 pages)

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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

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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.

More information about managing risk with crop insurance can be found in a

series of fact sheets available from Iowa State University Extension, either from the Ag Decision Maker website at www.extension.iastate.edu/agdm/ or the online store at www.extension.iastate.edu/store/.

AgDM File A1-48/FM 1854 - Managing Risk with Crop Insurance

AgDM File A1-50/FM 1858 - Important Crop Insurance Dates

AgDM File A1-52/FM 1826 - Actual Production History Crop Insurance

AgDM File A1-54/FM 1853 - Crop Revenue Insurance

AgDM File A1-55/FM 1860 - Proven Yields and Insurance Units for Crop Insurance

AgDM File A1-58/FM 1850 - Group Risk Plan (GRP) & Group Risk Income Production (GRIP)

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%



ISU Extension offers information about new farm bill programs

By William Edwards, extension economist, 515-294-6161, wedwards@iastate.edu

The Food, Conservation and Energy Act of 2008 contains a wide variety of legislation affecting everything from school lunches to milk checks. Some of the most immediate provisions that farmers must address are new limitations on commodity payments, the Average Crop Revenue Election (ACRE), and the Supplemental Revenue Assistance (SURE) program.

New payment rules basically attribute USDA commodity payments to individual taxpayers, regardless of the number and nature of farm business entities they are involved in. Operators and owners will be asked to provide information about their roles in their farming operations in order to establish eligibility for program payments. ACRE provides intermediate term protection against the risk of falling revenues from crop production, in exchange for reduced direct

program crop payments. SURE is a permanent disaster program that extends the level of coverage that producers can purchase through conventional crop insurance policies.

Additional titles in the bill address such issues as dairy price supports, organic production, horticultural crops, and programs for beginning farmers. Additional information about each of these topics can be found on the Iowa State University Ag Decision Maker website at www.extension.iastate.edu/agdm/. Simply click on the Farm Bill Information button on the home page. Another button links to a list of county level informational meetings scheduled for the next several months, featuring presenters from ISU Extension and the Farm Service Agency. For those who cannot attend a meeting, there are archived video presentations that can be accessed by home computer.