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The new common crop insurance policy

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paid. Naturally, choosing a higher price will result in a higher premium. Catastrophic level yield coverage (CAT) is still available for a cost of \$300 per crop. The guarantee is 50 percent of the APH yield, and losses are paid at 55 percent of the indemnity price.

Revenue protection

A producer can also choose Revenue Protection (RP), which is equivalent to the old Crop Revenue Protection (CRC) and Revenue Assurance with the harvest price option (RA-HPO). Revenue Protection guarantees the insured producer a minimum number of dollars of gross revenue per acre. The yield used to set the guarantee is the same as the APH yield used for Yield Protection, and the price is the same February futures price. The guarantee is the product of these two values, times the level of guarantee selected (from 65 to 85 percent). There is no option to select less than 100 percent of the February price for the guarantee, and catastrophic coverage is not available.

If the average CBOT price for the relevant contracts during the month of October is higher than the February price, the guarantee is increased, based on the October price. The October price is also used to calculate the "actual" revenue. This is exactly the same procedure that was used previously for CRC policies. RA policies used the average November price for corn, but the new Revenue Protection option will use the October price for both crops. Approximately 85 percent of the insured corn and soybean acres in Iowa in 2010 were covered with this type of policy.

Harvest price exclusion

The third option is called Revenue Protection with Harvest Price Exclusion (RPE). It is equivalent to the former basic Revenue Assurance (RA) policy. The only change is that the harvest price for corn will be the average for October instead of November. Under this option the guarantee does not increase even if the October price is higher than the February price. Consequently, premiums will be lower for RPE than RP.

Table 1 summarizes the old and new terminology. Current policies will automatically be converted to the corresponding policy option for 2011 unless the producer requests a change.

Previously CRC and RA used different procedures for computing premiums each year. In some years RA-HPO was cheaper than CRC, and in other years CRC was cheaper, despite the fact that they offered essentially the same coverage. Under the new Common

Crop Insurance Policy only one set of premiums will be offered. The level of premium subsidies provided by RMA will not change.

Group plans

Three insurance options based on county yields instead of individual farm yields are still available:

- Group Risk Plan (GRP)
- Group Revenue Insurance Plan (GRIP)
- Group Revenue Insurance Plan with harvest price option (GRIP-HPO)

There were no changes made to the group insurance plans. Group risk policies have not been widely used in Iowa, typically accounting for only about four percent of the total insured acres in the state.

Enterprise and whole farm units

Two years ago RMA increased the level of premium subsidies for policies specifying enterprise and whole farm units, to match more closely the percent subsidies for basic unit coverage. Many producers elected to shift to enterprise units, and bought a higher level of guarantee for essentially the same cost as for a lower guarantee under basic units.

This will be continued under the new common policy. Enterprise and whole farm units offer producers a substantial savings in premiums compared to basic or optional units. Previously CRC based the discounts on the number of acres insured, while RA used the number of township sections included in the policy. The new common policy requires that the acres covered must be located in at least two sections within a county to qualify for enterprise unit designation. In addition, the crop acres in each section must be larger than the lesser of 20 acres or 20 percent of the total acres. Thus, one large unit combined with one very small unit may not qualify.

Whole farm units are also available for Revenue Protection (but not Yield Protection), in which all insurable crops in a county are combined into one coverage unit. The revenue guarantee and the actual revenue are aggregated over all the insured crops. The policy must include at least two crops that each make up 10 percent or more of the total planted acres. Eighty percent of the premium for whole farm unit policies is paid by RMA.

Combining more acres and farm units into a single policy reduces the probability of collecting at least a small payment each year. The more spread out the individual

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units are, the more this is true. However, when an indemnity payment is triggered, it will likely be a larger payment. Moreover, the biggest risk in recent years has come on the price side of the equation rather than the yield side, and price declines have the same effect on enterprise and whole farm coverage as they do on basic or optional units. Nevertheless, farmers who opt for enterprise or whole farm coverage may want to consider purchasing add-on coverage to take care of localized weather events such as hail.

Table 1. Old and new crop insurance policy options

Old policy option	New policy option
Actual Production History (APH)	Yield Protection (YP)
Crop Revenue Coverage (CRC) Revenue Assurance with Harvest Price Option (RA-HPO)	Revenue Protection (RP)
Revenue Assurance (RA) Income Protection (IP)	Revenue Protection with Harvest Price Exclusion (RPE)



The 2011 costs of crop production

by Mike Duffy, extension economist, 515-294-6160, mduffy@iastate.edu

One of my jobs at Iowa State University is to produce the estimated costs of crop production. Over the years I have had the opportunity to work with some wonderful students and received information from many people around the state. In spite of all this help, sometimes I feel like I need to use a Ouija board because things are changing so fast.

We are currently in one of those times. I did a preliminary cost estimate in July. Since then the estimated costs have increased \$.34 a bushel for average yield corn following corn. For corn following soybeans, the cost estimated has increased \$.22 per bushel for the average yield.

This article will discuss some of what I have seen with respect to cost of production estimates. In preparing the estimates, I divided the costs of producing crops into four broad categories; machinery costs, costs for land, labor and general input costs. It could be debated whether this is the best way to think of production costs, but that is another discussion. Within these categories, I will cover where we have seen the most change over the years.

One of the first things you notice when examining the costs of production is that they are very closely correlated with the gross revenue for the crop. This is true for both corn (Figure 1) and soybeans (Figure 2). The relationship between gross revenue and costs

