

9-29-2009

Adjusting Hail-damaged Crops for Crop Insurance Reporting

William M. Edwards

Iowa State University, wedwards@iastate.edu

Follow this and additional works at: <http://lib.dr.iastate.edu/cropnews>

 Part of the [Agricultural Economics Commons](#), [Agricultural Science Commons](#), [Agronomy and Crop Sciences Commons](#), and the [Climate Commons](#)

Recommended Citation

Edwards, William M., "Adjusting Hail-damaged Crops for Crop Insurance Reporting" (2009). *Integrated Crop Management News*. 537.
<http://lib.dr.iastate.edu/cropnews/537>

The Iowa State University Digital Repository provides access to Integrated Crop Management News for historical purposes only. Users are hereby notified that the content may be inaccurate, out of date, incomplete and/or may not meet the needs and requirements of the user. Users should make their own assessment of the information and whether it is suitable for their intended purpose. For current information on integrated crop management from Iowa State University Extension and Outreach, please visit <https://crops.extension.iastate.edu/>.

Adjusting Hail-damaged Crops for Crop Insurance Reporting

Abstract

Hail damage to crops in north central Iowa caused great losses; the total of which will become more defined with harvest. The following guidelines are intended to help farmers through the process of adjusting hail-damaged crops for crop insurance reporting.

Keywords

Economics

Disciplines

Agricultural Economics | Agricultural Science | Agriculture | Agronomy and Crop Sciences | Climate

[Subscribe to Crop News](#)

Archives

[2015](#)[2014](#)[2013](#)[2012](#)[2011](#)[2010](#)[2009](#)[2008](#)[Previous Years](#)

ISU Crop Resources

[Extension Field Agronomists](#)[Crop & Soils Info](#)[Pesticide Applicator Training](#)[Agronomy Extension](#)[Entomology Extension](#)[Plant Pathology Extension](#)[Ag and Biosystems Engineering Extension](#)[Agribusiness Education Program](#)[Iowa Grain Quality Initiative](#)[College of Agriculture and Life Sciences](#)[ISU Extension](#)

Integrated Crop Management NEWS

-  PRINT STORY
-  EMAIL STORY
-  ADD TO DELICIOUS
-  ATOM FEED
-  FOLLOW ON TWITTER

Adjusting Hail-damaged Crops for Crop Insurance Reporting

By William Edwards, Department of Economics

Hail damage to crops in north central Iowa caused great losses; the total of which will become more defined with harvest. The following guidelines are intended to help farmers through the process of adjusting hail-damaged crops for crop insurance reporting.

Crop-hail and companion hail insurance

1. These are policies sold by private crop insurance companies. They are separate from the multiple peril policies regulated by the Risk Management Agency (USDA), and their premiums are not subsidized.
2. Crop-hail policies provide a maximum dollar amount of coverage per acre, with a fixed percent deductible. Companion hail policies are similar, but provide coverage only in addition to coverage provided by standard MPC I policies.
3. They generally cover damage due to hail, wind and/or fire. They do not cover yield loss due to other weather events, or price risk.
4. Damage is estimated as a percent of what the yield would have been without the weather occurrence, but a specific yield estimate is not made.
5. The adjustor may look at the crop soon after the damage occurs, but often will defer an appraisal until later, possibly just before harvest when crop damage is more evident. If the crop is harvested, check rows should be left.
6. After a percent loss is determined, the payment is equal to (percent loss minus percent deductible) x dollar value of coverage.
7. Many policies have a "disappearing deductible," which means that as the percent crop loss increases the unpaid deductible portion decreases until eventually the entire loss is paid. This is done by multiplying the appraised loss by a factor of 1.25 or 1.5.

Example: A farmer purchases a policy with a \$500 per acre coverage level and a 5 percent disappearing deductible. After a hail storm, the adjustor determines the yield loss to be 15 percent.

$$\text{Payment} = (15\% - 5\%) \times 1.25 \times \$500 = \$62.50 \text{ per acre.}$$

Multiple Peril Crop Insurance (MPCI)

1. The volume of crop is first corrected to a standard moisture percentage, 15 percent for corn and 13 percent for soybeans.
2. A quality adjustment factor is computed based on three factors:
 - Sample grade discount of 9.9 percent. Additional discounts may be applied if a musty, sour or otherwise objectionable odor is detected.
 - Low test weight, beginning at samples testing below 49 pounds per bushel for both corn and soybeans, and down to 46 pounds for corn or

44 pounds for soybeans.

- Excessive kernel damage, beginning at damage in excess of 10 percent for corn and 8 percent for soybeans, up to 35 percent kernel damage for either crop.

3. Quality discounts for damage in excess of the MPCI “chart values” for either low test weight or kernel damage will be based on the percent price discount determined by the buyer compared to the local market price on the same day. Unsold production will have an adjustment factor of 50 percent.

4. Additional discounts may be taken for substances such as aflatoxin, vomitoxin or fumonisin. Each substance has a separate discount table, ranging up to 40 percent for aflatoxin and fumonisin and 45 percent for vomitoxin. Samples tested for aflatoxin must be obtained before grain is placed into storage.

5. The bushels of production at the standard moisture level will be reduced by the percent quality adjustment factors to arrive at the “production to count” bushels. These bushels will be used to settle claims for any MPCI policy, and to calculate actual production history (APH) yields for future policies.

Example: a truckload of damaged corn contains 900 bushels after the moisture content is adjusted to 15 percent, and receives a “sample” grade.

Samples show the following quality losses:

Sample grade	discount factor = .099
Test weight = 48.5 pounds per bushel	discount factor = .041
Kernel damage = 16.5 percent	discount factor = .132
Aflatoxin presence = 30 ppb	discount factor = <u>.100</u>
	Total discount .372

Quality adjustment factor = $1.000 - .372 = .628$

Production to count = $900 \text{ bushels} \times .628 = 565.2 \text{ bushels}$ for that load

The value of the payment will depend on the type of MPCI policy and guarantee purchased, the indemnity price, and (for revenue insurance) the futures price at harvest time.

For more details consult your licensed crop insurance agent or insurance provider.

A related ICM News article, [Update on Hail Damaged Grain](#), contains a short checklist for making decisions about crops affected by severe hailstorms.

William Edwards is a professor of economics with extension responsibilities in farm business management. Edwards can be contacted at (515) 294-6161 or by emailing wedwards@iastate.edu.

This article was published originally on 9/29/2009. The information contained within the article may or may not be up to date depending on when you are accessing the information.

Links to this material are strongly encouraged. This article may be republished without further permission if it is published as written and includes credit to the author, Integrated Crop Management News and Iowa State University Extension. Prior permission from the author is required if this article is republished in any other manner.