

## SUpplemental REvenue (SURE)

Dr. G. A. "Art" Barnaby, Jr  
Kansas State University  
& 4B Ag Consultants, LLC  
Phone: (785) 532-1515

Email: [barnaby@ksu.edu](mailto:barnaby@ksu.edu)

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## SUpplemental REvenue Assistance

Supplemental Revenue Assistance Payments (SURE)

Farm Bill & administrative changes to crop insurance

Livestock Forage Disaster Program (LFP)

Livestock Indemnity Program (LIP)

Tree Assistance Program (TAP)

Emergency Assistance for Livestock, Honey Bees & Farm  
Raised Fish (EALHF) Program

## SUpplemental REvenue Assistance

The devil is in the details!

Many assumptions were made in this analysis because a number of important details are not defined or left to the Secretary to define.

No warranties are implied or given in this analysis.

Use slides and analysis at your own peril!

## Defining SURE Rules

Coverage is whole farm and includes all crops in all counties and crosses state lines.

County requires a Secretary's disaster declaration (include contiguous counties) or the whole farm must have a 50% **expected revenue** loss to be eligible.

Farmers in multiple counties will need a disaster declaration in one county being farmed?

## Defining SURE Rules

In Technical Correction; must have a 10% Yield loss on at least one major crop to be eligible.

Each Corporation will be treated as a single farm so a farmer with several corporations will have several SURE "units".

## Defining SURE Rules

Price setting SURE; is it CRC price setting guarantees and 90% cap or the APH price?

If less than 4 years of history, farmers can drop one "plugged" yield. If more than 4 years, will all "plugged" yields be dropped in SURE adjusted aph?

The Law states that crop insurance indemnity payments will count against the SURE guarantee, but does this mean net or gross indemnity?

## Supplemental Revenue Assistance (SURE)

SURE guarantee = planted acres x % crop insurance coverage x APH/program yield x CI price election x 115%

SURE cap = 90% of expected revenue for each crop.  
Planted acres x APH/proven yield x insurance price guarantee

## Supplemental Revenue Assistance (SURE)

Revenue to count = indemnities, prevented planting, 15% of direct payments, CC, ACRE, marketing loan gains, crop values (harvested acres x yield x MYA price)

SURE Payment = SURE Guarantee less the Revenue to count X 60%

## Crop Insurance and SURE Wheat Calculation Worksheet

		RA-HPO
1	Crop Ins. Coverage Level	70%
2	Crop Insurance aph	45.3
3	Crop Ins. Price Election	\$8.77
4	\$ Crop Ins. Coverage <span style="float: right;">(ln1 X ln2 X ln3)</span>	\$278.10
5	Yield	10.0
6	Crop Ins. RA Harvest Price	\$6.00
7	Final Revenue Guarantee <span style="float: right;">Max (ln3 , ln6) X ln1 X ln2</span>	\$278.10
8	\$ to Count <span style="float: right;">(ln5 X ln6)</span>	\$60.00
9	APH Indemnity Bu. <span style="float: right;">(ln1 X ln2 - 5ln)</span>	N/A
10	Indemnity Pymt (RA-HPO) <span style="float: right;">(ln7 - ln8)</span>	\$218.10
11	15% of Direct Pymt <sup>2</sup> + Other Gov Pymts	\$1.00



## Crop Insurance and SURE Wheat Calculation Worksheet

12	SURE "aph"	???
13	Coverage (Same as Crop Ins.)	70%
14	"Price" <sup>3</sup>	
15	SURE 115% Factor	115%
16	SURE Coverage <span style="float: right;">(ln12 X ln13 X ln14 X ln15)</span>	
17	Max Rev Cap <span style="float: right;">(ln12 X ln3 X 90%)</span>	
18	Lesser of line 16 or line 15	
18	NASS Price <sup>3</sup>	\$5.80
19	SURE Crop "Sales" <span style="float: right;">(ln5 X ln18)</span>	
20	Gov Pymts & Crop Ins. <span style="float: right;">(ln10 + ln11)</span>	
21	Gross SURE Pymt <span style="float: right;">(ln18 - ln19 - ln20)</span>	
22	60% X SURE Pymt (net) <span style="float: right;">(ln21 X 60%)</span>	
23	Total Revenue <span style="float: right;">(ln19 + ln20 + ln22)</span>	
24	Crop Ins. Premium <sup>5</sup>	\$16.69
	Total Revenue Less Crop	
25	Ins. Premium <span style="float: right;">ln23 - ln24</span>	



### Calculate SURE "aph"

60% of T aph Yield:

2008		66.4
2007	18.6	9.0
2006		40.8
2005		45.0
2004		52.7
2003		48.4
2002		N/A
2001		N/A
2000		N/A
1999		N/A

Simple Average	43.7
aph Yield	45.3
SURE Yield	<u>50.7</u>

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## Crop Insurance and SURE Wheat Calculation Worksheet

12 SURE "aph"		<u>50.7</u>
13 Coverage (Same as Crop Ins.)		<u>70%</u>
14 "Price" <sup>3</sup>		<u>\$8.77</u>
15 SURE 115% Factor		<u>115%</u>
16 SURE Coverage	(ln12 X ln13 X ln14 X ln15)	<u>\$357.93</u>
17 Max Rev Cap	(ln12 X ln3 X 90%)	<u>\$400.18</u>
18 Lesser of line 16 or line 15		<u>\$357.93</u>
18 NASS Price <sup>3</sup>		<u>\$5.80</u>
19 SURE Crop "Sales"	(ln5 X ln18)	<u>\$58.00</u>
20 Gov Pymts & Crop Ins.	(ln10 + ln11)	<u>\$219.10</u>
21 Gross SURE Pymt	(ln18 - ln19 - ln20)	<u>\$80.84</u>
22 60% X SURE Pymt (net)	(ln21 X 60%)	<u>48.50</u>
23 Total Revenue	(ln19 + ln20 + ln22)	<u>\$325.60</u>
24 Crop Ins. Premium <sup>5</sup>		<u>\$16.69</u>
Total Revenue Less Crop		
25 Ins. Premium	ln23 - ln24	<u>\$308.91</u>



## **SUpplemental REvenue Assistance (SURE)**

### ***“(5) DISASTER COUNTY.—***

***“(A) IN GENERAL.—The term ‘disaster county’ means a county included in the geographic area covered by a qualifying natural disaster declaration.***

***“(B) INCLUSION.—The term ‘disaster county’ includes—***

***“(i) a county contiguous to a county described in subparagraph (A); and***

***“(ii) any farm in which, during a calendar year, the total loss of production of the farm relating to weather is greater than 50 percent of the normal production of the farm, as determined by the Secretary.***

## **What adjustment to the aph will USDA make for SURE?**

***(2) ADJUSTED ACTUAL PRODUCTION HISTORY YIELD.—The term ‘adjusted actual production history yield’ means—***

***(A) in the case of an eligible producer on a farm that has at least 4 years of actual production history yields for an insurable commodity that are established other than pursuant to section 508(g) (4) (B) , the actual production history for the eligible producer without regard to any yields established under that section;***

## What adjustment to the aph will USDA make for SURE?

- *“(B) in the case of an eligible producer on a farm that has less than 4 years of actual production history yields for an insurable commodity, of which 1 or more were established pursuant to section 508(g) (4) (B), the actual production history for the eligible producer as calculated without including the lowest of the yields established pursuant to section 508(g) (4) (B)*

## How will the Secretary establish SURE guarantees for GRIP/GRP buyers?

*(D) EQUITABLE TREATMENT FOR NONYIELD BASED POLICIES.—The Secretary shall establish equitable treatment for **nonyield based policies** and plans of insurance, such as the Adjusted Gross Revenue Lite insurance program.*

## Net or gross indemnity?

*(v) the amount of payments for prevented planting on a farm;*

*(vi) the amount of crop insurance indemnities received by an eligible producer on a farm for each crop on a farm;*

*(vii) the amount of payments an eligible producer on a farm received under the noninsured crop assistance program for each crop on a farm;*

## How will the Secretary define "insurance price guarantee" for the 90% Cap?

*(5) EXPECTED REVENUE.—The expected revenue for each crop on a farm shall equal the sum obtained by adding— (A) the product obtained by multiplying—*

*(i) the greatest of—*

*(I) the adjusted actual production history yield of the eligible producer on a farm; and*

*(II) the countercyclical program payment yield;*

*(ii) the acreage planted or prevented from being planted for each crop; and*

*(iii) 100 percent of the **insurance price guarantee**.*

## Prevented & Late Planting

Under prevented planting crop insurance coverage is reduced to 60% of the guarantee. There is also a 1% reduction in the guarantee for each day the insured plants after the final planting date.

So is the SURE coverage also reduced or do farmers maintain the same SURE coverage level but there are fewer indemnity dollars to count against the guarantee?

## Defining SURE Rules

*"The Secretary shall establish equitable treatment for nonyield based policies"*

GRP/GRIP is based on yields; county yields. So would "equitable treatment" suggest a SURE guarantee based on county yields rather than aph yields?

Under GRIP/GRP the coverage levels are typically 85% and 90% while it is 70% or 75% under aph products, so will USDA use the 90% GRIP/GRP coverage to set the SURE coverage at 90% or will they use 75%, similar to how the subsidy is set for GRP (90% GRP gets the same subsidy rate as 75% aph products)?

## Defining SURE Rules

What does FSA do with GRP/GRIP plans or AGR where there are no yields reported? Under GRIP/GRP plans there is **no individual loss adjustment** but there is under SURE assuming SURE is an aph program only.

So will FSA also adjust losses in the field?

Will FSA build its own "aph" record system?

## Technical Corrections

Requires a 10 percent **yield** loss due to natural causes on at least one crop of economic significance for SURE eligibility. **Economic significance means the expected revenue from the crop must be at least 10% of total farm revenue.**

Eliminates counting of ghost crops in SURE guarantee and revenue to count.

Adds formula for calculating normal and actual production on the farm that **clarifies the 50% loss calculation as revenue loss.**

## Technical Corrections

Allows for a de minimis crop if the NAP fee exceeds 10% of crop value or if crop is not of "economic significance".

De minimis crops do not count in the SURE guarantee or revenue to count.

Eliminates pasture and range land from SURE but retains it in the Livestock Forage Disaster Program.

## All Crops Must Be Insured or Covered with NAP, But What is a Crop?

Technical Correction eliminates the insurance/NAP requirement on 2 acres of brome grass in a waterway.

Technical Correction eliminates pasture as a crop.

Do farmers planting uninsured winter wheat in the fall but then destroy their wheat before harvest and replant to corn-beans regain their eligibility for SURE?

## SURE Payment on 2007 KS Wheat Loss Year

Unit #	2003	2004	2005	2006	2007	2008 Average	Approved APH	Crop Ins. Share	SURE Expect - ed Yield	SURE Expect - ed Yield
1 Production	7,592	8,280	7,062	6,402	1,408	10,365				
Acres	157	157	157	157	156	156				
Yield	48.4	52.7	45.0	40.8	9.0	66.4	43.7	45.3	70.8%	5,003
Plug/T yields						18.6				5,600
2 Production	7,197	6,199	6,171	5,119	0	8,305				
Acres	128.7	128.7	128.7	128.7	128.7	128.7				
Yield	55.9	48.2	47.9	40.2	0.0	64.5	42.8	45.9	70.8%	4,182
Plug/T yields						18.6				514
3 Production	8,194	7,732	5,603	5,475	2,921	9,032				
Acres	128	128	128	128	128	128				
Yield	65.0	61.4	44.6	43.5	20.8	71.7	51.1	51.1	70.8%	4,559
Plug/T yields						18.6				4,559
4 Production	10,148	6,314	2,119	2,222	3,416	7,867				
Acres	138	114	142	142	142	142				
Yield	73.5	57.1	50.1	37.1	24.1	56.1	49.7	49.7	70.8%	4,907
Plug/T yields						18.6				4,907
5 Production	6,915	5,548	6,712	4,851	80	7,375				
Acres	134	134	134	134	134	134				
Yield	51.6	41.4	50.1	36.2	0.6	59.5	39.9	42.9	4.2%	241
Plug/T yields						18.6				47.8
6 Production	8,304	5,955	5,912	3,316	85	9,306				
Acres	141	141	141	141	141	141				
Yield	58.9	42.2	41.9	23.5	0.6	66.0	38.9	41.9	70.8%	4,183
Plug/T yields						18.6				46.5
7 Production	0	0	0	0	0	6,749				
Acres	0	0	0	0	0	108.3				
Yield							49	4.2%	223	223
Plug/T yields										4.5
8 Production	0	0	0	0	0	6,038				
Acres	0	0	0	0	0	151				
Yield							42	100.0%	6,342	6,342
Plug/T yields										151.0
9 Production	0	0	0	0	0	6,474				
Acres	0	0	0	0	0	129				
Yield							46	100.0%	5,934	5,934
Plug/T yields										129.0
10 Production	7,445	5,999	5,887	4,366	3,976	7,891				
Acres	114	114	114	114	114	114				
Yield	65.3	52.6	51.6	38.3	34.9	70.0	52.1	75.0%	4,455	4,455
Plug/T yields										85.5
11 Production	0	0	0	0	0	6,282				
Acres	0	0	0	0	0	130				
Yield							49	66.7%	3,268	3,268
Plug/T yields										66.7
12 Production	0	0	0	0	0	7,303				
Acres	0	0	0	0	0	94.2				
Yield							53	66.7%	3,330	3,330
Plug/T yields										62.8
13 Production	0	0	0	0	0	2,782				
Acres	0	0	0	0	0	42.1				
Yield							50	66.7%	1,404	1,404
Plug/T yields										28.1
14 Production	0	0	0	0	0	3,478				
Acres	0	0	0	0	0	59.3				
Yield							48	66.7%	1,899	1,899
Plug/T yields										39.6

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## SURE Payment on 2007 KS Wheat Loss Year

Unit #	2003	2004	2005	2006	2007	2008 Average	Approved APH	Crop Ins. Share	SURE Expect - ed Yield	SURE Expect - ed Yield
1 Production	7,592	8,280	7,062	6,402	1,408	10,365				
Acres	157	157	157	157	156	156				
Yield	48.4	52.7	45.0	40.8	9.0	66.4	43.7	45.3	70.8%	5,003
Plugs/T yields						18.6				5,600

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## SURE Payment on 2007 KS Wheat Loss Year

aph	50,019
SURE Adjusted aph <sup>1</sup>	51,604
CRC Price	\$4.52
Harvest Price	\$6.02
APH Price	\$3.90
Direct Payment	\$1,900.00
Coverage Level	70%
NASS all Wheat Price	\$6.65
Insurance rate/\$100	6.00%



## SURE Payment on 2007 KS Wheat Loss Year with 70% Coverage

### CRC/RA-HPO Insured (CRC/RA-HPO price sets SURE guarantee and 90% cap)

Percent of Crop Lost	90%	75%	50%	30% <sup>2</sup>	25% <sup>2</sup>	15% <sup>2</sup>	10% <sup>2</sup>	0% <sup>2</sup>	10%> Avg <sup>2</sup>
90% Payment CAP	279,590	279,590	279,590	279,590	279,590	279,590	279,590	279,590	279,590
Unlimited SURE Guarantee	250,077	250,077	250,077	250,077	250,077	250,077	250,077	250,077	250,077
SURE Guarantee	250,077	250,077	250,077	250,077	250,077	250,077	250,077	250,077	250,077
<b>Less:</b>									
Indemnity	180,670	135,503	60,223	0	0	0	0	0	0
15% of Direct + other FSA pymts	285	285	285	285	285	285	285	285	285
Sales	33,263	83,157	166,315	232,841	249,472	282,735	299,367	332,629	365,892
<b>SURE * 60% = Net SURE</b>	<u>21,515</u>	18,679	13,952	10,171	192	0	0	0	0
<b>Ad Hoc Disaster Aid</b>	45,063	32,773	12,290	0	0	0	0	0	0

### CRC/RA-HPO Insured (CRC/RA-HPO price sets SURE guarantee but no harvest price on 90% cap)

Percent of Crop Lost	90%	75%	50%	30% <sup>2</sup>	25% <sup>2</sup>	15% <sup>2</sup>	10% <sup>2</sup>	0% <sup>2</sup>	10%> Avg <sup>2</sup>
90% Payment CAP	209,924	209,924	209,924	209,924	209,924	209,924	209,924	209,924	209,924
Unlimited SURE Guarantee	250,077	250,077	250,077	250,077	250,077	250,077	250,077	250,077	250,077
SURE Guarantee	209,924	209,924	209,924	209,924	209,924	209,924	209,924	209,924	209,924
<b>Less:</b>									
Indemnity	180,670	135,503	60,223	0	0	0	0	0	0
15% of Direct + other FSA pymts	285	285	285	285	285	285	285	285	285
Sales	33,263	83,157	166,315	232,841	249,472	282,735	299,367	332,629	365,892
<b>SURE * 60% = Net SURE</b>	<u>0</u>	0	0	0	0	0	0	0	0
<b>Ad Hoc Disaster Aid</b>	45,063	32,773	12,290	0	0	0	0	0	0

### CRC/RA-HPO Insured (APH price sets SURE guarantee and 90% cap)

Percent of Crop Lost	90%	75%	50%	30% <sup>2</sup>	25% <sup>2</sup>	15% <sup>2</sup>	10% <sup>2</sup>	0% <sup>2</sup>	10%> Avg <sup>2</sup>
90% Payment CAP	181,129	181,129	181,129	181,129	181,129	181,129	181,129	181,129	181,129
Unlimited SURE Guarantee	162,010	162,010	162,010	162,010	162,010	162,010	162,010	162,010	162,010
SURE Guarantee	162,010	162,010	162,010	162,010	162,010	162,010	162,010	162,010	162,010
<b>Less:</b>									
Indemnity	180,670	135,503	60,223	0	0	0	0	0	0
15% of Direct + other FSA pymts	285	285	285	285	285	285	285	285	285
Sales	33,263	83,157	166,315	232,841	249,472	282,735	299,367	332,629	365,892
<b>SURE * 60% = Net SURE</b>	<u>0</u>	0	0	0	0	0	0	0	0
<b>Ad Hoc Disaster Aid</b>	45,063	32,773	12,290	0	0	0	0	0	0



## SURE Payment on 2007 KS Wheat Loss Year with 70% Coverage

<b>RA Insured (RA base price sets SURE guarantee and 90% cap)</b>										
Percent of Crop Lost	90%	75%	50%	30% <sup>2</sup>	25% <sup>2</sup>	15% <sup>2</sup>	10% <sup>2</sup>	0% <sup>2</sup>	10%>	Avg <sup>2</sup>
90% Payment CAP	209,924	209,924	209,924	209,924	209,924	209,924	209,924	209,924	209,924	209,924
Unlimited SURE Guarantee	187,766	187,766	187,766	187,766	187,766	187,766	187,766	187,766	187,766	187,766
SURE Guarantee	187,766	187,766	187,766	187,766	187,766	187,766	187,766	187,766	187,766	187,766
<b>Less:</b>										
Indemnity	128,150	82,982	7,703	0	0	0	0	0	0	0
15% of Direct + other FSA pymts	285	285	285	285	285	285	285	285	285	285
Sales	33,263	83,157	166,315	232,841	249,472	282,735	299,367	332,629		365,892
<b>SURE * 60% = Net SURE</b>	<b>15,641</b>	<b>12,805</b>	<b>8,078</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Ad Hoc Disaster Aid</b>	<b>45,063</b>	<b>32,773</b>	<b>12,290</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APH Insured (APH price sets SURE guarantee and 90% cap)</b>										
Percent of Crop Lost	90%	75%	50%	30% <sup>2</sup>	25% <sup>2</sup>	15% <sup>2</sup>	10% <sup>2</sup>	0% <sup>2</sup>	10%>	Avg <sup>2</sup>
90% Payment CAP	181,129	181,129	181,129	181,129	181,129	181,129	181,129	181,129	181,129	181,129
Unlimited SURE Guarantee	162,010	162,010	162,010	162,010	162,010	162,010	162,010	162,010	162,010	162,010
SURE Guarantee	162,010	162,010	162,010	162,010	162,010	162,010	162,010	162,010	162,010	162,010
<b>Less:</b>										
Indemnity	117,046	87,784	39,015	0	0	0	0	0	0	0
15% of Direct + other FSA pymts	285	285	285	285	285	285	285	285	285	285
Sales	33,263	83,157	166,315	232,841	249,472	282,735	299,367	332,629		365,892
<b>SURE * 60% = Net SURE</b>	<b>6,850</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Ad Hoc Disaster Aid</b>	<b>45,063</b>	<b>32,773</b>	<b>12,290</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CAT-APH Insured (APH price sets SURE guarantee and 90% cap)</b>										
Percent of Crop Lost	90%	75%	50%	30% <sup>2</sup>	25% <sup>2</sup>	15% <sup>2</sup>	10% <sup>2</sup>	0% <sup>2</sup>	10%>	Avg <sup>2</sup>
90% Payment CAP	99,621	99,621	99,621	99,621	99,621	99,621	99,621	99,621	99,621	99,621
Unlimited SURE Guarantee	63,647	63,647	63,647	63,647	63,647	63,647	63,647	63,647	63,647	63,647
SURE Guarantee	63,647	63,647	63,647	63,647	63,647	63,647	63,647	63,647	63,647	63,647
<b>Less:</b>										
Indemnity	42,917	26,823	0	0	0	0	0	0	0	0
15% of Direct + other FSA pymts	285	285	285	285	285	285	285	285	285	285
Sales	33,263	83,157	166,315	232,841	249,472	282,735	299,367	332,629		365,892
<b>SURE * 60% = Net SURE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Ad Hoc Disaster Aid</b>	<b>45,063</b>	<b>32,773</b>	<b>12,290</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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## SURE Payment on 2009 KS Wheat with 70% Coverage

aph	50,019									
SURE Adjusted aph <sup>1</sup>	51,604									
CRC Price	<b>\$8.77</b>									
Harvest Price	<b>\$7.50</b>									
APH Price	<b>\$7.35</b>									
Direct Payment	\$1,900.00									
Coverage Level	70%									
NASS all Wheat Price	<b>\$7.30</b>									
Insurance rate/\$100	10.00%									
<b>CRC/RA-HPO Insured (CRC/RA-HPO price sets SURE guarantee and 90% cap)</b>										
Percent of Crop Lost	90%	75%	50%	30% <sup>2</sup>	25% <sup>2</sup>	15% <sup>2</sup>	10% <sup>2</sup>	0% <sup>2</sup>	10%>	Avg <sup>2</sup>
90% Payment CAP	407,309	407,309	407,309	407,309	407,309	407,309	407,309	407,309	407,309	407,309
Unlimited SURE Guarantee	364,315	364,315	364,315	364,315	364,315	364,315	364,315	364,315	364,315	364,315
SURE Guarantee	364,315	364,315	364,315	364,315	364,315	364,315	364,315	364,315	364,315	364,315
<b>Less:</b>										
Indemnity	269,555	213,283	119,497	44,467	25,710	0	0	0	0	0
15% of Direct + other FSA pymts	285	285	285	285	285	285	285	285	285	285
Sales	36,514	91,286	182,571	255,599	273,857	310,371	328,628	365,142		401,656
<b>SURE * 60% = Net SURE</b>	<b>34,777</b>	<b>35,677</b>	<b>37,178</b>	<b>38,378</b>	<b>38,678</b>	<b>32,196</b>	<b>21,241</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Ad Hoc Disaster Aid</b>	<b>84,926</b>	<b>61,764</b>	<b>23,162</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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## SURE for 2008

No payments on 2008 Iowa flood losses until after September 1, 2009, i.e. end of marketing year.

**If it is an economically important crop, then farmers will want to buy coverage greater than CAT that will also increase their SURE coverage.**

\$100,000 payment limit reduces the value of SURE versus unlimited CI payments for "large" farms.

## Immediate Action Required by Farmers Last Day Sept 16, so too Late

If the major source of revenue (wheat) has already suffered a loss, then pay the \$100 NAP/CAT fees to remain eligible for SURE for 2008.

If the major source of revenue has not been harvested (corn, beans, grain sorghum), then pay the \$100 NAP/CAT fees to remain eligible for SURE for 2008. This is a "small" cost and one could still lose the crop to freeze, wind, excess moisture, etc.

If the major source of revenue (wheat) has been harvested with no loss, then don't pay the fees.

## Immediate Action Required by Farmers

Last Day Sept 30 for fall seeded crops, so too Late

While one can not define SURE, most farmers will want to insure at buy up levels and pay \$250 NAP fees on "significant" crops to maintain eligibility for 2009 SURE, including SURE on corn, beans and grain sorghum.

**SURE favors single enterprise farm versus a diversified farm!**

## Will Price Decline Cause a CRC/RA Payment in 2008?

Table 1. Breakeven Yields Necessary to Eliminate Indemnity Payments

RA	CRC	CRC
Bean	Bean	Corn
50.0	50.0	160.0 aph
75%	75%	75% Coverage selected by farmer
\$13.36	\$13.36	\$5.40 CRC/RA Base Price (Feb average of Dec Corn)
\$501.00	\$501.00	\$648.00 Minimum RA/CRC revenue coverage
54.5	48.5	157.0 Farmer Bushels of Production in 2008
		1.88% Yield Corn Yield Loss Required
		3.00% Yield Soybean Yield Loss Required
		109.0% Sbean Yield > Expected Required
\$9.22	\$10.36	\$4.13 CRC/RA Harvest Price <sup>1</sup>
\$502.49	\$502.46	\$648.41 Revenue to count
\$0.00	\$0.00	\$0.00 Pay the difference between revenue guarantee and revenue to count

<sup>1</sup>The harvest price used to settle CRC corn and grain sorghum contracts are based on the October average closing prices of December Chicago Board of Trade (CBOT) December corn futures. The harvest price used to settle RA corn contracts are based on the November average closing prices of December CBOT December corn futures. The harvest price used to settle CRC and RA soybean contracts are based on the October average closing prices of November Chicago Board of Trade CBOT November soybean futures. RA has no price limits but CRC has a \$1.50 limit below the planting price on corn and grain sorghum and a \$3.00 limit below the planting price on soybeans that was exceeded in 2008. For 2009 neither RA nor CRC will have a price limit on falling prices but both will have the same price cap of 2 times the planting price.

## Will Price Decline Cause a SURE Payment in 2008?

Table 1. Breakeven Yields Necessary to Eliminate SURE Payments

SURE	Sbean	Corn	
<b>A 10% Corn Yield Loss (A 10% Loss on One Crop Required)</b>			
\$1,321.35	\$576.15	\$745.20	Unadjusted SURE Guarantee
\$1,378.80	\$601.20	\$777.60	90% of Expected Revenue Cap
\$1,321.35			SURE Guarantee (lesser of SURE or Cap)
	72.5	144.0	Farmer Bushels of Production in 2008
\$1,263.17			Revenue to count <sup>1</sup>
\$6.90			15% of Direct Payments
\$53.28	\$0.00	\$53.28	Gross RA Indemnity Payment
\$0.00			Sure Payment
			<b>145.0% Sbean Yield &gt; Expected Required)</b>
<b>A 10% Soybeans Yield Loss (A 10% Loss on One Crop Required)</b>			
	45.0	183.0	Farmer Bushels of Production in 2008
\$1,170.69			Revenue to count <sup>1</sup>
\$6.90			15% of Direct Payments
\$86.10	\$86.10	\$0.00	Gross Indemnity RA Payment
\$0.00			Sure Payment
			<b>114.4% Corn Yield &gt; Expected Required</b>

<sup>1</sup>Results assume the Marketing Year Average (MYA) price used to settle SURE claims is the same price used to settle revenue insurance contracts. This is very unlikely to be correct because revenue insurance settles claims based on futures prices while the MYA is the USDA national average cash price based on the marketing year that will end about a year after harvest.

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## Will Price Decline Cause a GRIP Payment in 2008?

Table 1. Breakeven Yields Necessary to Eliminate GRIP Payments

GRIP		
Bean	Corn	
47.3	155.3	RMA Expected Clay County Indiana Corn Yield
\$13.36	\$5.40	GRIP Base Price (Feb average of Dec Corn)
1.5	1.5	Coverage increaser
\$947.89	\$1,257.93	GRIP Guarantee
47.3	155.3	RMA Expected Clay County Indiana Corn Yield
\$13.36	\$5.40	GRIP Base Price (Feb average of Dec Corn)
90%	90%	Coverage selected by farmer
\$568.74	\$754.76	Trigger Revenue
55	183	Clay County Indiana 2008 NASS Corn Yield
\$10.36	\$4.13	GRIP Harvest Price <sup>1</sup>
\$569.80	\$755.79	Reported County Revenue
0.00%	0.00%	Percent of coverage paid
		(Trigger Revenue - Actual Revenue)/Trigger Revenue
		<b>117.84% Corn Yield &gt; Expected Required)</b>
		<b>116.28% Sbean Yield &gt; Expected Required)</b>
\$0.00	\$0.00	Example GRIP payment

<sup>1</sup>The harvest price used to settle GRIP corn and grain sorghum contracts are based on the October average closing prices of December Chicago Board of Trade (CBOT) December corn futures. The harvest price used to settle GRIP soybean contracts are based on the October average closing prices of November Chicago Board of Trade CBOT November soybean futures. GRIP has a \$1.50 limit below the planting price on corn and grain and a \$3.00 cup below the planting price on soybeans that was exceeded in 2008. For 2009 the price limit on falling prices has been eliminated but GRIP will have the same price cap of 2 times the planting price.

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## Clay County Indiana Planted County Yields

Year	Sbean Yield	Corn Yield	County	State
1988	35.6	89.5	Clay	Indiana
1989	41.5	138.3	Clay	Indiana
1990	44.1	127.9	Clay	Indiana
1991	39.1	106.5	Clay	Indiana
1992	44.1	145.7	Clay	Indiana
1993	18.6	133.0	Clay	Indiana
1994	48.9	143.8	Clay	Indiana
1995	45.6	121.7	Clay	Indiana
1996	44.4	105.8	Clay	Indiana
1997	45.8	109.2	Clay	Indiana
1998	49.9	103.1	Clay	Indiana
1999	48.1	146.7	Clay	Indiana
2000	48.9	152.9	Clay	Indiana
2001	43.0	156.3	Clay	Indiana
2002	41.0	132.8	Clay	Indiana
2003	34.0	150.5	Clay	Indiana
2004	47.0	172.7	Clay	Indiana
2005	49.8	161.1	Clay	Indiana
2006	49.2	150.5	Clay	Indiana
2007	49.8	171.1	Clay	Indiana
	46.0	161.2	5 Year Avg Yield	
	46.1	149.8	10 Year Avg Yield	

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## Indiana Insurance History

Year	Crop	Ins Plan	Loss Ratio	Year	Crop	Ins Plan	Loss Ratio
2007	CORN	APH	0.24	2002	CORN	APH	2.49
2007	CORN	CRC	0.31	2002	CORN	CRC	1.63
2007	CORN	GRIP	0.36	2002	CORN	GRIP	0.92
2007	CORN	GRP	0.18	2002	CORN	GRP	2.94
2007	CORN	RA	0.24	2002	CORN	RA	1.74
2006	CORN	APH	0.28	2001	CORN	APH	0.11
2006	CORN	CRC	0.25	2001	CORN	CRC	0.18
2006	CORN	GRIP	0.00	2001	CORN	GRIP	0.19
2006	CORN	GRP	0.00	2001	CORN	GRP	0.05
2006	CORN	RA	0.42	2001	CORN	RA	0.08
2005	CORN	APH	0.25	2000	CORN	APH	0.16
2005	CORN	CRC	0.23	2000	CORN	CRC	0.34
2005	CORN	GRIP	0.60	2000	CORN	GRIP	0.93
2005	CORN	GRP	0	2000	CORN	GRP	0.03
2005	CORN	RA	0.27	2000	CORN	RA	0.11
2004	CORN	APH	0.31	1999	CORN	APH	0.50
2004	CORN	CRC	0.39	1999	CORN	CRC	0.74
2004	CORN	GRIP	1.66	1999	CORN	GRIP	2.02
2004	CORN	GRP	0	1999	CORN	GRP	1.02
2004	CORN	RA	0.56				
2003	CORN	APH	1.08				
2003	CORN	CRC	0.68				
2003	CORN	GRIP	0.01				
2003	CORN	GRP	0.02				
2003	CORN	RA	0.83				

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## Indiana Insurance History

Year	Crop	Ins Plan	Loss Ratio	Year	Crop	Ins Plan	Loss Ratio
2007	SOYBEANS	APH	0.46	2002	SOYBEANS	APH	1.26
2007	SOYBEANS	CRC	0.52	2002	SOYBEANS	CRC	0.99
2007	SOYBEANS	GRIP	0.20	2002	SOYBEANS	GRIP	0.09
2007	SOYBEANS	GRP	0.39	2002	SOYBEANS	GRP	1.11
2007	SOYBEANS	RA	0.74	2002	SOYBEANS	RA	1.56
2006	SOYBEANS	APH	0.20	2001	SOYBEANS	APH	0.22
2006	SOYBEANS	CRC	0.19	2001	SOYBEANS	CRC	0.18
2006	SOYBEANS	GRIP	0.00	2001	SOYBEANS	GRIP	0.07
2006	SOYBEANS	GRP	0.00	2001	SOYBEANS	GRP	0.04
2006	SOYBEANS	RA	0.24	2001	SOYBEANS	RA	0.13
2005	SOYBEANS	APH	0.18	2000	SOYBEANS	APH	0.37
2005	SOYBEANS	CRC	0.16	2000	SOYBEANS	CRC	0.48
2005	SOYBEANS	GRIP	0.02	2000	SOYBEANS	GRIP	0.03
2005	SOYBEANS	GRP	0	2000	SOYBEANS	GRP	0.08
2005	SOYBEANS	RA	0.13	2000	SOYBEANS	RA	0.47
2004	SOYBEANS	APH	0.25	1999	SOYBEANS	APH	1.11
2004	SOYBEANS	CRC	0.33	1999	SOYBEANS	CRC	1.01
2004	SOYBEANS	GRIP	1.19	1999	SOYBEANS	GRIP	0.48
2004	SOYBEANS	GRP	0	1999	SOYBEANS	GRP	1.42
2004	SOYBEANS	RA	0.41				
2003	SOYBEANS	APH	1.39				
2003	SOYBEANS	CRC	1.45				
2003	SOYBEANS	GRIP	0.00				
2003	SOYBEANS	GRP	3.06				
2003	SOYBEANS	RA	1.39				

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## Average Crop Revenue Election (ACRE)

**DR. G. A. "ART" BARNABY, JR.**  
**KANSAS STATE UNIVERSITY**  
**& 4B AG CONSULTANTS, LLC**

**PHONE: 785-532-1515**

**EMAIL: [barnaby@ksu.edu](mailto:barnaby@ksu.edu)**

**Check out our WEB page at**

**<http://www.AgManager.Info>**

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## Average Crop Revenue (ACR)

ACR is "GRIP" (put option) on Expected State Revenue.

Revenue is price times yield, so how is price and yield measured?

The price election (strike, approved) is based on a 2 year average MYA price.

ACRE uses a moving 5 year Olympic average State yield.

ACRE Revenue Guarantee is approved State yield X approved (strike) price X 90%.

## Average Crop Revenue (ACR)

ACRE Pymt = ACRE Guarantee – [Actual State Yield X Max (MYA price, 70% X Loan)], s.t. Farm level revenue is less than farm level benchmark + crop insurance premiums

There is 10% cups & caps on \$ Coverage after the first year, no limit on the first year.

Maximum payment is limited to 25% of ACRE guarantee.

ACRE payment limit is \$65,000 plus the reduction in direct payments.

## Average Crop Revenue (ACR)

Must sign up all crops in ACRE by farm serial number. Both tenant and landlord must agree.

Accept a 20% reduction in direct payments

Accept a 30% reduction in loan rates.

## A \$105,000 ACRE payment limit has been published but how is that possible?

This is the combined limit for ACRE and Direct payments (\$65,000 + \$40,000)

ACRE reduces Direct payments & payment limits by 20% (\$8,000)

The \$8,000 reduction in Direct payment limit is transferred to ACRE so the effective payment limit is \$73,000 (\$65,000 plus \$8,000)

## Assume a Farmer is over the \$40,000 Direct payment limit.

ACRE effectively puts \$8,000 of the payment limit at risk and delays the payments for about a year.

Because ACRE is by farm serial number, FSA will need to keep Direct and ACRE payment limits separate.

## Assume a Farmer is over the \$40,000 Direct payment limit.

### Scenarios:

- If the ACRE payment is equal to zero, then the farmer has an \$8,000 reduction in total payments.
- If the ACRE payment is \$8,000 then farmer will generate the same total payments but the \$8,000 ACRE payment should be discounted to net present value before comparing with the Direct payment.

## Assume a Farmer is over the \$40,000 Direct payment limit.

### Scenarios:

- If the ACRE payment is greater than \$8,000 then ACRE and reduced Direct payments (assuming price is not below the loan rate) will generate the most payments.
- If the ACRE payment is greater than \$73,000, then the farmer will hit the maximum combined payment limit of \$105,000, i.e. \$73,000 for ACRE and \$32,000 for Direct.

## Assume a Farmer is over the \$40,000 Direct payment limit.

Because farmers are locked in to ACRE once they signup, they should compare the expected payments over the remaining life of the Farm bill and adjust the ACRE payments for time value when comparing those payments to the reduction in Direct payments.

The larger the farm the more likely one will recover the \$8,000 reduction in Direct payment limit, i.e. if ACRE generates a "small" per acre payment, then it will require more acres to recover the \$8,000 reduction the Direct payment limit.

## Average Crop Revenue (ACR)

Farm Revenue must be below Farm Benchmark revenue.

A moving 5 year Olympic average farm level yield times ACRE strike price + crop insurance premiums.

Farm revenue to count is the actual yield times the current year MYA price.

If farm revenue is below Benchmark then farm is eligible for an ACRE payment based on State revenue.

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**Table 1. Corn ACRE Program, Iowa**

Year	Yield <sup>1</sup> Planted	Olympic Average Yield <sup>2</sup>	MYA Price	Bench- mark Revenue * 90%	10% Cup/Cap on Bench- mark <sup>3</sup>	Revenue to Count	Pymt on 83.3% Planted Acre	Pymt per Planted Ac. <sup>4,5</sup>	% of Cover- age Paid
1980	104.5	99.1	3.11	197.86	174.04	325.00	0.00	0.00	0.00%
1981	120.2	111.1	2.50	251.08	191.45	300.56	0.00	0.00	0.00%
1982	114.8	114.5	2.55	280.54	210.59	292.65	0.00	0.00	0.00%
1983	81.7	113.2	3.21	260.31	231.65	262.39	0.00	0.00	0.00%
1984	107.8	109.0	2.63	293.32	254.81	283.57	0.00	0.00	0.00%
1985	122.8	114.3	2.23	286.53	280.30	273.90	6.39	5.32	1.90%
1986	132.3	115.1	1.50	249.91	252.27	198.38	53.88	44.88	17.79%
1987	126.9	119.2	1.94	193.26	227.04	246.14	0.00	0.00	0.00%
1988	79.5	119.2	2.54	184.48	204.34	202.03	2.30	1.92	0.94%
1989	114.7	121.5	2.36	240.26	224.77	270.74	0.00	0.00	0.00%
1990	122.1	121.2	2.28	267.85	247.25	278.30	0.00	0.00	0.00%
1991	114.2	117.0	2.37	253.11	253.11	270.64	0.00	0.00	0.00%
1992	144.2	117.0	2.07	244.81	244.81	298.53	0.00	0.00	0.00%
1993	73.3	117.0	2.50	233.75	233.75	183.33	50.42	42.00	17.97%
1994	148.5	126.8	2.26	240.59	240.59	335.53	0.00	0.00	0.00%
1995	119.9	126.1	3.24	271.66	264.65	388.47	0.00	0.00	0.00%
1996	134.7	133.0	2.71	312.10	291.12	365.15	0.00	0.00	0.00%
1997	134.6	129.7	2.43	355.98	320.23	327.09	0.00	0.00	0.00%
1998	141.5	137.0	1.94	300.11	300.11	274.55	25.56	21.29	7.09%
1999	145.3	137.0	1.82	269.32	270.10	264.46	5.64	4.70	1.74%
2000	140.5	138.9	1.85	231.73	243.09	259.90	0.00	0.00	0.00%
2001	142.3	141.4	1.97	229.42	229.42	280.25	0.00	0.00	0.00%
2002	158.3	143.0	2.32	243.10	243.10	367.31	0.00	0.00	0.00%
2003	151.9	146.5	2.42	276.11	267.41	367.58	0.00	0.00	0.00%
2004	176.7	150.8	2.06	312.45	294.16	364.05	0.00	0.00	0.00%
2005	168.9	159.7	2.00	304.06	304.06	337.89	0.00	0.00	0.00%
2006	162.7	163.3	3.04	291.81	291.81	494.63	0.00	0.00	0.00%
2007	166.8	166.1	4.00	370.42	320.99	667.14	0.00	0.00	0.00%
<b>Average Payment</b>								<b>4.00</b>	<b>1.58%</b>

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## ACRE Calculation Worksheet

<b>1</b>	2007/08 Corn NASS Price	<b>\$4.25</b>
<b>2</b>	USDA Forecast 2008/09 NASS Price	<b>\$5.75</b>
<b>3</b>	ACRE Strike Price	<b>\$5.00</b>
<b>4</b>	State Yield by Year	<b>IA</b>
<b>5</b>	2004	<b>176.7</b>
<b>6</b>	2005	<b>168.9</b>
<b>7</b>	2006	<b>162.7</b>
<b>8</b>	2007	<b>166.8</b>
<b>9</b>	2008	<b>163.0</b>
<b>10</b>	State Olympic Average Yield	<b>166.2</b>

Avg (ln 1 & ln 2) \_\_\_\_\_  
 [ (Sum (ln 5...ln 9) - Max (ln 5...ln 9) - Min (ln 5...ln 9)) / 3 ] \_\_\_\_\_



## ACRE Calculation Worksheet

<b>11</b>	Coverage X 90% <sup>2</sup>	<b>\$748.07</b>
<b>12</b>	Actual 2009 State Yield	<b>166.2</b>
<b>13</b>	Max (2009/10 MYA Price, 70% X Loan)	<b>\$4.00</b>
<b>14</b>	Revenue to Count	<b>664.80</b>
<b>15</b>	Gross ACRE Payment	<b>83.27</b>
<b>16</b>	25% Payment Cap	<b>187.02</b>
<b>17</b>	Pay the Lesser of ln 15 or ln 16	<b>83.27</b>
<b>18</b>	Payment Factor 0.833 (0.85 in 2012)	<b>69.36</b>
<b>19</b>	Farm's Olympic Yield <sup>3</sup>	<b>160.2</b>
<b>20</b>	Farm's Crop Insurance Premium	<b>\$40.00</b>
<b>21</b>	Farm Benchmark	<b>841.00</b>
<b>22</b>	Farm Yield in 2009	<b>160</b>
<b>23</b>	Farm Revenue to Count	<b>640.00</b>
<b>24</b>	Eligibility Requires Farm Revenue to be less than Farm Benchmark If No, then ACRE payment for the farm is zero and Stop Calculations	<b>Yes</b>
<b>25</b>	Farm's Olympic Yield Ratio / State Olympic Yield	<b>0.964</b>
<b>26</b>	Farm Level ACRE Payment	<b>\$66.84</b>

(ln 3 X ln 10) X 90% \_\_\_\_\_  
 (ln 12 X ln 13) \_\_\_\_\_  
 (ln 11 - ln 14) \_\_\_\_\_  
 (ln 11 X 25%) \_\_\_\_\_  
 (ln 17 X 0.833) \_\_\_\_\_  
 (ln 3 X ln 19) + ln 20 \_\_\_\_\_  
 (ln 13 X ln 22) \_\_\_\_\_  
 IF ln 21 > ln 23 then "YES" otherwise "NO" \_\_\_\_\_  
 (ln 19 / ln 10) \_\_\_\_\_  
 (ln 18 X ln 25) \_\_\_\_\_



## 2009 Crop Insurance Changes

DR. G. A. "ART" BARNABY, JR.  
KANSAS STATE UNIVERSITY  
& 4B AG CONSULTANTS, LLC

PHONE: 785-532-1515

EMAIL: [barnaby@ksu.edu](mailto:barnaby@ksu.edu)

Check out our WEB page at

<http://www.AgManager.Info>

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### Summary of farm bill crop insurance title

Administratively, USDA increased the price limits on CRC from current levels to 2 times base price, e.g. would have increased corn from a \$6.90 cap (\$5.40 + \$1.50) to \$10.80 and eliminated the downside price limit.

Administratively, USDA will apply this same price limit to RA for the first time.

Conduct a pilot that increases the subsidy rate on enterprise & whole farm units to match optional unit subsidy.

## Increased subsidy rate on enterprise & whole farm units

Coverage Level	50	55	60	65	70	75	80	85
Current Subsidy Level	67%	64%	64%	59%	59%	55%	48%	38%
Increase Subsidy for:								
Enterprise Units*	80%	80%	80%	80%	80%	77%	68%	53%
Whole Farm Units*	n/a	n/a	n/a	80%	80%	80%	71%	56%

\*New increased subsidy for Enterprise and Whole Farm units are only on insurance plans and in counties that RMA offers Enterprise and Whole Farm units.

## Summary of farm bill crop insurance title

Reduces the A&O by 2.3 points with a 50% "snapback" provision if a state's loss ratio exceeds 1.2.

Reduces CAT reimbursement rate from 8% to 6%

Raises statutory loss ratio to 1.0 from 1.075.

Raises CAT administrative fee to \$300 per crop per county.

Moves up the billing date to August 15 beginning in 2012.

## Summary of farm bill crop insurance title

Delays the payment date for A&O expenses to October 1 in 2012.

Requires USDA to renegotiate the SRA by the beginning of 2011 reinsurance year and every five years after that.

## Summary of farm bill crop insurance title

Increases focus on risk management education for socially disadvantaged and beginning farmers.

Expands data mining efforts.

Increases funding to RMA for its IT system.

Requires an expert review of the crop insurance price setting method for grain sorghum.

## Thank You

DR. G. A. "ART" BARNABY, JR.  
KANSAS STATE UNIVERSITY  
& 4B AG CONSULTANTS, LLC

PHONE: 785-532-1515

EMAIL: [barnaby@ksu.edu](mailto:barnaby@ksu.edu)

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