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Do You have a Simple Crop Insurance Recommendation?¹

Art,

I am thinking GRIP is overpriced and CRC and RA are better deals. For the first time in my farming life I am actually thinking about aborting all of my standards and buying some crop insurance. Is my take on CRC and RA correct? Should I be thinking about something else?

Nebraska Grower

Dear Grower,

This is a real common question. The major changes for risk protection this year include for the first time the **same maximum price limit and no downside price limit on all revenue insurance contracts**, increased subsidy for enterprise units that was proposed by the National Corn Growers Association, and the higher the level of crop insurance coverage purchased by farmers, the higher their “free” SURE revenue coverage. SURE may provide a “lot” of additional coverage if revenue insured farmers are allowed to use their revenue prices in their SURE protection from the Farm Service Agency (FSA).

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CAT buyers will receive almost no protection from SURE and very little crop insurance protection.

I am suggesting buying a minimum coverage of 70% Crop Revenue Coverage (CRC) or Revenue Assurance with the Harvest Price Option (RA-HPO) or greater for farmers selecting optional units. For farmers with fields that are similar in yield risk I am suggesting 80% enterprise coverage that will average all of a farmer's corn fields together in to a single guarantee for the county. The enterprise unit will receive a premium discount, combined with up to a 22 point increase in subsidy. Farmers who have been buying Group Risk Income Protection with the Harvest Revenue Option (GRIP-HRO) may want to consider changing to 80% RA-HPO or CRC enterprise coverage because the subsidy was cut on GRIP-HRO (cut was last year).

Increasing the coverage to 80% with an enterprise will increase the total dollars guaranteed for the farm, it will provide additional subsidy, it will provide a premium discount for the enterprise unit, and the higher insurance coverage will increase the "free" SURE revenue protection from the FSA. A minimum coverage of 80% enterprise unit coverage or a minimum of 70% optional unit coverage will "maximize" the combined crop insurance subsidy and the SURE revenue coverage that requires no farmer paid premiums.

I am suggesting farmers buy either CRC or RA-HPO with the lowest premium costs. The RA and CRC have the same price limits; no downside price limit and the upside price limit is 2 times the base price **on all revenue products**. The CRC and RA-HPO is exactly the same coverage on soybeans so there is no reason to pay a higher premium. On corn CRC harvest price is the October average while RA is the November average price of December CBOT corn futures. Last year RA harvest price paid more but is that likely to happen in the future? Some insurance experts are saying yes, but farmers should not pay a lot of extra premium for the RA-HPO on corn over the CRC premium. At this point I have not done any analysis on the question so I have no opinion.

An enterprise unit is by crop and by county so farmers could chose an enterprise unit for their soybeans and optional units for their corn. I am suggesting farmers selecting an enterprise unit also increase their coverage because an enterprise unit's crop yield will vary less than a optional unit's yield but a higher coverage (lower deductible) will under some conditions give the "same" probability of a claim. However, it is possible that one field (insurance unit) will be hailed out and receives no payment under an enterprise unit because the other fields produced sufficient yields to eliminate the payment. However, if price decline is the cause or a part of the cause for a revenue insurance claim then the price peril will affect all units equally, even the county unit in GRIP-HRO. Also under an enterprise unit one could add private hail insurance and cover some of the spot losses.

Unless farmers have some Noninsured Crop Disaster Assistance Program (NAP) crops, it is likely they will not want to buy crop insurance coverage greater than 80% on their insurable crops. The reason is that SURE has a per acre payment cap so farmers over the cap will have their SURE payment reduced by a dollar for each dollar the crop insurance

indemnity payment put them over the cap. One final consideration is that crop insurance has no payment limit but SURE is limited to \$100,000. Therefore the cap is not a major consideration on a very large farm. Their decision to select 80% or 85% enterprise units will depend on the premium costs. Also once the farm crosses the county line farmers get a new enterprise unit. In addition farmers can buy a different product or coverage levels once the farm crosses the county line.

Farmers changing to an enterprise unit **should retain all of their crop yield records on an optional unit basis**. The increased enterprise subsidy is a three year pilot and at the end of the pilot program the subsidy structure may change back and farmers will want to change back to an optional unit. That will require the records.

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