It's a lot harder than they made it sound.
Todays Topics

1. Crop Insurance Basics Review
2. 2014 Crop Insurance Choices
3. Crop Insurance Strategies
4. Computer model ?
5. 2014 Farm Bill FSA Programs
Federal Crop Insurance

Individual Producer Coverage

✓ RP    Revenue Protection

Includes the same levels of coverage choices as YP (Yield Protection). However, RP insures against losses of revenue caused by both yield loss and/or price changes.

REVENUE = Yield X Price

150 bu Yield X $6.00 Price = $900.00 Revenue

Revenue Protection addresses both Yield and Price
YP (Yield Protection)

✓ Protects against losses to crop yield only
✓ Based on actual production history (APH) or County T Yield
✓ Replant & prevented planting coverage included
✓ Coverage based on “Market Price Election,” APH, and percent coverage selected
✓ Premium payments subsidized
YP (Yield Protection)

✓ Coverage calculation

- APH Yield x Coverage % = Guaranteed Bushels
- Guaranteed Bushels x Market Price Election = Coverage Level in $/Acre
RP (Revenue Protection)

✓ Protects against revenue loss due to yield loss and/or price changes. Converts your bushel guarantee to a dollar guarantee per acre.

✓ Same as YP

- Uses APH or County T Yields (60%)
- Coverage choices range from 50 to 85%
- Premium subsidized, based on coverage
- Replant & prevented planting included
RP (Revenue Protection)

✓ Offers 3-way protection
  • Coverage if yields are low
  • Coverage if prices fall
  • Coverage if a short crop and prices rise
### Rev. Prot. Price Guarantees

<table>
<thead>
<tr>
<th>Crop</th>
<th>Contract</th>
<th>Base Price</th>
<th>Harvest Price</th>
</tr>
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<tbody>
<tr>
<td>Corn - Mich</td>
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**Base Price** Announced early March or Sept. for wheat. Used to calculate the minimum revenue guarantee.

\[
\text{APH} \times \% \text{ Coverage} \times \text{Base Price}
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**Harvest Price** Announced early Nov/Dec. If higher than base price, used to calculate a new higher revenue guarantee.
R.P. Indemnity (Loss) Payments

✓ The Harvest Price is used to value your production

✓ If the Harvest Price is lower than the initial Base Price, it’s as though the amount of bushels covered by insurance increases.
RP Indemnity (Loss) Payments

✓ If the Harvest Price is higher than the initial Base Price, the revenue guarantee increases -- but so does the value of your harvested production

✓ This is the feature in RP that protects you if you have pre-harvest marketed grain (forward contract before harvest)
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## Base Prices for 2014

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Guarantee: $340.80/A
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**Minimum Revenue Guarantee**

\[
\text{Minimum Revenue Guarantee} = \text{APH} \times \% \text{ coverage} \times \text{Base Price}
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\[
40 \text{ bu} \times 75\% \times $11.36 = $340.80
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### Indemnity

**Guarantee - Actual Production × Harvest Price**

$340.80 - (22 \text{ bu} \times $11.36) = $90.88/A

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**Indemnity**

Guarantee - Actual Production × Harvest Price

$340.80 - (22 bu × $9.50)

$340.80 - $209.00 = $131.80

New Guarantee

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Indemnity

$90.88/A   $131.80
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<tbody>
<tr>
<td></td>
<td>40 bu/A</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td>40 bu/A</td>
<td>$11.36</td>
</tr>
<tr>
<td></td>
<td>75%</td>
<td>$340.80/A</td>
</tr>
<tr>
<td></td>
<td>22 bu/A</td>
<td>$13.00</td>
</tr>
<tr>
<td></td>
<td>$390.00</td>
<td></td>
</tr>
</tbody>
</table>

**Final Guarantee**

With a higher harvest price, a new Guarantee is calculated.

\[
\text{APH} \times \% \text{ cover} \times \text{Harvest Price} = \text{New Guarantee}
\]

\[
40 \text{ bu} \times 75\% \times $13.00 = $390.00
\]

**Indemnity**

$90.88/A
<table>
<thead>
<tr>
<th>Price Increase</th>
<th>Yield Prot.</th>
<th>Revenue Prot.</th>
</tr>
</thead>
<tbody>
<tr>
<td>40 bu/A</td>
<td>75%</td>
<td>$11.36</td>
</tr>
<tr>
<td>40 bu/A</td>
<td>75%</td>
<td>$340.80/A</td>
</tr>
<tr>
<td>22 bu/A</td>
<td>$13.00</td>
<td>$390.00</td>
</tr>
</tbody>
</table>

**Indemnity**

**Guarantee - Actual Production x Harvest Price**

$\text{Indemnity} = \text{New Guarantee} - \left( \text{Actual Production} \times \text{Harvest Price} \right) = \$390.00 - (22 \text{ bu} \times \$13.00) = \$390.00 - \$286.00 = \$104.00$

<table>
<thead>
<tr>
<th>New Guarantee</th>
<th>Indemnity</th>
</tr>
</thead>
<tbody>
<tr>
<td>$$390.00$</td>
<td>$$90.88/A$</td>
</tr>
<tr>
<td>$$390.00$</td>
<td>$$104.00$</td>
</tr>
</tbody>
</table>
## Market Year Average Price

<table>
<thead>
<tr>
<th>Crop Prices</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CORN</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base -CRC, RA, GRIP, RevProt</td>
<td>$4.04</td>
<td>$3.99</td>
<td>$6.01</td>
<td>$5.68</td>
<td>$5.65</td>
<td>$4.62</td>
</tr>
<tr>
<td>APH Mulit Peril Crop Insuran</td>
<td>$4.00</td>
<td>$3.90</td>
<td>$6.01</td>
<td>$5.68</td>
<td>$5.65</td>
<td>$4.62</td>
</tr>
<tr>
<td>Harvest - CRC, GRIP</td>
<td>$3.72</td>
<td>$5.46</td>
<td>$6.27</td>
<td>$7.50</td>
<td>$4.23</td>
<td></td>
</tr>
<tr>
<td>Harvest RA</td>
<td>$3.90</td>
<td>$5.52</td>
<td>$6.27</td>
<td>$7.40</td>
<td>$4.23</td>
<td></td>
</tr>
<tr>
<td>MYA Producer Price</td>
<td>$3.55</td>
<td>$5.18</td>
<td>$6.22</td>
<td>$6.89</td>
<td>$4.50</td>
<td>$3.85</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Crop Prices</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Soybeans</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base -CRC, RA, GRIP, RevProt</td>
<td>$8.80</td>
<td>$9.23</td>
<td>$13.49</td>
<td>$12.55</td>
<td>$12.87</td>
<td></td>
</tr>
<tr>
<td>APH Mulit Peril Crop Insuran</td>
<td>$9.90</td>
<td>$9.15</td>
<td>$13.49</td>
<td>$12.55</td>
<td>$12.87</td>
<td></td>
</tr>
<tr>
<td>Harvest - CRC, GRIP</td>
<td>$9.66</td>
<td>$11.63</td>
<td>$12.14</td>
<td>$15.39</td>
<td>$12.87</td>
<td></td>
</tr>
<tr>
<td>Harvest RA</td>
<td>$9.66</td>
<td>$11.63</td>
<td>$12.14</td>
<td>$15.39</td>
<td>$12.87</td>
<td></td>
</tr>
<tr>
<td>MYA Producer Price</td>
<td>$9.59</td>
<td>$11.30</td>
<td>$12.50</td>
<td>$14.40</td>
<td>$12.70</td>
<td></td>
</tr>
</tbody>
</table>
RP - Revenue-Based Insurance Advantages

☑ May have larger indemnities than yield-based crop insurance

☑ 3-way coverage means a greater chance of indemnity payment

☑ May be competitively priced with yield-based crop insurance

☑ Can use it as an integral part of your marketing strategy!
Fact or Fiction # 1

“It’s March and cold out - I don’t dare forward price 40% of next fall’s crop now - I might not get it planted!”

✓ FICTION

• YP and RP automatically include prevented planting coverage at 60% of your coverage level. For example, at the 75% level, you have 45% coverage if you don’t get the crop planted

• What are the odds that you won’t get some of the crop planted?
Fact or Fiction # 2

“My APH is 150, I have 80% Rev. Prot., and I just harvested 155 bushels per acre. I can’t have a crop insurance loss.”

✓ FICTION, Yes You Can

• In 2013, the base price in February was $5.65. The harvest price was $4.23.

• Your minimum revenue guarantee was $678 (150 bpa x 80% X $5.65). Your harvest of 155 bpa x $4.23 is $656. You have a $22 indemnity coming.
Fact or Fiction #3

“My spouse went to a meeting & tells me I am wasting my money if I buy Rev. Prot. and don’t have a plan to pre-harvest market my grain.”

✓ FACT??

- RP has the feature that increases the revenue guarantee if the harvest price is higher than the spring base price. In most cases, you pay for this feature.
- The intent of these tools was to allow you to pre-harvest market your grain. (up to coverage level)
Fact or Fiction # 4

“I have RP & forward priced 75% of my APH on 600 ac soybeans. Yields are bad, prices have skyrocketed, I can’t deliver on my contracts – I am going to lose my shirt”

✓ FICTION, You Are Covered

• The final revenue guarantee with RP is re-calculated using the harvest price if it is higher than the base price. The insurance increase will offset the cost of buying the higher priced grain to fill your contracts.
• Let’s look at an example
I can't deliver, I'm going to lose... Fiction!

✓ 600 acres of soybeans
✓ 40 bu/acre APH
✓ 75% coverage revenue-based insurance
✓ 600 x 40 x 75% = 18,000 bushels -- insured amount to pre-harvest market
✓ You get it sold and August turns dry
I can't deliver, I'm going to lose... Fiction!

✓ Marketed 18,000 bu pre-harvest (75% of APH) at $11.36 = $204,480

✓ Only produced 13,200 bu.
  Buy back 4,800 bu. at $14.90 - $71,520
  • (price includes extra $.10 for purchase) $14.80 local cash price

✓ Crop insurance indemnity + $72,000
  Based off of Futures at $15.00

✓ Gross Return = $204,960
  • There is basis opportunity/risk
I can’t deliver,
I’m going to lose… Fiction!

<table>
<thead>
<tr>
<th>Optional Unit</th>
<th>YP</th>
<th>RP</th>
<th>RPwHPE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium per acre</td>
<td>$9.52</td>
<td>$13.43</td>
<td>$11.05</td>
</tr>
</tbody>
</table>

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<table>
<thead>
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<th>Optional Units 600Ac</th>
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</tr>
<tr>
<td><strong>Repurchase beans (-)</strong></td>
<td>- $71,520</td>
<td>- $71,520</td>
<td>- $71,520</td>
</tr>
<tr>
<td><strong>Total Indemnity (+)</strong></td>
<td>+$54,528</td>
<td>+ $72,000</td>
<td>+$6,480</td>
</tr>
<tr>
<td><strong>Total premium (-)</strong></td>
<td>- $5,712</td>
<td>- $8,058</td>
<td>- $6,630</td>
</tr>
<tr>
<td><strong>Net result</strong></td>
<td>$181,776</td>
<td>$196,902</td>
<td>$132,810</td>
</tr>
</tbody>
</table>

I can’t deliver, I’m going to lose... Fiction!
RP with the Harvest Price Exclusion is a **bad choice** if you plan to pre-harvest market grain. The spring minimum guarantee is also the final guarantee - but it uses the harvest price to value production.

<table>
<thead>
<tr>
<th>Optional Units</th>
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<th>RPwHPE</th>
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</table>
Fact or Fiction # 5

“There is a possibility I could get mites or aphids in my fields this summer. I don’t need to worry -- my crop insurance will cover the loss.”

✓ FACT & FICTION

- YP & RP will cover losses from soybean diseases if you use good agronomic practices. If you scout & treat the field if needed – you are covered!
The Facts of Revenue-Based Crop Insurance

<table>
<thead>
<tr>
<th>Low Price</th>
<th>High Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Yield</td>
<td>Covered</td>
</tr>
<tr>
<td>High Yield</td>
<td></td>
</tr>
</tbody>
</table>
The Facts of Revenue-Based Crop Insurance

<table>
<thead>
<tr>
<th>High Yield</th>
<th>Low Price</th>
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</thead>
<tbody>
<tr>
<td>Covered</td>
<td>Covered</td>
<td></td>
</tr>
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<td>Covered</td>
</tr>
<tr>
<td>High Yield</td>
<td>Covered</td>
</tr>
</tbody>
</table>

Low Price

High Price
Many individuals take

1. Revenue Protection (RP)
2. 75 to 85% coverage level
3. Enterprise units
4. Add TA-APH yield endorsement
5. ACR (90% coverage level, lower protection level to adjust payment)
What Questions Do You Have?

- If you would like a PDF file of these slides, email me and I will send you the file.
  - Email: betz@msu.edu
  - Roger Betz
    Sr. Dist. Extension Farm Management
    315 West Green Street
    Marshall MI 49068
    Fax 269 781 0768
  - Web page: https://www.msu.edu/user/betz/
  - Program Support: Janice Wright (269) 781-0780
BREAK!!!!
Crop Insurance Decisions 2014

Roger Betz
Michigan State University
Gary Schnitkey
University of Illinois
Topic

1. Review of Crop Insurance Terms
2. Comparison of 2013 vs 2014 policies
3. Impacts of 2014 Farm Bill
4. Performance in 2014
5. Changes from 2013 to 2014
6. Product recommendations
Crop Insurance Terms

2013 COMBO

1. Group Risk Plan GRP, Group Risk Income Plan GRIP, GRIP-HR
2. Yield Protection YP
3. Revenue Protection RP

2014 Area Risk Protection Insurance (ARPI)

1. Area Revenue Protection (ARP)
2. Area Revenue Protection with Harvest Price Exclusion (ARPwHPE)
3. Area Yield Protection (AYP)
2014 Farm Bill and Crop Insurance

No changes in 2014 crop year for crop insurance. But the “FSA program choice” does effect your total combined risk management plan.

In future years:

• 2014 Farm Bill does not change COMBO or ARPI products
• 2014 Farm Bill does not change subsidy rates
• In 2015 SCO (Supplemental Coverage Option) is a crop insurance program that is available only if you choose the PLC (Price Loss Coverage) FSA farm payment program.
2014 Farm Bill and Crop Insurance

In 2015:

• Introduces conservation compliance for highly erodible farmland

• Introduces Supplemental Coverage Option (SCO)
  – County product from 86% coverage level to coverage level of COMBO product
  – Farmdoc webinar on March 12 dealing with SCO
RP, Corn, Illinois at 75%, 80%, and 85% Coverage Levels

Source: Risk Management Agency, Summary of Business data
Crop Insurance Changes

1. Projected prices much lower in 2014 than 2013

2. Group products combined into Area Risk Protection Insurance (ARPI) policy
## Projected and Harvest Prices

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corn</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected Price</td>
<td>4.04</td>
<td>3.99</td>
<td>6.01</td>
<td>5.68</td>
<td>5.65</td>
<td>4.62</td>
</tr>
<tr>
<td>Harvest Price</td>
<td>3.72</td>
<td>5.46</td>
<td>6.27</td>
<td>7.50</td>
<td>4.23</td>
<td></td>
</tr>
<tr>
<td><strong>Soybeans</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected Price</td>
<td>8.80</td>
<td>9.23</td>
<td>13.49</td>
<td>12.55</td>
<td>12.87</td>
<td>11.36</td>
</tr>
</tbody>
</table>

- Projected price – average of Dec. (corn) of Nov. (beans) CME futures contract in February, used to set insurance guarantees.
Last Year’s Products

RP – Revenue Protection, Farm, Revenue with guarantee increase

RPwHPE – Revenue Protection with harvest price exclusion, Farm, Revenue with no guarantee increase

YP – Yield Protection, Farm, Yield

GRP – Group Risk Plan, County, Yield

GRIP – Group Risk Income Plan, County, Revenue no guarantee increase

GRIP-HR – Group Risk Income Plan with Harvest Revenue Option, County, Revenue with guarantee increase
Area Risk Protection Insurance
Starts with the 2014 crop year

- Replaces Group products

- New plans (2014)

<table>
<thead>
<tr>
<th>ARPI Plan</th>
<th>Replaces</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area Revenue Protection (ARP)</td>
<td>GRIP-HR</td>
<td>Revenue</td>
</tr>
<tr>
<td>ARP with harvest price Exclusion (ARPwHPE)</td>
<td>GRIP</td>
<td>Revenue, no harvest price increase</td>
</tr>
<tr>
<td>Area Yield Plan (AYP)</td>
<td>GRP</td>
<td>Yield</td>
</tr>
</tbody>
</table>
ARP offers similar coverage to GRIP-HR, but with following differences

1. **ARP coverage begins when planted**, must be planted by final plant date (late June for corn, mid July for soybeans)

2. Producers must complete production reports

3. **Choose a protection factor (.8 to 1.2) rather than a protection level (60% to 100%)**

4. **Payments of ARP are lower than GRIP-HR at vary low revenues which are not likely to happen**

See January 7, 2014 farmdocDaily post
Basic Insurance Product
for 2014 crop year same as before

- Revenue Protection
- 75%, 80% and 85%
- Enterprise Units
- With Trend Adjustment Actual Production History (TA-APH) Yield Endorsement

USE THIS: Unless have some characteristics of products listed below

Do not lower coverage level from last year
Macon County RP Premium Costs

<table>
<thead>
<tr>
<th>Coverage Level</th>
<th>Enterprise</th>
<th>Basic</th>
<th>Optional</th>
<th>Minimum Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>50%</td>
<td>0.42</td>
<td>0.87</td>
<td>1.24</td>
<td>438</td>
</tr>
<tr>
<td>55%</td>
<td>0.65</td>
<td>1.60</td>
<td>2.18</td>
<td>482</td>
</tr>
<tr>
<td>60%</td>
<td>0.94</td>
<td>2.35</td>
<td>3.00</td>
<td>526</td>
</tr>
<tr>
<td>65%</td>
<td>1.34</td>
<td>3.86</td>
<td>4.70</td>
<td>569</td>
</tr>
<tr>
<td>70%</td>
<td>2.10</td>
<td>5.62</td>
<td>6.50</td>
<td>613</td>
</tr>
<tr>
<td>75%</td>
<td>3.70</td>
<td>8.93</td>
<td>9.92</td>
<td>657</td>
</tr>
<tr>
<td>80%</td>
<td>7.53</td>
<td>14.70</td>
<td>15.71</td>
<td>701</td>
</tr>
<tr>
<td>85%</td>
<td>16.25</td>
<td>25.16</td>
<td>25.94</td>
<td>745</td>
</tr>
</tbody>
</table>

From 2014 Crop Insurance Decision Tool available on Farmdoc website in FAST or crop insurance sections

For a 190 TA-APH and a 178 APH yield, 125 acres, Macon County
**Ingham County RP Premium Costs**

**Revenue Protection**

<table>
<thead>
<tr>
<th>Coverage Level</th>
<th>Enterprise $/Acre</th>
<th>Basic $/Acre</th>
<th>Optional $/Acre</th>
<th>Minimum Revenue $/Acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>50%</td>
<td>1.39</td>
<td>2.61</td>
<td>3.58</td>
<td>355</td>
</tr>
<tr>
<td>55%</td>
<td>1.90</td>
<td>3.96</td>
<td>5.18</td>
<td>391</td>
</tr>
<tr>
<td>60%</td>
<td>2.55</td>
<td>5.37</td>
<td>6.62</td>
<td>426</td>
</tr>
<tr>
<td>65%</td>
<td>3.36</td>
<td>7.99</td>
<td>9.53</td>
<td>462</td>
</tr>
<tr>
<td>70%</td>
<td>4.72</td>
<td>10.87</td>
<td>12.43</td>
<td>497</td>
</tr>
<tr>
<td>75%</td>
<td>7.13</td>
<td>15.23</td>
<td>16.88</td>
<td>533</td>
</tr>
<tr>
<td>80%</td>
<td>12.71</td>
<td>22.04</td>
<td>23.62</td>
<td>568</td>
</tr>
<tr>
<td>85%</td>
<td>23.99</td>
<td>32.93</td>
<td>34.24</td>
<td>604</td>
</tr>
</tbody>
</table>

From *2014 Crop Insurance Decision Tool* available on Farmdoc website in FAST or crop insurance sections.

For a 153.8 TA-APH and a 146 APH yield, 125 acres, Ingham County.
Units

- Enterprise – all of one crop in a county (need to meet eligibility requirements)

- Basic – division of one crop by ownership split (all owned and cash rent land is a basic unit, all share rent landlords are individual basic unit)

- Optional – division of basic units by township section

Use enterprise units unless much variability in farmland
## RP Guarantee Example

**Revenue Protection**

<table>
<thead>
<tr>
<th></th>
<th>Corn</th>
<th>Soybeans</th>
</tr>
</thead>
<tbody>
<tr>
<td>TA-APH yield</td>
<td>160</td>
<td>48</td>
</tr>
<tr>
<td>Projected price</td>
<td>4.62</td>
<td>11.36</td>
</tr>
<tr>
<td>Harvest price (avg during Oct)</td>
<td>&lt; 4.62</td>
<td>&lt; 11.36</td>
</tr>
<tr>
<td><strong>RP uses higher of projected or harvest price in guarantee</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coverage level</td>
<td>85%</td>
<td>85%</td>
</tr>
<tr>
<td>Guarantee (Corn 160 x 4.62 x .85)</td>
<td>$628</td>
<td>$463</td>
</tr>
</tbody>
</table>

Harvest price will not be known till end of Nov/October
### RP Guarantee Example

**Revenue Protection**

<table>
<thead>
<tr>
<th></th>
<th>Corn</th>
<th>Soybeans</th>
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<td>Harvest price (avg during Nov/Oct)</td>
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</tbody>
</table>

RP uses higher of projected or harvest price in guarantee

<table>
<thead>
<tr>
<th></th>
<th>Corn</th>
<th>Soybeans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coverage level</td>
<td>85%</td>
<td>85%</td>
</tr>
<tr>
<td>Guarantee (Corn $160 \times 6.00 \times .85$)</td>
<td>$816</td>
<td>$530</td>
</tr>
<tr>
<td>Yield below which payments occur</td>
<td>136</td>
<td>40.8</td>
</tr>
</tbody>
</table>

Harvest price will not be known till end of October
# RP Per Acre Payments Corn $4.62
(160 Bu TA-APH Yield, 85% Coverage Level)

<table>
<thead>
<tr>
<th>Yield</th>
<th>3.50</th>
<th>4.00</th>
<th>4.50</th>
<th>5.00</th>
<th>5.50</th>
<th>6.00</th>
<th>6.50</th>
<th>7.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>70</td>
<td>$383</td>
<td>$348</td>
<td>$313</td>
<td>$278</td>
<td>$243</td>
<td>$208</td>
<td>$173</td>
<td>$138</td>
</tr>
<tr>
<td>80</td>
<td>$348</td>
<td>$308</td>
<td>$268</td>
<td>$228</td>
<td>$188</td>
<td>$148</td>
<td>$108</td>
<td>$  68</td>
</tr>
<tr>
<td>90</td>
<td>$313</td>
<td>$268</td>
<td>$223</td>
<td>$178</td>
<td>$133</td>
<td>$  88</td>
<td>$  43</td>
<td>-</td>
</tr>
<tr>
<td>100</td>
<td>$278</td>
<td>$228</td>
<td>$178</td>
<td>$128</td>
<td>$  78</td>
<td>$  28</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>110</td>
<td>$243</td>
<td>$188</td>
<td>$133</td>
<td>$  78</td>
<td>$  23</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>120</td>
<td>$208</td>
<td>$148</td>
<td>$  88</td>
<td>$  28</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>130</td>
<td>$173</td>
<td>$108</td>
<td>$  43</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>140</td>
<td>$138</td>
<td>$  68</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>150</td>
<td>$103</td>
<td>$  28</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>160</td>
<td>$  68</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>170</td>
<td>$  33</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>180</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Who Should Use RPwHPE

- One who does not pre-harvest hedge
- One who is cost conscious
- Willing to take the drought year risk of getting no or low payments

Corn, Illinois, 2012, 85% Coverage Level

<table>
<thead>
<tr>
<th></th>
<th>Acre Insured</th>
<th>Farmer-Paid Premium</th>
<th>Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>RP</td>
<td>2,708,000</td>
<td>$29</td>
<td>$326</td>
</tr>
<tr>
<td>RPwHPE</td>
<td>315,000</td>
<td>$15</td>
<td>$128</td>
</tr>
</tbody>
</table>
# RP Premium Costs Corn

<table>
<thead>
<tr>
<th>Coverage Level</th>
<th>Revenue Protection</th>
<th>Minimum Revenue Guarantee</th>
<th>Revenue Protection with Harvest Price Exclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Enterprise</td>
<td>Basic</td>
<td>Optional</td>
</tr>
<tr>
<td>50%</td>
<td>1.39</td>
<td>2.61</td>
<td>3.58</td>
</tr>
<tr>
<td>55%</td>
<td>1.90</td>
<td>3.96</td>
<td>5.18</td>
</tr>
<tr>
<td>60%</td>
<td>2.55</td>
<td>5.37</td>
<td>6.62</td>
</tr>
<tr>
<td>65%</td>
<td>3.36</td>
<td>7.99</td>
<td>9.53</td>
</tr>
<tr>
<td>70%</td>
<td>4.72</td>
<td>10.87</td>
<td>12.43</td>
</tr>
<tr>
<td>75%</td>
<td>7.13</td>
<td>15.23</td>
<td>16.88</td>
</tr>
<tr>
<td>80%</td>
<td>12.71</td>
<td>22.04</td>
<td>23.62</td>
</tr>
<tr>
<td>85%</td>
<td>23.99</td>
<td>32.93</td>
<td>34.24</td>
</tr>
</tbody>
</table>

From Crop Insurance Decision Tool available on Farmdoc website in FAST or crop insurance sections

For a 153.8 TA-APH yield, 140 APH yield Ingham County
Who Should Take ARP?
Area Risk Protection

• 90% coverage level
• Vary protection factor (80% to 120%)

Characteristics
• More concerned about price risk protection
• Can only take basic units
• APH yield lower than expected yield
ARP Premium Costs

From *Crop Insurance Decision Tool* available on Farmdoc website in FAST or crop insurance sections

Ingham County in 2014

<table>
<thead>
<tr>
<th>Coverage Level</th>
<th>Protection Level</th>
<th>$ per Acre</th>
<th>$/acre</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>120%</td>
<td>90%</td>
<td>80%</td>
</tr>
<tr>
<td>70%</td>
<td>18.53</td>
<td>13.90</td>
<td>12.35</td>
</tr>
<tr>
<td>75%</td>
<td>28.04</td>
<td>21.03</td>
<td>18.69</td>
</tr>
<tr>
<td>80%</td>
<td>37.52</td>
<td>28.14</td>
<td>25.01</td>
</tr>
<tr>
<td>85%</td>
<td>50.89</td>
<td>38.17</td>
<td>33.93</td>
</tr>
<tr>
<td>90%</td>
<td>66.31</td>
<td>49.73</td>
<td>44.21</td>
</tr>
</tbody>
</table>
Ingham County, Corn, Example
ARP Area Revenue Protection

Guarantee

<table>
<thead>
<tr>
<th>Expected yield (1)</th>
<th>149.8 bu.</th>
</tr>
</thead>
<tbody>
<tr>
<td>x Higher of projected or harvest price (2)</td>
<td>$4.62</td>
</tr>
<tr>
<td>x Coverage level (3)</td>
<td>90%</td>
</tr>
<tr>
<td>Guarantee</td>
<td>$623</td>
</tr>
</tbody>
</table>

(1) Set by RMA for each year
(2) ARP with harvest price exclusion does not have the higher provision
(3) Coverage level ranges from 70 to 90% in 5% increments
### Ingham County, Corn, Example

**ARP Area Revenue Protection**

#### Policy Protection

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected yield</td>
<td>149.8 bu.</td>
</tr>
<tr>
<td>$ \times $ Higher of projected or harvest price (1)</td>
<td>$4.62</td>
</tr>
<tr>
<td>$ \times $ Farmer choice of protection factor (2)</td>
<td>1.2</td>
</tr>
<tr>
<td>Protection level</td>
<td>$830</td>
</tr>
</tbody>
</table>

1. ARP with harvest price exclusion does not have higher of provision

2. Ranges from .8 to 1.2, under GRIP was the Protection Level
# Ingham County, Corn, Example

## Area Revenue Protection

### Shortfall Calculations

<table>
<thead>
<tr>
<th></th>
<th>High Yield</th>
<th>Avg Yield</th>
<th>Drought</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actual County Yield</strong></td>
<td>175</td>
<td>149.8</td>
<td>110</td>
</tr>
<tr>
<td><strong>Actual Harvest Price</strong></td>
<td>$3.50</td>
<td>$4.62</td>
<td>$6.00</td>
</tr>
<tr>
<td><strong>Harvest Revenue</strong></td>
<td>$613</td>
<td>$692</td>
<td>$660</td>
</tr>
<tr>
<td><strong>Coverage Guarantee (90%)</strong></td>
<td>$623</td>
<td>$623</td>
<td>$809</td>
</tr>
<tr>
<td><strong>Cov.Grnt' MINUS Hrvst' Revenue</strong></td>
<td>$10</td>
<td>$0</td>
<td>$149</td>
</tr>
<tr>
<td><strong>Shortfall Divisor</strong></td>
<td>498</td>
<td>498</td>
<td>684</td>
</tr>
<tr>
<td>**Shortfall Ratio *****</td>
<td>0.021</td>
<td>-</td>
<td>0.218</td>
</tr>
<tr>
<td><strong>Protection Level (1.2)</strong></td>
<td>$830</td>
<td>$830</td>
<td>$1,079</td>
</tr>
<tr>
<td><strong>Shortfall Payment</strong></td>
<td>$17</td>
<td>$0</td>
<td>$235</td>
</tr>
</tbody>
</table>

*** Shortfall Ratio = (guarantee – harvest revenue) / (guarantee - .18 x projected price x exp yield) when harvest revenue < guarantee
Summary

Most will find:

1. RP Revenue Protection
   1. high coverage level (80 to 85%)
   2. enterprise units (if can)
   3. TA-APH yield

2. ARP Area Revenue Protection
   1. 90% Coverage Level
   2. Vary Protection Factor 0.8 to 1.2
      1. cost vs desired benefit