

Making Your 2017 Crop Insurance Decisions

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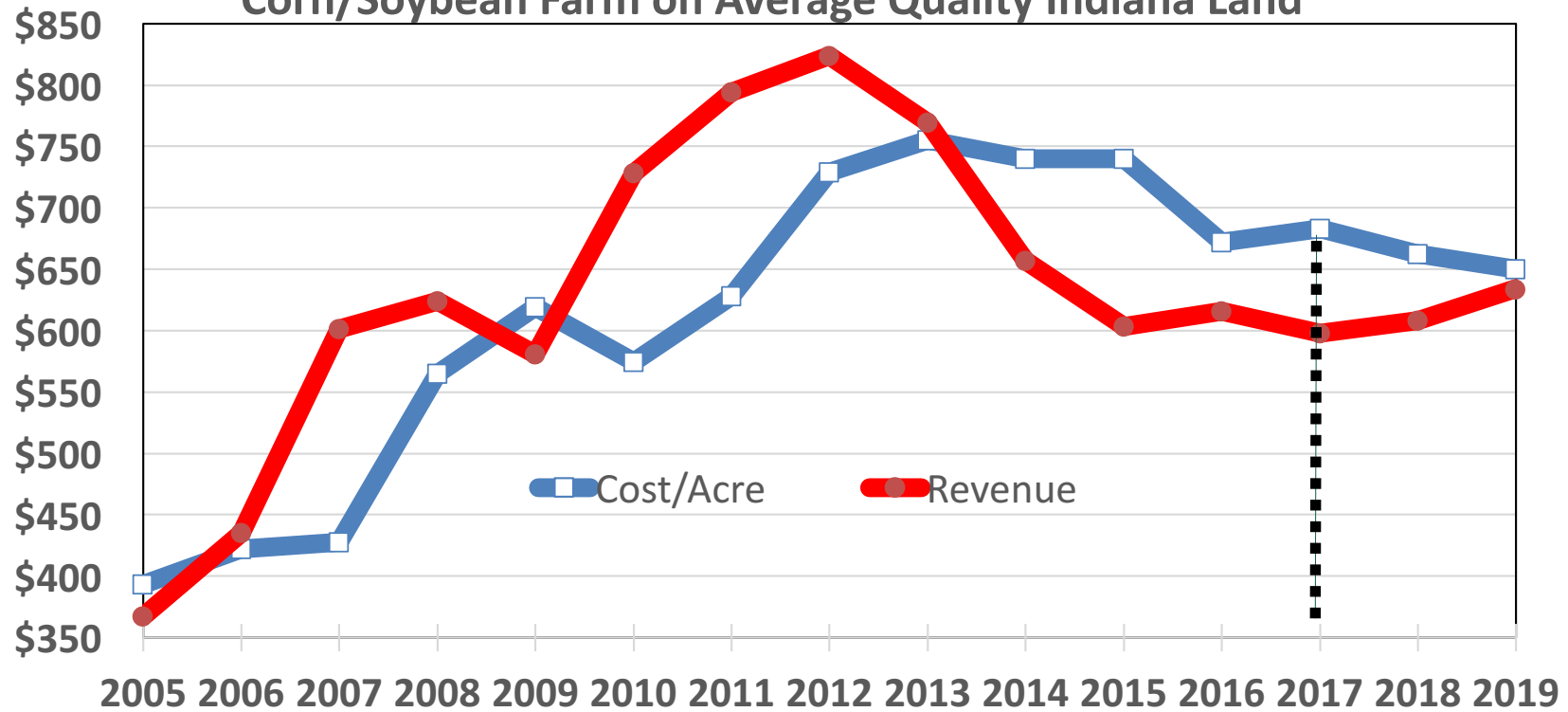
Purdue Center for Commercial Agriculture

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Estimated Revenue and Costs/Acre on a 50/50 Corn/Soybean Farm on Average Quality Indiana Land



Definitions

➤ Basic Units

- ❖ All of one crop in a county for a specific share of production.
 - ❖ All owned and cash rent land for one crop in one county is a basic unit.
 - ❖ Each share rent landowner arrangement would be a separate basic unit.

➤ Optional Units

- ❖ Divisions of basic units based on township section.

➤ Enterprise Units

- ❖ Addition of all basic units in one county for a single crop.

Potential Products

- **Yield Policies**

- **AYP = area yield protection**

- Insures against county-wide production loss (based on county yield)
 - Policy protection = dollar amount of protection per acre x net acres
 - 70 to 90% coverage levels

- **YP = yield protection**

- Insures against production loss (based on individual farm yield)
 - Yield protection guarantee = APH approved yield x coverage level x projected price
 - 50 to 85% coverage levels

Potential Products

- **Revenue Policies**

- **ARP = area revenue protection**

- Insures against county-wide revenue loss (based on county revenue)
 - Policy protection = county yield x coverage level x greater of projected price or harvest price
 - 70 to 90% coverage levels

- **RP = revenue protection**

- Insures against revenue loss due to increase or decrease in price, low yield, or combination of these (based on individual farm revenue)
 - Revenue protection guarantee = APH approved yield x coverage level x greater of projected price or harvest price
 - 50 to 85% coverage levels

Projected and Harvest Prices

➤ Projected Price

- ❖ Based on settlement prices for futures contracts during February
- ❖ 2015: Corn = \$4.15 and Soybeans = \$9.73
- ❖ 2016: Corn = \$3.86 and Soybeans = \$8.85
- ❖ **2017: Corn = \$3.95 and Soybeans = \$10.15**

➤ Harvest Price

- ❖ Based on settlement prices for futures contracts during October
- ❖ 2015: Corn = \$3.83 and Soybeans = \$8.91
- ❖ 2016: Corn = \$3.49 and Soybeans = \$9.75

Estimated Premiums: Knox County, Indiana

Corn Price = \$3.95; Volatility = 0.17

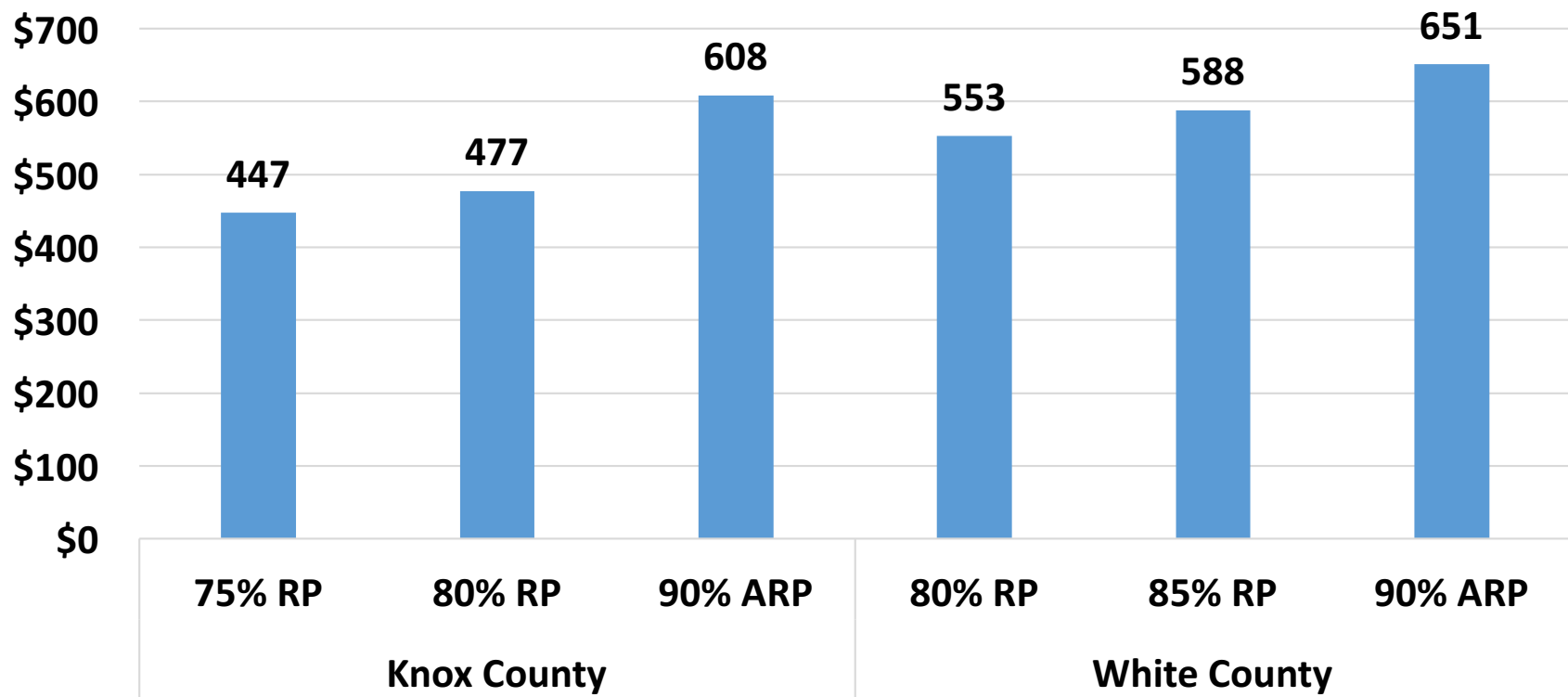
Coverage Level	YP Enterprise Units	RP Enterprise Units	ARP 120% Protection Factor
65%	4.96	6.53	N/A
70%	6.10	8.05	4.22
75%	8.55	11.25	5.91
80%	14.79	19.27	9.01
85%	26.87	35.73	15.84
90%	N/A	N/A	27.57

Estimated Premiums: White County, Indiana

Corn Price = \$3.95; Volatility = 0.17

Coverage Level	YP Enterprise Units	RP Enterprise Units	ARP 120% Protection Factor
65%	1.16	1.64	N/A
70%	1.55	2.48	5.62
75%	2.32	4.24	9.60
80%	4.12	7.97	15.46
85%	7.61	15.30	27.65
90%	N/A	N/A	46.83

2017 Revenue Guarantees per Acre for Corn Selected Indiana Counties



Estimated Premiums: Knox County, Indiana

Soybean Price = \$10.15; Volatility = 0.12

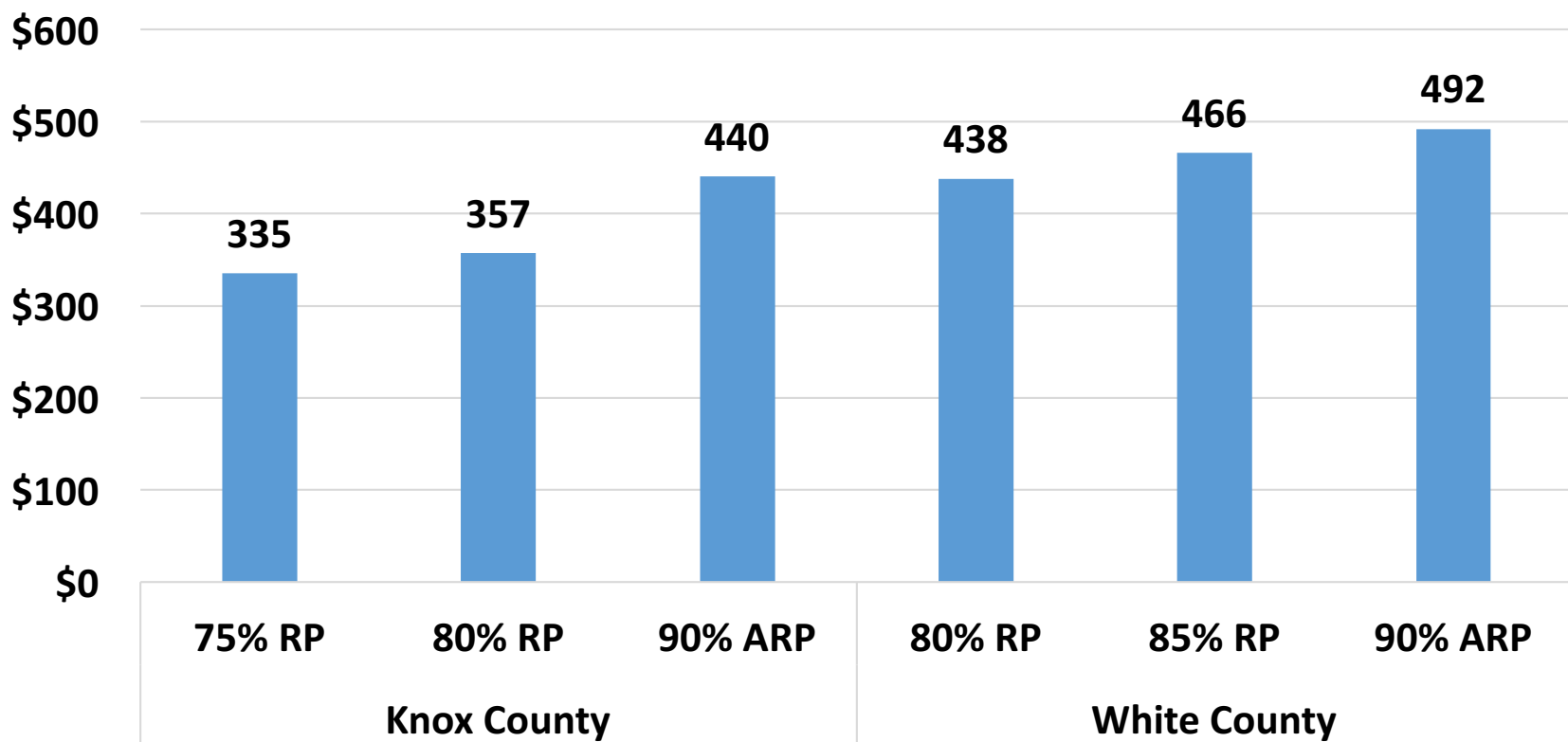
Coverage Level	YP Enterprise Units	RP Enterprise Units	ARP 120% Protection Factor
65%	3.09	3.45	N/A
70%	4.16	4.84	1.59
75%	6.63	7.80	2.40
80%	11.71	13.72	3.57
85%	21.30	24.92	6.32
90%	N/A	N/A	11.64

Estimated Premiums: White County, Indiana

Soybean Price = \$10.15; Volatility = 0.12

Coverage Level	YP Enterprise Units	RP Enterprise Units	ARP 120% Protection Factor
65%	0.81	1.02	N/A
70%	1.12	1.58	1.43
75%	1.77	2.68	2.48
80%	3.44	5.22	3.72
85%	6.82	10.42	7.27
90%	N/A	N/A	13.16



2017 Revenue Guarantees per Acre for Soybeans Selected Indiana Counties



APH Yield Exclusion

- **The APH YE allows for the exclusion of an actual yield for a crop year when RMA determines the county per planted acre yield for a crop year was at least 50% below the simple average of the per planted acre yield for the crop in the county for the previous 10 consecutive crop years.**
- **If yield exclusion is available in a county, it is generally beneficial to use this option since the associated premium increase is small compared to the increase in the revenue guarantee.**

Use the U. of Illinois farmdoc Crop Insurance Tool

	2017 Crop Insurance Decision Tool - Spring	62378k	2/15/2017		
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Calculates premiums, evaluates insurance payments, and provides historical data useful when making crop insurance decisions for multiple crops. Updated for wheat Fall 2015. Estimates are for crops in states that are harvested in 2017.

- <http://farmdoc.illinois.edu/fasttools/>

Considerations for Your 2017 Crop Insurance

- 1. If you're thinking about using the Optional Units, think twice**
- 2. Enterprise units are a good alternative for many Corn Belt farms**
- 3. 2017 is not a good year to reduce coverage levels**
- 4. Compare RP to ARP in your county...ARP is attractive in some locations**

Join us for our next webinar on April 3, 2017

“2017 Crop Outlook”

Thank You

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