Changes to Crop Insurance

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A major portion of this presentation is based on NCIS training materials
Crop Insurance had grown by five-fold
Current Corn Coverage Levels

2013 Corn Average Coverage Levels

Avg_cover_level  |  50–65 |  65–70 |  70–75 |  75–85

Map showing the distribution of corn coverage levels across the United States.
Current Soybean Coverage Levels

2013 Soybean Average Coverage Level

Avg_cover_level  |  50–65 | 65–70 | 70–75 | 75–85
Agricultural Act of 2014 Budget Implications
(Total Savings of $23,008 million)

Change in Baseline Funding (Millions)
Title XI Crop Insurance

• Creates two new shallow loss county triggered programs
  – Supplemental Coverage Option (SCO)
  – Stacked Income Protection Program (STAX) for cotton

• Conservation Compliance for crop insurance
Major Crop Insurance Changes

- Traditional crop insurance changes
  - Separate coverage level by practice
  - Enterprise units by dryland/irrigated practice
  - Beginning farmers (provides 10 percentage point discount for all crop insurance premiums)
  - Authority to do peanut revenue insurance
  - Establishes fund to combat crop insurance fraud
  - Crop margin coverage & peanut revenue coverage
Separate Coverage Level by Practice

- If the crop provisions allow the option to separately insure individual crop types or varieties, and the actuarial documents provide for separate coverage
- If insured has additional (buy-up) coverage
- May select one coverage level for all irrigated acreage in the county and one coverage level for all non-irrigated acreage in the county
  - Ex. 65% coverage for all Irr Corn and 80% coverage for all Non-Irr Corn
  - Even if have a High Risk (HRLE) Cat policy in addition to Irr and Non-Irr
  - One administrative fee
Separate Coverage Level by Practice

• Separate coverage by practice cannot break out specific practices within each
  – EX. 65% level for Irr Soybeans acreage (consisting of both Conventional and Certified Organic) and 80% level for Non-Irr Soybeans (consisting of Conventional and Transitional Organic)

• Some Crop Provisions allow different coverage levels by crop type or variety
  – EX. Dry peas and Apples
# Separate Coverage Level by Practice

<table>
<thead>
<tr>
<th>Dry Pea Type</th>
<th>Practice(s)</th>
<th>Coverage Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spr Large Kabuli</td>
<td>Irr</td>
<td>65%</td>
</tr>
<tr>
<td></td>
<td>Organic (Cert) Irr</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organic (Trans) Irr</td>
<td></td>
</tr>
<tr>
<td>Spr Small Kabuli Chickpeas</td>
<td>Irr</td>
<td>60%</td>
</tr>
<tr>
<td></td>
<td>Organic (Cert) Irr</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organic (Trans) Irr</td>
<td></td>
</tr>
<tr>
<td>Spr Small Kabuli Chickpeas</td>
<td>Non-Irr</td>
<td>70%</td>
</tr>
<tr>
<td></td>
<td>Organic (Cert) Non-Irr</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organic (Trans) Non-Irr</td>
<td></td>
</tr>
<tr>
<td>Spr Small Kabuli Chickpeas</td>
<td>Non-Irr</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td>Organic (Cert) Non-Irr</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organic (Trans) Non-Irr</td>
<td></td>
</tr>
</tbody>
</table>
## Separate Coverage Level by Practice

<table>
<thead>
<tr>
<th>Apple Type</th>
<th>Practice(s)</th>
<th>Coverage Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Processing</td>
<td>Irr</td>
<td>65%</td>
</tr>
<tr>
<td>Processing</td>
<td>Non-Irr</td>
<td>70%</td>
</tr>
<tr>
<td>Fresh Type</td>
<td>Irr</td>
<td>70%</td>
</tr>
<tr>
<td>Fresh Type</td>
<td>Non-Irr</td>
<td>75%</td>
</tr>
</tbody>
</table>
Enterprise Units by Practice

• If allowed by the actuarial documents and crop provisions
• Must separately meet the requirements for each enterprise unit
• Only available for on additional coverage policies for crops:
  – For which revenue protection is available regardless of whether YP or RP is elected
  – For which RP is not available if authorized by special provisions
  – If show as an authorized unit structure in the actuarial documents
Enterprise Units by Practice

• Each Irr/Non-Irr EU must meet existing EU requirements:
  – Planted acres of at least 20 acres or 20% of insured crop acreage in 2+ legal descriptions or units (can aggregate if needed)
    • Sections, section equivalents &/or Farm Numbers (used as the basis for optional units)
    • Units as established by WUA (written unit agreement) or UDO (unit division option) or
  – At least 660 planted acres in one section/section equivalent/ Farm Number (basis for optional units)
• Must plant crop with a clear & discernable break in the planting pattern at Irr/Non-Irr boundaries to qualify for separate EUs
Enterprise Units by Practice

- Question: Am I allowed to have EU for my Irr acreage and basic or optional unit on my Non-Irr acreage?
- Answer: No, you may only elect to have separate EU for both your Irr and Non-Irr acreage and each must independently qualify as an EU.
- Question: If I do not qualify for separate EU on Irr and Non-Irr acres, can I still have one EU?
- Answer: Yes but ...
Title XI Crop Insurance

- Adjustment in APH insurable yields
  - Producer may opt to exclude any year from APH if yield in county in that year is less than 50% of ten-year county average; Also applies to contiguous counties and allows for the separation of irrigated and non-irrigated acres

- Studies or policies are also required on insuring:
  - Specialty crop producers for food safety and contamination-related losses,
  - Swine producers for a catastrophic disease event,
  - Producers of catfish against reduction in the margin between the market prices and production costs,
  - Commercial poultry production against business disruptions caused by integrator bankruptcy,
  - Poultry producers for a catastrophic event,
  - Producers of biomass sorghum or sweet sorghum grown as feedstock for renewable energy,
  - Alfalfa crop insurance.
  - Whole farm diversified risk management insurance plan
Supplemental Coverage Option (SCO)

- RMA delivered beginning in 2015.
- 65% premium subsidy.
- No payment limit.
- Top coverage of 86% coverage
- County-level optional endorsement for crop insurance policies.
  - “Tops up” crop insurance to cover deductible.
  - Yield or revenue triggered depending on underlying crop insurance policy.
  - Expected county yield = GRP trend yield. Expected revenue = GRP trend yield x crop insurance base price.
  - Actual county yield = County yield. Actual revenue = county yield x crop insurance harvest price.
  - Coverage ceases at coverage level for underlying insurance policy.
- May purchase STAX and SCO, but not on same acres.
- Must purchase underlying insurance policy
**Supplemental Coverage Option (SCO)**

- **Question:** If SCO/STAX is purchased with a CAT underlying/companion policy, what amount will the producer be charged?

- **Answer:** The producer will be charged a $300 admin fee for the underlying/companion policy, a $30 admin fee for SCO/STAX, and the producer portion of the total SCO/STAX premium.

  - **Note:** SCO is always considered buy-up coverage, even when paired with an underlying policy purchased at the CAT level.
2015 Crop Year Supplemental Coverage Option (SCO) Availability for Barley

Legend
- **Program Offered**

SCO Barley coverage is estimated to be available for:
- 88% of acreage insured (based on 2013 crop insurance participation)
- 78% of all planted acreage (based on 2013 NASS estimates)
2015 Crop Year Supplemental Coverage Option (SCO) Availability for Corn

Legend
- **Program Offered**

SCO Corn coverage is estimated to be available for:
- 99% of acreage insured (based on 2013 crop insurance participation)
- 98% of all planted acreage (based on 2013 NASS estimates)
2015 Crop Year Supplemental Coverage Option (SCO) Availability for Rice

Legend
- Program Offered

SCO Rice coverage is estimated to be available for:
97% of acreage insured (based on 2013 crop insurance participation)
97% of all planted acreage (based on 2013 NASS estimates)
2015 Crop Year Supplemental Coverage Option (SCO) Availability for Wheat

Legend
- Blue: Program Offered

SCO Wheat coverage is estimated to be available for:
- 89% of acreage insured (based on 2013 crop insurance participation)
- 82% of all planted acreage (based on 2013 NASS estimates)
## SCO Worksheet

<table>
<thead>
<tr>
<th>Row</th>
<th>Calculation/value</th>
<th>1</th>
<th>2</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Projected price (1/15-2/14 average for Dec corn contract)</td>
<td>$3.92</td>
<td>$3.92</td>
<td>$3.92</td>
<td>$3.92</td>
</tr>
<tr>
<td>2</td>
<td>APH yield</td>
<td>160</td>
<td>160</td>
<td>160</td>
<td>160</td>
</tr>
<tr>
<td>3</td>
<td>Crop insurance coverage level</td>
<td>70%</td>
<td>70%</td>
<td>70%</td>
<td>70%</td>
</tr>
<tr>
<td>4</td>
<td>Expected farm revenue (Row 1 x Row 2)</td>
<td>$627.20</td>
<td>$627.20</td>
<td>$627.20</td>
<td>$627.20</td>
</tr>
<tr>
<td>5</td>
<td>SCO coverage (86% – Row 3) × Row 4</td>
<td>$100.35</td>
<td>$100.35</td>
<td>$100.35</td>
<td>$100.35</td>
</tr>
<tr>
<td>6</td>
<td>Expected area-wide yield (bu.) per planted acre (higher of trend yield or 5-year moving average)</td>
<td>140.0</td>
<td>140.0</td>
<td>140.0</td>
<td>140.0</td>
</tr>
<tr>
<td>7</td>
<td>Area-wide projected income (Row 1 × Row 6)</td>
<td>$548.80</td>
<td>$548.80</td>
<td>$548.80</td>
<td>$548.80</td>
</tr>
<tr>
<td>8</td>
<td>SCO coverage level</td>
<td>0.86</td>
<td>0.86</td>
<td>0.86</td>
<td>0.86</td>
</tr>
<tr>
<td>9</td>
<td>November average of December corn futures price</td>
<td>$3.40</td>
<td>$3.40</td>
<td>$3.40</td>
<td>$3.40</td>
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<tr>
<td>10</td>
<td>Actual area-wide yield per planted acre (bu.)</td>
<td>140.0</td>
<td>130.0</td>
<td>110.0</td>
<td>100.0</td>
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<tr>
<td>11</td>
<td>Area-wide realized income (Row 9 × Row 10)</td>
<td>$476.00</td>
<td>$442.00</td>
<td>$374.00</td>
<td>$340.00</td>
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<tr>
<td>12</td>
<td>Revenue ÷ expected revenue (Row 11 ÷ Row 7)</td>
<td>87%</td>
<td>81%</td>
<td>68%</td>
<td>62%</td>
</tr>
<tr>
<td>13</td>
<td>Percent shortfall as a percent of deductible % [Row 13 ÷ (Row 8 – Row 3)] Bounded at 100%</td>
<td>0%</td>
<td>34%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>14</td>
<td>Indemnity (Row 5 × Row 14)</td>
<td>$0.00</td>
<td>$34.25</td>
<td>$100.35</td>
<td>$100.35</td>
</tr>
</tbody>
</table>
## Crop Insurance Choices

<table>
<thead>
<tr>
<th>Coverage Level</th>
<th>Basic &amp; Optional Subsidy %</th>
<th>Enterprise Unit Subsidy %</th>
<th>SCO Subsidy %</th>
<th>STAX Subsidy %</th>
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</thead>
<tbody>
<tr>
<td>50%</td>
<td>67%</td>
<td>80%</td>
<td>65%</td>
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<tr>
<td>55%</td>
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<tr>
<td>85%</td>
<td>38%</td>
<td>53%</td>
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</table>
Final Thoughts

• Crop risk management portfolio
  – Commodity programs
  – Crop Insurance
  – Input cost
  – Finances

• Learn about crop insurance
  – Ask about enterprise units and SCO