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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska - Lincoln

Considering Crop Revenue Insurance Alternatives

Market Report	Yr Ago	4 Wks Ago	2/6/04
Livestock and Products,			
Average Prices for Week Ending			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	\$80.03	\$74.68	\$75.42
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	82.79	91.08	93.15
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	88.84	102.26	101.21
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	121.07	115.94	116.15
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	31.50	36.00	43.00
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	*	33.67	*
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	96.54	100.22	114.89
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	91.25	*	*
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	165.52	181.69	182.73
Crops,			
Cash Truck Prices for Date Shown			
Wheat, No. 1, H.W. Omaha, bu	3.79	3.83	3.72
Corn, No. 2, Yellow Omaha, bu	2.33	2.38	2.62
Soybeans, No. 1, Yellow Omaha, bu	5.48	7.81	8.31
Grain Sorghum, No. 2, Yellow Kansas City, cwt	4.55	4.48	4.80
Oats, No. 2, Heavy Minneapolis, MN, bu	2.27	1.80	1.70
Hay,			
First Day of Week Pile Prices			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	150.00	130.00	130.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	80.00	55.00	55.00
Prairie, Sm. Square, Good Northeast Nebraska, ton	115.00	*	*
* No market.			

Revenue Assurance (RA) is a multi-peril crop revenue insurance program that will be offered for the first time in Nebraska in 2004. RA has been available in some other states for several years. Crop Revenue Coverage, another multi-peril crop revenue insurance program, continues to be available in Nebraska for corn, soybeans, grain sorghum and wheat. RA is not available for grain sorghum. RA has subsidized premiums similar to the CRC. One of the unique features of RA is the Whole Farm Unit option which offers significant premium discounts.

CRC and RA Features

Revenue Assurance (RA), like CRC provides a revenue guarantee that is based on the APH or actual production history of the farm and an established price level or Base Price. For example, for a 75 percent coverage level the minimum revenue guarantee under both programs would be 75 percent of the APH Yield x Base Price. Indemnities are based on any shortfall of the revenue guarantee where the calculated revenue is Actual Yield x Harvest Price. The Base Price for corn is the February average of the closing prices for December Corn futures on the Chicago Board of Trade, CBOT. In years when the Base Price is high, revenue insurance can help lock in the high expected revenue. It does not actually lock in the high price, however, since an above average yield could offset lower prices with no indemnity if the calculated revenue exceeds the guarantee.

RA is available with and without a harvest price option. RA without the harvest price option provides the basic revenue protection described above. RA with the harvest price option, like CRC, has the added feature of increasing the revenue guarantee if the



Harvest Price exceeds the Base Price. This feature is particularly helpful when forward pricing grain. Where production falls short of contracted amounts and the producer would have to buy replacement bushels to meet contract commitments, an increased revenue guarantee can trigger an indemnity that will help the producer purchase the replacement bushels at the higher price.

The RA Harvest Price for corn is a November average of the DEC corn futures. CRC is determined using the October average. To determine if this difference in the price discovery period impacts indemnities, Dr. Art Barnaby at Kansas State University analyzed prices for the last 29 years and found there would not have been any long-run historical difference in the average indemnity using the October price period versus the November period.

CRC is available in basic, optional and enterprise units. RA is also available in whole farm units. An enterprise unit combines all acreage of an insured crop in the county. The whole farm unit allows you to combine all the acreage of all insurable spring crops in a county into one unit. The enterprise discounts depend on the acreage, and in the case of RA, on the number of sections involved. Whole farm premium discounts depend upon both the number of crops and the crops involved. The example below illustrates the potential savings for 600 acres each of irrigated corn and soybeans spread over 2 sections in Central Nebraska.

Example Premiums:

Units	CRC	RA
Basic		
Corn	9.59	10.04
Soybeans	7.45	9.05
Enterprise		
Corn	6.93	9.33
Soybeans	4.89	8.38
Whole Farm	NA	4.27

In our example the RA premiums are higher using the Basic units, however, we also looked at examples where the RA premiums were lower than CRC. You will need to check with your agent to compare the CRC and RA premiums for your farm. As illustrated above the enterprise premium discounts can be substantial for CRC, 25 percent for corn and 30 percent

for soybeans, and the RA whole farm discounts are over 50 percent. Producers that are accustomed to receiving indemnities for losses on individual fields or farms will need to rethink why they have crop insurance if they are to consider enterprise or whole farm units. These options work well where the producer identifies a minimum revenue that the producer would like to realize in the worst of years. In effect the producer is self insuring any losses on individual fields and buying insurance to cover only those losses that effect the entire enterprise or farm.

Other differences between CRC and RA:

1. CRC price increases from Base Price to Harvest Price are limited to \$1.50 per bushel for corn and \$3 per bushel for soybeans. There are no similar limits for RA.
2. Coverage levels for CRC are 50 percent to 85 percent in 5 percent increments. Coverage levels for RA are 65 percent to 85 percent in 5 percent increments. There are exceptions, however. In some counties multi-peril coverage is not offered at the 80 or 85 percent levels.

The deadline to sign-up for 2004 Multiple-Peril Crop Insurance for spring crops in Nebraska is March 15. If you wish to change your spring crop coverage level from last year or change the type of insurance you have you must also contact your agent by March 15.

Winter wheat sign-up deadline was September 30, 2003.

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