2000 CROP INSURANCE
RAY MASSEY
CROP ECONOMIST

With current dry conditions and long range weather forecasters indicating a 50% chance of drought, farmers are looking for ways to manage their risk. One way for managing financial risk associated with low production is crop insurance. The deadline for purchasing crop insurance for spring planted crops in Missouri is March 15, 2000. A few facts might aid farmers in deciding whether or not to purchase crop insurance.

Overview of products available in MO

The most common types of crop insurance available to Missouri farmers are Multiple Peril Crop Insurance (MPCI), Crop Revenue Coverage (CRC). Group Risk Plan (GRP) is also available but less popular.

Multiple Peril Crop Insurance (MPCI)

Farmers in 100 MO counties can purchase APH for corn. Ninety two counties have MPCI for soybeans and grain sorghum; 96 for wheat. A smaller group of counties have MPCI coverage for other crops such as barley, cotton, oats, popcorn, and rice.

MPCI insurance allows farmers to insure a certain percentage of actual production history (APH) at a certain price. Farmers can choose to insure from 50% to 75% of their APH. APH is the average of the last 10 years of production. If a farmer does not have 10 years of production history the insurance companies use a weighted average formula (called T) to arrive at an estimate of insurable yield. Farmers also choose from 55% to 100% of the established price when purchasing MPCI insurance. The USDA sets the established price (see later section).

A farmer who has purchased MPCI insurance receives an indemnity from the insurance company when his/her whole farm yield for an insured crop falls below the chosen percentage of APH. For example if a farmer has an APH of 120 bushels of corn and chose 70% coverage, he would get an indemnity for any yield less than 84 bushels/acre. The price he would receive for the shortfall is the price he selected at the time the insurance was purchased.

The federal government subsidizes crop insurance. If the farmer chooses the lowest coverage of 50% on APH and 55% on price, the federal government pays the entire premium. The farmer needs only to pay a processing fee of $60/crop insured. As the farmer purchases more coverage the subsidy increases to a point at which time it plateaus and the farmer begins to pay all additional cost associated with the policy.

Crop Revenue Coverage (CRC)

Farmers in 100 MO counties can purchase CRC for corn. Ninety two counties have CRC for soybeans and grain sorghum; 96 for wheat. A smaller group of counties have APH coverage for cotton and rice.
CRC allows farmers to make the same type of yield selection when purchasing insurance. A percentage of APH is selected as the insurance yield base. Farmers can choose to insure from 50% to 75% of their APH in 5% increments.

Two prices are important in CRC. The base market price is the price used to establish a guaranteed revenue. The base market price is the monthly average of the Chicago Board of Trade December new-crop corn futures prices during the month of February. For soybeans, average monthly futures price of the November contract sets the base market price. The second important price is the harvest market price. This is the average December futures contract price during November; for soybeans it is the average November futures contract price during October.

The revenue guarantee is the higher of either the base market price or the harvest market price times the APH times the coverage level chosen. An indemnity payment from the insurance company is triggered whenever the farmer’s revenue (according to either the base market price or harvest market price) falls below the guarantee. Because the higher of either the base or harvest market price is used, an indemnity can be paid with normal yields if the harvest market price decreases sufficiently.

The federal government subsidizes CRC insurance purchased by farmers.

*Group Risk Plan (GRP)*

The Group Risk Plan is less expensive than either the MPCI or CRC programs. It pays farmers when the *county* yield falls below a chosen percentage of historical county yields. This allows farmers to get an indemnity when county yields are poor, even if their own yield was good. Conversely, it does not pay them an indemnity for their poor production if the county average was above the guarantee. GRP is a plan that is dependent on an individual’s yield being highly correlated with the county average yield.

The trigger yield can be selected as 70% to 90% of the county average, in 5% increments.

**Established Prices for 2000**

<table>
<thead>
<tr>
<th>Commodity</th>
<th>2000 crop year established price</th>
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</thead>
<tbody>
<tr>
<td>Corn</td>
<td>$1.90</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$5.16</td>
</tr>
<tr>
<td>Grain Sorghum</td>
<td>$1.75</td>
</tr>
<tr>
<td>Rice</td>
<td>$.065</td>
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<tr>
<td>Wheat (fall 1999 seeded)</td>
<td>$3.15</td>
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</tbody>
</table>

**Sources of information**

Insurance can be confusing. For further information contact your county USDA Farm Services Agency Office or any crop insurance salesperson. The USDA web site at http://www.act.fcic.usda.gov/ also has links to many pages dealing with crop insurance.