

Guide to Agricultural Risk Management 2011

Important definitions

Revenue Protection – Insurance coverage that provides protection against production loss or price decline or increase, or a combination of both.

Revenue Protection with Harvest Price Exclusion – Allows the producer to exclude the use of the harvest price in the determination of the revenue protection guarantee.

Yield Protection – Insurance coverage that only provides protection against a production loss for crops for which revenue protection is available but was not elected.

Commodity Exchange Price Provisions (CEPP) – A part of the policy that is used for all crops for which revenue protection is available, regardless of whether the producer elects revenue protection or yield protection for such crops. This document will include the information necessary to derive the projected price and the harvest price for the insured crop, as applicable.

Projected Price – A price determined in accordance with the Commodity Exchange Price Provisions and used for all crops for which revenue protection is available, regardless of whether the producer elects to obtain revenue protection or yield protection for such crops.

Harvest Price – A price determined in accordance with the Commodity Exchange Price Provisions and used to value production to count for revenue protection.

Revenue Protection Guarantee (per acre) – For revenue protection only, the production guarantee (per acre), times the greater of the projected price or the harvest price. If the harvest price exclusion option is elected, the production guarantee (per acre) is only multiplied by the projected price.

Yield Protection Guarantee (per acre) – When yield protection is selected for a crop that has revenue protection available, the production guarantee times the projected price. ■

New names, same protection

Combo policy streamlines crop insurance

When your next deadline for signing up for crop insurance rolls around all the familiar names for the various crop insurance policies will be different although the policies themselves will be pretty much the same.

Instead of Crop Revenue Coverage (CRC), it's now "Revenue Protection;" instead of Actual Production History (APH), "Yield

Protection." The Catastrophic (CAT) policies will be replaced by "Revenue Protection with Price Exclusion (50/100)."

This new "Common Crop Insurance Policy" (COMBO) kept and combined the principle features in the five plans that producers bought most often. Now all insurance coverage is consistent in insurance protection and cost to producers. ■

2011 Common Crop Insurance Policy Conversion Chart

2010 Policy	Converted for 2011 Crop Year to
Crop Revenue Coverage (CRC)	Revenue Protection
Revenue Assurance (RA) with Fall Harvest Price Option	Revenue Protection
Revenue Assurance (RA) without Fall Harvest Price Option	Revenue Protection with Harvest Price Exclusion
Actual Production History (APH)	Yield Protection
Income Protection (IP)/ Indexed Income Protection (IIP)	Revenue Protection with Harvest Price Exclusion
CAT Income Protection (IP)/ Indexed Income Protection (IIP)	Revenue Protection with Harvest Price Exclusion (50/100)



Crop insurance linked to SURE

FSA program rewards high levels of crop insurance coverage

Guarantee levels for FSA's crop disaster program SURE (Supplemental Revenue Assistance Payments) reward those who invest in high levels of crop insurance protection.

The higher your level of crop insurance coverage, the higher your guarantee under the SURE program. In a way, SURE is like free, additional crop insurance coverage.

For producers to be eligible for SURE, they must have obtained a policy or plan of insurance for all crops through

either the Federal Crop Insurance Act or FSA's Noninsured Crop Disaster Assistance Program (NAP). There are only limited exceptions to this rule.

When does SURE kick in?

For SURE, a "farm" is eligible when either:

- a portion of the farm is located in a county covered by a qualifying natural disaster declaration (USDA Secretarial Declarations only) or a contiguous county; or,
- the actual production is less than 50% of the normal production.

How is SURE calculated?

SURE payments are calculated based on 60% of the difference between the SURE Disaster Program Guarantee and the Total Farm Revenue. For insured crops, the guarantee is based on the level of coverage the producer has elected. Higher levels of coverage will result in higher crop guarantees.

The farm's SURE guarantee cannot exceed 90% of the expected revenue for the farm. Unlike crop insurance, there are some limits to the total amount one can collect from USDA assistance programs. ■



How to evaluate Crop-Hail insurance

Hail is the one catastrophe that is most likely to totally destroy a part of your crop and leave the rest looking fine. The part hail takes out may well be less than the deductible of your Multiple Peril Crop Insurance policy or it may not lower your yield enough for a revenue insurance policy to kick in.

Crop-Hail insurance can fill that gap.

While crop insurance policies protect you against losses severe enough to significantly drop the yield per insured unit, Crop-Hail insurance gives you acre-by-acre protection that can be up to the actual cash value of the crop.

If you buy 65/100 (65 percent of yield and 100 percent of price) or greater for your MPCI, you can, under many policies, delete the hail coverage and replace it with private hail coverage. Many find it more effective to leave MPCI hail coverage in place and get a companion Crop-Hail policy to cover their MPCI deductible.

Crop-Hail is especially important to those with group policies, like GRIP, which leaves individuals exposed to spot losses due to hail. You can also buy additional Crop-Hail coverage during the growing season (prior to damage) to protect added profit potential from bumper crop yields or higher-than-normal crop values.

Even if your frequency of hail damage is low, remember that Crop-Hail coverage is rated for your area. It is an inexpensive way to protect against hail damage. ■



Risk Management Checklist

Crop, Revenue, and Livestock Insurance Deadlines

If you do not know all the dates in this section, you should contact your crop insurance agent for help.

- 1. Do I know all critical dates and sign-up deadlines?

- 2. Sales closing date – last date to apply for coverage is:

- 3. Cancellation date – last date to give notice if I do not want insurance next year:

- 4. Production reporting date – actual production history must be reported by:

- 5. Final planting date – if unable to plant, I must contact my agent by:

- 6. Acreage reporting date – I must report my acreage planted to my agent by:

- 7. Payment due date – interest charges will be incurred after:

- 8. Final date to file notice of crop damage – any perceived damage must be reported no later than: _____
- 9. End of insurance period – latest date of coverage for current year's crop:

- 10. Debt termination date – insurance coverage for next year will be canceled if payment is not made by: _____

It doesn't cost to ask

Crop insurance policies are tools that can help producers accomplish a wide variety of jobs. Ask your private crop insurance agent how a crop insurance policy can help you...

- Protect against crop disasters
- Market more profitably
- Improve access to credit
- Guarantee a minimum level of income
- Reassure partners and family
- Provide peace of mind

Over 100 crops are insurable. Even diversified, multiple crop operations can be insured. And there are all kinds of pilot projects underway.

To insure all those different crops and different types of farming operations, there are many different kinds of crop insurance policies. Knowing how to use those policies may seem as complicated as learning how to speak another language, but it doesn't have to be.

Along with all the crop insurance tools that are available come well-trained, certified crop insurance agents and adjusters.

What most producers need is enough information to ask their crop insurance agent good questions. Your crop insurance agent will be able to answer those questions and help you choose the right tools for the job you want done. It doesn't cost anything to ask. ■

A black and white close-up photograph of an elderly woman's face, showing deep wrinkles and a serious expression. The image is used to illustrate the impact of crop insurance on farmers' lives.

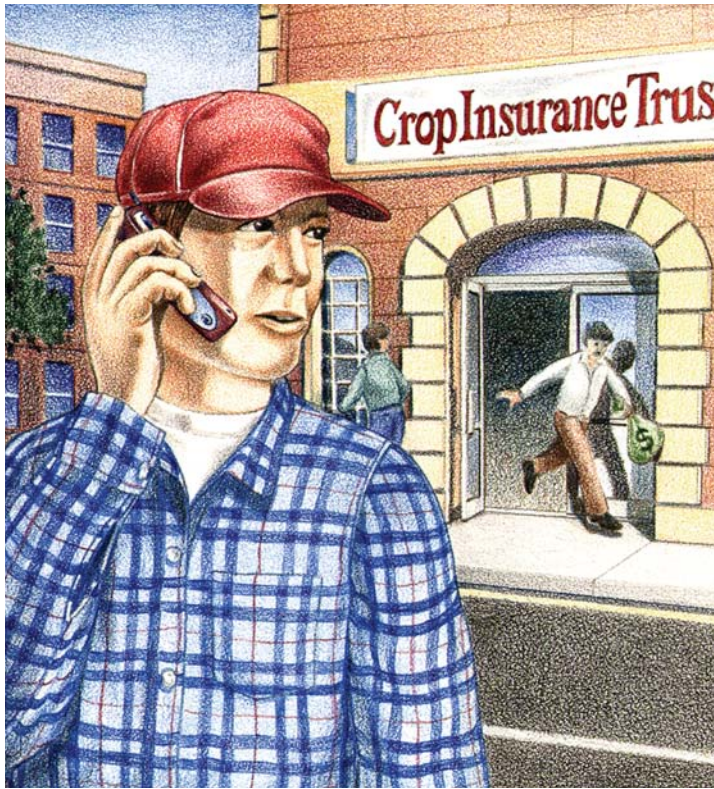
1993 flood

2004 hurricanes

2011 what's next?

CROP INSURANCE
Keeps America Growing

Worry lines are running deeper than ever. Recent funding cuts will test the ability of the crop insurance industry to provide America's farmers with vital risk management protection. What does the future hold for American agriculture and the farmer's safety net? Learn more at CropInsuranceInAmerica.org.



WOULDN'T YOU MAKE THE CALL?

Less than one-half of one percent of all the producers, agents, and adjusters involved in the crop insurance program try to defraud their neighbors and their fellow taxpayers. But those few hurt us all. If you see someone damaging your reputation and robbing from the public's trust in the crop insurance program, call the toll-free hotline, 1-800-424-9121 or e-mail usda_hotline@oig.usda.gov.

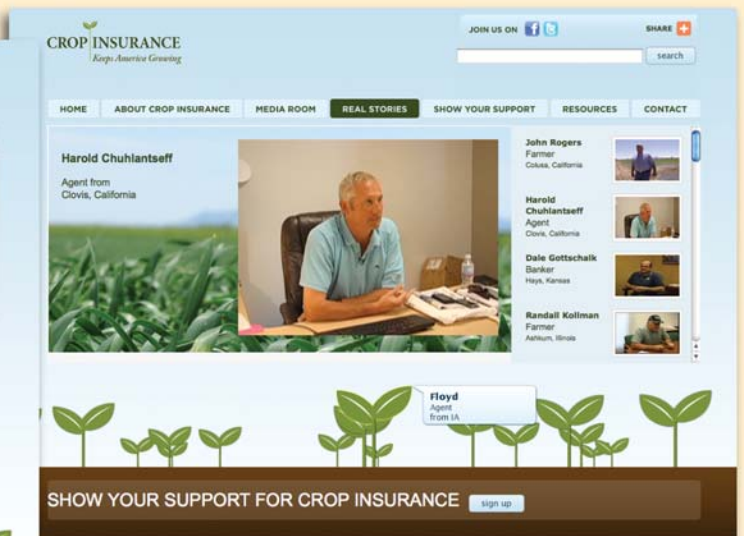
REPORT CROP INSURANCE FRAUD 1-800-424-9121

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Show your support for the federal crop insurance program

Crop insurance provides the access to capital and security farmers need to increase crop yields, improve efficiencies, and stay competitive in world markets. A healthy farm program is essential to the stability of America's economy. Because of this, it is important to understand the value of maintaining a strong and effective crop insurance program.

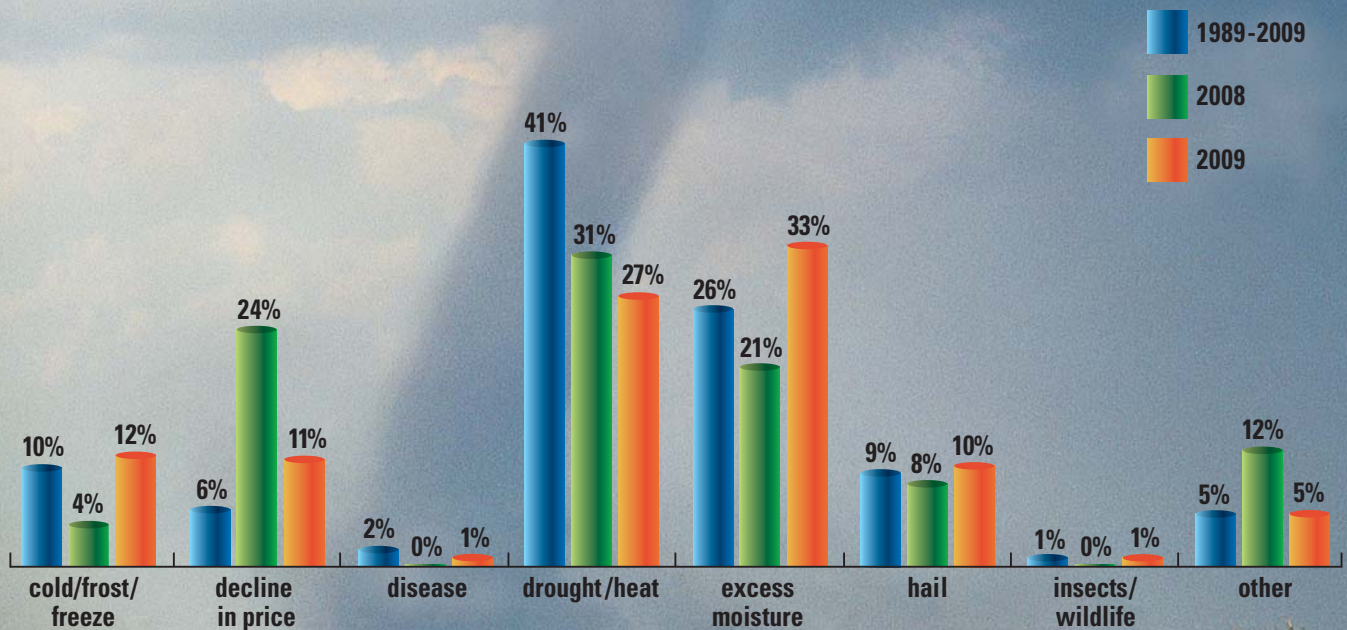
To support and uphold the crop insurance program, a website has been developed to inform and educate Congress, the media, and the general public about the crop insurance industry. Please take the time to visit www.cropinsuranceinamerica.org today. ■



www.cropinsuranceinamerica.org

Causes of Crop Loss

This example demonstrates that averages tell very little about what will happen in any given year.



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