Corn and Corn Silage

2016 Crop Insurance Information for New York

Crop Year	Losses Paid	Total Premium	Producer Premium	CAT Payments
2015	$13,631,915	$16,615,028	$5,020,977	$157,091
2014	$20,153,878	$16,457,958	$4,763,088	$226,651
2013	$17,398,128	$17,417,573	$4,644,539	$672,262
2012	$8,047,669	$13,635,690	$3,638,818	$102,664
2011	$17,220,776	$14,751,014	$3,700,437	$1,262,759
Totals	$76,452,366	$78,877,263	$21,767,859	$2,421,427

Producers' opinions about crop insurance may vary greatly. While the number of corn acres insured has generally increased over the last five years, crop insurance participation rates in New York State lag behind those of farmers in the Corn Belt. In 2015, producers insured 619,804 acres of corn, while in 2010, only 515,238 acres were insured. For 2015, this is about 57% of the 1,080,000 corn acres planted for all purposes, as reported by USDA NASS. This figure includes 590,000 acres harvested for grain. (*Sources: USDA NASS, June 2015 & USDA RMA June 20,2016.*)

Crop Year	Policies Purchased	Units Insured	Acres Insured
2015	2,244	5,071	619,804
2014	2,260	5,168	629,361
2013	2,200	5,070	646,928
2012	2,163	4,681	606,115
2011	2,088	4,093	568,106
2010	2,075	3,110	515,238

Catastrophic coverage, known as CAT, continues to be the lowest level of coverage available for producers, who need to carefully assess what they are getting for the "administrative fee." Only losses in excess of 50% of the crop are covered. In insurance parlance, that is considered a 50% deductible. In addition, the losses beyond 50% that are covered are paid at only 55% of the established value for the crop. In the event of a total loss, this equates to only 27.5% of the crop's value. Compare this to receiving a payment at 100% of the crop value at the coverage level chosen, ranging from 50% to 85% of production. When reviewing payments to producers with CAT coverage in the chart included here, those with CAT coverage receive only a small percentage of loss payments made.

Understanding Crop Insurance Options

Corn crop insurance is sold by county. Grain corn is priced twice by USDA every year for the purposes of valuing crop insurance. The Projected Price is issued by the USDA Risk Management Agency (RMA) on or about March 1. The Harvest Price is issued on or about November 1. Corn silage is valued based on a formula associated with that year's projected price and the price per ton for crop insurance purposes is made available in late February of the crop year. USDA RMA is the agency responsible for creating and administering the federal crop insurance program.

Producers can choose yield protection, revenue protection, or revenue protection with harvest price exclusion for grain corn. Only yield protection is available for corn silage.

The producer's Actual Production History (APH) is used as the amount that will be valued, based on market prices, and then insured at the level the producer chooses. The producer's APH is based on at least four years of acceptable records. For those with fewer years of acceptable records, a formula that uses the county T-yield provides the insurable yield until producer's records make up the entire APH.

While crop insurance may seem complicated, it can be broken down into decision-making steps that make it easier to understand. The farm structure dictates your first choice. You have three options, based on farm structure: a single basic unit, optional units or an enterprise unit. A basic unit consists of all the corn acres you intend to plant in one county. If you keep records by separate farm serial numbers and/or field units, then you may have the option of insuring in separate units, called optional units. This allows for the most variability in yields associated with soils, fertility and locations and reduces the consequences of averaging fields with naturally-varying yields. If you produce both irrigated and non-irrigated corn, those plantings can be insured as separate units. There are other situations that allow for optional units as well. Lastly, if a producer has optional units, these can be combined for premium cost savings into a single enterprise unit, which also averages out separate unit yields.

Producer Yields Dictate Value of Coverage

The closer producers insure to their APH yields, the more likely that weather-related impacts will be reflected in yields in specific fields. For example, wet, loamy flood-prone soils may produce a stellar yield in a dry year, while sandy, upland ground in the same year will likely have a lower than average yield.

If a producer does not have yield records that are verifiable for crop insurance purposes, they must use a percentage of the county T-yield until they build records over a four-year period. The value of coverage is significantly lower for producers who must start by building verifiable records.

Choosing Level of Coverage

There are two simple math calculations used to come up with the level of coverage and cost of coverage. These calculations can be done on the USDA Risk Management Agency's website or by a crop insurance agent. Producers choose their level of coverage (from 50% - 85%) and for grain corn, either yield coverage, revenue coverage or revenue coverage with harvest price exclusion. USDA subsidies premium costs, providing a higher percentage of the cost for lower levels of coverage. For example, 70% coverage for corn is subsidized at 59%, while 85% coverage is subsidized at the lower rate of 38%.

Revenue or Yield Crop Insurance

The benefits of revenue protection are clear when comparing market fluctuations over the years. Producers in New York have been purchasing a growing amount of revenue coverage in the last several years. In 2016, 54% of those purchasing corn crop insurance purchased revenue coverage, 25% purchased yield and 21% purchased the administrative fee-only CAT coverage. In 2011, producers purchased 32% revenue coverage, 28% yield coverage and 40% CAT coverage, also indicating a significant reduction in the use of CAT over this time.

Filing Acreage Reports and Billing

Producers should contract for crop insurance on or before the enrollment deadline of March 15. If, due to weather, a producer does not plant all acres, then those acres are reported as not planted to the crop insurance agent on or before July 15. Prevented Planting payments are available for qualifying acreage, which is determined at enrollment time. Premium billing takes place August 15 and producers have 30 days to pay.

Supplemental Coverage Option

The 2014 Farm Bill included the concept of the Supplemental Coverage Option. It follows the coverage of your underlying policy and pays out when the producer's county yield drops below the SCO-established yield. There are specific eligibility requirements as well. Talk to a crop insurance agent about the potential benefits and downsides of this program. It has been available for the last two crop years for corn; in 2015, two producers purchased SCO and three producers purchased SCO for the 2016 production year.

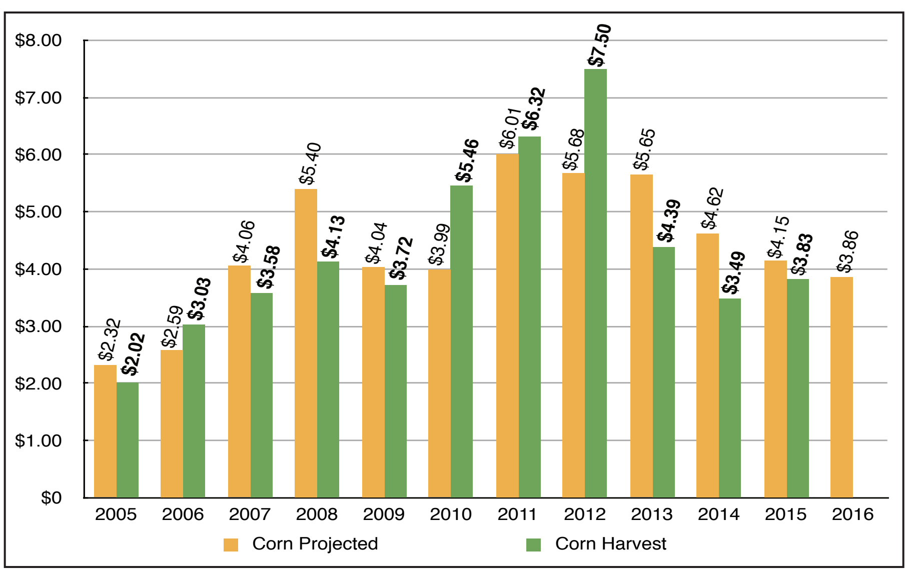
Resources

Perhaps the best resource for more information is a good crop insurance agent willing to discuss crop insurance options as they apply to a particular farm and production system. The crop insurance program is the same county to county, but crop insurance agents can offer more or less customer service. A crop insurance agent can also use the USDA Risk Management Agency website for past years to estimate what costs and benefits might have been in a year in which an uninsured loss was suffered.

To find a crop insurance agent, ask a trusted neighbor for a recommendation, ask your county Farm Service Agency to print out a current list of crop insurance agents or use the USDA RMA web-based agent locator, where you type in your county or zip code and get a list of agents listed with RMA as doing business in your county.

The USDA RMA website has a great deal of information about crop insurance that is also useful for better understanding how the program works. They also issue a corn crop insurance fact sheet before the enrollment deadline every year. ***www.rma.usda.gov***.

The New York State Department of Agriculture and Markets maintains a webpage with crop insurance information and examples that you may find useful. ***www.agriculture.ny.gov/ap/CropInsurance.html***



June 21, 2016