

Soybeans

Crop Insurance Information for New York

“Soybean is the agricultural commodity in New York that has increased the most in both acreage and value over the last 25 years. The \$195M value of soybean in 2012 ranked the crop as the 6th leading agricultural commodity in New York. Based on acreage and value, soybean is no longer a minor crop but clearly a major NY agricultural commodity.” (Bill Cox, Cornell University, “What’s Cropping UP,” Vol, 24, N 2, April 2014)

As the importance of the soybean crop has increased, so has the producer use of various crop insurance products to mitigate the effects of weather related losses. In New York State, soybean crop insurance is available in 39 counties. Check if coverage for soybean insurance is available in your county at www.agriculture.ny.gov/AP/cropins/CropInsAvailabilitybyCounty.pdf.

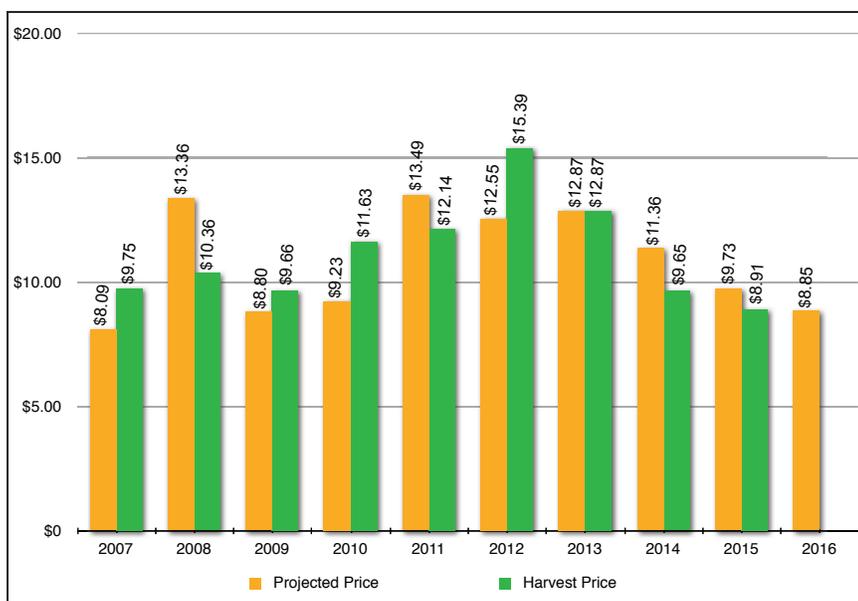
According to the USDA National Agricultural Statistics Service (NASS), about 75% of soybean acres in NYS grown in 2015 were covered by crop insurance policies. For the 1,357 policies covering 2,213 separate units, producers filed for losses on 663 units and to date (June 2016) have received a total of \$6.3 million dollars in indemnity payments. (This figure may change as final settlements are reported.) The total premium statewide amounted to \$4.9 million, of which producers paid \$1.6 million in premiums and federal government subsidies paid the rest.

Over the past decade, there has been a steady decrease in the use of Catastrophic (CAT) policies as farmers become more conversant with the greater risk management value of crop insurance. For those who enrolled in soybean crop insurance in 2016, only 6% of all policies (3.6% of all units) chose CAT coverage and of the \$6.3 in indemnities paid out, only \$28,317 went to those with CAT coverage. (CAT is

available for a minimal administrative fee, but only losses in excess of 50% are covered and then at only 55% of the value of the crop.)

Another significant trend among New York producers is the purchase of revenue protection. USDA regards fluctuations in the market price between the time the contract is signed until the harvest price is set by the Chicago Mercantile Exchange (CME) futures market to present a significant risk. It allows producers to purchase crop insurance that provides for coverage in the event of a drop in market price between March and November of the crop year. In 2016, 82% of all soybean policies purchased in March included revenue protection, up from 80% in 2015.

This chart shows the relation of the harvest price of soybeans to the projected price in the years from 2007



Crop Year	Losses Paid	Total Premium	Producer Premium	Cat Payments
2015	\$6,358,983	\$4,857,073	\$1,566,061	\$28,317
2014	\$7,273,119	\$4,875,630	\$1,528,195	\$18,494
2013	\$6,094,394	\$3,959,058	\$1,217,818	\$187,305
2012	\$2,308,081	\$3,275,494	\$962,710	\$26,022
2011	\$5,395,771	\$3,605,658	\$1,054,836	\$160,340
Totals	\$27,415,727	\$20,572,913	\$6,329,620	\$420,478

Summary of Business as of July 4, 2016 www.rma.usda.gov/data/sob.html

to 2016. In four years (2007, 2009, 2010 and 2012), the harvest price was higher than the projected price, In four years (2008, 2011, 2014 and 2015), the harvest price was lower than the projected price. And in 2013, they were the same. Prices for soybeans are based on futures market prices. It is no wonder that many are choosing to insure their revenue.

The following examples demonstrate the effect on a producer’s revenue when the market price changes or remains the same and the way crop insurance can protect his/her bottom line.

In Example 1, the harvest price is the same as the



Agriculture and Markets

USDA and the New York State Department of Agriculture and Markets work together to bring risk management opportunities to the attention of New York producers.



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projected price when the contract was signed, \$8.85. The producer has the choice of choosing Yield Protection (YP) or Revenue Protection (RP), and must also choose the level of protection needed.

Same Price	Yield (YP)	Revenue (RP)
APH Soybeans	40 Bu./A	40 Bu./A
Coverage	70%	70%
Projected Price	\$8.85	\$8.85
Guarantee	28 Bu./A	\$247.80
Harvest Yield	15 Bu./A	15 Bu./A
Difference	13 Bu./A	-----
Harvest Price	-----	\$8.85
New Guarantee	-----	-----
Harvest Value	-----	\$132.75
Indemnity/Acre	\$115.05	\$115.05

In this example, the producer's Actual Production History (APH) is 40 bu/A for soybeans on this acre-

age. The maximum price that yield losses can be insured for is determined by a producer's APH. This producer chooses to elect coverage at a 70% level. The projected price is \$8.85 in March when he signs the crop insurance contract.

If YP insurance were chosen, the yield guarantee would be 40 bu/A X 70% = 28 bu/A. Because of drought conditions that affected the germination rate and a mid-summer hail storm that damaged his crop, his actual harvest yield was only 15 bu/A, which was 13 bu/A below his guaranteed yield. His indemnity, if YP was elected, was 13 bu/A X \$8.85 = \$115.05.

If RP coverage were chosen, his revenue guarantee would be 40 bu/A X 70% X \$8.85 = \$247.80. Since in this case, the harvest price was the same as the projected price \$8.85, the harvest value would be only \$8.85 X 15 bu/A = \$132.75. The indemnity would be calculated by \$247.80 - \$132.75 = \$115.05.

The indemnity would be \$115.05 whether YP or RP had been chosen.

In Example 2, the harvest price is lower than the projected price.

Price Decrease	Yield (YP)	Revenue (RP)
APH Soybeans	40 Bu./A	40 Bu./A
Coverage	70%	70%
Projected Price	\$8.85	\$8.85
Guarantee	28 Bu./A	\$247.80
Harvest Yield	15 Bu./A	15 Bu./A
Difference	13 Bu./A	-----
Harvest Price	-----	\$8.00
New Guarantee	-----	-----
Harvest Value	-----	\$120.00
Indemnity/Acre	\$115.05	\$128.80

YP is chosen. However, if the choice is for RP, then the harvest price of \$8.00 makes a difference. To calculate the harvest value, 15 bu/A X \$8 = \$120. Then this \$120 is subtracted from the revenue guarantee to get the

indemnity. \$247.80 - \$120 = \$127.80.

The indemnity would be \$127.80 - \$115.05 = \$12.75 /A more for RP.

In Example 3, the harvest price is higher than the projected price. Nothing changes until we get to the harvest price.

Again, this makes no difference if YP is selected. If the policy is for RP, then the higher harvest price of \$9.85 generates a new guarantee of \$275.80, which is 15 bu/A X \$9.85 = \$275.75. The indemnity is now calculated using the new guarantee. \$275.80 - \$147.75 = \$128.05.

Price Increase	Yield (YP)	Revenue (RP)
APH Soybeans	40 Bu./A	40 Bu./A
Coverage	70%	70%
Projected Price	\$8.85	\$8.85
Guarantee	28 Bu./A	\$247.80
Harvest Yield	15 Bu./A	15 Bu./A
Difference	13 Bu./A	-----
Harvest Price	-----	\$9.85
New Guarantee	-----	\$275.80
Harvest Value	-----	\$147.75
Indemnity/Acre	\$115.05	\$128.05

The indemnity would be \$128.05 - \$115.05 = \$13/A more for RP.

The total indemnity would be the per acre indemnity multiplied by the number of insured acres. The greater the acreage, the bigger impact the difference between YP and RP would be. And the more important the contract choice becomes.

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 individualized 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 that are doing business in your county at www.rma.usda.gov/tools/agent.html.

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 soybean crop insurance fact sheet before the enrollment deadline every year: www.rma.usda.gov.

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