Availability of County Crop Insurance in 2014: Implications for SCO

Gary Schnitkey

Department of Agricultural and Consumer Economics
University of Illinois

The Supplemental Coverage Option (SCO) will be made available beginning in the 2015 crop year for those individuals who choose the Price Loss Coverage (PLC) option for receiving commodity payments under the 2014 Farm Bill. SCO is a county crop insurance product providing coverage from an 86% coverage level down to the coverage level of the Combo product (*farmdoc daily*, February 27, 2014; April 24, 2014). The Risk Management Agency (RMA) will administer SCO. As of yet, RMA has not released counties for which SCO will be available in 2015. Since SCO is somewhat similar to Area Risk Protection Insurance (ARPI), showing available of ARPI policies may give some guidance for SCO availability. This article shows maps of 2014 availability of ARPI polices for corn, soybeans, wheat, cotton, and grain sorghum, the five traditional program crops for which ARPI policies exist.

ARPI Availability

ARPI is a county-level insurance that provides protection against low yields or low revenues, depending on the plan that is chosen. ARPI was introduced in 2014 and replaced Group Plans (Group Risk Plan and Group Risk Income Plan) that were available from 1995 through 2013 (see *farmdoc daily* January 7, 2014 for more detail on ARPI).

Both ARPI and SCO require determining premiums that farmers pay for their respective polices. Determining accurate premiums is important for successful implementation of both programs, with premium determination influenced by having sufficient data to determine premium rates.   ARPI availability is influenced by having data to determine these rates. If ARPI can be rated, SCO likely can be rated as well. Hence, evaluating where ARPI is available likely provides a first cut for where SCO will be available.

Figure 1 shows the counties for which ARPI polices are available for corn in 2014. As can be seen, corn ARPI polices are available in the greater Corn Belt. Polices are available in eastern South Dakota and Nebraska; southern Minnesota, Wisconsin, and Michigan; most counties in Iowa, Illinois, and Indiana, and Ohio; northern Missouri; and southeast Missouri, northwest Tennessee, and western Kentucky.

Soybean ARPI polices are available in a similar area to corn, with some differences by county (see Figure 2). In addition, ARPI polices are available in some eastern counties in North Carolina and South Carolina.
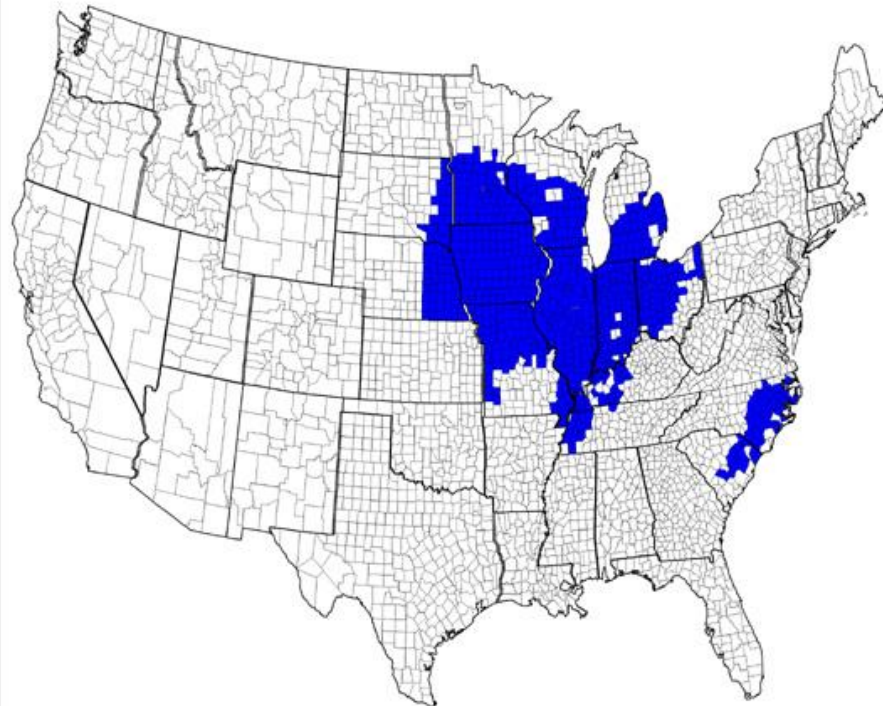

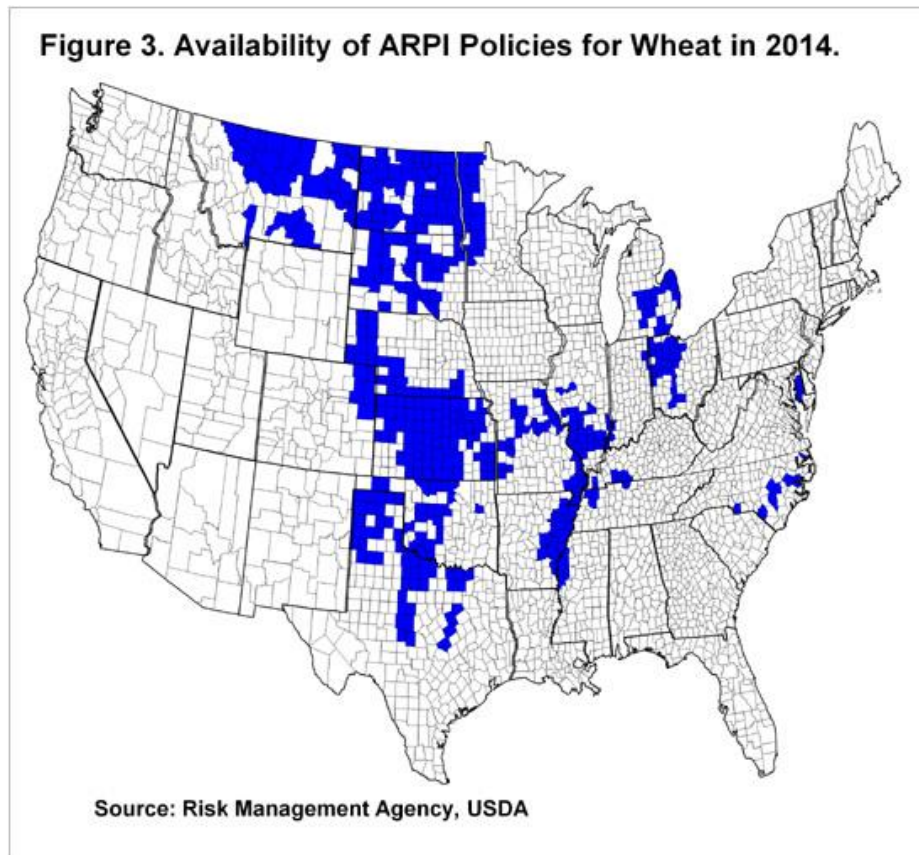**Figure 1. Availability of ARPI Policies for Corn in 2014.**
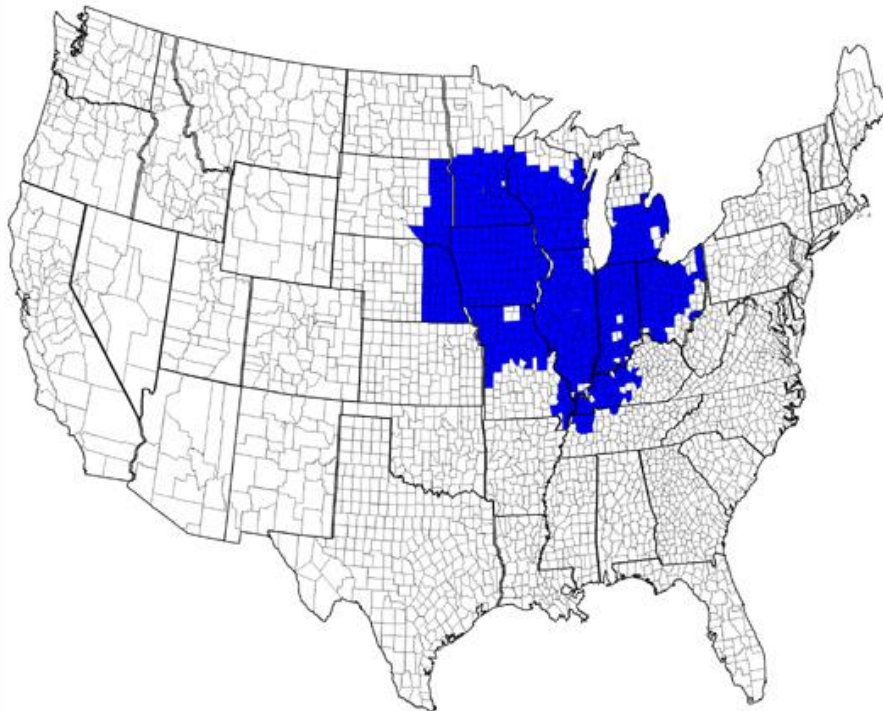
Source: Risk Management Agency, USDA

Figure 2. Availability of ARPI Policies for Soybeans in 2014.
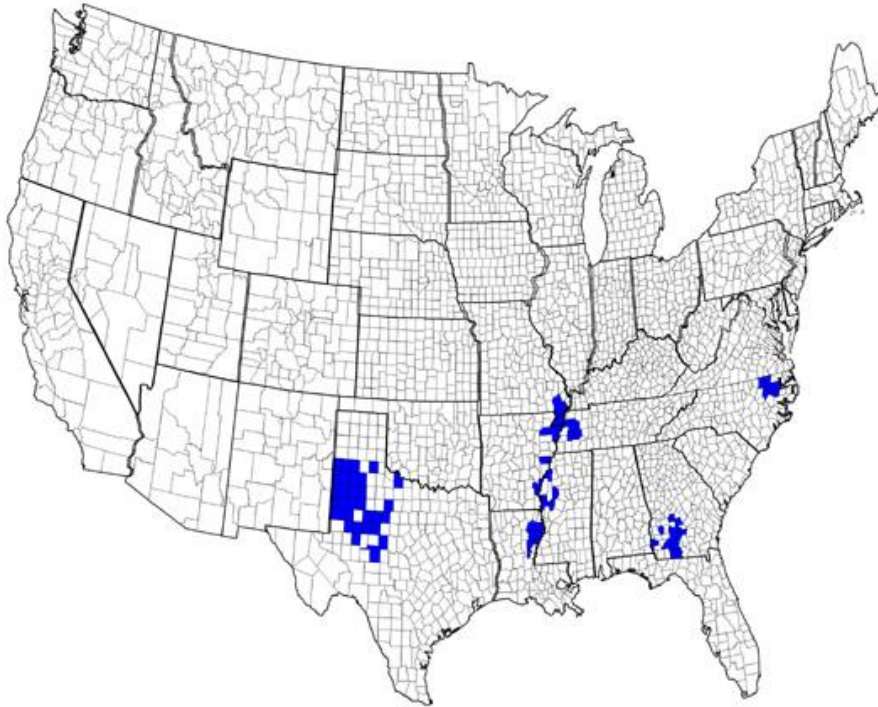
Source: Risk Management Agency, USDA

Availability of wheat APRI polices is scattered across the United States (see Figure 3). ARPI is available in many counties in Great Plains states: Montana, North Dakota, western Minnesota, South Dakota, Nebraska, Kansas, Oklahoma, and Texas. Wheat policies also are available in Missouri, Illinois, Kentucky, Tennessee, Arkansas, and Mississippi. Some counties in Michigan, Ohio, and Indiana have ARPI coverage.   ARPI policies also are available in Maryland, Delaware, and North Carolina.

Figure 3. Availability of ARPI Policies for Wheat in 2014.

Source: Risk Management Agency, USDA

ARPI is available for cotton in some counties in Texas, Missouri, Arkansas, Louisiana, Mississippi, Tennessee, Georgia, and North Carolina (see Figure 4). Besides SCO, cotton will have Stacked Income Protection Plan (STAX) available, a county insurance plan similar to SCO providing protection from a 90% coverage level. STAX will require premium ratings similar to SCO.

ARPI policies are available for grain sorghum in some counties Kansas and Texas (see Figure 5).

farmdoc daily   June 17, 2014

Figure 4. Availability of ARPI Policies for Cotton in 2014.

Source: Risk Management Agency, USDA

Figure 5. Availability of ARPI Policies for Grain Sorghum in 2014.

Source: Risk Management Agency, USDA

farmdoc daily June 17, 2014

Commentary

Fairly long, continuous time series of county yields often are used in determining premiums for county-level products. If these long series do not exist, some other data must be used in determining premiums. Other data may not lead to as accurate premiums as do actual yields series. How large an area RMA expands SCO beyond the current ARPI areas likely will be influenced by data availability.

Providing SCO where sufficient data does not exist to determine premiums also present issues. Without sufficient data, premiums for products could be too high or too low. Too high of premiums will limit farmer demand for SCO. Too low of premiums will cause more payments than built into premiums.

Summary

SCO will be a crop insurance policy offered by RMA. The counties in which SCO will be available likely will be influenced by data availability. Availability of SCO could then influence commodity program choice as SCO will be available under Price Loss Coverage – one choice for receiving commodity payments under the 2014 Farm Bill – and not under Agricultural Risk Coverage.

References

Paulson, N., and J. Coppess. "Further Discussion of the Supplemental Coverage Option." *farmdoc daily* (4):75, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, April 24, 2014.

Paulson, N., and J. Coppess. "2014 Farm Bill: The Supplemental Coverage Option." *farmdoc daily* (4):37, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, February 27, 2014.

Schnitkey, G. "Area Risk Protection Insurance Policy: Comparison to Group Plans." *farmdoc daily* (4):2, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, January 7, 2014.