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Weekly Farm Economics: Crop Insurance Harvest Prices in 2011

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Last week, the Risk Management Agency (RMA) announced harvest prices for corn and soybean grown in the Midwest. The harvest price for corn is $6.32 per bushel, $.31 per bushel higher than the $6.01 projected price. The harvest price for soybeans is $12.14 per bushel, $1.35 per bushel below the $13.49 projected price.

Insurance Payments

Table 1 shows corn yields, stated as a percentage of the Actual Production History (APH), below which insurance payments will occur under each of the three plans within the COMBO product. Under Yield Protection (YP) at an 85 percent coverage level, payments will occur when yield is below 85 percent of the APH yield (see Table 1).

Similar to YP, yield must be below 85 percent of APH yield under Revenue Protection (RP) at the 85 percent coverage level. Since the harvest price is above the projected price for corn, RPs guarantee increases, resulting in the need for a yield loss before an insurance payment is received. When the harvest price is above the projected price, both YP and RP require the same yield loss to trigger payments.

RP with Exclusion (RPwExl) does not use the higher of projected or harvest price in its guarantee. As a result higher yield losses are required when the harvest price is above the projected price. At an 85 percent coverage level, RPwExl requires yields to be less than 81 percent of the APH yield, compared to 85 percent for YP and RP.

Table 1. Yield as a Percent of APH Yield Below Which Crop Insurance Payments Occur for Different Products and Coverage Levels, Corn, 2011.

Coverage Level	Product[1]		
	YP	RPwExl	RP
	Percent of APH		
55%	55%	52%	55%
60%	60%	57%	60%
65%	65%	62%	65%
70%	70%	67%	70%
75%	75%	71%	75%
80%	80%	76%	80%
85%	85%	81%	85%

[1] Products are Yield Protection (YP), Revenue Protection with harvest price exclusion (RPwExl), and Revenue Protection (RP).

Soybean harvest price is below the projected price. As a result, revenue will be lower because of price declines, requiring less of a yield loss before insurance payments occur. At an 85 percent coverage level, RPwExl and RP require yields to be less than 94 percent of the APH yield (see Table 2). Both RPwExl and RP have the same guarantee when harvest price is below the projected price, resulting in both requiring the same yield loss before payments occur. As will always be the case no matter the harvest price relative to the projected price, YP with an 85 percent coverage levels requires that yields be lower than 85 percent of the APH yield.

Table 2. Yield as a Percent of APH Yield Below Which Crop Insurance Payments Occur for Different Products and Coverage Levels, Soybeans, 2011.

Coverage Level	Product[1] YP	RPwExl	RP
	Percent of APH		
55%	55%	61%	61%
60%	60%	67%	67%
65%	65%	72%	72%
70%	70%	78%	78%
75%	75%	83%	83%
80%	80%	89%	89%
85%	85%	94%	94%

[1] Products are Yield Protection (YP), Revenue Protection with harvest price exclusion (RPwExl), and Revenue Protection (RP).

Crop Reporting District Yields

Projected Crop Reporting District (CRD) yields for 2011 give indications of where farms are more likely to receive insurance payments. The 2011 projected yield is taken as a percent of the ten-year average to show the current year's yield relative to historic yields. A lower percent indicate the more crop insurance payments likely will occur in that CRD.

For corn, four of the CRD's 2011 yield is at or above the ten-year average (see Table 3): Northwest (107%), Northeast (103%), East Southeast (101%), and Southeast (100%). Four districts are in the 90 percent range: West (99%), Central (96%), West Southwest (99%), and Southwest (99%). The East CRD had a 2011 yield that is 85 percent of the ten-year average. Given its low relative yield, more farms likely will receive insurance payments in the East CRD.

Table 3. 2011 Projected Crop Reporting District Yields Compared to the Ten-Year Average.

	Corn		Soybeans	
Crop Reporting District	2011 Projected Yield	2011 Yield as a Percent of Ten-Year Average	2011 Projected Yield	2011 Yield as a Percent of Ten-Year Average
	Bu/acre	Percent	Bu/acre	Percent
Northwest	179	107%	55	115%
Northeast	165	103%	53	118%
West	165	99%	52	109%
Central	165	96%	49	97%
East	141	85%	45	92%
West Southwest	162	99%	46	98%
East Southeast	153	101%	43	97%
Southwest	131	99%	36	95%
Southeast	133	100%	36	96%

Source: Yields from National Agricultural Statistical Service.

For soybeans, the northern Illinois had yields significantly above the ten-year average: Northwest (115%), Northeast (118%), and West (109%). The Central and Southern portions of the state have 2011 yields relative to the ten-year average in the 90 percent range. The East CRD had the lowest relative yield of 92 percent (Table 3). The 92 percent is close to the trigger level for insurance payments (see Table 2). Again, insurance payments for soybeans are more likely for farms in the East CRD compared to CRDs with higher relative yields.

Summary

This post shows yields stated as a percent of APH yield below which insurance payments will be made in 2011 for corn and soybeans. The East CRD has the lowest relative yields. Insurance payments are most likely in this CRD.