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Department of Agricultural and Consumer Economics, University of Illinois Urbana-Champaign

## Weekly Farm Economics: 2012 Crop Insurance Decision Tool

**Gary Schnitkey** 

Department of Agricultural and Consumer Economics
University of Illinois

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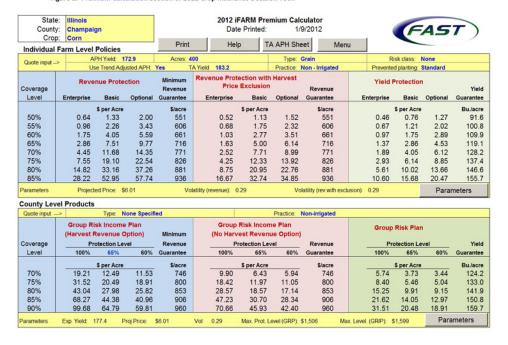
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Permalink: http://farmdocdaily.illinois.edu/2012/01/2012-crop-insurance-decision-t-1.html

The 2012 Crop Insurance Decision Tool has been released. The tool is a Microsoft Excel spreadsheet that can be downloaded from the FAST section of farmdoc here). From the FAST download page, place a checkmark next to "2012 Crop insurance Decision Tool" and then press "Download".

One part of this tool provides quotes for 2012 corn and soybean crop insurance products in most states in the Midwest, South, and Great Plains (see Figure 1). A user has to make a state, county, and crop choice, as in indicated in the upper left hand corner of Figure 1.

Figure 1. Premium Calculation Section of 2012 Crop Insurance Decision Tool.



Quotes are then given for COMBO plans: Revenue Protection (RP), Revenue Protection with Harvest Price Exclusion (RPwExI), and Yield Protection (YP). These quotes are given for coverage levels ranging from 50% up to 85% for three different unit structures:

- 1. Enterprise units all of one crop in a county,
- 2. Basic units All of one crop in one county divided by ownership slits (All owned and share rent land is one basic unit. One basic unit exists for each share rent landlord), and
- 3. Optional Units Divisions of basic units based on township sections
- Also given for each product is either the revenue guarantee for RP and RPwExl or the yield guarantee for YP.

Premiums depend on a number of quote options. These inputs are entered into the "quote input" area, as shown in Figure 2. The Crop Insurance Decision Tool has been redesigned so that premiums associated with the Trend-Adjustment APH Yield Endorsement can be obtained (more information on the endorsement is available here). Within the quote input, the TA APH yield is entered with two inputs:

- 1. Use Trend Adjusted APH is either "Yes" or "No". A "Yes" answer indicates that the Trend-Adjustment Endorsement will be used, meaning that the higher Trend-Adjusted (TA) yield will be used in calculating guarantees. In the example, the input is "Yes" indicating that quotes are given using the TA yield.
- 2. TA Yield is the Trend-Adjusted yield. This is the Trend Adjusted yield. A spreadsheet is available for calculating the TA yield within the 2012 Crop Insurance Decision Tool. It is the accessed by clicking on the "TA APH Sheet" from the Premium Calculation section (see Figure 1). In the example, the TA Yield is 183.2.

Figure 2. Quote Options for COMBO Products.				
Quote input>	APH Yield: 172.9	Acres: 400	Type: Grain	Risk class: None
	Use Trend Adjusted APH:	Yes TA Yield 183.2	Practice: Non - Irrigated	Prevented planting: Standard

Premiums are dependent on the projected price and volatility. The current version of the 2012 Crop Insurance Decision Tool includes those at 2011 levels (\$6.01 projected price and .29 volatility for corn). A user can change these parameters by clicking on the "Parameters" button. These parameters are set during the month of February based on settlement prices of Chicago Mercantile Exchange futures and options contracts. As estimates of the projected price and volatility become more precise, premium

estimates also will become more precise. There is an update function within the 2012 Crop Insurance Decision Tool that allows these parameters to be updated. Updates will be based on settlemtn prices of CME contracts.

If available, the 2012 Crop Insurance Decision Tool will give premium quotes for county level products including Group Risk Income Plan (GRIP) and Group Risk Plan (GRP). These quotes are given in the bottom third of the premium calculation section (see Figure 1).

Farmers, crop insurance agents, and other can use this tool to gain an accurate estimate of premiums. These premium estimates then can be used to help choice between crop insurance products and coverage levels.