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Weekly Farm Economics: Crop Insurance Use in 2012 and 2013 Projections

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In 2012, most corn and soybean acres were insured with Revenue Protection (RP) crop insurance products using 75% and higher coverage levels. It is likely that 2013 crop insurance use will be similar to 2012 use.

Corn Insurance Use in 2012

Table 1 shows percent of planted corn acres insured by policy and coverage level in 2012. Key points are:

Table 1. Crop Insurance Use by Product and Coverage Level, Corn, Illinois, 2012.

Coverage Level	Insurance Product [1]					
	RP	RPHPE	YP	GRP	GRIP	GRIPHR
	Percent of Planted Acres					
50	0.4	0.1	2.7			
55	0.1	0.0	0.1			
60	0.4	0.0	0.1			
65	1.1	0.2	0.4	0.0		
70	4.8	0.6	0.5	0.0	0.0	0.0
75	11.7	1.0	0.8	0.0	0.0	0.0
80	22.7	1.8	0.6	0.0	0.0	0.0
85	21.8	2.5	0.4	0.0	0.0	0.1
90				0.4	0.3	4.9
Total	63.0	6.2	5.6	0.4	0.3	5.0

[1] Products are Revenue Protection (RP), Revenue Protection with the harvest price exclusion (RPHPE), Yield Protection (YP), Group Risk Plan (GRP), Group Risk Income Plan (GRIP), and Group Risk Income Plan with the harvest revenue option (GRIPHR).

Source: Summary of Business, Risk Management Agency, USDA.

- In 2012, 80.5 percent of planted acres were insured in Illinois. A total of 10.3 million acres were insured while the National Agricultural Statistical Service indicated that 12.8 million acres were planted in Illinois.
- Revenue Protection (RP) was used on most acres. RP was used on 63.0 percent of planted acres in 2012. The highest three coverage levels were used for most of RP policies: the 75 percent coverage level was used on 11.7 percent of acres, the 80 percent coverage level on 22.7 percent of acres, and the 85 percent coverage level was used on 21.8 percent of acres.
- The remaining products lagged use of RP. RP with the harvest price exclusion (RPHPE) was used on 6.2 percent of acres, Yield Protection (YP) on 5.6 percent of acres, and Group Risk Income Plan with the harvest revenue option (GRIPHR) on 5.0 percent of acres. Group Risk Plan (GRP) and Group Risk Income Plan (GRIP) products were used on less than 1.0 percent of planted acres.
- Most Illinois acres were insured with a product whose guarantee can increase if the harvest price is above the projected price. Products with the guarantee increase provision are RP and GRIPHR. These two products accounted for 68.0 percent of insured acres. In 2012, the $7.50 harvest price was considerably above the $5.68 projected price. As a result, RP and GRIPHR paid considerably more than their corresponding products that did not have the guarantee increase: RPHPE is RP without the guarantee increase provision and GRIP is GRIPHR without the guarantee increase.
- Insurance use on corn can be summarized as follows:

"High-level" insurance – as characterized as RP with 75 percent and higher coverage levels and GRIPHR with 90% coverage level – was used on 61.1 percent of planted acres. These combinations had high coverage levels and guarantee increase provisions. Farmers using these combinations likely had adequate insurance to cover yield losses occurring in 2012.

- More modest insurance were used on 19.4 percent of acres. Policies other than those listed above likely had lower insurance payments and may have left revenue gaps on some farms using these products.
- No insurance was used on 19.5 percent of acres. If yield losses were large, farmers and landowners with no insurance could have had significant revenue losses if yield shortfalls occurred on these farms.

Soybean Insurance Use in 2012

Table 2 shows insurance use by crop insurance product use by coverage level for soybeans in 2012. Key points are:

Table 2. Crop Insurance Use by Product and Coverage Level, Soybeans, Illinois, 2012.

Coverage Level	Insurance Product [1]					
	RP	RPHPE	YP	GRP	GRIP	GRIPHR
	Percent of Planted Acres					
50	1.0	0.2	3.6			
55	0.1	0.0	0.1			
60	0.5	0.1	0.2			
65	1.7	0.3	0.8			0.0
70	6.2	0.6	0.7	0.0	0.0	0.0
75	13.9	1.1	1.0	0.0	0.0	0.0
80	21.2	1.7	0.6	0.0	0.0	0.0
85	15.4	1.4	0.4	0.0	0.1	0.0
90				0.1	2.7	1.2
Total	60.0	5.5	7.4	0.1	2.8	1.3

[1] Products are Revenue Protection (RP), Revenue Protection with the harvest price exclusion (RPHPE), Yield Protection (YP), Group Risk Plan (GRP), Group Risk Income Plan (GRIP), and Group Risk Income Plan with the harvest revenue option (GRIPHR).

Source: Summary of Business, Risk Management Agency, USDA.

- In 2012, 77.1 percent of planted soybean acres were insured in Illinois. A total of 6.98 million acres were insured while the National Agricultural Statistical Service indicates that 9.05 million acres were planted in Illinois.
- RP was used on 60.0 percent of acres. The highest three coverage levels were used for most of RP policies: the 75 percent coverage level was used on 13.9 percent of acres, the 80 percent coverage level on 21.2 percent of acres, and the 85 percent coverage level on 15.4 percent of acres.
- The remaining products lagged use of RP. YP was used on 7.4 percent of acres, RPHPE was used on 5.5 percent of acres, GRIP on 2.8 percent of acres, and GRIPHR on 1.3 percent of acres. GRP

was used on less than 1.0 percent of acres.

- Most Illinois acres were insured with a product whose guarantee can increase if the harvest price is above the projected price. In total, RP and GRIPHR accounted for 61.3 percent of insured acres. In 2012, the $15.39 harvest price was above the $12.55 projected price. As a result, RP made larger payments than RPHPE at the same coverage level and GRIPHR made larger payment than GRIP at the same coverage level.
- Soybean and corn had roughly similar crop insurance use. Slightly fewer soybean acres were insured than corn acres and slightly lower coverage levels were used for soybeans than for corn.

Projected Use in 2013

It is likely that 2013 insurance use will be similar to 2012 use. If anything, crop insurance may increase as crop insurance use often increases after a high payout year. The 2012 year will be a high insurance payout year in Illinois.

In 2012, RPHPE has significantly lower payments at the same coverage as compared to RP. This occurred because harvest prices were above projected prices. Larger payments for RP may cause a movement to RP and away from RPHPE in 2013. Of course, this could be chasing last year's result. RPHPE is a good product with lower premiums than RP. It is useful for those individuals who do little pre-harvest hedging. Hence, RPHPE may still be a good choice for certain individuals.