



## Weekly Farm Economics: Crop Insurance Use in 2011 and Suggestions for 2012

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In 2011, most corn and soybean acres in Illinois were insured using Revenue Protection (RP) at a 75% or higher coverage level. At these coverage levels, most acres were insured using enterprise units. For those choosing RP at a 75% or higher coverage level with enterprise units last year, a similar choice in 2012 seems prudent given that the Trend-Adjusted Actual Production History (TA-APH) yield endorsement is added to the RP policy. Some consideration to RP with the harvest price exclusion (RPwExcl) may be warranted. Group Risk Income Plan (GRIP) users may wish to re-evaluate choices as GRIP premiums have gone up will RP premiums have come down. GRIP still has attractive features, but relative costs have changed.

### Insurance Use on Corn in 2011

Table 1. Crop Insurance Use by Product and Coverage Level, Corn, Illinois, 2011.

Coverage Level	Yield Protection (YP)	Revenue Protection with Price Exclusion (RPwExcl)	Revenue Protection (RP)	Group Risk Plan (GRP)	Group Risk Income Plan (GRIP-NonR)	GRIP with Harvest Price Option (GRIP-HR)
	Percent of Insured Acres					
50%	3	0	1			
55%	0	0	0			
60%	0	0	0			
65%	1	0	2			
70%	1	1	6	0	0	0
75%	1	1	14	0	0	0
80%	1	2	26	0	0	0
85%	1	2	25	0	0	0
90%				1	1	2
Total	7	8	73	1	1	2

Source: Summary of Business, Risk Management Agency.

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In 2011, 10,171 million acres of corn were insured using multi-peril crop insurance policies in Illinois. The insured acres of 10,181 million represents 81 percent of all planted acres in 2011.

Table 1 shows percent of acres insured by crop insurance product. In 2011, Revenue Protection (RP) was the plan receiving the largest use, with 73% of the acres being insured using RP (see Table 1). The plan receiving the next highest use was Group Risk Income Plan with the Harvest Revenue Option with 9% of the acre. Remaining plans were RP with the harvest price exclusion (RPwExcl) with 8 percent of the acres, Yield Protection (YP) with 7 percent of the acres, Group Risk Plan with 1 percent of the acres, and GRIP without the harvest price option (GRIP-NoHR) with 1 percent of the acres.

RP use was concentrated in the three highest coverage levels. The 75% coverage level had 14% of acres, the 80% coverage level had 26% of acres, and the 85% coverage level had 26% of acres (see Table 1). The three highest coverage level of RP accounted for 65% of acres insured. Of acres insured using RP, the three highest coverage levels accounted for 89% of the acres insured using RP.

RP users tended to purchase enterprise units when insuring acres rather than basic and optional units. Enterprise units are all of one crop in a county and premiums on enterprise units are significantly lower than premiums on basic and optional units. Enterprises units were used on 62% of acres insured using RP. Enterprise use increased with higher coverage levels. Enterprise units were used to insure 48% of acres at the 75% coverage level, 66% of acres at the 80% coverage level, and 76% of acres at the 85% coverage level.

### Insurance Use on Soybeans in 2011

Overall, insurance use in soybeans was similar to use in corn. In 2011, 6,860 million acres of corn were insured using multi-peril crop insurance policies in Illinois. The 6,860 million acres represents 77 percent of all soybean acres planted in 2011.

Table 2. Crop Insurance Use by Product and Coverage Level, Soybeans, Illinois, 2011.

Coverage Level	Yield Protection (YP)	Revenue Protection with Price Exclusion (RPwExcl)	Revenue Protection (RP)	Group Risk Plan (GRP)	Group Risk Income Plan (GRIP-NoHR)	GRIP with Harvest Price Option (GRIP+HR)
Percent						
50%	6	0	2			
55%	0	0	0			
60%	0	0	1			
65%	1	1	3			
70%	1	1	9	0	0	0
75%	2	2	19	0	0	0
80%	1	3	28	0	0	0
85%	1	2	21	0	0	0
90%			2	2	1	6
Total	12	10	82	2	1	6

Source: Summary of Business, Risk Management Agency.

In 2011, RP was the plan receiving the largest use with 82 percent of the acres insured with RP (see Table 2). YP was the next highest use with 12 percent of insured acres. RPwExcl followed with 10 percent of acres. GRIP-HR has 6 percent of acres, GRP had 2 percent of acres, and GRIP-NoHR has 1 percent of acres.

RP use tended to be concentrated in the three highest coverage levels. The 75 percent coverage level had 19 percent of insured acres, the 80% coverage level had 28% of acres, and the 85% coverage level had 21 percent of acres (see Table 2). The three highest coverage levels accounted for 68 percent of acres. Of acres insured using RP, the three highest coverage levels accounted for 82% of acres insured using RP.

RP users tended to use enterprise units when insuring acres rather than basic or optional units. Enterprise units were used on 56% of acres insured using RP. Enterprise use increased with higher coverage levels. Enterprise units were used on 47% of acres at a 75% coverage level, 66% of acres at an 80% coverage level, and 73 percent of acres at an 85% coverage level.

## **RP with Enterprise Units**

The predominate insurance use in either corn or soybeans last year was RP at a 75% or higher coverage level insured using enterprise units. If this was the choice last year, it will likely be a good choice for the coming year. Two considerations:

1. Add the Trend Adjusted Actual Production History (TA-APH) yield endorsement. This endorsement can be used to lower premium costs at the same guarantee level or increase the guarantee level. The vast majority of Illinois farmers will find the TA-APH yield endorsement advantageous (see [here](#) for more detail).
2. Consider switching to RPwExcl, particularly if the 85% coverage level is not taken at RP. RPwExcl at a 5% higher coverage level than RP will have benefits if harvest price is below the projected price (see [here](#) for more detail).

## **Should Enterprise Units be Taken?**

Enterprise use has increased considerable since 2008. In my estimation, enterprise use is a good alternative for more farms than have already taken the option. If enterprise units have not been taken in the past, consider using enterprise units and increasing coverage level. Almost always, switching to enterprise units will lower costs such that a higher coverage level can be taken.

## **Is GRIP-HR Still a Good Alternative?**

GRIP-HR use has declined over time, primarily because GRIP premiums have increased while premiums for plans with the COMBO product have declined. GRIP still has useful features, including that payments over time will exceed premiums. However, premium changes may cause a person to consider switching to RP.