
Utilizing Crop Insurance for the Average Producer



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Finding a Crop Insurance Agent

- Most important step!
- <https://prodwebnlb.rma.usda.gov/apps/AgentLocator/#/>
- Good agents are extremely helpful in navigating the crop insurance decision.

What is Your Experience?

Have you utilized crop insurance before?

Do you take an active role in product selection?

Are you familiar with current govt. safety net programs?



Identifying Your Risk Exposure

- Identify what type of producer you are. Grain, Cattle, or Both?
- How many farms have base acres enrolled in either ARC or PLC?
- What is your risk exposure? Do you have a high debt-to-equity ratio?
- Variable cost of production.

Determining Your Coverage Requirement

- This decision will vary from producer to producer.
- Highly dependent on fixed and variable costs of your operation.
- High fixed costs would include a new machinery compliment and high cash rents.
- High variable costs could arise from low soil fertility, significant weed pressure, excessive cultivation, etc.

Making the Crop Insurance Decision

Is Crop Insurance Simple?

- Added Price Option (APO)
- Beginning Farmer & Rancher (BFR)
- Crop Hail/Crop Fire
- Level by Practice (LP)
- Enterprise by Practice (EP)
- Price Flex
- PRF, LRP, AF
- Trend Adjustment (TA)
- STAX Cotton
- Supplemental Coverage Option (SCO)
- Yield Exclusion (YE)
- Whole Farm Revenue Protection (WFRP)

2019 Wheat Budget

Variable Costs

- Revenue from 32bu. @ \$5.50/bu. is **\$176.00**
- Conservative variable costs equal **\$175.00**
- “Profit” equals **\$1.00/acre.**

Revenue (32bu. X \$5.50/bu.)	\$176.00
Wheat Seed (1.5bu. X \$10/bu.)	\$15.00
Machinery/Fuel	\$10.00
Herbicide/Pesticide	\$10.00
Fungicide	\$10.00
Crop Insurance (70% RP-OU)	\$9.00
Labor	\$5.00
Custom Hire	\$5.00
Fertilizer	\$30.00
Harvest	\$36.00
Land (Cash Lease)	\$45.00
Total Variable Costs	\$175.00
Returns over Variable Costs	\$1.00



Revenue Insurance for Winter Wheat

- Prices are set at different times of the year based on the typical marketing of that crop.
- Projected Price Tracking: August 15th - Sept. 14th
- Harvest Price Tracking: June 1st - 30th
- Allows a producer to lock in a revenue instead of a yield to reduce price risk.

Price Tracking

- Price tracking is a vital piece of revenue protection to understand.
- It sets the initial guarantee and helps producers plan for the risk of expenses in the coming year.

Finding RMA Prices

- <https://prodwebnlb.rma.usda.gov/apps/PriceDiscovery/GetPrices/YourPrice>

The screenshot shows the RMA Price Discovery website interface. At the top, there is a navigation bar with the RMA Price Discovery logo, a home icon, a calculator icon, and the text "Your Price" and "Many Prices". Below this is a "Your Price Criteria" section with a "Select New Criteria" button. The criteria are: Commodity: Wheat, State: Oklahoma, Type: Winter, Practice: Conventional, Sales Closing Date: September 30, 2018, and Year: 2019. Below the criteria is the "Base Contract: KCBT July HRW Wheat 2019 (KEN19)". To the right of the contract name is a small map of the United States with "CEPP" below it. Below the contract name are three price cards: "Projected Price" showing "\$6.02 per Bushel", "Price Volatility" showing "0.00", and "Harvest Price" showing "Not Yet Available". At the bottom is a table with columns for Status, In Discovery, In Discovery, and Yet To Start, and rows for Start Date and End Date.

Status	In Discovery	In Discovery	Yet To Start
Start Date	8/15/2018	8/15/2018	N/A
End Date	9/14/2018	9/14/2018	N/A

Yield Protection

- YP-Protects against losses in yield, not revenue.
- Suitable for individuals looking to lower insurance costs and those who believe prices will trend higher.
- Know that yields above the guarantee do not always guarantee that variable costs of production are covered.

Optional Units vs. Enterprise Units



Optional Units Enterprise Units

OU Coverage	Subsidy
50%	67%
55%	64%
60%	64%
65%	59%
70%	59%
75%	55%
80%	48%
85%	38%

EU Coverage	Subsidy
50%	80%
55%	80%
60%	80%
65%	80%
70%	80%
75%	77%
80%	68%
85%	53%

Crop Insurance Plan-Optional Units

Plan	Level	Actual Price	Approved Yield	Guar. Yield/Acre	Guarantee \$/Acre	Base Premium \$/Acre	Premium as % of Guar.	Subsidized Premium \$/Acre
RP-OU	50	5.20	34	17.00	\$88.40	\$8.52	4.0	3.55
RP-OU	55	5.20	34	18.70	\$97.24	\$10.49	4.9	4.72
RP-OU	60	5.20	34	20.40	\$106.08	\$12.85	5.4	5.68
RP-OU	65	5.20	34	22.10	\$114.92	\$15.50	6.7	7.71
RP-OU	70	5.20	34	23.80	\$123.76	\$18.76	7.5	9.33
RP-OU	75	5.20	34	25.50	\$132.60	\$22.29	9.1	12.04
RP-OU	80	5.20	34	27.20	\$141.44	\$26.14	11.4	16.18
RP-OU	85	5.20	34	28.90	\$150.28	\$30.38	14.8	22.25

Crop Insurance Plan-Enterprise Units

Plan	Level	Actual Price	Approved Yield	Guar. Yield/Acre	Guarantee \$/Acre	Base Premium \$/Acre	Premium as % of Guar.	Subsidized Premium \$/Acre
RP-EU	50	5.20	34	17.00	\$88.40	\$8.52	1.9	\$1.70
RP-EU	55	5.20	34	18.70	\$97.24	\$10.49	2.2	\$2.10
RP-EU	60	5.20	34	20.40	\$106.08	\$12.85	2.4	\$2.57
RP-EU	65	5.20	34	22.10	\$114.92	\$15.50	2.7	\$3.10
RP-EU	70	5.20	34	23.80	\$123.76	\$18.76	3.0	\$3.75
RP-EU	75	5.20	34	25.50	\$132.60	\$22.29	3.9	\$5.13
RP-EU	80	5.20	34	27.20	\$141.44	\$26.14	5.9	\$8.36
RP-EU	85	5.20	34	28.90	\$150.28	\$30.38	9.5	\$14.28

Getting to an Answer: Can you cover the cost of Production

2016-Optional Units

- 2016 Guarantee (34bu. X \$5.20 X 0.70)
= $\$123.76 - \$9.33 = \$114.43$

- Cost of production
 $\$165 - \20 (2016 ARC Payment) = $\$145$

- Cost of production
 $\$165 - \72 (2016 PLC Payment) = $\$93$

2017-Optional Units

- 2017 Guarantee (34bu. X \$4.59 X 0.70)
= $\$109.24 - \$8.16 = \$101.08$

- Cost of production
 $\$165 - \0 (Est. 2017 ARC Payment) = $\$165$

- Cost of production
 $\$165 - \35 (Est. 2017 PLC Payment) = $\$130$

Conclusion

- Low prices and low profitability offer an opportunity for good managers to excel.
- Be cautious with expenses that require “writing checks” as those costs must be covered.
- Remember, an average production year could still mean higher prices.

References

- **Crop Insurance Agent Locator**
 - (<http://prodwebnlb.rma.usda.gov/apps/AgentLocator/#/>)

- **RMA Crop Insurance Cost Estimator**
 - (<https://ewebapp.rma.usda.gov/apps/costestimator/Default.aspx>)

- **RMA Crop Insurance Decision Tool**
 - (<http://prodwebnlb.rma.usda.gov/apps/CIDT/>)

- **RMA Insurance Programs**
 - (<http://farm-risk-plans.rma.usda.gov/index.aspx?action=riskman.home>)

- **Link to more information:**
 - www.efarmanagement.okstate.edu

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