

Crop Insurance Delivers Record Payments



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With record floods in North Dakota and along many parts of the Missouri River basin last year, and extreme drought across much of Texas, it's not surprising that crop insurance payouts in 2011 are headed to record levels. Especially so when you consider how the program has grown in size and scope in recent years insuring everything from apiculture to oysters and the popularity of revenue-based programs.

During the 2011 crop year, private crop insurance policies valued at over \$113.5 billion covered more than 264 million acres of farmland, including all major grain crops and cotton, nursery, citrus, rice, potatoes, seafood and livestock.

As of Jan. 16, the \$8.89 billion in indemnities paid by crop insurance companies for the 2011 crop year losses surpassed the previous record of \$8.6 billion paid in the 2008 crop year. With 20 different types of insurance plans and several pilot projects across the country, USDA's Risk Management Agency expects the numbers to continue to climb before they finalize a new year-end number in February.

Some sources expect that the federal crop insurance program will easily surpass \$10 billion in indemnities for the crop year, but total government costs could climb even higher – making crop insurance a more highly visible target during farm bill deliberations this year.

The current crop insurance program enjoys widespread support from almost all major commodity groups and general farm organizations. It's the one program that most members of the House and Senate Agriculture Committee agree should be continued in the 2012 Farm Bill.

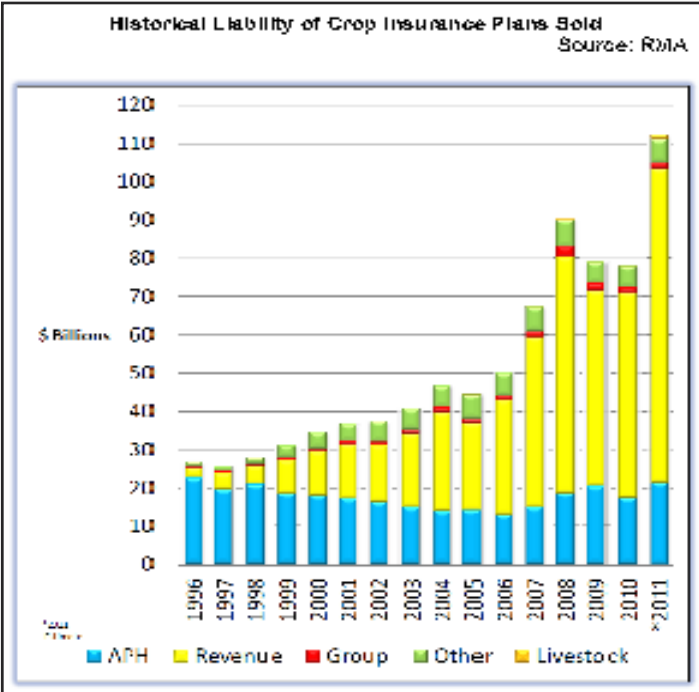
However, some taxpayer and environmental groups want to cut all farm subsidies, including direct payments and subsidies for crop insurance premiums. As more claims are processed and the amount of pay-

outs continues to increase, farm leaders fear that crop insurance will be even bigger bull's eye for budget cutters.

Earlier this year, the Risk Management Agency estimated over \$13 billion in indemnities, based on a loss ratio of 1.12, according to USDA's Office of Inspector General review of the Federal Crop Insurance Corporation (FCIC) Financial Statements for the 2011 fiscal year which ended Sept. 30, 2011. But RMA sources say those were preliminary estimates developed several months ago and will likely represent a loss ratio closer to 1.0 when all other factors are taken into consideration.

An RMA spokesperson says the FCIC is exposed to late season severe weather events that may occur after the indemnity projections are made, or a commodity price spike or decline would impact the estimates. The actual loss ratios in the last 10 years have varied from a low of 54 percent to a high of 139 percent. The average loss ratio for the past ten years was 80 percent.

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States with Highest Indemnities In the 2011 Crop Year

State	Acres	Liabilities	Premium	Indemnity	Loss Ratio
Texas	36,846,148	\$5,407,203,957	\$1,083,264,866	\$2,377,080,362	2.19
North Dakota	23,327,852	\$6,050,366,347	\$1,056,568,552	\$1,492,182,158	1.41
Kansas	17,370,005	\$5,286,777,532	\$795,169,105	\$966,005,795	1.21
South Dakota	15,051,453	\$5,047,411,766	\$724,435,658	\$457,021,948	.63
Oklahoma	5,125,030	\$995,279,698	\$203,217,243	\$404,367,150	1.99
Minnesota	17,085,100	\$9,461,988,932	\$342,488,804	\$402,147,934	.48
Missouri	8,218,897	\$3,380,443,545	\$402,391,969	\$305,420,510	.76
North Carolina	3,495,880	\$1,836,063,854	\$215,017,233	\$250,575,115	1.17
Illinois	17,683,510	\$12,306,352,479	\$926,036,802	\$255,429,373	.25
Iowa	21,445,871	\$14,667,202,815	\$1,029,504,333	\$225,091,955	.22
Source: RMA 2011 Crop Year Data as of 1-16-12					



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