

# Interest Grows In New Risk Management Tools

Growers look for revenue protection, new insurance discounts



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Faced with increased risk and price variability, farmers are increasingly moving away from traditional multi-peril crop insurance policies that provide coverage solely against production losses to those that protect against both yield and price risks.

An analysis of Risk Management Agency (RMA) sales data over the last seven years indicates that the number of Actual Production History (yield-only) policies sold in the last seven years (2001 to 2007) has dropped by over 300,000 policies covering over 46 million fewer acres. At the same time, revenue-based policies such as Crop Revenue Coverage and Revenue Assurance, and group risk policies, have surged in popularity – picking up most of the APH yield policy acreage.

Part of the switch could be attributed to changes made in 2001, when the provisions of the Agricultural Risk Protection Act (ARPA) fully came into force that made revenue based policies more affordable, and more recent fluctuations in intra-year crop price changes increasing the importance of revenue protection as well as yield protection, says Tim Hoffmann, with USDA's Risk Management Agency (RMA). In addition, coverage was expanded to more states and crops for the Group Risk Income Protection (GRIP) plan of insurance, along with

farming operation.”

## Discounts for crop traits?

USDA's Risk Management Agency (RMA) is also exploring new types of insurance that can be linked to certain types of seeds. The RMA recently announced that the new Biotech Yield Endorsement (BYE) will be implemented on a pilot basis, beginning with the 2008 crop year in the states of Illinois, Indiana, Iowa, and Minnesota.

The BYE will provide producers a premium rate reduction if they plant non-irrigated corn for grain containing three specific biotech traits – YieldGard® Corn Borer, YieldGard Rootworm and Roundup Ready® Corn 2, which are only marketed under the trade names of “YieldGard® Plus with Roundup Ready® Corn 2” and “YieldGard VT Triple.”

Producers with an individual yield or revenue insurance plan (APH, RA, or CRC) at a buy-up level of Federal crop insurance coverage will be eligible for the discount on any unit in which they plant at least 75 percent of their non-irrigated corn for grain acres to a qualifying corn hybrid.

RMA will release the BYE, containing the eligibility criteria, and instructions to approved insurance providers in the near future. This endorsement does not waive or otherwise affect the Environmental Protection Agency's (EPA) existing refuge requirements. Producers will be expected to be in full compliance with all EPA requirements, the agency noted.

RMA officials also note that the BYE is not an endorsement of any particular brand of seed, but this is the only submission to be approved thus far. The BYE was co-submitted to the FCIC by Monsanto Company and Western Agricultural Insurance Company.

Insurance Plan	2001		2002		2003	
	Policies Sold	Net Acres	Policies Sold	Net Acres	Policies Sold	Net Acres
APH	1,195,520	110,212,496	1,138,805	105,773,894	1,060,260	89,474,857
CRC	514,239	75,688,904	419,491	55,434,288	413,813	53,088,382
RA	54,111	10,973,369	189,610	36,916,389	330,394	57,818,914
GRIP	3,101	724,209	3,486	805,681	5,254	1,184,680
GRP	13,494	8,089,972	15,308	11,124,855	16,545	12,429,783

Insurance Plan	2004		2005		2006		2007	
	Policies Sold	Net Acres	Policies Sold	Net Acres	Policies Sold	Net Acres	Policies Sold	Net Acres
APH	991,627	75,684,148	984,273	80,433,616	927,305	67,224,436	871,378	63,656,917
CRC	466,481	60,735,666	422,732	51,398,693	468,611	60,205,745	460,283	59,609,361
RA	409,039	65,254,305	431,084	68,270,888	427,709	66,553,150	469,085	73,782,591
GRIP	10,834	2,568,447	24,001	5,752,238	51,116	11,690,334	47,331	10,885,699
GRP	19,701	13,785,624	24,323	37,214,892	21,679	33,859,404	19,682	32,447,462

Source: RMA Business Summaries as of December 3, 2007

adding a harvest revenue option.

“Producers whose crop yields tend to follow county yields and who are interested in price protection, as well, may have found that option on GRIP to be very attractive,” adds Hoffmann.

Traditional yield protection policies may never go away, but RMA is working to combine the yield and revenue products into a single policy. This so-called “combo” policy is targeted to be available in 2010, if RMA can obtain the necessary funding needed to make critical enhancements to its current automated processing systems.

According to Hoffmann, “Crop insurance is a vital part of the farm safety net and is able to provide farmers with effective protection against both yield and price risks. With the availability of various plans of insurance and coverage options, farmers can tailor coverage to provide the most effective protection for their individual

“The BYE pilot program rewards corn growers for using technologies that helps them manage risk on their farms,” said Robb Fraley, Executive Vice President and Chief Technology Officer for Monsanto Company. “Much like a ‘safe-driver’ discount in auto-insurance, this program recognizes that our technologies are able to consistently deliver higher yields year after year.”

Monsanto officials say the average cost of a total policy premium will be reduced by approximately 14 percent on revenue assurance policies, such as Actual Production History, Revenue Assurance, and Crop Production Coverage. On average, this discount will amount to more than \$2 per acre on the grower-paid portion of the premium. Δ

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