

Trend-Adjusted APH Yield Endorsement Gives Farmers More

URBANA, ILL.

Beginning with the 2012 crop year, farmers purchasing crop insurance for corn and soybeans in 14 midwestern states will have the option to use the Trend-Adjusted Actual Production History (TA-APH) Yield Endorsement, allowing farmers to increase yields used in calculating crop insurance guarantees. According to University of Illinois Extension farm management specialist Gary Schnitkey, electing to take this endorsement will give farmers more coverage for the same cost.

"Illinois corn and soybean farmers in the Midwest are interested in this trend adjustment because they have yields that have been increasing over time," Schnitkey said. "This trend adjustment takes that into consideration and adds to the APH yield, which is usually used to calculate guarantees. The APH yield is higher, more accurately reflecting the actual yields that we're likely to experience in the coming year."

Schnitkey said farmers should be starting to hear about this from their crop insurance agents soon. They'll need to make a decision to elect the endorsement by March 15, 2012.

"The adjustment rate will vary by county," he said. "Generally speaking, higher trends are in the northwest corner of the state, and lower trends are in the southeast corner. Overall, the average rate is 2 bushels per year."

In most cases, Schnitkey said the proposal adds about two bushels of corn to the yield in Illinois per year. The 2011 yield would have two bushels added to it. The 2010 yield, four bushels, and so on. "The two-bushel trend is about right. If you have 10 years of yield history,

it'll add about 11 bushels to the APH."

Schnitkey stressed that this is an election. "It's an endorsement. It's a pilot project available for corn and soybeans in 14 states, roughly from Ohio to Colorado and North Dakota down to Kansas. If the actuarial performance of this product works out, it will be expanded to other crops."

Because there is more coverage without an increase in cost to the farmer, Schnitkey said he wouldn't see a reason for an Illinois farmer not to select this endorsement for both corn and soybeans.

Schnitkey provided an example using McLean County. The average corn yields in McLean would reflect a 175-bushel yield. The trend adjustment APH would be 11 bushels higher than that so they would be using a trend adjustment APH in that case of 186 bushels. The trend rates for soybeans in Illinois ranges from about .4 to .5 bushel across the state.

"This will make a big difference in their crop insurance," he said. "It obviously raises their guarantee levels, getting them closer to what people actually expect from production."

For the full report, visit http://farmdoc.illinois.edu/manage/newsletters/fefo11_23/fefo_11_23.html.

The product concept submission to Risk Management Association was sponsored by the Illinois Corn Marketing Board and developed in conjunction with University of Illinois agricultural economists in the College of Agricultural, Consumer and Environmental Sciences as an attempt to fix the lag in APH yields as they relate to crop insurance. △



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