

Multiple-Peril Crop Insurance: Is it worth the cost?

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Introduction

- ◎ **Risks Farmers Face**

- Hail, Drought
- Early freeze in fall and Late freeze in Spring
- Price Risk

- ◎ **What Crop Insurance (CI) is**

- Benefits
- Current problems facing farmers that can be addressed with CI
- Two main types to be analyzed:
 - 1) Multiple-Peril (MPCI),
 - 2) Crop Revenue Coverage/Revenue Assurance (CRC/RA)

Introduction

- ◎ **MPCI-** covers bushel losses only due to any natural weather occurrence (ex: hail, wind, freeze, drought, etc.)
- ◎ **CRC/RA-** covers losses just like MPCI but puts Price (CBOT futures) into the equation
 - B/C CRC and RA are very similar, the only real difference is that the prices are set at different times of the year and after 2010 they will become the same

Introduction

- ◎ **Area being evaluated**

- Dry-land Farm in Keith County, NE
producing corn

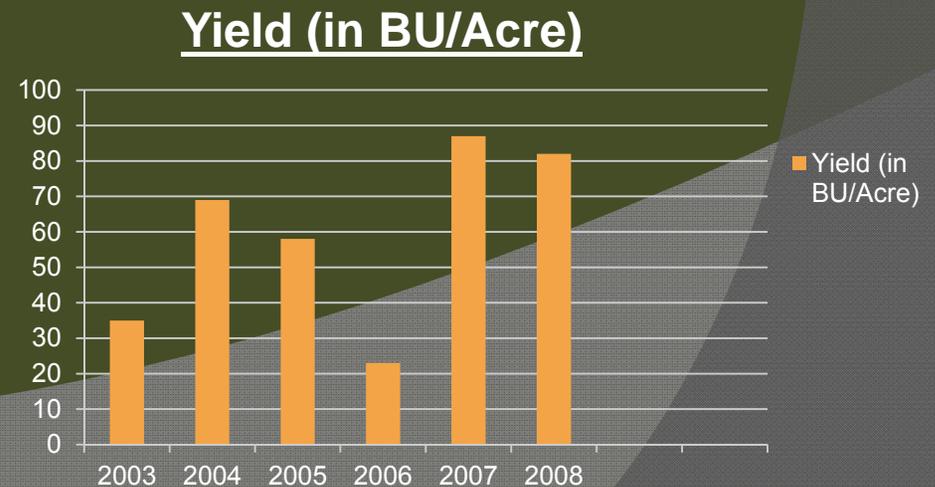
- Average field size of 160 acres or a
quarter section

Resources & Background

- ◎ Ryan Knapp-Sunny Meadows Inc. John Deere Authorized Crop Insurance Agency
- ◎ Bruce Dodson-Agri Affiliates farm/ranch manager, real estate salesman
- ◎ USDA-NASS, USDA-RMA, Illinois University, Illinois State Water Survey, NeRain (Twin Platte NRD)

Resources & Background Con't.

- Keith County is located in South Western Nebraska where the corner of the panhandle meets Colorado
- Hail damage is frequent
- Dryland corn yields are relatively good for the area



Methods

- ◎ Variables to be considered: two main variables
 - Price: volatile market, revenue depends on price
 - Production: amount of precipitation, pest infestation, hail, variety of seed corn, early or late freeze
- ◎ Method of Analysis: **Benefit-Cost Analysis**
 - At what point do the benefits (loss payments) of crop insurance out-weigh the costs (premiums)
 - Budget Enterprise
 - Dryland Budget Enterprise with MPCl, with CRC/RA
 - Dryland Budget Enterprise without crop insurance

Methods

- ◎ Variables that need to be determined:
 - Premium (\$) on a per acre basis
 - MPCl: \$10.82/acre
 - CRC/RA: \$7.30/acre
 - Production history of the area
 - Actual Production History (APH)
 - Set at 56 bu/acre
 - 80 bu/acre possible

Methods

- Variables that need to be determined (Con't)
 - Approximate cash market price of corn
 - \$3.50
 - Average level of coverage farmers purchase (Ranges from 50-85%)
 - 75% *(56 bu/acre x 0.75 = 42 bu/acre)
 - Price corn is insured at
 - MPC1: \$3.90 CRC/RA: \$3.92
 - With CRC/RA there is basically a guaranteed revenue of \$164/acre no matter what price is or yield

Methods

Price of Corn (\$/bu) 2000-Present in Keith County



Results

Twelve scenarios were plugged into a budget to determine the cost effectiveness.

- Three options looked at were:
 - CRC/RA Crop Insurance
 - Multiple-Peril Crop Insurance
 - No Crop Insurance
- Four levels of loss were considered:
 - No Loss
 - 25% Loss
 - 50% Loss
 - 75% Loss

Results

- ◎ The budget took into consideration:
 - Sale Price
 - Government Incentives created by the farm bill.
 - Claim payment from Insurance if damage occurred.
 - All possible expenses on a per/acre and total field cost.
 - These considerations help you discover your Net Income.

No Insurance
No Loss

| ENTERPRISE BUDGET | | | | 2/14/10 |
|--|-----------------|---------|----------|---------|
| Farm: | Keith Co Farm | | # Acres: | 160.0 |
| Enterprise: | Corn, Ecofallow | | Share: | 100.00% |
| Income | \$/Unit | # Units | \$/Acre | Total |
| Sales | 3.50 | 80.0 | 280.00 | 44,800 |
| Gov't Pmt. | 0.22 | 50.0 | 11.00 | 1,760 |
| Insurance Claim Payment | 0.00 | | 0.00 | 0 |
| | | | | 0 |
| TOTAL INCOME: | | | 291.00 | 46,560 |
| Expenses | | | | |
| Repair & Maint., Irr. | | | 0.00 | 0 |
| Seed | 44.00 | | 44.00 | 7,040 |
| Fertilizer | 50.00 | | 50.00 | 8,000 |
| Herbicide | 25.00 | | 25.00 | 4,000 |
| Insecticide | 0.00 | | 0.00 | 0 |
| Insurance, Crop | 0.00 | | 0.00 | 0 |
| Grain Storage & Drying | 0.00 | | 0.00 | 0 |
| Repairs, Fuel, Labor (detail below) | | | 52.00 | 8,320 |
| RE Taxes | 4.50 | | 4.50 | 720 |
| TOTAL EXPENSES: | | | 175.50 | 28,080 |
| NET INCOME: | | | 115.50 | 18,480 |
| Net Income/Expenses: | | | | 65.81% |
| Breakeven Price & Yield | 2.19 | 50.1 | | |
| Detail Repairs, Fuel, Labor:(Field Operations) | | | | |
| Spraying | | | 5.00 | |
| Planting | | | 12.00 | |
| Spraying | | | 5.00 | |
| | | | 0.00 | |
| | | | 0.00 | |
| Harvesting | 22.00 | 1.00 | 22.00 | |
| Trucking | 80.00 | 0.10 | 8.00 | |
| Total: | | | 52.00 | |
| Percent Actual Cost: | 100.0% | | 52.00 | |

MPCI
No Loss

| ENTERPRISE BUDGET | | | | 2/14/10 |
|--|-----------------|---------|----------|---------------|
| Farm: | Keith Co Farm | | # Acres: | 160.0 |
| Enterprise: | Corn, Ecofallow | | Share: | 100.00% |
| Income | \$/Unit | # Units | \$/Acre | Total |
| Sales | | 3.50 | 80.0 | 280.00 44,800 |
| Gov't Pmt. | | 0.22 | 50.0 | 11.00 1,760 |
| Insurance Claim Payment | | 3.90 | | 0.00 0 |
| | | | | 0 |
| TOTAL INCOME: | | | | 291.00 46,560 |
| Expenses | | | | |
| Repair & Maint., Irr. | | | | 0.00 0 |
| Seed | | 44.00 | | 44.00 7,040 |
| Fertilizer | | 50.00 | | 50.00 8,000 |
| Herbicide | | 25.00 | | 25.00 4,000 |
| Insecticide | | 0.00 | | 0.00 0 |
| Insurance, Crop | | 10.82 | | 10.82 1,731 |
| Grain Storage & Drying | | 0.00 | | 0.00 0 |
| Repairs, Fuel, Labor (detail below) | | | | 52.00 8,320 |
| RE Taxes | | 4.50 | | 4.50 720 |
| TOTAL EXPENSES: | | | | 186.32 29,811 |
| NET INCOME: | | | | 104.68 16,749 |
| Net Income/Expenses: | | | | 56.18% |
| Breakeven Price & Yield | | 2.33 | 53.2 | |
| Detail Repairs, Fuel, Labor:(Field Operations) | | | | |
| Spraying | | | | 5.00 |
| Planting | | | | 12.00 |
| Spraying | | | | 5.00 |
| | | | | 0.00 |
| | | | | 0.00 |
| Harvesting | | 22.00 | 1.00 | 22.00 |
| Trucking | | 80.00 | 0.10 | 8.00 |
| Total: | | | | 52.00 |
| Percent Actual Cost: | | 100.0% | | 52.00 |

CRC/RA
No Loss

| ENTERPRISE BUDGET | | | | 2/14/10 |
|--|-----------------|---------|----------|---------|
| Farm: | Keith Co Farm | | # Acres: | 160.0 |
| Enterprise: | Corn, Ecofallow | | Share: | 100.00% |
| Income | \$/Unit | # Units | \$/Acre | Total |
| Sales | 3.50 | 80.0 | 280.00 | 44,800 |
| Gov't Pmt. | 0.22 | 50.0 | 11.00 | 1,760 |
| Insurance Claim Payment | 0.00 | | 0.00 | 0 |
| | | | | 0 |
| TOTAL INCOME: | | | 291.00 | 46,560 |
| Expenses | | | | |
| Repair & Maint., Irr. | | | 0.00 | 0 |
| Seed | 44.00 | | 44.00 | 7,040 |
| Fertilizer | 50.00 | | 50.00 | 8,000 |
| Herbicide | 25.00 | | 25.00 | 4,000 |
| Insecticide | 0.00 | | 0.00 | 0 |
| Insurance, Crop | 7.30 | | 7.30 | 1,168 |
| Grain Storage & Drying | 0.00 | | 0.00 | 0 |
| Repairs, Fuel, Labor (detail below) | | | 52.00 | 8,320 |
| RE Taxes | 4.50 | | 4.50 | 720 |
| TOTAL EXPENSES: | | | 182.80 | 29,248 |
| NET INCOME: | | | 108.20 | 17,312 |
| Net Income/Expenses: | | | | 59.19% |
| Breakeven Price & Yield | 2.29 | 52.2 | | |
| Detail Repairs, Fuel, Labor:(Field Operations) | | | | |
| Spraying | | | 5.00 | |
| Planting | | | 12.00 | |
| Spraying | | | 5.00 | |
| | | | 0.00 | |
| | | | 0.00 | |
| Harvesting | 22.00 | 1.00 | 22.00 | |
| Trucking | 80.00 | 0.10 | 8.00 | |
| Total: | | | 52.00 | |
| Percent Actual Cost: | 100.0% | | 52.00 | |

No Insurance
25% Loss

| ENTERPRISE BUDGET | | | | 2/14/10 |
|--|-----------------|---------|----------|---------------|
| Farm: | Keith Co Farm | | # Acres: | 160.0 |
| Enterprise: | Corn, Ecofallow | | Share: | 100.00% |
| Income | \$/Unit | # Units | \$/Acre | Total |
| Sales | | 3.50 | 60.0 | 210.00 33,600 |
| Gov't Pmt. | | 0.22 | 50.0 | 11.00 1,760 |
| Insurance Claim Payment | | 0.00 | | 0.00 0 |
| | | | | 0 |
| TOTAL INCOME: | | | | 221.00 35,360 |
| Expenses | | | | |
| Repair & Maint., Irr. | | | | 0.00 0 |
| Seed | | 44.00 | | 44.00 7,040 |
| Fertilizer | | 50.00 | | 50.00 8,000 |
| Herbicide | | 25.00 | | 25.00 4,000 |
| Insecticide | | 0.00 | | 0.00 0 |
| Insurance, Crop | | 0.00 | | 0.00 0 |
| Grain Storage & Drying | | 0.00 | | 0.00 0 |
| Repairs, Fuel, Labor (detail below) | | | | 52.00 8,320 |
| RE Taxes | | 4.50 | | 4.50 720 |
| TOTAL EXPENSES: | | | | 175.50 28,080 |
| NET INCOME: | | | | 45.50 7,280 |
| Net Income/Expenses: | | | | 25.93% |
| Breakeven Price & Yield | | 2.93 | 50.1 | |
| Detail Repairs, Fuel, Labor:(Field Operations) | | | | |
| Spraying | | | | 5.00 |
| Planting | | | | 12.00 |
| Spraying | | | | 5.00 |
| | | | | 0.00 |
| | | | | 0.00 |
| Harvesting | | 22.00 | 1.00 | 22.00 |
| Trucking | | 80.00 | 0.10 | 8.00 |
| Total: | | | | 52.00 |
| Percent Actual Cost: | | 100.0% | | 52.00 |

MPCI
25% Loss

| ENTERPRISE BUDGET | | | | 2/14/10 |
|--|-----------------|---------|----------|---------|
| Farm: | Keith Co Farm | | # Acres: | 160.0 |
| Enterprise: | Corn, Ecofallow | | Share: | 100.00% |
| Income | \$/Unit | # Units | \$/Acre | Total |
| Sales | 3.50 | 60.0 | 210.00 | 33,600 |
| Gov't Pmt. | 0.22 | 50.0 | 11.00 | 1,760 |
| Insurance Claim Payment | 3.90 | | 0.00 | 0 |
| | | | | 0 |
| TOTAL INCOME: | | | 221.00 | 35,360 |
| Expenses | | | | |
| Repair & Maint., Irr. | | | 0.00 | 0 |
| Seed | 44.00 | | 44.00 | 7,040 |
| Fertilizer | 50.00 | | 50.00 | 8,000 |
| Herbicide | 25.00 | | 25.00 | 4,000 |
| Insecticide | 0.00 | | 0.00 | 0 |
| Insurance, Crop | 10.82 | | 10.82 | 1,731 |
| Grain Storage & Drying | 0.00 | | 0.00 | 0 |
| Repairs, Fuel, Labor (detail below) | | | 52.00 | 8,320 |
| RE Taxes | 4.50 | | 4.50 | 720 |
| TOTAL EXPENSES: | | | 186.32 | 29,811 |
| NET INCOME: | | | 34.68 | 5,549 |
| Net Income/Expenses: | | | | 18.61% |
| Breakeven Price & Yield | 3.11 | 53.2 | | |
| Detail Repairs, Fuel, Labor:(Field Operations) | | | | |
| Spraying | | | 5.00 | |
| Planting | | | 12.00 | |
| Spraying | | | 5.00 | |
| | | | 0.00 | |
| | | | 0.00 | |
| Harvesting | 22.00 | 1.00 | 22.00 | |
| Trucking | 80.00 | 0.10 | 8.00 | |
| Total: | | | 52.00 | |
| Percent Actual Cost: | 100.0% | | 52.00 | |

CRC/RA
25% Loss

| ENTERPRISE BUDGET | | | | 2/15/10 |
|--|-----------------|---------|----------|---------|
| Farm: | Keith Co Farm | | # Acres: | 160.0 |
| Enterprise: | Corn, Ecofallow | | Share: | 100.00% |
| Income | \$/Unit | # Units | \$/Acre | Total |
| Sales | 3.50 | 60.0 | 210.00 | 33,600 |
| Gov't Pmt. | 0.22 | 50.0 | 11.00 | 1,760 |
| Insurance Claim Payment | 0.00 | | 0.00 | 0 |
| | | | | 0 |
| TOTAL INCOME: | | | 221.00 | 35,360 |
| Expenses | | | | |
| Repair & Maint., Irr. | | | 0.00 | 0 |
| Seed | 44.00 | | 44.00 | 7,040 |
| Fertilizer | 50.00 | | 50.00 | 8,000 |
| Herbicide | 25.00 | | 25.00 | 4,000 |
| Insecticide | 0.00 | | 0.00 | 0 |
| Insurance, Crop | 7.30 | | 7.30 | 1,168 |
| Grain Storage & Drying | 0.00 | | 0.00 | 0 |
| Repairs, Fuel, Labor | (detail below) | | 52.00 | 8,320 |
| RE Taxes | 4.50 | | 4.50 | 720 |
| TOTAL EXPENSES: | | | 182.80 | 29,248 |
| NET INCOME: | | | 38.20 | 6,112 |
| Net Income/Expenses: | | | | 20.90% |
| Breakeven Price & Yield | 3.05 | 52.2 | | |
| Detail Repairs, Fuel, Labor:(Field Operations) | | | | |
| Spraying | | | 5.00 | |
| Planting | | | 12.00 | |
| Spraying | | | 5.00 | |
| | | | 0.00 | |
| | | | 0.00 | |
| Harvesting | 22.00 | 1.00 | 22.00 | |
| Trucking | 80.00 | 0.10 | 8.00 | |
| Total: | | | 52.00 | |
| Percent Actual Cost: | 100.0% | | 52.00 | |

No Insurance
50% Loss

| ENTERPRISE BUDGET | | | | 2/14/10 |
|--|-----------------|---------|----------|---------|
| Farm: | Keith Co Farm | | # Acres: | 160.0 |
| Enterprise: | Corn, Ecofollow | | Share: | 100.00% |
| Income | \$/Unit | # Units | \$/Acre | Total |
| Sales | 3.50 | 40.0 | 140.00 | 22,400 |
| Gov't Pmt. | 0.22 | 50.0 | 11.00 | 1,760 |
| Insurance Claim Payment | 0.00 | | 0.00 | 0 |
| | | | | 0 |
| TOTAL INCOME: | | | 151.00 | 24,160 |
| Expenses | | | | |
| Repair & Maint., Irr. | | | 0.00 | 0 |
| Seed | 44.00 | | 44.00 | 7,040 |
| Fertilizer | 50.00 | | 50.00 | 8,000 |
| Herbicide | 25.00 | | 25.00 | 4,000 |
| Insecticide | 0.00 | | 0.00 | 0 |
| Insurance, Crop | 0.00 | | 0.00 | 0 |
| Grain Storage & Drying | 0.00 | | 0.00 | 0 |
| Repairs, Fuel, Labor (detail below) | | | 52.00 | 8,320 |
| RE Taxes | 4.50 | | 4.50 | 720 |
| TOTAL EXPENSES: | | | 175.50 | 28,080 |
| NET INCOME: | | | -24.50 | -3,920 |
| Net Income/Expenses: | | | | -13.96% |
| Breakeven Price & Yield | 4.39 | 50.1 | | |
| Detail Repairs, Fuel, Labor:(Field Operations) | | | | |
| Spraying | | | 5.00 | |
| Planting | | | 12.00 | |
| Spraying | | | 5.00 | |
| | | | 0.00 | |
| | | | 0.00 | |
| Harvesting | 22.00 | 1.00 | 22.00 | |
| Trucking | 80.00 | 0.10 | 8.00 | |
| Total: | | | 52.00 | |
| Percent Actual Cost: | 100.0% | | 52.00 | |

MPCI
50% Loss

| ENTERPRISE BUDGET | | | | 2/14/10 |
|--|-----------------|---------|----------|---------------|
| Farm: | Keith Co Farm | | # Acres: | 160.0 |
| Enterprise: | Corn, Ecofallow | | Share: | 100.00% |
| Income | \$/Unit | # Units | \$/Acre | Total |
| Sales | 3.50 | | 40.0 | 140.00 22,400 |
| Gov't Pmt. | 0.22 | | 50.0 | 11.00 1,760 |
| Insurance Claim Payment | 3.90 | | 2.0 | 7.80 1,248 |
| | | | | 0 |
| TOTAL INCOME: | | | | 158.80 25,408 |
| Expenses | | | | |
| Repair & Maint., Irr. | | | | 0.00 0 |
| Seed | 44.00 | | | 44.00 7,040 |
| Fertilizer | 50.00 | | | 50.00 8,000 |
| Herbicide | 25.00 | | | 25.00 4,000 |
| Insecticide | 0.00 | | | 0.00 0 |
| Insurance, Crop | 10.82 | | | 10.82 1,731 |
| Grain Storage & Drying | 0.00 | | | 0.00 0 |
| Repairs, Fuel, Labor (detail below) | | | | 52.00 8,320 |
| RE Taxes | 4.50 | | | 4.50 720 |
| TOTAL EXPENSES: | | | | 186.32 29,811 |
| NET INCOME: | | | | -27.52 -4,403 |
| Net Income/Expenses: | | | | -14.77% |
| Breakeven Price & Yield | 4.66 | | 53.2 | |
| Detail Repairs, Fuel, Labor:(Field Operations) | | | | |
| Spraying | | | | 5.00 |
| Planting | | | | 12.00 |
| Spraying | | | | 5.00 |
| | | | | 0.00 |
| | | | | 0.00 |
| Harvesting | 22.00 | | 1.00 | 22.00 |
| Trucking | 80.00 | | 0.10 | 8.00 |
| Total: | | | | 52.00 |
| Percent Actual Cost: | 100.0% | | | 52.00 |

CRC/RA
50% Loss

| ENTERPRISE BUDGET | | | | 2/14/10 |
|--|-----------------|---------|----------|---------------|
| Farm: | Keith Co Farm | | # Acres: | 160.0 |
| Enterprise: | Corn, Ecofallow | | Share: | 100.00% |
| Income | \$/Unit | # Units | \$/Acre | Total |
| Sales | | 3.92 | 40.0 | 156.80 25,088 |
| Gov't Pmt. | | 0.22 | 50.0 | 11.00 1,760 |
| Insurance Claim Payment | | 3.92 | 2.0 | 7.84 1,254 |
| | | | | 0 |
| TOTAL INCOME: | | | | 175.64 28,102 |
| Expenses | | | | |
| Repair & Maint., Irr. | | | | 0.00 0 |
| Seed | | 44.00 | | 44.00 7,040 |
| Fertilizer | | 50.00 | | 50.00 8,000 |
| Herbicide | | 25.00 | | 25.00 4,000 |
| Insecticide | | 0.00 | | 0.00 0 |
| Insurance, Crop | | 7.30 | | 7.30 1,168 |
| Grain Storage & Drying | | 0.00 | | 0.00 0 |
| Repairs, Fuel, Labor (detail below) | | | | 52.00 8,320 |
| RE Taxes | | 4.50 | | 4.50 720 |
| TOTAL EXPENSES: | | | | 182.80 29,248 |
| NET INCOME: | | | | -7.16 -1,146 |
| Net Income/Expenses: | | | | -3.92% |
| Breakeven Price & Yield | | 4.57 | 46.6 | |
| Detail Repairs, Fuel, Labor:(Field Operations) | | | | |
| Spraying | | | | 5.00 |
| Planting | | | | 12.00 |
| Spraying | | | | 5.00 |
| | | | | 0.00 |
| | | | | 0.00 |
| Harvesting | | 22.00 | 1.00 | 22.00 |
| Trucking | | 80.00 | 0.10 | 8.00 |
| Total: | | | | 52.00 |
| Percent Actual Cost: | | 100.0% | | 52.00 |

No Insurance
75% Loss

| ENTERPRISE BUDGET | | | | 2/14/10 |
|--|-----------------|---------|----------|---------|
| Farm: | Keith Co Farm | | # Acres: | 160.0 |
| Enterprise: | Corn, Ecofollow | | Share: | 100.00% |
| Income | \$/Unit | # Units | \$/Acre | Total |
| Sales | 3.50 | 20.0 | 70.00 | 11,200 |
| Gov't Pmt. | 0.22 | 50.0 | 11.00 | 1,760 |
| Insurance Claim Payment | 0.00 | | 0.00 | 0 |
| | | | | 0 |
| TOTAL INCOME: | | | 81.00 | 12,960 |
| Expenses | | | | |
| Repair & Maint., Irr. | | | 0.00 | 0 |
| Seed | 44.00 | | 44.00 | 7,040 |
| Fertilizer | 50.00 | | 50.00 | 8,000 |
| Herbicide | 25.00 | | 25.00 | 4,000 |
| Insecticide | 0.00 | | 0.00 | 0 |
| Insurance, Crop | 0.00 | | 0.00 | 0 |
| Grain Storage & Drying | 0.00 | | 0.00 | 0 |
| Repairs, Fuel, Labor (detail below) | | | 52.00 | 8,320 |
| RE Taxes | 4.50 | | 4.50 | 720 |
| TOTAL EXPENSES: | | | 175.50 | 28,080 |
| NET INCOME: | | | -94.50 | -15,120 |
| Net Income/Expenses: | | | | -53.85% |
| Breakeven Price & Yield | 8.78 | 50.1 | | |
| Detail Repairs, Fuel, Labor:(Field Operations) | | | | |
| Spraying | | | 5.00 | |
| Planting | | | 12.00 | |
| Spraying | | | 5.00 | |
| | | | 0.00 | |
| | | | 0.00 | |
| Harvesting | 22.00 | 1.00 | 22.00 | |
| Trucking | 80.00 | 0.10 | 8.00 | |
| Total: | | | 52.00 | |
| Percent Actual Cost: | 100.0% | | 52.00 | |

MPCI
75% Loss

| ENTERPRISE BUDGET | | | | 2/14/10 |
|--|-----------------|---------|----------|---------|
| Farm: | Keith Co Farm | | # Acres: | 160.0 |
| Enterprise: | Corn, Ecofallow | | Share: | 100.00% |
| Income | \$/Unit | # Units | \$/Acre | Total |
| Sales | 3.50 | 20.0 | 70.00 | 11,200 |
| Gov't Pmt. | 0.22 | 50.0 | 11.00 | 1,760 |
| Insurance Claim Payment | 3.90 | 22.0 | 85.80 | 13,728 |
| | | | | 0 |
| TOTAL INCOME: | | | 166.80 | 26,688 |
| Expenses | | | | |
| Repair & Maint., Irr. | | | 0.00 | 0 |
| Seed | 44.00 | | 44.00 | 7,040 |
| Fertilizer | 50.00 | | 50.00 | 8,000 |
| Herbicide | 25.00 | | 25.00 | 4,000 |
| Insecticide | 0.00 | | 0.00 | 0 |
| Insurance, Crop | 10.82 | | 10.82 | 1,731 |
| Grain Storage & Drying | 0.00 | | 0.00 | 0 |
| Repairs, Fuel, Labor (detail below) | | | 52.00 | 8,320 |
| RE Taxes | 4.50 | | 4.50 | 720 |
| TOTAL EXPENSES: | | | 186.32 | 29,811 |
| NET INCOME: | | | -19.52 | -3,123 |
| Net Income/Expenses: | | | | -10.48% |
| Breakeven Price & Yield | 9.32 | 53.2 | | |
| Detail Repairs, Fuel, Labor:(Field Operations) | | | | |
| Spraying | | | 5.00 | |
| Planting | | | 12.00 | |
| Spraying | | | 5.00 | |
| | | | 0.00 | |
| | | | 0.00 | |
| Harvesting | 22.00 | 1.00 | 22.00 | |
| Trucking | 80.00 | 0.10 | 8.00 | |
| Total: | | | 52.00 | |
| Percent Actual Cost: | 100.0% | | 52.00 | |

CRC/RA
75% Loss

| | ENTERPRISE BUDGET | | | 2/14/10 |
|--|-------------------|---------|----------|---------------|
| Farm: | Keith Co Farm | | # Acres: | 160.0 |
| Enterprise: | Corn, Ecofallow | | Share: | 100.00% |
| Income | \$/Unit | # Units | \$/Acre | Total |
| Sales | | 3.92 | 20.0 | 78.40 12,544 |
| Gov't Pmt. | | 0.22 | 50.0 | 11.00 1,760 |
| Insurance Claim Payment | | 3.92 | 22.0 | 86.24 13,798 |
| | | | | 0 |
| TOTAL INCOME: | | | | 175.64 28,102 |
| Expenses | | | | |
| Repair & Maint., Irr. | | | | 0.00 0 |
| Seed | | 44.00 | | 44.00 7,040 |
| Fertilizer | | 50.00 | | 50.00 8,000 |
| Herbicide | | 25.00 | | 25.00 4,000 |
| Insecticide | | 0.00 | | 0.00 0 |
| Insurance, Crop | | 7.30 | | 7.30 1,168 |
| Grain Storage & Drying | | 0.00 | | 0.00 0 |
| Repairs, Fuel, Labor (detail below) | | | | 52.00 8,320 |
| RE Taxes | | 4.50 | | 4.50 720 |
| TOTAL EXPENSES: | | | | 182.80 29,248 |
| NET INCOME: | | | | -7.16 -1,146 |
| Net Income/Expenses: | | | | -3.92% |
| Breakeven Price & Yield | | 9.14 | 46.6 | |
| Detail Repairs, Fuel, Labor:(Field Operations) | | | | |
| Spraying | | | | 5.00 |
| Planting | | | | 12.00 |
| Spraying | | | | 5.00 |
| | | | | 0.00 |
| | | | | 0.00 |
| Harvesting | | 22.00 | 1.00 | 22.00 |
| Trucking | | 80.00 | 0.10 | 8.00 |
| Total: | | | | 52.00 |
| Percent Actual Cost: | | 100.0% | | 52.00 |

Conclusion/Recommendation

- Because the agents assume the farmer is a new producer and give an APH of 56 some feel that it is worth the risk to go without CI until he establishes his own true APH and have yield that insured.
- This analysis determined that even at an APH of 56, the producer should be insured because the CI program is subsidized by the US Govt. and makes it so affordable.
- Of course the cost of CI seems pointless at really low levels of crop loss, however in Keith County, there is a relatively high chance that there will be hail damage with an average of 4 hail days throughout the year. Also with a dryland corn operation low precipitation can be very detrimental to the yield. Drought is a risk to be considered in this area as well.

Conclusion/Recommendation

- After comparing the Ent. Budgets with and without CI it is evident that CI places a floor on the amount of money that can be lost per acre in the incidence of crop damage/loss
- The analysis seemed to point at the CRC/RA CI policy as the best fit for the farm.
- This policy results in the higher net income/acre. It also gives producers the protection they need in the volatile market and allows them to forward contract and not worry what the market is doing.
- Due to being a new producer, taking such a risk as not buying insurance could lead to a loss of \$100 or more per acre which would bankrupt most new producers. But if carrying CRC/RA, he has a lot higher chance of overcoming the loss.

Conclusion/Recommendation

- ◎ There are other forms of insurance outside of Gov't. that could guarantee a positive net income when used with CRC/RA. So that is also another option to consider.

Questions?

