

# FIELD GOALS

CROP INSURANCE



FALL 2019



## Securing Your Farm's Foundation with Crop Insurance

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The total number of bushels to market will be far from normal on many farms following a challenging planting season. As farmers prepare for harvest, Farm Credit Illinois gets ready for loan and insurance renewal season.

The vast majority of FCI borrowers carried crop insurance with delayed and prevented planting coverage. Our credit department fully expects those members to have minimal financial impacts, faring stronger than those without coverage.

2019 conditions illustrate how crop insurance is an essential component of a farm's risk management plan and one of the most effective ways to safeguard your family business. FCI proudly provides credit and crop insurance expertise and is dedicated to **Helping Farm Families Succeed** through both the prosperous and challenging times. Our mission keeps us working proactively with members to ensure they identify potential issues early.

When evaluating your own 2019 growing year struggles, know you're not alone. Consider how your crop insurance coverage worked this year and talk with your local agent to make potential policy adjustments for 2020.



## Safety Net Softens Weather Impacts

While no one ever wants to file a prevented planting claim, everyone in the agriculture industry is thankful for the crop insurance protection

provided to farm families who could not navigate around Mother Nature to plant a crop in every field.

Facing complex planting decisions, farmers used their business acumen to consider:

- ▶ How late should I plant corn or soybeans?

Once the implications of final plant dates were understood, farmers looked at their field conditions from an agronomic standpoint.



- ▶ What are the risks if I plant after the final plant dates?

Weighing the decreasing coverage in the late planting period, some farmers chose to plant expecting a greater economic return.

- ▶ Should I file a prevented planting claim?

After the final planting dates, farmers compared the expected prevented planting indemnity to input costs, existing planting conditions, landlord agreements, and the rising commodity market.

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This year's national prevented planting acres are comparable to 2011, 2013, and 2015. According to the August 5, RMA Summary of Business report, the 60 counties in FCI's territory reported the following:

**CORN**

**38,746** prevented planting acres

**\$11 M** indemnity payments

**SOYBEANS**

**13,548** prevented planting acres

**\$2.7 M** indemnity payments

Top five counties in FCI territory for prevented planting indemnities were Iroquois, Monroe, Shelby, Fayette, and White.

NOTE: RMA data does not include open claims or indemnities not yet paid. Prevented planting coverage is not available on county-level products such as Area Risk Protection and Margin Protection.

## Pre-harvest Policy Inspection List

Your equipment isn't the only thing that needs a once-over as harvest approaches. Understanding your crop insurance policy along with your schedule of insurance is crucial to getting the most out of your coverage. There are two main types of production records.

**Soft Records** consist of bin markings, number of truck loads or combine hoppers hauled, scale tickets by location, and calibrated combine monitor records. Soft records can be used for reporting production to your crop insurance agent and are used to determine the number of bushels from each field.

**Hard Records** represent sold production (settlement sheets), AIP bin measurements, adjuster appraisals, or Bluetooth grain cart scale records.

Each bushel must be traced back to the field of origin. Detailed soft records allow you to originate the grain before placing it in storage. Hard records of the grain being sold or bins measured by the AIP will be used to verify those soft records.

### Policy Considerations with Reporting

Production is reported by unit and practice. To be sure you are keeping accurate records for your policy, consider:

- Do you have irrigated and non-irrigated acres?
- Do you have double-crop soybeans? If so, are they insured?
- Do you have any uninsured acreage?
- Do you have a High Risk Alternative Coverage Endorsement (HR-ACE)?
- Do you use an optional, basic, or enterprise unit structure?
- Are you using Multi-County Enterprise Units (MCEU)?  
Production must be kept separate by county, however, claims are determined at an MCEU level with both counties combined.
- Did you have failed crops?  
Discuss the impact of failed crops when using Enterprise Units as this could pose a unique situation.

Keeping accurate records makes the claims process — in the event of a production or revenue loss — smoother. Timely paid indemnities are another benefit that makes crop insurance an efficient risk management tool.

**For more production reporting tips, contact your FCI crop insurance agent.**



# 2019 Cover Crop Flexibility

## Two RMA Rule Concessions

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With the challenging 2019 planting season and high prevented planting acres, the Risk Management Agency made some rule concessions regarding planting cover crops on declared prevented planting acreage.

- 1** Cover crops on prevented planting acres are released to hay or graze **Sept. 1, 2019**. The previous release date was Nov. 1.
- 2** Silage, haylage, and baleage are now treated the same as haying and grazing. Therefore, these practices can take place on or after **Sept. 1, 2019**.

As cover crops usage increases each year, it's important to understand the annual requirements. The Natural Resource Conservation Service publishes the cover crop termination guidelines each year for different areas. For 2020 planting, be sure to follow the latest rules.



Wondering how cover crops can work with your crop insurance policy?

**Contact your FCI crop insurance agent today**

[www.farmcreditIL.com/contact](http://www.farmcreditIL.com/contact)





## Policy Performance Comparison: Production Loss And Higher Harvest Price

With the unprecedented 2019 spring season, there are still many unknowns including yield, price, and harvest timing. In the last 12 years, corn's harvest price has only been higher than the projected price three times – in 2006, 2010, and 2012. Any time this happens, crop insurance policies function differently.

Especially in years like this – where a higher harvest price could be coupled with a production loss – it's important farmers understand how individual policies may vary in performance.

Consider the following corn example

|                      |                            |
|----------------------|----------------------------|
| 2019 Projected Price | \$4.00/bushel              |
| Harvest Price        | \$4.50/bushel*             |
| Approved Yield       | 175 bushels per acre (bpa) |
| Coverage Level       | 80%                        |
| Harvest Yield        | 130 bpa                    |

\*figure estimated for demonstration



With **Revenue Protection**, farmers can replace the lower projected price with the harvest price and recalculate their guarantee.

Harvest Price x Approved Yield x Coverage Level = **GUARANTEE**

- ▶ **\$4.50 x 175 x 80% = \$630 guarantee**
- ▶ **\$4.50 x 130 = \$585 harvest revenue-to-count**
- ▶ **\$630 – \$585 = \$45/acre indemnity received**



With **Revenue Protection-Harvest Price Exclusion**, guarantees are determined using only the projected price. Harvest price is used to calculate harvest revenue-to-count – used to decide whether or not an indemnity is paid.

Projected Price x Approved Yield x Coverage Level = **GUARANTEE**

- ▶ **\$4.00 x 175 x 80% = \$560 guarantee**
- ▶ **\$4.50 x 130 = \$585 harvest revenue-to-count**
- ▶ **\$560 – \$585 = no indemnity received**



**Yield Protection** pays a production loss at the projected price.

Approved Yield x Coverage Level = **GUARANTEE**

- ▶ **175 x 80% = 140 bushel guarantee**
- ▶ **140 – 130 = 10 bushel loss**
- ▶ **10 x \$4.00 = \$40/acre indemnity received**



# Protection Options Outside of the Ordinary



Most FCI crop insurance customers carry Revenue or Yield Protection policies. But coverage needs are unique when it comes to protecting your family farm. Learn how crop insurance options outside the ordinary like Margin Protection and Pasture, Rangeland, Forage coverage can work for you.

## Margin Protection

Margin Protection (MP) protects you when costs are on the rise and revenue is declining. Available for corn and soybeans, MP provides coverage against increasing input costs and reduced county yields or commodity prices.

- **MP is a county-based policy and may not reflect your individual experience.**
- **Purchase as a stand-alone policy or in conjunction with a Revenue or Yield Protection base policy – offering a unique opportunity to have coverage at the county level while maintaining a level of individual coverage.**
- **Earn a premium discount on an MP policy when purchasing in conjunction with a Revenue or Yield Protection policy. Purchase MP coverage levels up to 95% for 2020 by Sept. 30, 2019.**

## Pasture, Rangeland, Forage Coverage

The Pasture, Rangeland, Forage (PRF) insurance program is designed to provide coverage on your pasture acres. It's based on a precipitation index and allows you to cover replacement feed costs if – due to a lack of precipitation – a loss of forage for grazing or hay for harvesting occurs.

- **PRF is area-based, meaning payments are based on an area's deviation from normal precipitation, not an individual pasture.**
- **Insure your grazing or haying pasture with coverage levels from 70-90% by selecting two-month intervals to place your coverage. Coverage can be spread out across different intervals, but cannot run for consecutive intervals.**
- **This federally subsidized product has a 2020 sales closing date of Nov. 15, 2019.**

## Increasing PRF in Illinois

| YEAR | POLICIES | ACRES  | \$ of TOTAL LIABILITY |
|------|----------|--------|-----------------------|
| 2016 | 45       | 5,058  | \$1,074,795           |
| 2017 | 152      | 21,509 | \$4,872,973           |
| 2018 | 448      | 51,120 | \$11,721,864          |
| 2019 | 541      | 57,062 | \$14,477,357          |

Source: RMA Summary of Business

**PRE-HARVEST**  
**Policy Checklist**  
**INSIDE**



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## 2019 CROP INSURANCE DATES TO REMEMBER



### **AUGUST 15– SEPTEMBER 14**

#### **2020 Margin Protection Price Discovery**

Establishing period for the projected corn and soybean prices for 2020 policies

### **AUGUST 15– SEPTEMBER 14**

#### **Price Discovery**

Establishing period for the projected 2020 wheat prices

### **SEPTEMBER 30**

#### **Wheat Sales Closing Date**

Last date to purchase, change coverage level, or cancel coverage on 2020 wheat

### **SEPTEMBER 30**

#### **Margin Protection Sales Closing Date**

Last date to purchase, change coverage level, or cancel coverage

### **OCTOBER 1–31**

#### **Price Discovery**

Establishing period for the harvest price of corn and soybeans

### **NOVEMBER 14**

#### **Wheat Production Reporting Date**

Signed reports required for production reporting due for all 2019 planted wheat

### **NOVEMBER 15**

#### **Pasture, Rangeland, Forage Sales Closing Date**

Last date to purchase, change coverage level, or cancel coverage

### **DECEMBER 15**

#### **2019 Wheat Acreage Reporting Date**

Last date to report 2020 wheat acreage planted, otherwise insurance does not go into effect