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2012 Spring Prices...  
Corn - \$5.68/ BU.  
Beans - \$12.55/ BU.

## How can I Expedite Claim Payments

2012 will quite possibly be the largest loss year on record. Before harvest gets too far along we want you to be aware of several things to make any crop insurance claims go smoothly.

1. **Be Organized.** I know it sounds easier than it is-but it is very important to keep records current with every load every day!
2. **Timely Submission of Indemnity Claims.** Your crop policy places strict limitations on all insurance provider's ability to pay claims that are not submitted timely. When in doubt- please call us to discuss your situation. If you suspect a quality issue (such as aflatoxin—(see below) please make sure the adjuster knows your plan and/or takes or advises on samples etc. Communication is key!!
3. **Keep Production Records separate by unit.** Many

producers are using Enterprise units now which means there may not be much need to maintain



production of the different farms. However maintaining more detailed records can be desirable for many other reasons-and is essential if you ever want to go back to optional units!

4. **As much as possible have available written third party verification of yield history.** As many have already heard, all losses of 200K or more per crop in a county are subject to a mandatory 3 year APH

5. **Cooperate with the adjuster in the investigation and settlement of a claim.** Most of the time the adjuster is going to be very willing to work with you to settle your claim as quickly and efficiently as possible. They are human and do make mistakes. If you have problems of any sort, don't get upset, but please let us know at once so we can get a supervisor involved if need be and work through any small problems before they get out of hand.

### Follow us on Facebook



Our web site and facebook both have detailed color pictures and descriptions of aflatoxin

### Important Dates

Turn in Claims #1	ASAP or harvest
End of Insurance (Last day file claim)	12/10/12 Or harvest
Interest Attached Multi Peril Prem.	2012 only 10/30/2012
Sales Closing Wheat & Mint	9/30/2012
RP YP Grip Final Price for Corn-	Oct. ave. Dec. CBOT
RP YP Grip Final Price for Beans-	Oct. ave. Nov. CBOT
Climate Corp. 2013 TWI Launch	Late Oct. 2012

## Prepare for aflatoxin, just in case

Here's the good news: At this time, wide-spread high levels of aflatoxin have not been reported. Now the bad news: Agronomists agree that weather has been favorable for the fungus *Aspergillus Flavus* to be present.

Scout for *Aspergillus ear rot* by inspecting at least 30 ears in several locations in a field prior to harvesting. Plants that grow in dry areas within a field (such as on hillsides, or light, sandy soils) will be the first to exhibit ear mold symptoms. On corn in the field, *aspergillus flavus* is evident as a greenish yellow to yellowish brown, feltlike or powdery mold growth on or between the corn kernels. Symptoms are mostly observed at the tip of the

ear, but when the disease is severe the mold can be found all the way to the base.

*Aspergillus flavus* can also develop or continue to grow on corn in storage. The production and invasion of aflatoxin in stored grain is influenced by various grain and storage conditions such as moisture content and temperature of the stored grain, physical condition, and length of storage.

If you think your crop has aflatoxin, contact your agent **before** you harvest the grain, put any grain in storage, or deliver it for sale. Because aflatoxin can worsen in

storage, losses are only insurable if the grain is tested at an approved testing facility **before** being moved into commercial or on-farm storage. Your insurance adjuster will likely ask you to leave representative sample areas of the un-harvested crop for taking samples for testing. You will be responsible for the testing fees. However, this is just another way to protect your investment. We sure hope that this aflatoxin doesn't develop into more than just coffee house talk, but we implore you to stay in close contact with our agency. Please call with concerns.

### Contacting us...

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## Revenue Protection---Revisited

The expectation of production losses coupled with rising bushel prices has prompted many calls asking for a refresher course on the Revenue Protection policy. As the growing season goes by, it is not always easy to remember specific details that were discussed several months ago during the selling season. Here is how it works:

Revenue Protection is based on the two primary components of bushels guaranteed per acre and the crop insurance bushel price. These components are multiplied to produce a per acre revenue guarantee. For example, a soybean guarantee of 35 bu per acre multiplied by the spring price of \$12.55 bu will generate a per acre revenue guarantee of \$439.

Many questions came from how the price is determined and where it comes from. The crop insurance bushel price is derived from the Chicago Board of Trade (CBOT). The soybean price comes from the November 2012 contract and corn comes from the December 2012 contract. The Spring prices are determined by the daily close of these respective contracts throughout the month of February. This daily close will then be averaged and the official crop insurance price is announced by the RMA around March 1 st. The process begins again to determine the Fall or sometimes we call it the harvest price. Both contracts as stated above (Nov beans, Dec corn) will now use the month of October's daily close. Again, the price is averaged, and the RMA will announce the Fall price around November 1<sup>st</sup> respectively for each crop.

The biggest misconception is that Spring price and the Fall price are averaged to determine the harvest price. This is NOT the case. The Spring and Fall price each stand on their own and the higher of the two will determine your per acre revenue guarantee. So, if we use the same example above and assume the Fall price for soybeans is announced at \$17.00, the bushel guarantee of 35 is now multiplied by that higher price and will lead to a revised guarantee per acre of \$595. The per acre guarantee jumped from \$439 to \$595. To further discuss these concepts please call us anytime.



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## A Smart Farmer

### Simplified Claim ...New Limit in 2012

Given the expected heavy claim load, RMA has authorized companies to work claims up to \$20K for Optional and \$40K for Enterprise units. This would mean your claim info could be submitted without any adjuster on your farm. If interested call to see if you might qualify.

## What's new for Crop Insurance in 2013

### High Risk Alternate Coverage Endorsement (HR-ACE)

High risk ground can be insured at a rate higher than CAT, but lower than the regular rated ground. If this applies to you, note that it must be selected by Sales Closing date for the crop.

### TA Wheat

Will work the same as corn or beans did in 2012. The county trend adjustment factor varies according to the county (if Wheat is insurable at all) and ranges from .73 to .79/bu. per year in our territory. If you had a 10 year database that might add 4 bushels to your APH. At the recent CBOT price of \$8.51 that is \$25.53 additional insurance at 75% coverage. See your agent for more details prior to the Sept. 30th Deadline.



### Aflatoxin... what it looks like:

The fungal spores, which are the olive-green mold, will appear powdery and may disperse like dust when the husk is pulled back. Symptoms are mostly observed at the tip of the ear. When the disease is severe the mold can be found all the way to the base.



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# Loss Adjustment Procedures for Aflatoxin

Revised August 2012

Moisture stress, insect damage, and high-temperature stress are major contributing factors in aflatoxin contamination in certain unharvested crops. Aflatoxin contamination can be harmful to humans and animals at certain levels. The U.S. Food and Drug Administration (FDA) has established action levels for aflatoxin present in food or animal feed. Post-harvest aflatoxin contamination can increase during storage and if crop drying is delayed. The commodities with the highest risk of aflatoxin contamination are corn, peanuts, and cottonseed.

If aflatoxin is in your corn crop you may receive:

- no discounts;
- varying discounts; or
- a destruction order.

The Food and Drug Administration (FDA) has no published action levels or use restrictions for crops with 0 to 20.0 parts per billion (ppb) of aflatoxin. Therefore, crop insurance policy provisions do not provide quality adjustments for levels below 20.1 ppb.

If you think your insured crop has aflatoxin, contact your crop insurance agent **before** you:

- harvest the grain;
- put the grain in storage; or
- deliver it for sale.

Your insurance provider will:

- take samples for testing; and
- submit them to an approved aflatoxin testing facility.

Because aflatoxin can worsen in storage, aflatoxin losses are only insurable if:

- the grain is tested at an approved testing facility **before** being moved into commercial or on-farm storage; or
- your insurance provider asks you to leave representative sample areas of the unharvested

crop for taking samples for testing.

Losses not covered under the crop insurance policy include:

- losses due to an increase in the aflatoxin level while in farm storage; and
- losses that cannot be determined because proper testing was not completed.

Refer to the applicable *Special Provisions of Insurance* for the most current policy on testing.

The FDA, or another Government agency, may require the destruction of crops with more than 300 ppb. If you destroy the crop in an acceptable manner, you will be paid for a full loss. Please ask your approved insurance provider about acceptable ways to destroy your crop before doing so.

If the crop qualifies for quality adjustment (test results are over 20.0 ppb), you may receive the actual reduction in value (RIV) if:

- You deliver your crop to a buyer directly from the field; **or**
- You put it in commercial storage without the crop going into farm storage, and the crop is sold not later than 59 days after the calendar date of the end of the insurance period to a disinterested third party.

You can find aflatoxin discount factors on a chart in the *Special Provisions of Insurance*. The *Special Provisions of Insurance* contain information, such as quality adjustment factors, which are part of your insurance policy.

Claims will not be settled for production that contains levels of aflatoxin over the maximum amounts shown in the *Special Provisions of Insurance* until the crop is sold to a disinterested third party, fed, used, or destroyed.

If you are concerned about placing aflatoxin-infected grain in storage or about efforts to reduce the spread of aflatoxin within grain storage facilities, you should contact local agricultural experts. You should contact your crop insurance agent or approved insurance provider if you have questions about your crop insurance coverage or responsibilities.

### Criteria for Approved Testing Facilities

Testing facilities meeting the criteria below can be considered “approved testing facilities” for crop insurance.

1. An approved testing facility must be able to perform quantitative tests on grain, itemizing results in parts per billion. Test kits used must be certified by the USDA Grain Inspection, Packers and Stockyards Administration (GIPSA). (<http://www.gipsa.usda.gov/fgismain.html>)
2. The facility must be a recognized commercial, government, or university testing lab that uses industry-recognized sample sizes, equipment, and procedures for testing aflatoxin. Please visit the GIPSA Web site above for approved testing facilities.
3. The facility must be a disinterested testing facility. The facility must not be involved in buying or selling the type of grain that is being tested.

Talk to your crop insurance provider or agent for more information.

**Example:** Assume 1,000 bushels of corn with 45.0 ppb of aflatoxin are delivered directly from the field to a disinterested third-party buyer not later than 59 days after the calendar date of the end of the insurance period. The local market discount (RIV) for 45.0 ppb is \$1.50 per bushel, and the local market (spot cash) price is \$4.25 per bushel.

$$\begin{array}{r}
 \$1.50 \quad \text{(RIV)} \\
 \div \$4.25 \quad \text{per bushel} \\
 \hline
 0.353 \quad \text{discount factor (DF)} \\
 \\
 1.000 \\
 - 0.353 \quad \text{DF} \\
 \hline
 0.647 \quad \text{quality adjustment factor (QAF)}
 \end{array}$$

$$\begin{array}{r}
 1,000 \quad \text{bushels delivered} \\
 \times 0.647 \quad \text{QAF} \\
 \hline
 647 \quad \text{bushels (production to count)}
 \end{array}$$

**Example:** Assume 1,000 bushels of corn with 220.0 ppb of aflatoxin (tests taken before on-farm storage) were in on-farm storage and have been sold. Since the crop was not transported directly from the field to the buyer, the claim must be settled using the discount factor charts in the *Special Provisions of Insurance (SPOI)*.

$$\begin{array}{r}
 0.400 \quad \text{DF from SPOI chart} \\
 \\
 1.000 \\
 - 0.400 \quad \text{DF} \\
 \hline
 0.600 \quad \text{QAF} \\
 \\
 1,000 \quad \text{bushels delivered} \\
 \times 0.600 \quad \text{QAF} \\
 \hline
 600 \quad \text{bushels (production to count)}
 \end{array}$$

### Contact Us

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September 5, 2012

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## Crop Insurance and the Harvest Price Option

Permalink URL [http://www.farmdocdaily.illinois.edu/2012/09/crop\\_insurance\\_and\\_the\\_harvest.html](http://www.farmdocdaily.illinois.edu/2012/09/crop_insurance_and_the_harvest.html)

Crop insurance will make large payments this year as a result of reduced yields caused by the drought. Contributing to these large payments is the fact that most farmers purchased Revenue Protection (RP), a revenue insurance that has the harvest price option. Under the harvest price option, revenue guarantees increase when the harvest price exceeds the projected price. Crop insurance would have been lower had farmers purchased insurance with the harvest price exclusion. The harvest price option is coming under scrutiny from a policy perspective (see [here](#)).

According to 2012 Summary of Business data available from the Risk Management Agency, the percentages of corn acres insured by various crop insurance products are:

- Revenue Protection (RP) is used to insure 83 percent of insured acres,
- Revenue Protection with Harvest Price Exclusion (RPHPE) is used to insure 3 percent of insured acres,
- Yield Protection (YP) is used to insure 11 percent of insured acres, and
- Group products are used to insure 3 percent of acres.

By far the most used product is RP with an 83 percent share of insured acres. RP has the harvest price option. By way of comparison, RPHPE which does not have the harvest price option only has 3 percent share of insured acres.

### Impact of the Harvest Price Option on Crop Insurance Payments

Impacts of the harvest price guarantee increase are illustrated by comparing crop insurance payments between RP and RPHPE using the following factors:

1. Corn,
2. The 2012 projected price of \$5.68 per bushel,
3. A Trend Adjusted Actual Production History (TA-APH) yield of 175 bushel,
4. An 80% coverage level,
5. A harvest yield of 120 bushels per acre, and
6. A harvest price of \$8.00 per bushel. The harvest price will be set based on settlement prices of the December Chicago Mercantile Exchange (CME) during the month of October. Currently, the December contract price is close to \$8.00 per bushel.

RP uses the higher of the projected or harvest price in setting its guarantee. Under the above scenario, RP has a guarantee of \$1,120 per acre (175 bushel TA-APH yield x \$8.00 harvest price x 80% coverage level). Revenue for insurance purposes is \$960 per acre (120 bushel yield x \$8.00 harvest prices), resulting in a crop insurance payment of \$160 per acre (\$1,120 guarantee - \$960 revenue).

RPHPE only uses the projected price in setting its guarantee. Under the above scenario, RPHPE has a guarantee of \$795 per acre (175 bushel TA-APH yield x \$5.68 projected price x 80% coverage level).

Similar to RP, RPHPE has revenue of \$960 (120 bushel yield x \$8.00 harvest price). Because the \$960 per acre revenue is above the \$795 per acre guarantee, RPHPE will not make an insurance payment.

### **Why Have the Harvest Price Option?**

The harvest price option exists to protect farmers who hedge production prior to harvest (see [here](#) for a discussion of RPHPE as an alternative to RP). Pre-harvest hedging results in losses when yields decline and prices increase, typical drought years. A prime example of a drought year is 2012.

To illustrate, take the above insurance example. Revenue without considering basis is \$960 per acre, RP insurance payment is \$160 per acre, and RPHPE insurance payment is \$0 per acre. If a farmer had hedged production at the projected price of \$5.68 and lifts the hedge at the harvest price of \$8.00, each bushel that is hedged has a hedging loss of \$2.32 per bushel (\$8.00 harvest price - \$5.68 projected price). If 100 bushels were hedging, hedging losses equal \$232 per acre (\$2.32 per bushel loss x 100 bushels). Under this hedging scenario, total revenue with RP insurance will be \$880 per acre (\$880 = \$960 crop revenue + \$160 crop insurance payment - \$240 hedging loss). The \$160 crop insurance payment partially offsets the \$240 hedging loss. Total revenue under RPHPE will be \$720 per acre (\$960 crop revenue + \$0 crop insurance payment - \$240 hedging loss). The crop insurance payment does not offset the hedging loss, results in \$160 lower revenue with RPHPE than under RP.

### **Summary**

The harvest price option will result in higher crop insurance payments this year than had not the harvest price option existed. The harvest price option is designed to protect farmers who pre-harvest hedge. Hedging in drought years often results in large losses, potentially destabilizing the farm's financial structure. The harvest price option protects against this situation.

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