



2015 Crop Insurance Update

South Dakota Corn Growers Meeting

Sioux Falls, South Dakota

RMA Associate Administrator
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January 17, 2015



Crop Insurance and Farm Bill Overview

- General Overview Program Snapshot
- Farm Bill Implementation
- Other Items of Interest



General Overview Program Snapshot

Nationwide	2012	2013	2014
Liability	\$117 B	\$124 B	\$109 B
Acres Insured	283 M	296 M	294 M
Total Premium	\$11.1 B	\$11.8 B	\$10 B
Indemnity (Claims Paid So Far)	\$17.4 B	\$12 B	\$5.5B
Loss Ratio	1.57	1.02	.55



General Overview – Top Ten Crops

Crop	2013 Liability (\$B)	Percent of Total
CORN	\$56.5	45.7%
SOYBEANS	\$27.8	22.5%
WHEAT	\$11.7	9.5%
COTTON	\$3.8	3.1%
NURSERY (FG&C)	\$1.8	1.5%
ALMONDS	\$1.5	1.2%
ORANGE TREES	\$1.3	1.1%
GRAIN SORGHUM	\$1.3	1.1%
RICE	\$1.3	1.0%
GRAPES	\$1.3	1.0%
All Other	\$15.4	12.4%
Total	\$123.7	100.0%



South Dakota Corn Policies

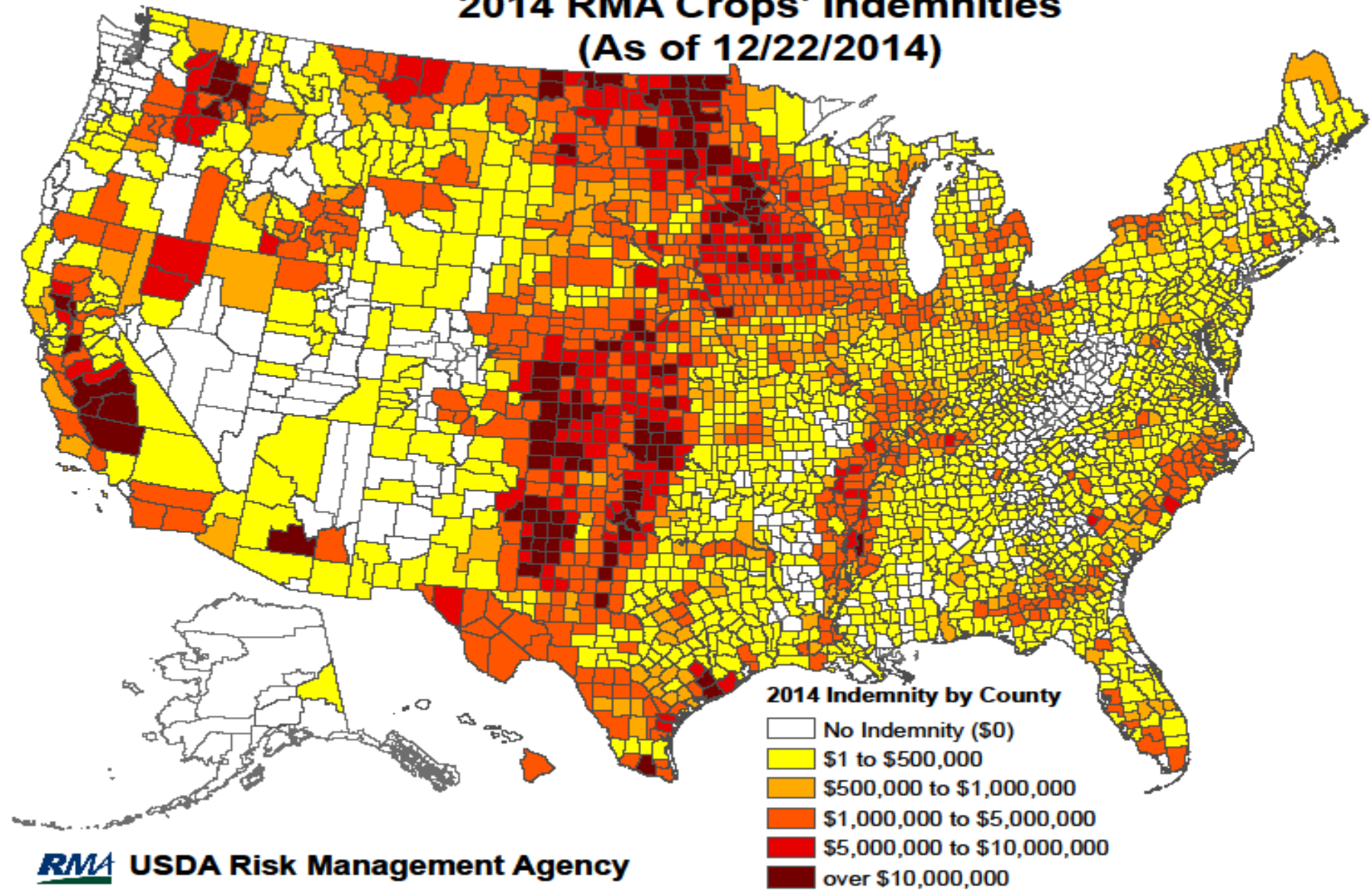
Year	Policies	Acres	Liabilities (\$)	Premium	Subsidy	Indemnity	Loss Ratio
2012	27,048	5,848,769	\$3,072,014,396	\$386,955,776	\$266,177,184	\$781,002,543	2.02
2013	27,813	5,995,585	\$3,225,927,226	\$449,733,708	\$304,266,311	\$179,064,552	.40
2014	27,908	5,576,373	\$2,468,176,694	\$382,645,826	\$263,976,586	\$72,025,819	.19



South Dakota – Soybean Policies

Year	Policies	Acres	Liabilities	Premium	Subsidy	Indemnity	Loss Ratio
2012	24,728	4,559,181	\$1,578,466,179	\$171,315,337	\$114,826,450	\$258,032,202	1.51
2013	25,372	4,486,437	\$1,641,011,911	\$185,454,613	\$123,335,723	\$39,814,328	.21
2014	25,437	5,039,616	\$1,657,414,707	\$188,413,227	\$126,711,229	\$26,251,401	.14

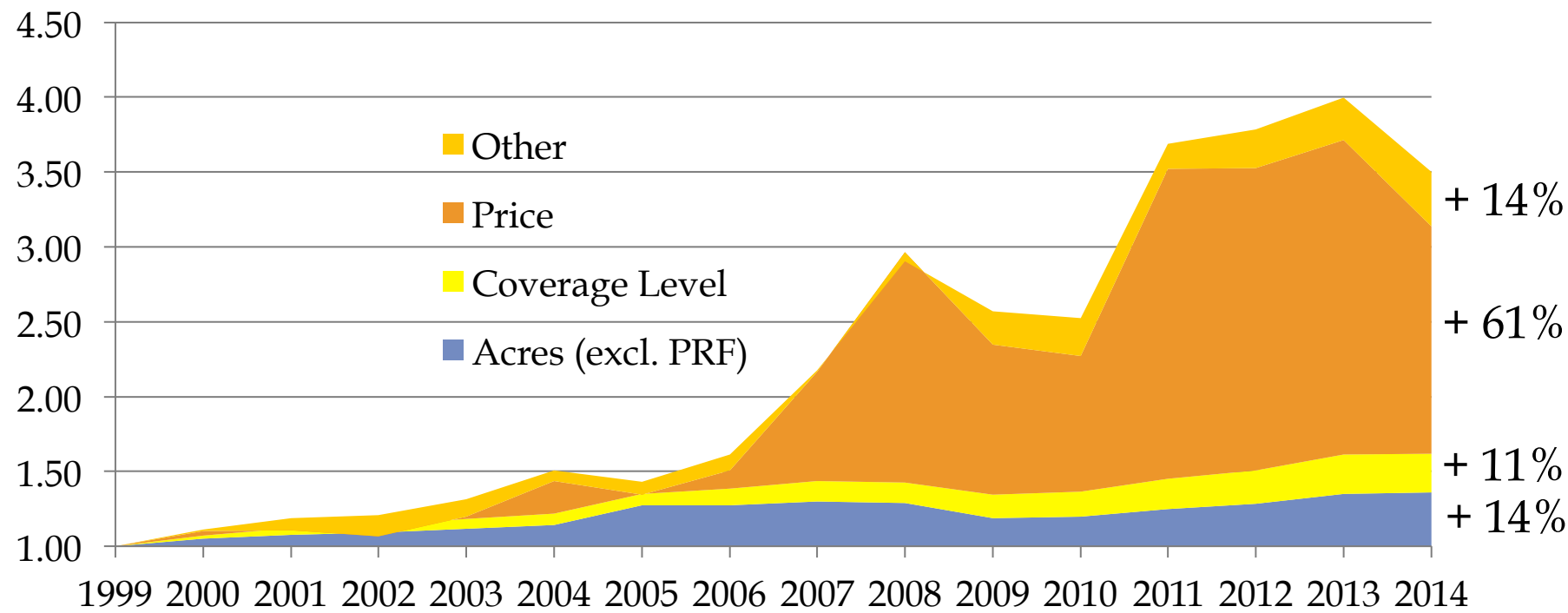
2014 RMA Crops' Indemnities (As of 12/22/2014)





General Overview - Program Growth

Factors Increasing Liability





General Overview – Price Change 2014

Crop	Price	2011	2012	2013	2014
Corn	Projected	\$6.01	\$5.68	\$5.65	\$4.62
	Harvest	\$6.32	\$7.50	\$4.39	\$3.49
	Change	5%	32%	-22%	-24%
Soybeans	Projected	\$13.49	\$12.55	\$12.87	\$11.36
	Harvest	\$12.14	\$15.39	\$12.87	\$9.65
	Change	-10%	23%	0%	-15%



2014 FARM BILL CHANGES & IMPLEMENTATION



Farm Bill Overview

- Conservation Compliance
- Native Sod
- Beginning Farmer/Rancher (BFR)
- Enterprise Unit Subsidy
- Enterprise Units for Irrigated/Non-Irrigated Acreage
- Coverage Levels by Practice
- Actual Production History (APH) Yield Exclusion
- Supplemental Coverage Option (SCO)
- Whole Farm Revenue Protection





Conservation Compliance

- In order to retain premium subsidy for all crop insurance policies, producers must have certification of compliance on file with USDA by June 1, 2015.
- Visit or call your local USDA Service Center if you are unsure of your compliance status.
- Information available:
 - Joint RMA/FSA/NRCS Fact sheet on RMA website
 - FAQ's (WWW.RMA.USDA.GOV Farm Bill Page)



Native Sod

- Native sod tilled after Farm Bill (Feb 7, 2014)
- Greater than 5 acres
- First 4 years of planting
- Annual crops only-coordination with FSA and NRCS
- Native sod
 - Never been tilled
 - Producer can't prove ever tilled
- Benefits reduced
 - Approved APH=65% of T-Yield for 4 years of planting
 - Subsidy reduced by 50 percentage points (except CAT)
- Applicable to 2015 Crop year (June 30, 2014 CCD or later)

Beginning Farmer/Rancher (BFR)

- **Qualification**
 - Not “actively operated or managed” any farm or ranch with an interest in crop or livestock - 5 years
 - As individual or Substantial Beneficial Interest (SBI) holder
 - Regardless of insurance
- **Do not Count**
 - Under age 18
 - Full-time active military duty
 - Post-secondary education





Beginning Farmer/Rancher (BFR)

- Benefits:
 - 10 additional percentage points in premium subsidy for buy-up coverage
 - Example - subsidy is 48% + 10% = 58% total premium subsidy
 - Waive administrative fee (CAT and buy-up)
 - Use other person's production history if previous involvement on farm
 - Yield substitution 80% of the T-Yield instead of 60%
 - However, the actual yield must still be below 60% of the T-Yield to qualify



Enterprise Unit Subsidy

- Authorized as pilot by 2008 Farm Bill - made permanent in 2014 Farm Bill
- Same dollar subsidy as for basic and optional units
 - Results in subsidy increases of more than a third for most coverage levels
- Significant increases in enterprise units since 2008



Program Growth - Enterprise Units

Average Coverage Level By Unit Type (Percent)

Crop	Unit Type		
	Optional	Basic	Enterprise
CORN	71.9	71.8	77.0
COTTON	62.8	56.5	71.9
GRAIN SORGHUM	66.9	66.8	70.8
SOYBEANS	72.1	72.1	76.5
WHEAT	68.8	68.6	73.1
All Crops	70.2	69.3	76.0

* includes only acreage insured in areas/plans eligible for Enterprise Units



Enterprise Units (EU) for Irrigated/Non-Irrigated

- Separates the risk associated with irrigated and non-irrigated acreage
 - Allows all irrigated and non-irrigated acreage in a county to be insured separately by practice
- Separate loss determination for each practice
- Maintains premium subsidy per acre that is equivalent to optional unit coverage
- Results in premium discounts appropriate with the risk insured
- Application Process:
 - Producers are required to make the election by the sales closing date
 - Qualification will be determined at acreage reporting time when the insured reports all insurable acreage of the insured crop in the county
- More information can be found in the Farm Bill section of RMA's website – www.rma.usda.gov

Coverage Levels by Practice

- Separate coverage level elections for buy-up coverage
 - All irrigated acreage of the crop in the county
 - All non-irrigated acreage of the crop in the county
- Must be elected by the sales closing date



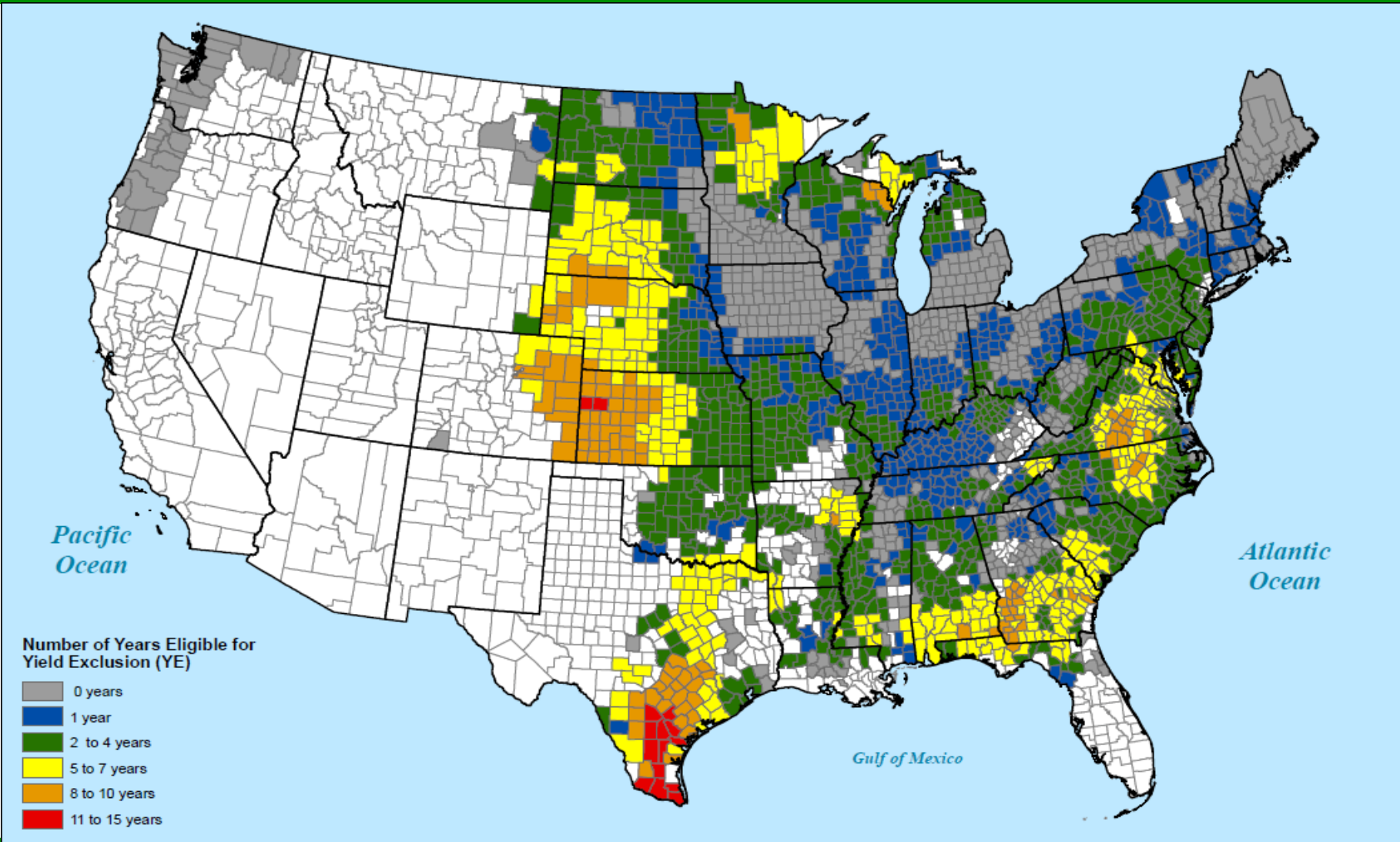


Actual Production History Yield Exclusion

- Insured may exclude yields from APH
- Eligible Years - county yield is less than 50% of prior 10-year average
- To see which years are available for exclusion check the actuarial documents for your crop and county on the RMA website
- **NOW AVAILABLE for THESE 2015 SPRING CROPS: CORN, SOYBEANS, SPRING WHEAT, COTTON, GRAIN SORGHUM, RICE, BARLEY, CANOLA, SUNFLOWERS, PEANUTS, and POPCORN**

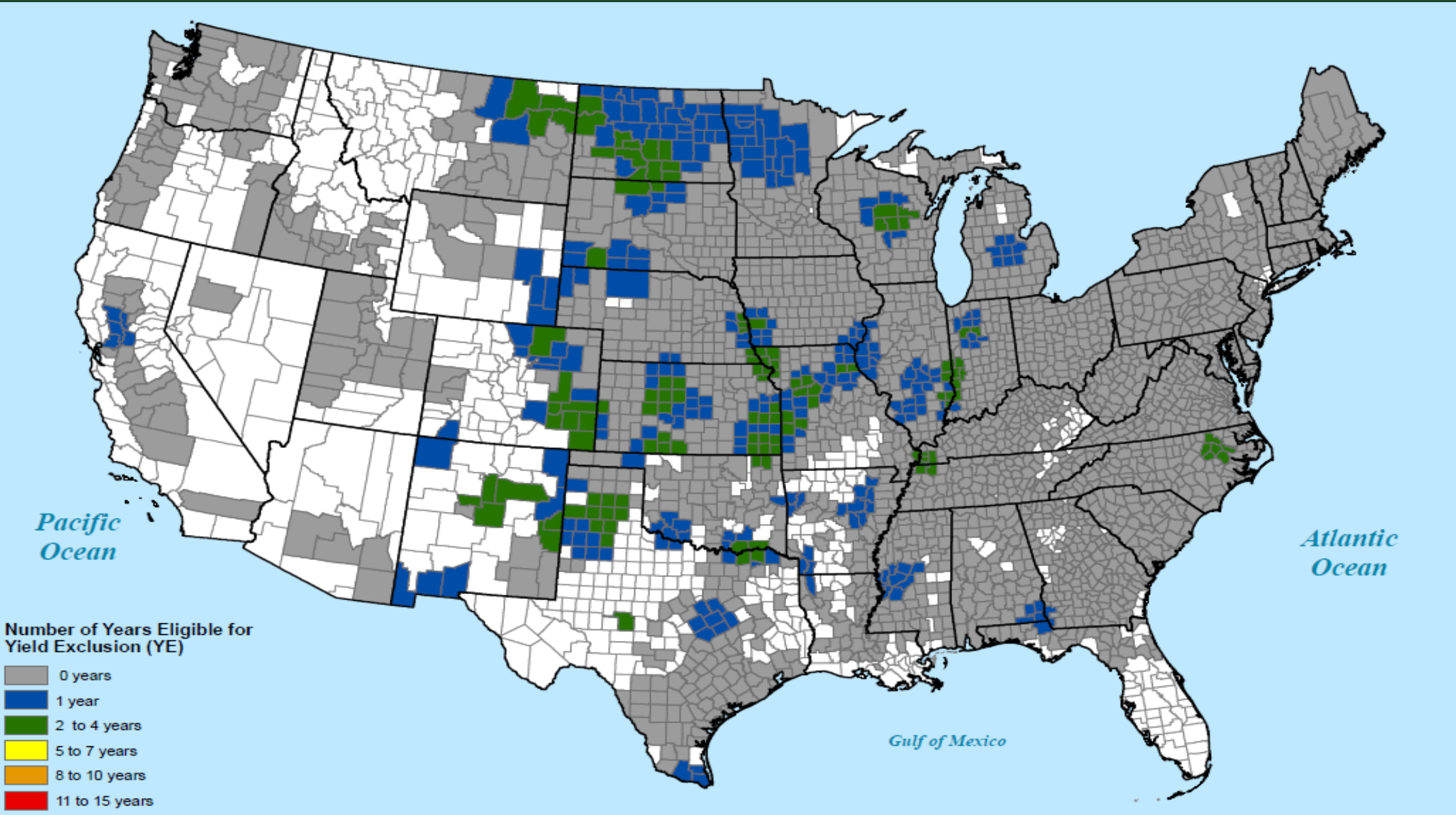


2015 Crop Year Non-Irrigated Corn APH Yield Exclusion Map



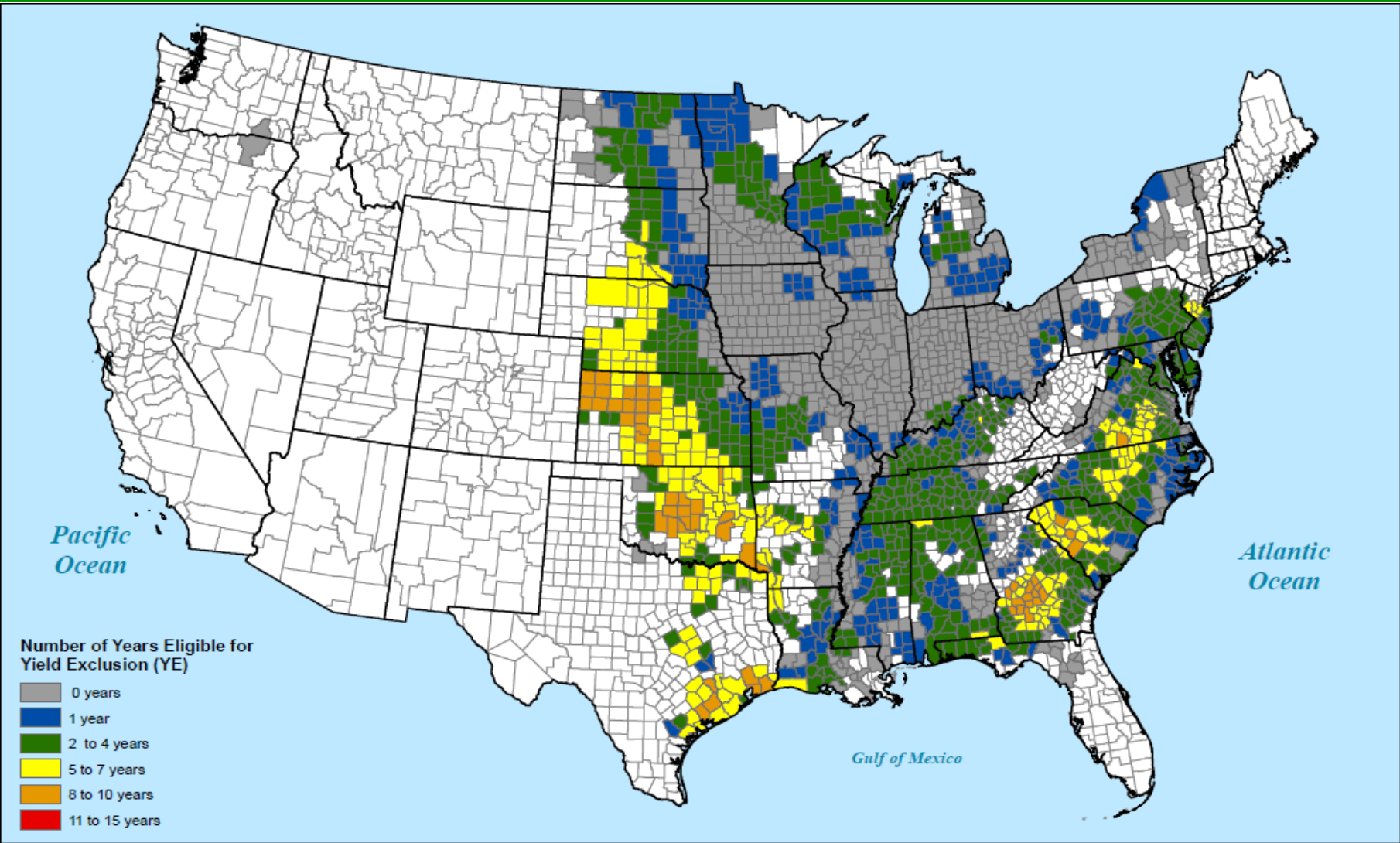


2015 Crop Year Irrigated Corn APH Yield Exclusion Map



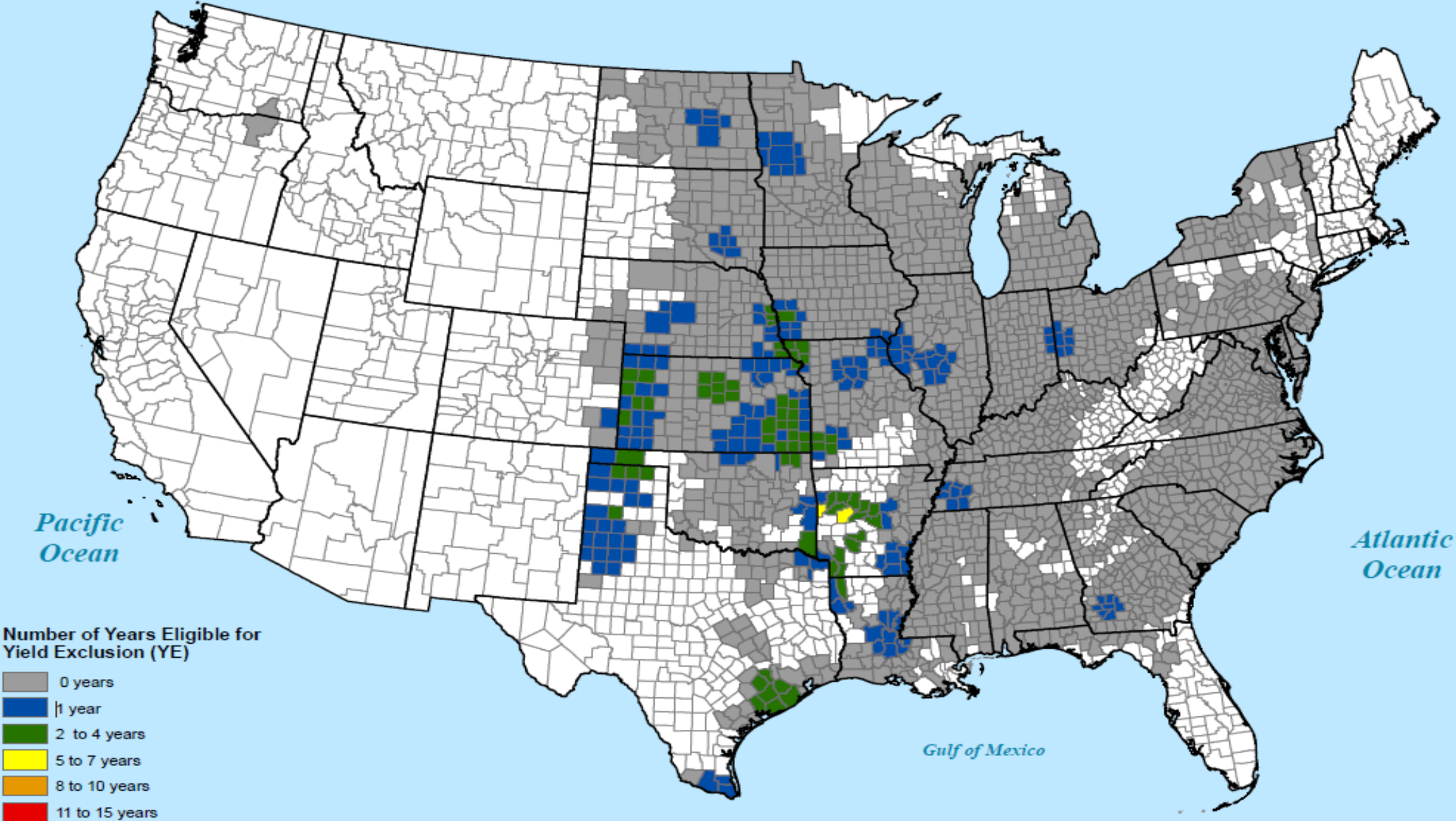


2015 Crop Year Non-Irrigated Soybeans APH Yield Exclusion Map



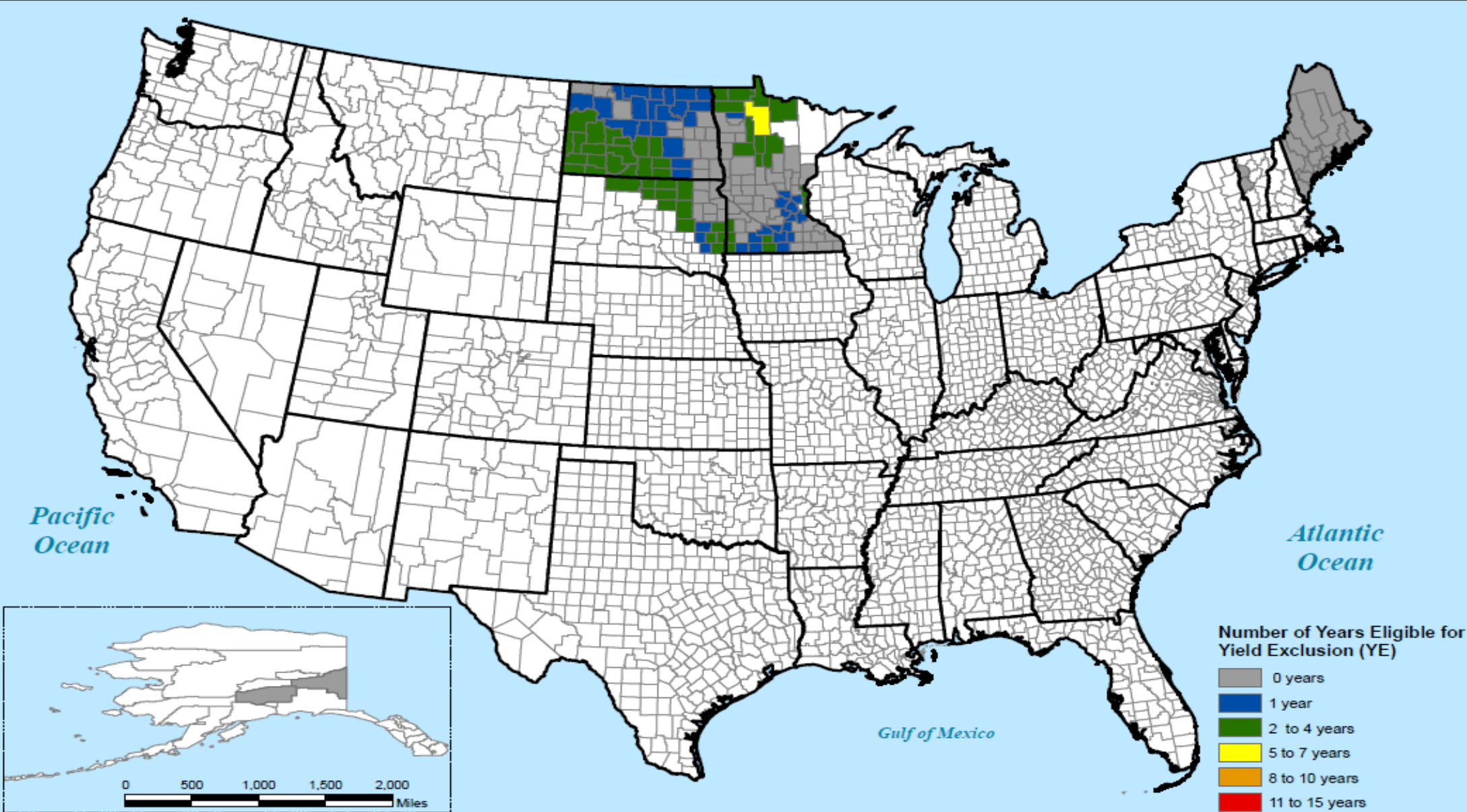


2015 Crop Year Irrigated Soybeans APH Yield Exclusion Map



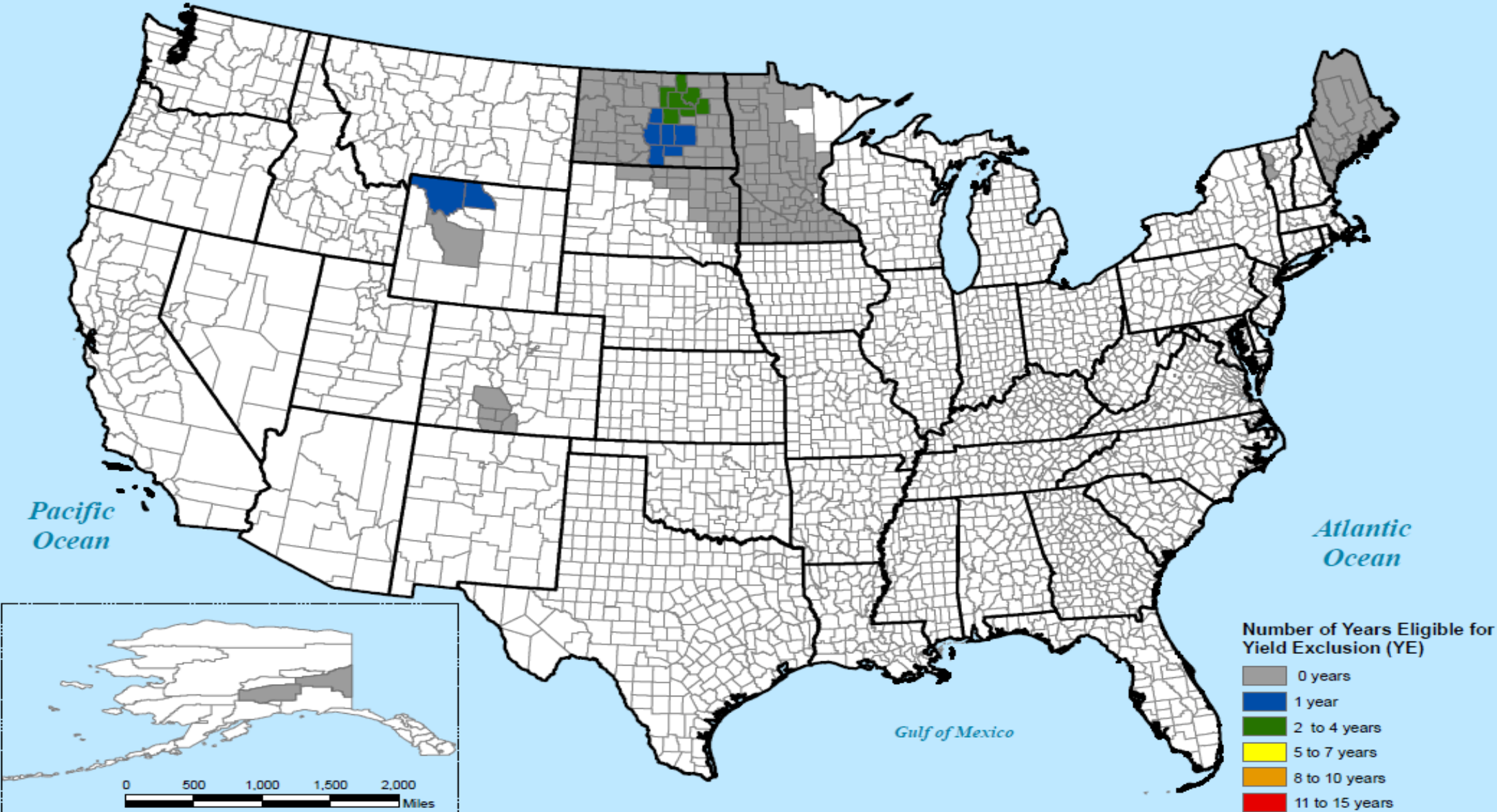


2015 Crop Year Non-Irrigated Spring Wheat APH Yield Exclusion Map





2015 Crop Year Irrigated Spring Wheat APH Yield Exclusion Map





Supplemental Coverage Option (SCO)

- Area-based coverage for a portion of insurance policy deductible
- Purchased with an underlying individual crop policy
- Liability (max payout) based on the liability of the individual underlying policy
- 65% premium subsidy
- Available in 2015: Corn, Barley, Soybeans, Cotton, Rice, Grain Sorghum, and Wheat
- Significant expansion planned for 2016



SCO Example

Example:

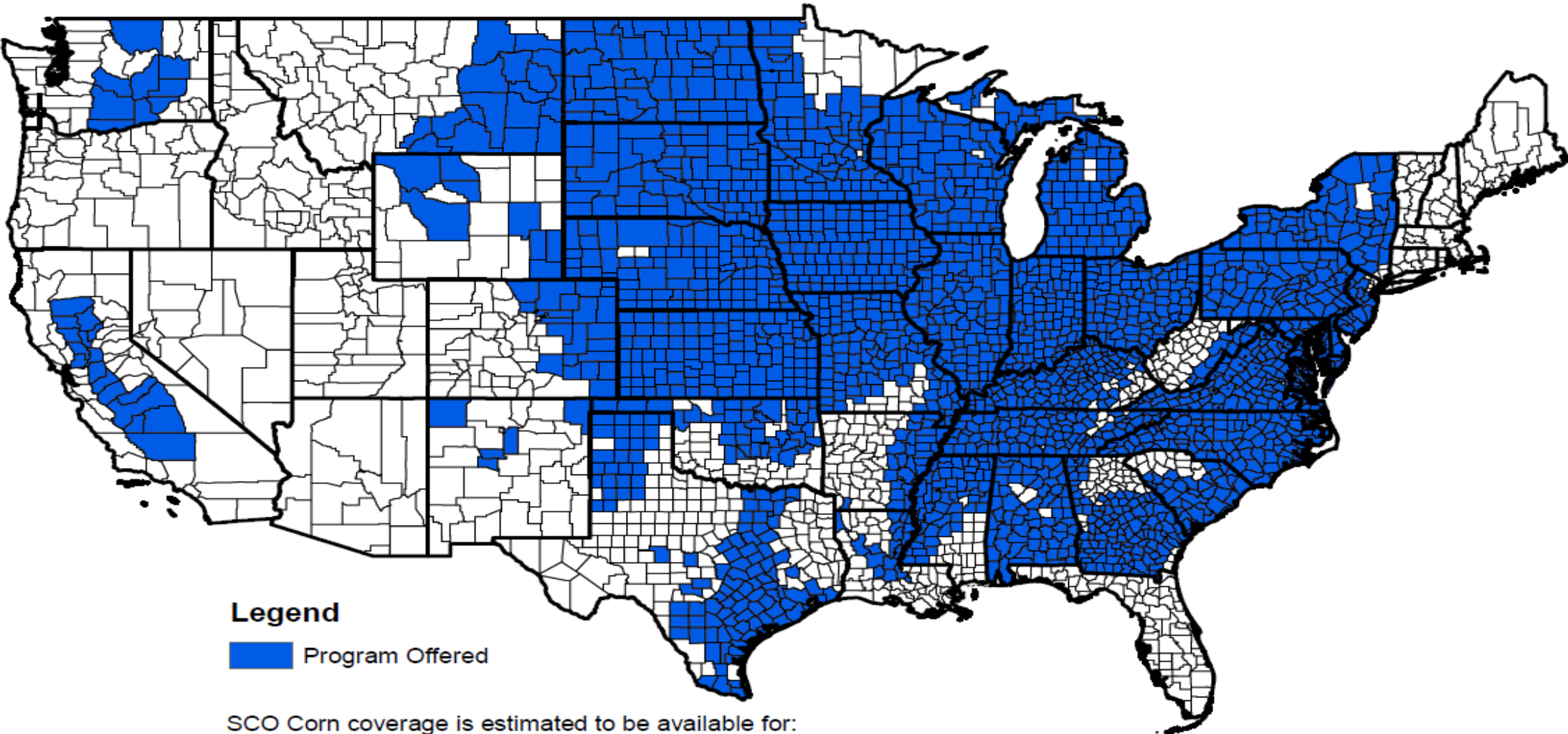
Grower purchases
an individual
revenue policy,
75% coverage


SCO Coverage		
Percent of Expected Grower Revenue	Individual Loss	Area-Based Loss
100%	Individual Revenue Policy (75% coverage)	SCO Revenue (86% to 75%)
95%		
90%		
86%		
80%		
75%		
70%		
65%		
60%		
55%		
50%		
45%		
40%		
35%		
30%		
25%		
20%		
15%		
10%		
5%		
0%		



2015 Crop Year Supplemental Coverage Option (SCO) Availability for Corn

2015 Crop Year Supplemental Coverage Option (SCO) Availability for Corn



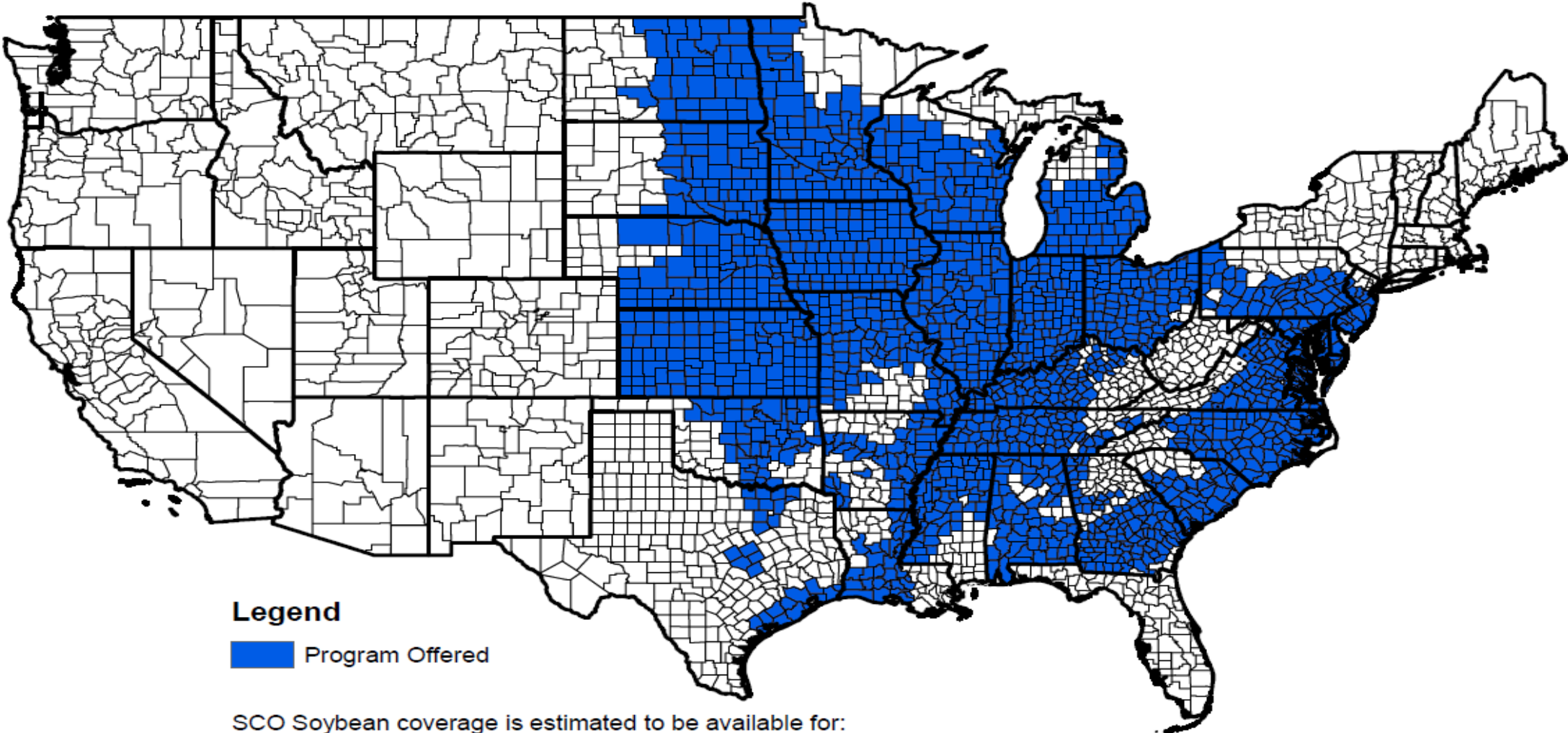
Legend
 Program Offered

SCO Corn coverage is estimated to be available for:
99% of acreage insured (based on 2013 crop insurance participation)
98% of all planted acreage (based on 2013 NASS estimates)




2015 Crop Year Supplemental Coverage Option (SCO) Availability for Soybeans

2015 Crop Year Supplemental Coverage Option (SCO) Availability for Soybeans



Legend

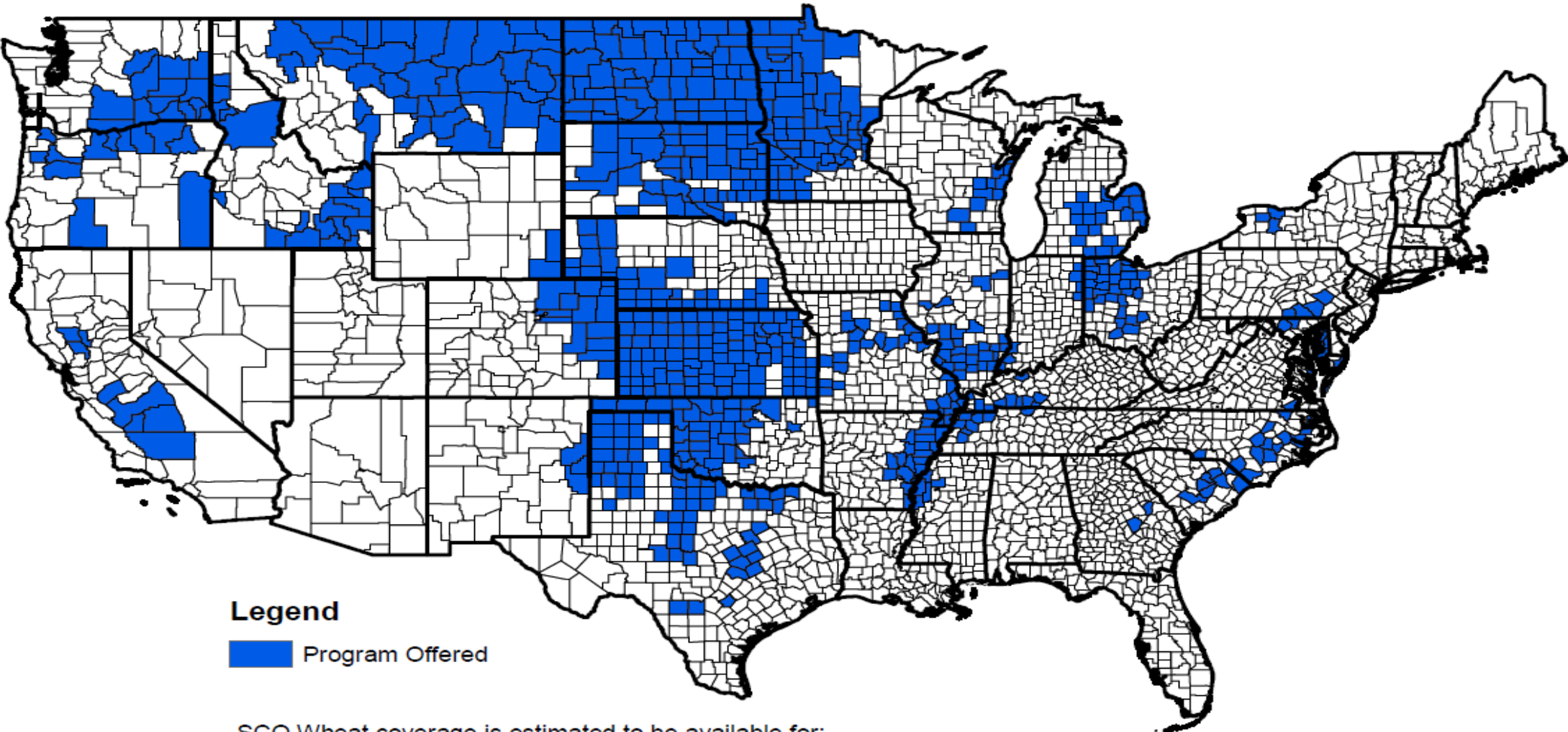
 Program Offered


SCO Soybean coverage is estimated to be available for:
99% of acreage insured (based on 2013 crop insurance participation)
98% of all planted acreage (based on 2013 NASS estimates)



2015 Crop Year Supplemental Coverage Option (SCO) Availability for Wheat

2015 Crop Year Supplemental Coverage Option (SCO) Availability for Wheat



Legend
 Program Offered

SCO Wheat coverage is estimated to be available for:
89% of acreage insured (based on 2013 crop insurance participation)
82% of all planted acreage (based on 2013 NASS estimates)



Whole Farm Revenue Protection

Federal Crop Insurance Corporation Pilot Insurance Program
Risk Management Agency

What does WFRP cover?



- Revenue from all commodities produced on the farm:
 - Including animals and animal products
 - Commodities purchased for resale (up to 50% of total)
- Pilot for 2015 with sales closing dates of February 28 and March 15



What Kinds of Farms Can Benefit from Whole Farm Revenue Protection?

- Well-suited for:
 - Highly diverse farms
 - Farms with specialty or organic commodities
 - Farms selling to direct markets, specialty markets, regional or local markets, and farm-identity preserved markets
- Available to all farms or ranches that qualify
- There are some limits for qualification



What are the features of WFRP?

- Coverage levels 50-85%
 - 5% increments
 - Diversification of 3 commodities (commodity count) required for 80% and 85%
 - No catastrophic level of WFRP available
- Historic revenue is adjusted to reflect farm expansion
 - Automatic indexing process accounts for farm growth historically
 - Expanding operations provision allows for 10% growth over historic average with insurance company approval

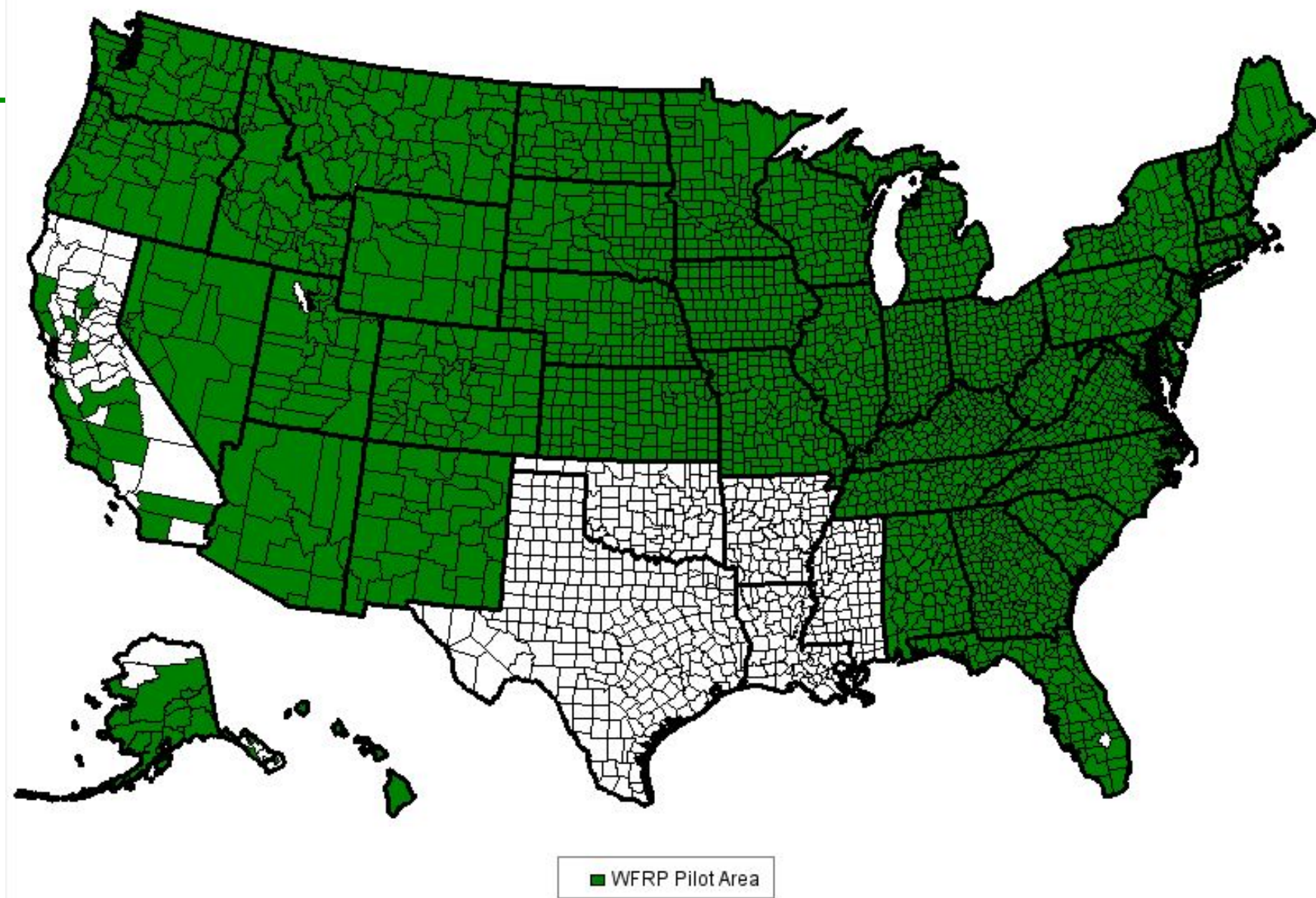


WFRP Premium Subsidy

WFRP Subsidy: Percentage of Total Premium Paid by Government

Coverage Level	50%	55%	60%	65%	70%	75%	80%	85%
Basic Subsidy-Qualifying Commodity Count: 1	67%	64%	64%	59%	59%	55%	N/A	N/A
Whole-Farm Subsidy-Qualifying Commodity Count: 2	80%	80%	80%	80%	80%	80%	N/A	N/A
Whole-Farm Subsidy-Qualifying Commodity Count: 3 or more	80%	80%	80%	80%	80%	80%	71%	56%

WFRP Subsidy: Percentage of Total Premium Paid by Government. / The commodity count is a calculated measure of Farm Diversification





What causes a loss payment under WFRP?

- Natural causes of loss and decline in market price during the insurance year
- Taxes must be filed for the insurance year before loss calculation is made
- When revenue-to-count for the insurance year is lower than insured revenue, a loss payment will be made



Challenges Ahead?

Visit: www.rma.usda.gov

Thanks to All!