

2013 Crop Insurance Decisions March 4, 2013

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MICHIGAN STATE
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A red Case IH combine harvester is shown in a cornfield, harvesting corn. The harvester is moving from left to right, leaving a trail of harvested corn stalks behind it. The background shows a clear blue sky and a dense field of standing corn stalks. The harvester has "CASE IH" and "AXIAL-FLOW 2377" written on its side.

Risk Management and Policy Options in the 2012 Farm Bill

2008 Farm Bill

ACRE - Average Crop Revenue Election

Roger A. Betz

District Extension Farm Management Educator

Michigan State University

ACRE Program

- ***Can opt out for 2013***
- ***Can sign up for 2013***

Beginning with Crops Harvested in 2009, farmers and landowners have a choice

(1) Traditional Suite of Programs

Marketing Loan

\$1.95 corn, \$5.00 soys, \$2.75 wheat

Direct Payment

\$0.28 corn, \$0.44 soys, \$0.52 wheat

Price Counter-Cyclical

\$2.35 corn, \$5.56soys, \$3.65 wheat

(2) ACRE Suite of Programs

**Marketing Loan Rate
at 70%** 1.37corn, 3.50soys, 1.93wht

Direct Payment at 80%

\$0.22 corn, \$0.35 soys, \$0.42 wheat

**ACRE State Revenue
Program** 90% of last two years

ACRE Program

- **ACRE based on a state-level revenue index for each program crop**
- **Payments are crop specific, but whole farm must be enrolled in ACRE**
 - Cannot enroll corn base under ACRE and soybean base under traditional
- **Revenue guarantee cannot change by more than 10% from previous year**
 - 10% cups and caps

Two Triggers Before Payments

1. Actual “state revenue” must fall below “state guarantee” level
2. Actual “farm revenue” must fall below “farm guarantee” level

Implications

- ACRE could pay at state level and some farms may not get payments
- Must realize that if state triggers with large base payment then very likely farm will also trigger

1. State Revenue Trigger

State Guarantee

90%

X

5-year Olympic Avg.

State Yield

X

**2-year U.S. Market
Average Price**

**Must
Exceed**

State Revenue

State Yield

X

**U.S. Market Avg.
Price**

Capped at +/- 10% from
previous year

2. Farm Revenue Trigger

Farm Guarantee

**5-year Olympic Avg
Farm Yield**

X

**2-year U.S. Market
Average Price**

+

**Crop Insurance
Premium**

**Must
Exceed**

Farm Revenue

Farm Yield

X

**U.S. Market Average
Price**

**Implies that historical farm-level yield
information will need to be provided.**

2013 Corn Prices???

	3/3/2013		
Weighted Corn National Average Price Projection			
	<u>Dec 13</u>	<u>March 14</u>	<u>July 14</u>
Futures	\$ 5.57	\$ 5.67	\$ 5.79
Basis????	\$ (0.30)	\$ (0.20)	\$ (0.10)
Weighting???	50%	30%	20%
Contribution	\$ 2.63	\$ 1.64	\$ 1.14
Weighted National MYP		\$ 5.41	

Corn 2013 ACRE



Michigan 2013 ACRE STATE PAYMENT RATE per Acre

Michigan Benchmark Yield 145.3

CORN /ac	2013 Nat Price	Michigan 2013 ACRE STATE PAYMENT RATE per Acre					
		128	133	138	143	148	153
	\$ 5.70	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 5.60	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 5.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 5.40	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 5.30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 5.20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 5.10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 5.00	\$ 10.28	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 4.90	\$ 23.08	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 4.80	\$ 35.88	\$ 11.88	\$ -	\$ -	\$ -	\$ -
	\$ 4.70	\$ 48.68	\$ 25.18	\$ 1.68	\$ -	\$ -	\$ -
	\$ 4.60	\$ 61.48	\$ 38.48	\$ 15.48	\$ -	\$ -	\$ -
	\$ 4.50	\$ 74.28	\$ 51.78	\$ 29.28	\$ 6.78	\$ -	\$ -
	\$ 4.40	\$ 87.08	\$ 65.08	\$ 43.08	\$ 21.08	\$ -	\$ -
	\$ 4.30	\$ 99.88	\$ 78.38	\$ 56.88	\$ 35.38	\$ 13.88	\$ -
	\$ 4.20	\$ 112.68	\$ 91.68	\$ 70.68	\$ 49.68	\$ 28.68	\$ 7.68
	Max Payment Rate	\$ 3.81	\$ 3.67	\$ 3.53	\$ 3.41	\$ 3.30	\$ 3.19
	Zero Payment Price	\$ 5.08	\$ 4.89	\$ 4.71	\$ 4.55	\$ 4.39	\$ 4.25

IF! did not have 10% max increase

		Michigan 2013 ACRE STATE PAYMENT RATE per Acre						
CORN /ac	2013	Michigan Benchmark Yield 145.3						
	Nat Price	120	125	130	135	140	145	150
	\$ 6.70	\$ 85.42	\$ 51.92	\$ 18.42	\$ -	\$ -	\$ -	\$ -
	\$ 6.60	\$ 97.42	\$ 64.42	\$ 31.42	\$ -	\$ -	\$ -	\$ -
	\$ 6.50	\$ 109.42	\$ 76.92	\$ 44.42	\$ 11.92	\$ -	\$ -	\$ -
	\$ 6.40	\$ 121.42	\$ 89.42	\$ 57.42	\$ 25.42	\$ -	\$ -	\$ -
	\$ 6.30	\$ 133.42	\$ 101.92	\$ 70.42	\$ 38.92	\$ 7.42	\$ -	\$ -
	\$ 6.20	\$ 145.42	\$ 114.42	\$ 83.42	\$ 52.42	\$ 21.42	\$ -	\$ -
	\$ 6.10	\$ 157.42	\$ 126.92	\$ 96.42	\$ 65.92	\$ 35.42	\$ 4.92	\$ -
	\$ 6.00	\$ 169.42	\$ 139.42	\$ 109.42	\$ 79.42	\$ 49.42	\$ 19.42	\$ -
	\$ 5.90	\$ 181.42	\$ 151.92	\$ 122.42	\$ 92.92	\$ 63.42	\$ 33.92	\$ 4.42
	\$ 5.80	\$ 193.42	\$ 164.42	\$ 135.42	\$ 106.42	\$ 77.42	\$ 48.42	\$ 19.42
	\$ 5.70	\$ 205.42	\$ 176.92	\$ 148.42	\$ 119.92	\$ 91.42	\$ 62.92	\$ 34.42
	\$ 5.60	\$ 217.42	\$ 189.42	\$ 161.42	\$ 133.42	\$ 105.42	\$ 77.42	\$ 49.42
	\$ 5.50	\$ 222.35	\$ 201.92	\$ 174.42	\$ 146.92	\$ 119.42	\$ 91.92	\$ 64.42
	\$ 5.40	\$ 222.35	\$ 214.42	\$ 187.42	\$ 160.42	\$ 133.42	\$ 106.42	\$ 79.42
	\$ 5.30	\$ 222.35	\$ 222.35	\$ 200.42	\$ 173.92	\$ 147.42	\$ 120.92	\$ 94.42
	\$ 5.20	\$ 222.35	\$ 222.35	\$ 213.42	\$ 187.42	\$ 161.42	\$ 135.42	\$ 109.42
	Max Payment Rate	\$ 5.56	\$ 5.34	\$ 5.13	\$ 4.94	\$ 4.76	\$ 4.60	\$ 4.45
	Zero Payment Price	\$ 7.41	\$ 7.12	\$ 6.84	\$ 6.59	\$ 6.35	\$ 6.13	\$ 5.93

Soybean ACRE 2013



		Michigan 2013 ACRE STATE PAYMENT RATE per Acre						
SOYBEANS	2013	Michigan Benchmark Yield 42.2						
	Nat Price	38	39	40	41	42	43	44
	\$ 12.80	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 12.70	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 12.60	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current USDA Forecast	\$ 12.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 12.40	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 12.30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 12.20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 12.10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 12.00	\$ 0.90	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 11.90	\$ 4.70	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 11.80	\$ 8.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 11.70	\$ 12.30	\$ 0.60	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 11.60	\$ 16.10	\$ 4.50	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 11.50	\$ 19.90	\$ 8.40	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 11.40	\$ 23.70	\$ 12.30	\$ 0.90	\$ -	\$ -	\$ -	\$ -
	\$ 11.30	\$ 27.50	\$ 16.20	\$ 4.90	\$ -	\$ -	\$ -	\$ -
\$ 11.20	\$ 31.30	\$ 20.10	\$ 8.90	\$ -	\$ -	\$ -	\$ -	
\$ 11.10	\$ 35.10	\$ 24.00	\$ 12.90	\$ 1.80	\$ -	\$ -	\$ -	
\$ 11.00	\$ 38.90	\$ 27.90	\$ 16.90	\$ 5.90	\$ -	\$ -	\$ -	
\$ 10.90	\$ 42.70	\$ 31.80	\$ 20.90	\$ 10.00	\$ -	\$ -	\$ -	
Max Payment Rate		\$ 9.02	\$ 8.79	\$ 8.57	\$ 8.36	\$ 8.16	\$ 7.97	\$ 7.79
Zero Payment Price		\$ 12.02	\$ 11.72	\$ 11.42	\$ 11.14	\$ 10.88	\$ 10.63	\$ 10.38

Wheat 2013 ACRE



		<u>Michigan 2013 ACRE STATE PAYMENT RATE per Acre</u>						
WHEAT	2013	MI Benchmark Yield 71.3						
	Nat Price	66	67	68	69	70	71	72
	\$ 7.10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 7.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current USDA Forecast	\$ 6.90	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 6.80	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 6.70	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 6.60	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 6.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 6.40	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 6.30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 6.20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 6.10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		\$ 6.00	\$ 3.04	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 5.90	\$ 9.64	\$ 3.74	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 5.80	\$ 16.24	\$ 10.44	\$ 4.64	\$ -	\$ -	\$ -	\$ -
	\$ 5.70	\$ 22.84	\$ 17.14	\$ 11.44	\$ 5.74	\$ 0.04	\$ -	\$ -
	\$ 5.60	\$ 29.44	\$ 23.84	\$ 18.24	\$ 12.64	\$ 7.04	\$ 1.44	\$ -
Max Payment Rate		\$ 4.53	\$ 4.47	\$ 4.40	\$ 4.34	\$ 4.28	\$ 4.22	\$ 4.16
Zero Payment Price		\$ 6.05	\$ 5.96	\$ 5.87	\$ 5.78	\$ 5.70	\$ 5.62	\$ 5.54



Insurance units:

- Basic = all land owned or share leased from a landowner
- Optional = crop within each section
 - divides into smaller units
- Enterprise = all of a crop within the county
 - cheaper than optional, less variability



Wheat 2013

Choose a Function

- ▶ View Active
Discovery Periods
- ▶ View Commodities
Recently in Discovery
- ▶ View Daily Prices
for Your Location
- ▶ Try the New Appl
Price Discovery Beta

Daily Prices

Criteria Selection

Crop Year: 2013
Commodity: Wheat
Insurance Plan: Revenue Protection
Type: Winter
Practice: All
State: Michigan
County: Eaton

[Select New Criteria](#)

RMA calculated values are not final until the discovery period has ended and the price is approved.

Estimated Harvest Price:

Daily Ending Market Values
Provided by Barchart.com

Exchange:
Discovery Period:

Approved Projected Price: \$8.57
Approved Volatility¹: 0.25

Wheat 2013

Approved Projected Price: \$8.57
Approved Volatility¹: 0.25

Daily Ending Market Values
Provided by Barchart.com

Exchange: CBOT
Discovery Period: 8/15/2012 to 9/14/2012

Date	Ending Value	Price	Volatility ¹
08/15	8.2225	8.2200	
08/16	8.3375	8.2800	
08/17	8.4350	8.3300	
08/20	8.5425	8.3800	
08/21	8.6150	8.4300	
08/22	8.6025	8.4600	
08/23	8.5225	8.4700	
08/24	8.5225	8.4800	
08/27	8.4825	8.4800	
08/28	8.4650	8.4700	
08/29	8.5775	8.4800	
08/30	8.5625	8.4900	
08/31	8.5675	8.5000	
09/04	8.6150	8.5100	
09/05	8.5250	8.5100	
09/06	8.6575	8.5200	
09/07	8.7075	8.5300	
09/10	8.6725	8.5400	0.2512
09/11	8.6450	8.5400	0.2508
09/12	8.6650	8.5500	0.2485
09/13	8.7625	8.5600	0.2426
09/14	8.9025	8.5700	0.2514

(1) Calculated from the last 5 days in the discovery period



Crop Insurance/ACRE Price Levels - WHEAT



	Red = Projected				
Crop Prices	2009	2010	2011	2012	2013
Wheat					
Base -CRC, RA, GRIP, RevProt	\$ 8.58	\$ 5.29	\$ 7.19	\$ 8.20	\$ 8.57
APH Mult Peril Crop Insuran	\$ 7.35	\$ 5.20	\$ 7.19	\$ 8.20	\$ 8.57
Harvest CRC	\$ 5.17	\$ 6.52	\$ 6.75	\$ 8.67	\$ 7.71
Harvest RA	\$ 4.97	\$ 5.16	\$ 6.75	\$ 8.67	\$ 7.71
GRIP Base Price	\$ 8.71	\$ 5.44	\$ 7.19	\$ 8.20	\$ 8.57
GRIP Harvest Price	\$ 5.26	\$ 5.71	\$ 6.75	\$ 8.67	
MYA Producer Price	\$ 4.87	\$ 5.70	\$ 7.24	\$ 7.90	\$ 8.15
Wheat ACRE Price Guarantee	\$ 6.63	\$ 5.83	\$ 5.29	\$ 6.47	\$ 7.57
Mich Yield	69.0	70.0	75.0	76.0	71.0
ACRE Olympic Yield	66.7	68.0	69.3	69.3	71.3
ACRE Revenue Guarantee 90%	\$ 398	\$ 356	\$ 330	\$ 404	\$ 486
110%		\$ 438	\$ 394	\$ 363	\$ 399
90%		\$ 358	\$ 322	\$ 297	\$ 326

Crop Insurance/ACRE Price Levels – SOYBEANS



	Red = Projected				
<u>Crop Prices</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Soybeans</u>					
Base -CRC, RA, GRIP, RevProt	\$ 8.80	\$ 9.23	\$ 13.49	\$ 12.55	\$ 12.87
APH Mult Peril Crop Insuran	\$ 9.90	\$ 9.15	\$ 13.49	\$ 12.55	\$ 12.87
Harvest - CRC, GRIP	\$ 9.66	\$ 11.63	\$ 12.14	\$ 15.39	\$ 12.61
Harvest RA	\$ 9.66	\$ 11.63	\$ 12.14	\$ 15.39	\$ 12.61
MYA Producer Price	\$ 9.59	\$ 11.30	\$ 12.50	\$ 14.25	\$ 12.50
Soy ACRE Price Guarantee	\$ 10.04	\$ 9.78	\$ 10.45	\$ 11.90	\$ 13.38
Mich Yield	40.0	43.5	44.0	43.0	
ACRE Olympic Yield	38.8	39.0	41.2	41.2	42.2
ACRE Revenue Guarantee 90%	\$ 351	\$ 343	\$ 387	\$ 441	\$ 508
110%	\$ -	\$ 386	\$ 378	\$ 415	\$ 457
90%	\$ -	\$ 316	\$ 309	\$ 340	\$ 374

Crop Insurance/ACRE Price Levels - CORN



	Red = Projected				
<u>Crop Prices</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>CORN</u>					
Base -CRC, RA, GRIP, RevProt	\$ 4.04	\$ 3.99	\$ 6.01	\$ 5.68	\$ 5.65
APH Mult Peril Crop Insuran	\$ 4.00	\$ 3.90	\$ 6.01	\$ 5.68	\$ 5.65
Harvest - CRC, GRIP	\$ 3.72	\$ 5.46	\$ 6.27	\$ 7.50	\$ 5.57
Harvest RA	\$ 3.90	\$ 5.52	\$ 6.27	\$ 7.40	\$ 5.57
MYA Producer Price	\$ 3.55	\$ 5.18	\$ 6.22	\$ 7.40	\$ 5.20
Corn ACRE Price Guarantee	\$ 4.13	\$ 3.81	\$ 4.37	\$ 5.70	\$ 6.81
Mich Yield	148.0	150.0	153.0	133.0	
ACRE Olympic Yield	138.3	142.7	144.3	145.3	145.3
ACRE Revenue Guarantee 90%	\$ 514	\$ 489	\$ 567	\$ 746	\$ 891
110%	\$ 484	\$ 566	\$ 537	\$ 591	\$ 650
90%	\$ 396	\$ 463	\$ 440	\$ 484	\$ 532