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SURE AND CROP INSURANCE SIGN-UP¹

Final sign-up date is fast approaching for the winter wheat contract coming up on **Tuesday, September 30**. Farmers' level of crop insurance coverage selected will also set their level of future disaster protection under the new Farm Bill SURE program. In addition, farmers will need to insure all crops **including forage and pasture** and cover all **uninsurable crops with NAP coverage at the FSA Office**.

Many of the important details in the new farm program, including the SURE program, have not been fully defined. Therefore, farmers will probably want to maintain eligibility for SURE on their 2009 crops by making sure all of their acres are covered by either crop insurance if available or by NAP on uninsurable crops at the FSA Office. Because farmers and economists don't know exactly how the SURE program is going to work the only suggestion is farmers should buy insurance at the level they had planned to buy on their major crops i.e. the SURE considerations are not in this decision. One thing is really clear; buying CAT coverage to remain eligible for ad hoc disaster aid would provide virtually no (probably none) protection under the new SURE program. This is because the SURE guarantee would be based on 50% coverage at 55% of the price over the whole farm rather than 65% yield protection by crop under the old ad hoc disaster programs. Therefore, if the crop is a significant part of the expected farm income then farmers should seriously consider some level of buy-up APH (MPCI) coverage or

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revenue insurance to provide protection on the crop and potentially provide better coverage under the SURE program.

New CRC Price Limits. RMA increased the price limits in CRC. RMA increased the wheat price limit from \$2.00 to two times the base price. That will raised the CRC 2009 winter wheat price limit from \$2 to \$8.77 (a base price of \$8.77 with a maximum price to \$17.54 based on 2009 Kansas City July wheat futures (These prices vary by types of wheat). RMA also eliminated the downside price limit that restricted prices from falling more than \$2.00. At the same time RMA applied the price limit on the RA-HPO contract for the first time. RA-HPO now has the same price limits as does CRC and there is very little difference between the two insurance contracts. Therefore, it is expected that most farmers would buy the cheaper policy. While there may be a slight advantage for RA-HPO on Kansas City wheat because RA-HPO measures price during the delivery period, but farmers will not want to pay a lot more for RA-HPO (no more than 10%). During the delivery period, futures markets can move rather dramatically, especially if there are not sufficient stocks of wheat available for delivery. However, if the price moves in the farmers favor those farmers will still need to suffer some yield losses in most cases to generate any payments. If price does decline farmers will not need a big yield loss to trigger payments but in most cases it will require some yield loss below their average yield to trigger payments.

Rumors from Washington. There are few items that have started to “leak” out of Washington on some of the discussions of how FSA will implement the new Farm Bill.

1. It appears that Crop Revenue Coverage (CRC) and Revenue Assurance-Harvest Price Option (RA-HPO) will receive the CRC/RA prices when setting the SURE guarantee and also setting the 90% cap on per acre payments for the SURE. Under SURE the combined value of the crop, 15% of direct payments, and indemnity payments cannot exceed 90% of the “expected” revenue. Therefore it is critical the CRC/RA price be used to set both the per acre cap and the SURE guarantee. If FSA were to use the APH price for CRC/RA-HPO insured farmers then it would nearly eliminate any possibility of collecting any benefits from SURE no matter how big the disaster.
2. NAP or the new pasture and forage crop insurance will need to be purchased on pasture (and forage) to maintain SURE eligibility. However the required pasture coverage may simply be checking the pasture off as insured or protected with NAP. FSA will simply note that pasture is insured and meets eligibility requirements for SURE but then FSA will not include the pasture in the SURE guarantee and pasture “revenue” will not count against the SURE guarantee. This makes perfect sense to me because I could not understand how anyone could individually loss adjust pasture because it is possible the pasture was simply overgrazed.
3. The story on ghost crops is farmers will be eligible for SURE if they plant ghost crops. The bad news is any revenue from ghost crops will count against the

SURE guarantee but ghost crops do not raise SURE guarantees and this rule will cause a reduction in any SURE payment.

4. The question has been raised for farms that cross county lines will they need a Secretary's disaster declaration in both counties in order to avoid a requirement of proving an individual 50% yield loss? The current story suggests if farmer's have the Secretary's designation in any of their counties, they will be eligible for disaster aid. This is a very important rule for farms setting on county or state lines because SURE is a whole farm guarantee and it crosses county and state lines for the first time.
5. Another important detail, will farmers who have replaced low yields with 65% of T yields in their APH guarantees be allowed to drop those yields out of their SURE proven yield. It is clear there is an adjustment to be made in the SURE proven yield, based on analysis of SURE when it was first proposed to the Congress. FSA rules may change SURE proven yield from the original documentation that was provided from Congressional staff when they were working on the farm bill. The farmers that have had recent losses in Kansas and other states would greatly benefit from SURE. This is one of the most important rules that must be addressed.

All of these points are merely guesses based on what Washington folks have been telling me. It would not be the first time that misinformation was leaked out early. Therefore, FSA needs to define rules before farmers can determine who benefits from SURE and who does not. With such uncertainty, the best advice is to maintain eligibility for SURE rather than avoid paying a few NAP fees and buying CAT coverage is probably not a viable alternative, if the crop in question is a major part of the farm's revenue. It may be cheaper to buy an actual insured contract than paying NAP fees. Remember there is a new pasture and forage insurance contract that will be available for the first time in Kansas and it can be used in place of paying NAP fees at the FSA Office. Sales closing on the pasture forage contract is November 30 so there is a little time left to evaluate that program.

Finally, if SURE does not pay in a disaster situation as anticipated by Congress there may be some technical corrections made to the Farm Bill. Probably, the biggest problem for FSA and farmers is there is no definition for a de minimus crop in this new SURE program. Even 2 acres of brome grass in a waterway that is hayed or grazed will require NAP fees to be paid. That makes the cost per acre extremely expensive on those 2 or 3 acres but at the same time if farmers don't pay the \$250 NAP fee then they are ineligible for what might be a very large payment under SURE, should 2009 turn into a poor crop year.