

Supplemental REvenue Assistance

Dr. G. A. "Art" Barnaby, Jr

Kansas State University
& 4B Ag Consultants, LLC
Phone: (785) 532-1515

Email: barnaby@ksu.edu

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Supplemental REvenue Assistance

- Supplemental Revenue Assistance Payments (SURE)
- Farm Bill & administrative changes to crop insurance
- Livestock Forage Disaster Program (LFP)
- Livestock Indemnity Program (LIP)
- Tree Assistance Program (TAP)
- Emergency Assistance for Livestock, Honey Bees & Farm Raised Fish (EALHF) Program

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Supplemental REvenue Assistance

The devil is in the details!

Many assumptions were made in this analysis because a number of important details are not defined or left to the Secretary to define.

No warranties are implied or given in this analysis.

Use slides and analysis at your own peril!

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Supplemental REvenue Assistance (SURE)

Qualifying requires CAT or higher and NAP be purchased. **For 2008 only**, farmers will have 90 days (Sep 16) to pay the CAT/NAP fees to qualify for SURE but there is no CAT/NAP payments.

County requires a Secretary disaster declaration (include contiguous counties) or the whole farm must have a 50% yield Loss.

Coverage is whole farm and includes all crops in all counties and crosses state lines.

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Supplemental REvenue Assistance (SURE)

SURE guarantee = planted acres x % crop insurance coverage x APH/program yield x CI price election x 115%

SURE cap = 90% of expected revenue for each crop.
Planted acres x APH/proven yield x insurance price guarantee

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Supplemental REvenue Assistance (SURE)

Revenue to count = indemnities, prevented planting, 15% of direct payments, CC, ACRE, marketing loan gains, crop values (harvested acres x yield x MYA price)

SURE Payment = SURE Guarantee less the Revenue to count X 60%

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Calculate SURE "aph"

60% of T aph Yield

Year 1	190
Year 2	158
Year 3	160
Year 4	162
Year 5	105
Year 6	150
Year 7	134
Year 8	143
Year 9	138
Year 10	86
	66

Simple Average 140.8

aph Yield 142.8

SURE Yield 149.1

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What adjustment to the aph will USDA make for SURE?

(2) **ADJUSTED ACTUAL PRODUCTION HISTORY YIELD.**—The term 'adjusted actual production history yield' means—

(A) in the case of an eligible producer on a farm that has at least 4 years of actual production history yields for an insurable commodity that are established other than pursuant to section 508(g) (4) (B) , the actual production history for the eligible producer without regard to any yields established under that section;

What adjustment to the aph will USDA make for SURE?

- "(B) in the case of an eligible producer on a farm that has less than 4 years of actual production history yields for an insurable commodity, of which 1 or more were established pursuant to section 508(g) (4) (B), the actual production history for the eligible producer as calculated without including the lowest of the yields established pursuant to section 508(g) (4) (B)
- If less than 4 years of history, farmers can drop one "plugged" yield. If more than 4 years, all "plugged" yields will be dropped.

How will the Secretary establish SURE guarantees for GRIP/GRP buyers?

(D) **EQUITABLE TREATMENT FOR NONYIELD BASED POLICIES.**—The Secretary shall establish equitable treatment for **nonyield based policies** and plans of insurance, such as the Adjusted Gross Revenue Lite insurance program.

GRP/GRIP is based on yields; county yields. So would **"equitable treatment"** suggest a SURE guarantee based on **county yields** rather than **aph yields**?

Net or gross indemnity?

The Law states that crop insurance indemnity payments will count against the SURE guarantee, but does this mean net or gross indemnity.

(v) the amount of payments for prevented planting on a farm;

(vi) the amount of crop insurance indemnities received by an eligible producer on a farm for each crop on a farm;

(vii) the amount of payments an eligible producer on a farm received under the noninsured crop assistance program for each crop on a farm;

How will the Secretary define "insurance price guarantee" for the 90% Cap?

(5) **EXPECTED REVENUE.**—The expected revenue for each crop on a farm shall equal the sum obtained by adding— (A) the product obtained by multiplying—

(i) the greatest of—

(I) the adjusted actual production history

yield of the eligible producer on a farm; and

(II) the countercyclical program payment yield;

(ii) the acreage planted or prevented from being planted for each crop; and

(iii) 100 percent of the **insurance price guarantee**.

How will the Secretary define "insurance price guarantee for the 90% Cap?

The insurance price guarantee for RAHPO, CRC, and GRIPHRO is the higher of the planting price or the harvest price.

In the past the revenue cap was based on the APH price election. If this price is used it will create an incentive to drop replacement-revenue coverage and reduce coverage levels.

Prevented & Late Planting

Under prevented planting the coverage is reduced to 60% of the guarantee. There is also a 1% reduction in the guarantee for each day the insured plants after the final planting date.

So is the SURE coverage also reduced or do farmers maintain the same SURE coverage level but there are fewer indemnity dollars to count against the guarantee?

Setting SURE under GRIP/GRP?

Under GRIP/GRP the coverage levels are typically 85% and 90% while it is 70% or 75% on aph products, so will USDA use the 90% GRIP coverage to set the SURE coverage at 90% or will they use 80%, similar to how the subsidy is set for GRIP (90% GRIP gets the same subsidy rate as 80% aph products)?

SURE Loss Adjusting under GRIP/GRP

Under GRIP/GRP there is no individual loss adjustment but there is under SURE assuming SURE is an aph program only.

So will FSA also adjust losses in the field?

SURE for 2008

No payments on 2008 Iowa flood losses until after September 1, 2009, i.e. end of marketing year.

SURE favors high risk single enterprise farms.

SURE reduces value of CRC and RA-HPO unless replacement-revenue insured farmers have their SURE set based on the higher of base or harvest price.

\$100,000 payment limit reduces the value of SURE versus unlimited CI payments for "large" farms.

Supplemental Revenue Assistance (SURE)

How will USDA define "price election for the commodity elected by the eligible producer" that is used to set the SURE guarantee?

How will USDA define "100 percent of the insurance price guarantee" that is used to set the 90% CAP?

Will USDA use net or gross indemnity payments to count against the SURE guarantee?

Will FSA require a 50% yield loss on all crops or just a single crop to be eligible for SURE in non-disaster declared counties?

Alternative Definitions of Price Used to Set SURE Guarantees and 90% Cap

1. APH price election applied to SURE for all types of insurance coverage.
2. APH price election for APH insured farmers and base price for revenue insured farmers.
3. APH price election for APH insured farmers, base price for RA/IP insured farmers and the higher of base price or harvest price for RA-HPO/CRC insured farmers.

Supplemental REvenue Assistance (SURE)

SURE discourage crop insurance coverage above 80%.

Unclear how GRIP/GRP would be used to set SURE guarantee. If SURE provides aph coverage with GRIP/GRP, then the county programs will be more attractive because of the reduction of basis risk.

Unclear if it is net or gross indemnity that counts against the SURE guarantee.

Thank You

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