

Crop Insurance & Government Program Payments

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Why care as a Landowner?

If you are a **crop-share landowner** that has ownership of a percentage of the crop after harvest

- You can purchase crop insurance on your portion of the crop
- You are entitled to ARC/PLC payments made through the Farm Service Agency office on your portion of the crop (if those payments are triggered)

If you are a **cash rent landlord**, but just want to know more about these risk management programs your tenant is likely participating in...you are also in the right place!

- Typically a cash rent landlord does not share in these payments, as they have no risk in the crop or livestock production and price



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What is the difference between insurance and government support payments?

INSURANCE

- Administered through the USDA **Risk Management Agency** (RMA)
- Sold to farmers/landowners by private companies known as Approved Insurance Providers (AIP's)
- Premiums (what you pay for insurance) is subsidized by the federal government, but the farmer/landowner still pays for a significant portion

SUPPORT PROGRAMS

- Administered through the USDA **Farm Service Agency** (FSA)
- Most counties have a USDA "Service Center" that houses FSA along with the Natural Resource Conservation Service (NRCS)
- FSA programs that provide price support, risk management, or disaster relief are free, (except for administrative fees in some cases)



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What programs are available?

INSURANCE

- Multi-Peril Crop Insurance
 - Crop Revenue Protection, Yield Protection
- Pasture, Rangeland, and Forage Protection (PRF)
- Livestock Risk Protection (LRP)

SUPPORT PROGRAMS

- Agricultural Risk Coverage (ARC) or Price Loss Coverage (PLC)
- Livestock Forage Disaster Program (LFP)
- Livestock Indemnity Program (LIP)
- Have been other ad-hoc payments
 - MFP (trade war with China)
 - CFAP (Coronavirus Food Assistance)
 - ERP (emergency relief program)



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Crop Insurance Terminology

Premium: The amount crop insurance costs

Subsidy: The amount of the premium paid by the federal government.

Indemnity: A payment to the farmer/landowner by crop insurance if there was a loss, could also be called a "claim" or "payout"

Actual Production History (APH): This is a 4-10 year average yield of the farm for each crop

Approved Yield: You can use adjustments for your APH to get a better yield as the basis for your crop insurance. Trend adjustments and exclude low yielding years are common to use.



Crop Product Options

Main Product Options Are:

- Yield Protection (YP)
- Revenue Protection w/ Harvest Price Exclusion (RP-HPE)
- Revenue Protection (RP)

Can also add area coverage endorsements:

- Supplemental Coverage Option (SCO) – increases coverage to 86%
- Enhanced Coverage Option (ECO) – increases coverage to 90 or 95%



YP/RP Coverage Levels

- Available from 50% - 85%
 - Can choose different coverage levels for each crop, county, and irrigation practice
- For a YP policy, Coverage Level is multiplied by Approved Yield to Determine “Yield Guarantee”
- Example: 100-bushel Approved Yield x 75% Coverage Level =

75 bushel per acre Yield Guarantee



Prices used in Crop Insurance

Base Price: Price per Bushel Used to Establish Dollars of Coverage

STATE	CORN	SOYBEANS	GRAIN SORGHUM	WINTER WHEAT
Kansas	February Average of the Dec. CBOT Futures	February Average of the Nov. CBOT Futures	100.2% of February Average of the Dec. CBOT Corn Futures	Aug. 15- Sep 14 Average of the July KCBT Futures
2024 Base Price	\$4.66	\$11.55	\$4.67	\$7.34

Harvest Price: Price per Bushel Used to Establish Dollars of Coverage and/or calculate claims

STATE	CORN	SOYBEANS	GRAIN SORGHUM	WINTER WHEAT
Kansas	October Average of the Dec. CBOT Futures	October Average of the Nov. CBOT Futures	100.2% of October Average of the Dec. CBOT Corn Futures	June Average of the July KCBT Futures
2024 Base Price	??	??	??	\$6.27



Yield Protection – Wheat Example

Approved Yield: 45

Coverage Level: 75%

Base Price: \$7.34

Actual Yield: 30

Yield Guarantee = Approved Yield x Coverage Level

$$45 \times 75\% = 33.75 \text{ bushels per acre}$$

Claim = (Yield Guaranteed – Actual Yield) x Base Price

$$(33.75 - 30) \times \$7.34 = \$27.53/\text{acre}$$



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Revenue Protection – Wheat Example

Approved Yield: 45

Coverage Level: 75%

Base Price: \$7.34

Actual Yield: 30

Harvest Price: \$6.27

Revenue Guarantee = Approved Yield x Coverage Level x Higher of Base Price or Harvest Price

$$45 \times 75\% \times \$7.34 = \$248 \text{ Guaranteed Revenue}$$

Harvested Revenue = Actual Yield x Harvest. Price

$$30 \times \$6.27 = \$188/\text{acre}$$

Guaranteed Revenue – Harvested Revenue = Claim

$$\$248 - \$188 = \$60/\text{acre}$$



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Considerations for landowners

Can an established APH be used for your insurance? If this is not an option, then the approved yield is based on a "t-yield" which is lower than the county average yield and likely provides lower yield/revenue protection than using an APH. Plan in advance with your tenant and/or crop insurance agent if this is a concern.

When land is being sold or transitioned, maintaining an existing APH may be a consideration.

Will crop insurance payouts be a part of a flexible cash lease arrangement?

Regardless of your situation:

Starting working on your policy well in advance. Deadlines vary.

Crop insurance agents can provide detailed advice on policy choices



Pasture, Rangeland, and Forage Protection (PRF)

Summary: When it rains **less than usual** in your area within a 2-month period, you get paid

Covers *shortfalls in precipitation* for hay or grazing land

Currently 5.5 million acres enrolled in Kansas in 2024

3 million acres in 2022

5 million acres in 2023

Payouts are usually large in drought years

Deadline is December 1



Livestock Risk Protection (LRP)

Establishes an effective price floor based on futures markets: payouts are based on an unexpected decline in national prices

Could be considered a lower-cost put option

Currently available for feeder cattle, fed cattle, swine

In Kansas, over 300,000 head of feeder cattle were enrolled in 2023, use for fed cattle and swine is much lower

Can be compared to KS calf crop of nearly 1.3 million in 2023



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Farm Support Programs

Farm Program Terminology

Base Acres: Average acres planted of covered commodities for the farm established in 1996

Program Yield: The average yield of each covered commodity; only gets updated if a new Farm Bill allows it to

Both of these are used as the established history of the farm as the basis for support payments

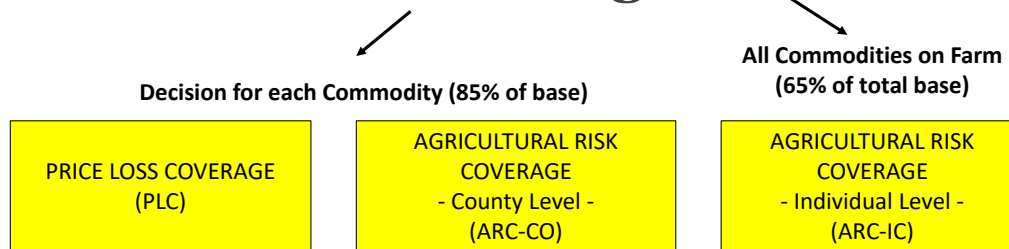
Example Farm:
100 Tillable Crop Acres

Commodity	Base Acres	Program Yield
Wheat	50	40 bushels/acre
Corn	30	105 bushels/acre
Soybeans	10	35 bushels/acre



Decisions farmers/landowners have to make each year under the current Farm Bill...

Elect a Program



Note: You cannot purchase SCO on your crop insurance if you are in ARC



Timeline

	Election Deadline	Payment Received (if any)
2021 Election	March 15 th , 2021	Oct. 2022
2022 Election	March 15 th , 2022	Oct. 2023
2023 Election	March 15 th , 2023	Oct. 2024
2024 Election	March 15 th , 2024	Oct. 2025

Corn, Sorghum, and Soybeans

Marketing year: Sept. 1st- Aug. 31st

Wheat

Marketing year: June 1st- May 31st



What is a Marketing Year Average?

Wheat Final MYA Price(s)	Final 23/24	Final Wt.*
June	7.67	12.7
July	7.61	20.4
August	7.34	10.5
September	7.06	7.1
October	6.96	4.8
November	6.52	4.7
December	6.79	8.1
January 24	6.77	6.1
February	6.34	5.9
March	6.01	4.8
April	5.90	8.2
May	6.19	6.7
Final 23/24 MYA price	\$6.96	



Price Loss Coverage (PLC)

Catastrophic price decline protection

- Payments occur when prices fall below reference prices
- Payments made on base acres and program yields

Effective Reference Prices for 2024:

Corn \$4.01

Grain Sorghum \$4.06

Wheat \$5.50

Soybeans \$9.26



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Price Loss Coverage

Example:

Farm XYZ has 100 base acres of corn and 120 bushel program yield

Effective reference price is \$4.01

The MYA Corn price is \$3.75

Corn payment per acre = $(\$4.01 - \$3.75) \times 120 = \$31.20$ per acre

Total corn payment = $\$31.20 \times 100 \text{ base acres} \times 85\% = \$2,652$



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Agricultural Risk Coverage

Revenue protection program

- Payments are made if per acre revenue falls below **86% of benchmark**

ARC-County benchmark

- **5-yr Olympic avg. national MYA price X 5-yr Olympic avg. county yield**

Payments **max out at 10%** of benchmark revenue



ARC-County Example

Marketing Year Average Price	
2018/2019	\$4.01
2019/2020	\$4.01
2020/2021	\$4.53
2021/2022	\$6.00
2022/2023	\$6.54
Olympic Average	\$4.85

County Yield	
2018	100
2019	120
2020	80
2021	70
2022	110
Olympic Average	96.7

ARC Benchmark: $\$4.85 \times 96.7 = \469 per acre

ARC Guarantee: $\$469 \times 86\% = \403 per acre

ARC Maximum payment: $\$469 \times 10\% = \46.90



ARC-County Example

ARC Guarantee: \$403, ARC Maximum payment: \$46.90

Current Year: \$3.75 MYA corn price, 70-bushel county yield

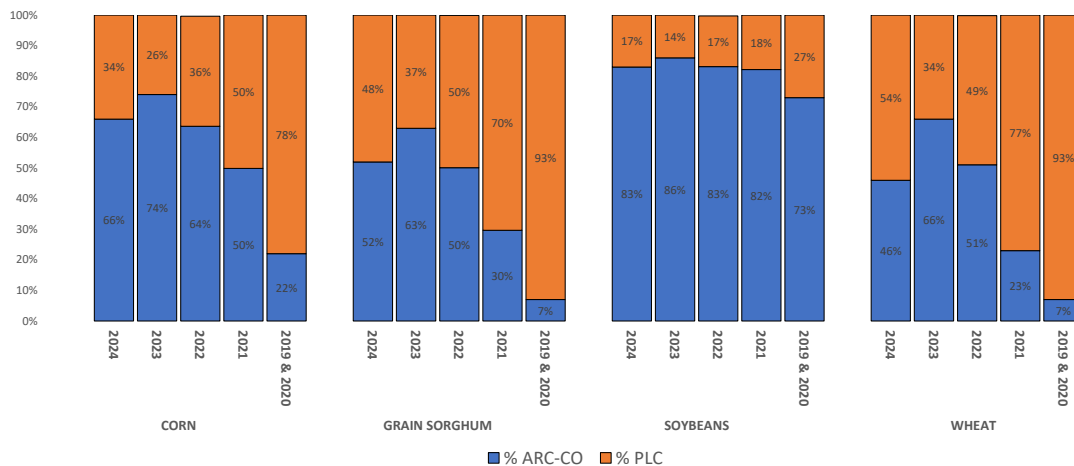
Current year revenue= \$3.75 x 70 = \$262.50

Revenue Loss = \$403 - \$262.50 = \$140.50 (but this is over the maximum)

Payment= \$46.90 X 100 corn base X 85% = \$3,964



Program Elections in Kansas



Livestock Forage Disaster Program (LFP)

- Provides payments to producers with grazing livestock in qualifying counties who suffer forage losses in a grazing season due to drought
 - Designed to help offset the cost of purchasing hay or other feed alternatives
- Payments are made based on the type of grazing livestock and the drought intensity score of the county
- More information can be found here: <https://www.fsa.usda.gov/programs-and-services/disaster-assistance-program/livestock-forage/index>



Livestock Indemnity Program (LIP)

- Provides benefits to livestock producers for livestock deaths in excess of normal mortality caused by adverse weather or by attacks by animals reintroduced into the wild by the Federal Government
- LIP payments are equal to 75 percent of the average fair market value of the livestock
- More information can be found here: <https://www.fsa.usda.gov/programs-and-services/disaster-assistance-program/livestock-indemnity/index>



Questions?

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