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2016 Crop Insurance Payment Potential

Even though the USDA is projecting record corn and soybean yields nationwide, it is still possible that producers could qualify for crop insurance indemnity payments in 2016.

Many areas dealt with planting delays, excessive rainfall, severe storms, and very dry weather in July and early August.

With Federal crop insurance, every year is different, and with the multiple options available to producers, there are many possible results at harvest time. The 2016 crop year will be no different, with some producers choosing yield protection (YP) policies (yield only), versus revenue protection (RP) policies (yield and price)--with producers having differences in the level of coverage, and with some producers choosing "optional units" rather than "enterprise units."

In the Midwest, most corn and soybean producers tend to secure some level of crop RP insurance coverage, rather than standard yield-only (YP) policies. Producers tend to like the flexibility of the RP policies that provide insurance coverage for reduced yields, as well as in instances where harvest prices drop below base prices. In 2016, corn crop insurance loss calculations with YP policies and RP policies will function differently, due to the likely Chicago Board of Trade (CBOT) harvest price for corn being below the 2016 crop insurance base price, which was finalized on March 1, 2016. Soybean crop insurance loss calculations with both YP and RP policies will function similarly in 2016, due to the CBOT harvest price for soybeans likely being higher than the 2016 base price. However, the payment rate will likely be different.

The established base prices for 2016 YP and RP crop insurance policies on March 1, 2016 were \$3.86 per bushel for corn and \$8.85 per bushel for soybeans. This will be the payment rate for 2016 YP policies for corn and soybeans. The \$3.86 per bushel will also likely serve as the final price to calculate revenue guarantees for the purpose of calculating potential RP crop insurance indemnity payments for corn. The final harvest CBOT price for November soybean futures is likely to be higher than \$8.86 per bushel, which would then result in the harvest price being used to determine the RP insurance guarantee for soybeans. The final harvest price for RP

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insurance policies with harvest price protection, is based on the average CBOT December corn futures and CBOT November soybean futures during the month of October, with prices finalized on November 1.

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If the average 2016 CBOT December corn futures price in October is below the \$3.86 per bushel base price for corn, then the initial base price is used to calculate the RP guarantees for corn. Otherwise, the October harvest price would be used. If the average 2016 CBOT November soybean futures price in October is above \$8.85 per bushel for soybeans, then the harvest price is used to calculate the RP guarantees for soybeans.

The CBOT average price for October is used to calculate the value of the actual harvested bushels for all RP insurance policies. As of September 30, the CBOT futures prices were \$3.36 per bushel for December corn and \$9.54 per bushel for November soybeans. If the average CBOT prices stay at these levels, the base prices of \$3.86 per bushel for corn, and the harvest price of \$9.54 per bushel for soybeans, would be used to calculate the RP insurance guarantees for corn and soybeans in 2016.

Corn and soybean producers had the option of selecting crop insurance policies ranging from 60 to 85 percent coverage levels. The level of insurance coverage can result in some producers receiving crop insurance indemnity payments, while other producers receive no indemnity payments, even though both producers had the same adjusted actual production history (APH yield) and the same final yield.

For example, at an adjusted APH corn yield of 190 bushels per acre, a producer with 85 percent coverage would have a yield guarantee of 161.5 bushels per acre and a revenue guarantee of \$623.39 per acre, while a producer with 75 percent coverage would have a yield guarantee of 142.5 bushels per acre, and a revenue guarantee of \$550.05 per acre.

If the actual 2016 yield was 175 bushels per acre, along with a \$3.36 per bushel harvest price, the producer with 85 percent coverage would receive a gross indemnity payment of \$35.39 per acre, while the producer with 75 percent coverage would receive no indemnity payment.

Producers who have crop revenue losses in 2016 should properly document yield losses, regardless of their type or level of insurance coverage. A reputable crop insurance agent is the best source of information to gather data for the purposes of making estimates for potential crop insurance indemnity payments, and to find out about documentation requirements for crop insurance losses. It is important for producers who are facing crop losses to understand their crop insurance coverage and the calculations used to determine crop insurance indemnity payments.

Kent Thiesse has prepared an Information Sheet titled "2016 Crop

Insurance Payment Potential." To obtain a copy, email Thiesse at: kent.thiesse@minnstarbank.com.

USDA Forum

The USDA is hosting a forum on land tenure and the next generation of agriculture. The event will take place on October 11 at the Continuing Education and Conference Center at the U of M.

Presenters will include guests and featured speakers from the following stakeholder groups: academia, new and emerging markets, government, farm organizations, and agribusiness.

Further program and RSVP information is available [here](#).

Ag Network Launching

The inaugural meeting of ICBM's Ag Network is set for October 19, 2016, from 10 a.m. to 2 p.m. at the ICBM office in Bloomington.

The new Network will provide a forum for ag lenders to learn from guest presenters, tackle challenging industry issues, and share best practices.



The group is open to all ICBM bank members. There is no charge to attend and lunch will be provided.

Interested in participating? Contact Doug Krukowski at dkrukowski@icbm.org or 651-789-3981.