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## Crop Insurance Payments Will Be Limited This Year

As the corn and soybean harvest season is wrapping up, some producers have wondered if there will be any 2016 crop insurance payments, given the lower crop prices this Fall, especially for corn.

A large number crop producers in the Upper Midwest witnessed above-average yields this year. Furthermore, crop prices increased slightly during October, which will eliminate any potential 2016 crop insurance payments in many instances.

Some crop producers in southern Minnesota, northern Iowa, and other areas, which were impacted by excessive rainfall and severe storms during the growing season, are seeing final yields that are below their crop insurance actual production history (APH) crop yields. There are also other portions of the U.S. that may have experienced reduced corn and soybean yields due to dry weather late in the growing season. Any of these areas could potentially see some 2016 crop insurance indemnity payments, due to reduced yields. Crop insurance payments are more likely for corn, compared to soybeans, due to more variable yields and a lower corn harvest price relative to the Spring base price.

As of October 31, the estimated 2016 crop insurance harvest prices were \$3.49 per bushel for corn and \$9.74 per bushel for soybeans, with the USDA Risk Management Agency (RMA) finalizing the harvest prices on November 1. The crop insurance harvest prices are based on the average Chicago Board of Trade price during the month of October for December corn futures and November soybean futures. The harvest prices will be used to calculate the value of the 2016 harvested crops and for the revenue guarantee for the revenue protection (RP) soybean policies that include harvest-price protection.

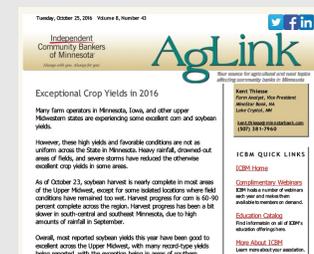
The established base (Spring) prices for 2016 RP and yield protection (YP) crop insurance policies were \$3.86 per bushel for corn and \$8.85 per bushel for soybeans. The base price will be used to calculate RP crop insurance revenue guarantee for corn, since the corn harvest price was lower than the Spring price, which will help improve the likelihood of 2016 corn indemnity payments.

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The level of crop insurance coverage will be a big factor in determining the amount of insurance indemnity payments received for crop revenue reductions, with most producers having 75 percent, 80 percent, or 85 percent RP insurance coverage on their 2016 corn and soybeans. For example, a producer with a corn APH yield of 190 bushels per acre, carrying a 75 percent RP insurance policy in 2016, would have a revenue guarantee of \$550.05 per acre.

By comparison, a producer with the same APH yield and an 80 percent RP policy, would have a 2016 revenue guarantee of \$586.72 per acre, and a producer with an 85 percent RP policy would have a revenue guarantee of \$623.39 per acre.

If the actual farm yield for 2016 is 160 bushels per acre, which could be common on some farms in the areas that were impacted by excessive rainfall, the producer with a 75 percent RP policy would not receive a 2016 crop insurance indemnity payment for corn revenue losses. By comparison, the producer with an 80 percent RP policy in 2016 would receive a gross crop insurance indemnity payment of \$28.32 per acre, and the producer with an 85 percent RP policy would receive a gross indemnity payment of \$64.99 per acre. Farm operators that incurred yield losses, and had an 80 percent or 85 percent RP crop insurance policy in place on their 2016 corn crop are more likely to receive a 2016 crop insurance payment.

A producer with an APH corn yield of 190 bushels per acre would have RP crop insurance indemnity payments initiated at a final 2016 corn yield below 179 bushels per acre with an 85 percent RP policy; at 168 bushels per acre with an 80 percent RP policy; and below 158 bushels per acre with a 75 percent RP policy.

A soybean RP policy will function in a similar fashion to a yield-only policy, with payments based on yield reductions. So, a producer with a 52 bushel-per-acre APH soybean yield would have RP crop insurance payments initiated at 44 bushels per acre with an 85 percent RP policy, below 42 bushels per acre with an 80 percent RP policy, and at 39 bushels per acre with a 75 percent RP policy.

Farm operators in areas with some yield losses that chose "optional units" for their 2016 crop insurance coverage, rather than "enterprise units," will likely be in a more favorable position to collect indemnity payments on this year's crop losses.

"Enterprise units" combine all acres of a crop in a given county into one crop insurance unit, as compared to "optional units," which allow producers to insure crops separately in each township section. In recent years, a high percentage of crop producers have opted for "enterprise units," due to substantially lower crop insurance premium levels. Crop losses in 2016 were highly variable from farm to farm within the same county and township.

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Producers that have crop revenue losses in 2016, with potential crop insurance indemnity payments, 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 make estimates for potential 2016 crop insurance indemnity payments and to find out about documentation requirements for crop insurance losses.

For more information or to receive an information sheet titled "Estimating 2016 Crop Insurance Payment Potential," contact Kent Thiesse, Farm Management Analyst and Vice President, MinnStar Bank, Lake Crystal at: 507-381-7960 or [kent.thiesse@minnstarbank.com](mailto:kent.thiesse@minnstarbank.com).

## University of Minnesota Workshops for Farm Families

The University of Minnesota Extension is hosting four workshops geared towards farm families.

Two workshops focus on the issue of developing and implementing a farm business transition and personal estate plan. A third is designed to assist farm families with analyzing and understanding the financial position of their business and then using that information to make sound farm management and financial management decisions. The fourth is designed to help farm families understand the need for long-term healthcare planning.

More details on the workshops, including sponsorship opportunities can be found [here](#).

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