



United States Department of Agriculture  
Risk Management Agency

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## 2006 COMMODITY INSURANCE FACT SHEET

# Corn—Crop Revenue Coverage North Carolina

### Crop Insured

Corn grown for grain may be insured under the **crop revenue coverage (CRC)** plan of insurance if planted on insurable acreage located in a county with applicable actuarial documents.

CRC provides protection against a decline in market prices as well as a shortfall in production. The guarantee is in dollars and a loss situation occurs when the dollar value of your production falls below your dollar guarantee. CRC offers protection whether prices rise or fall:

- In most years when the price usually declines as harvest approaches, you are guaranteed a pre-determined amount of income per acre
- In a year of rising prices, a production shortfall would be compensated at the higher market-based harvest price. This is critical if any lost production must be replaced at higher market prices for onfarm feeding or to fulfill delivery on a forward contract.

### Counties Available

Corn CRC is available in virtually all counties.

### Causes of Loss

Adverse weather conditions<sup>1</sup>  
 Failure of irrigation water supply<sup>2</sup>  
 Fire  
 Harvest price is less than base price  
 Insects<sup>3</sup>  
 Plant disease<sup>3</sup>  
 Wildlife

<sup>1</sup>Natural perils such as hail, drought, and excess precipitation. <sup>2</sup>If caused by an insured peril during the insurance period. <sup>3</sup>But not damage due to insufficient or improper applications of control measures.

### Insurance Period

Coverage begins when the crop is planted and ends at the earliest of: (1) total destruction of the crop, (2)

harvest of the crop, (3) abandonment of the crop, (4) final adjustment of a claim, (5) December 10, 2006

### Reporting Requirements

You must notify your agent or insurance company representative within 72 hours of discovery of any damage to your crop.

- If crop damage is initially discovered during harvest, you must notify your agent immediately and leave representative samples of the unharvested crop at least 10 feet wide and extending the entire length of the field.
- If you expect a revenue loss on the unit, you must give notice no later than 45 days after the harvest price is released.
- You must also give notice before harvesting for silage any acreage that was insured as grain.

### Important Dates

Sales Closing .....February 28, 2006

Note: Final planting and acreage reporting dates vary by county. Consult a crop insurance professional for specific dates in your county.

### Definitions

**Average APH Yield**—Your average yield per acre based on your actual production history (APH), county yields, or other adjusted yields if appropriate.

**Base Price**—The price that determines the minimum guarantee and premium is based on the September Chicago Board of Trade (CBOT) futures contracts average daily price during the period December 15, 2005 – January 14, 2006.

**Coverage Level**—You select a level of protection from 50 to 75 percent (up to 85 percent in some counties) of your average APH yield.

**Minimum Guarantee** — Average APH yield X base price X coverage level:

$$\text{Example: } 100 \text{ bushels per acre} \times \$2.40 \times .65 = \$156 \text{ per acre minimum guarantee}$$

**Harvest Price** — The price used to determine calculated revenue and harvest guarantee is based on the September CBOT futures average daily price during August 2006.

**Harvest Guarantee** — Average APH yield X harvest price X coverage level:

$$\text{Example: } 100 \text{ bushels per acre} \times \$2.20 \times .65 = \$143 \text{ per acre harvest guarantee}$$

**Calculated Revenue** — Value of your production determined by bushels produced X harvest price:

$$\text{Example: } 50 \text{ bushels per acre produced} \times \$2.20 = \$110 \text{ per acre calculated revenue}$$

Note: The actual price you receive for selling your crop is **not** a factor in CRC calculations.

**Final Guarantee** — Higher of the minimum or harvest guarantee.

Note: Your premium will **not** increase if final guarantee is higher than the minimum guarantee.

**Indemnity** — Final guarantee – calculated revenue:

$$\text{Example: } \$156 - \$110 = \$46 \text{ per acre indemnity}$$

## Price Elections

YEAR	BASE PRICE*	HARVEST PRICE**
2006	2.38	2.30
2005	2.27	2.15
2004	2.53	2.25
2003	2.42	2.20

\* Available after January 14, 2006.

\*\* Available after August 31, 2006.

Price elections will be posted on the RMA Web site at: <http://www3.rma.usda.gov/apps/pricesinquiry/>

## Insurance Units

Insurable acreage is grouped into one or more units based on your selection of one of the following:

**Basic Unit:** A basic insurance unit includes all your corn acreage in the county by share arrangement. Premiums are reduced 10 percent for basic units.

**Optional Units:** If qualified, you may further divide a basic unit into optional units by farm serial number or irrigated/non-irrigated land. The 10-percent basic unit premium discount will not apply.

**Enterprise Unit:** An enterprise unit combines all your corn in the county into one county-wide unit, regardless of ownership, share, or rental arrangement. A premium discount will apply, based upon the number of insured acres. You must qualify for two or more basic/optional units to be eligible.

## Loss Example

This example assumes an average yield of 100 bushels per acre, base price of \$2.40, harvest price of \$2.20, basic unit, 65-percent coverage level.

100	Bushels per acre average APH yield
<u>x .65</u>	Coverage level
65	Bushels per acre guarantee basis
<u>x 2.40</u>	Base price per bushel
\$156	Minimum guarantee per acre

When the harvest price is announced in November, a harvest guarantee is calculated. The final guarantee is the higher of the minimum or harvest guarantee.

Harvest guarantee per acre = \$143  
(65 bushels per acre X \$2.20 harvest price)

\$156	Final guarantee per acre (higher of minimum or harvest guarantee)
<u>- 110</u>	Calculated revenue (50 bushels per acre produced X \$2.20 harvest price)
46	Indemnity per acre
<u>- 6</u>	Estimated premium per acre
<b>\$40</b>	<b>Net indemnity per acre</b>

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