



United States Department of Agriculture  
Risk Management Agency

December 2006

## 2006 COMMODITY INSURANCE FACT SHEET

# Corn—Indexed Income Protection North Carolina

### Crop Insured

**Indexed Income Protection (IIP)** coverage for corn is available in North Carolina and provides coverage against production losses and price declines.

### Counties Available

This plan of coverage is available in all counties where the APH plan of insurance for corn is offered.

### Causes of Loss

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

<sup>1</sup>Natural perils including hail, freeze, wind, drought, and excess moisture.  
<sup>2</sup>If due to an insurable cause of loss. <sup>3</sup>Does not cover damage due to insufficient or improper application of recommended control measures.

### Insurance Period

Coverage usually begins when the crop is planted and ends at the earliest of: (1) total destruction of the crop, (2) harvest of the crop, (3) final adjustment of a claim, (4) abandonment of the crop, (5) December 10, 2006.

### Indexing

The IIP plan compares and indexes an individual's yields to the county yields for a base period of up to 10 years. Indexing may result in the insurance yield being greater or less than the producer's actual average yield.

### Important Dates

Sales Closing .....February 28, 2006  
Acreage Report Date..... June 30, 2006  
Final Planting Date<sup>1</sup> ..... May 15, 20, or 31, 2006

<sup>1</sup> Consult a crop insurance agent for the specific date in your county.

### Definitions

**Enterprise Unit**—All acreage of your crop within the county, regardless of share (no basic or optional units)

**Projected Price**—The price that determines the dollar guarantee is the average of the daily settlement prices for Chicago Board of Trade (CBOT) December corn futures contracts during the period January 15—February 14, 2006.

**Harvest Price**—The price that determines revenue-to-count and indemnity is the average of the daily settlement prices for CBOT December corn futures contracts during the month of November 2006.

Year	Projected* Price	Harvest** Price
2006	2.53	3.56
2005	2.29	1.93
2004	2.75	1.99
2003	2.42	2.37

\* Available after February 14, 2006.

\*\* Available after November 30, 2006.

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

## IP Yield Determination Example—Corn

County Average Yield	Individual Average Yield	Year
103	115	2001
90	76	2002
95	51	2003
98	114	2004
109	94	2005
495	450	Total
÷ 5	÷ 5	No. Years
99	90	Avg Yld

### Yield Difference:

County Average Yield – Individual Average Yield

$$\text{Yield Difference} = 99 - 90 = \mathbf{9}$$

### IIP Approved Yield:

Expected County Yield\* – Yield Difference

$$\text{IIP Approved Yield} = 109 - 9 = \mathbf{100}$$

\* The most recent year's county average yield from the actuarial table will always serve as the expected county yield. For example, in the sample table above, the county average yield of 109 for 2005 is used as the expected county yield.

Note: Observe that the IIP approved yield of 100 in this scenario exceeds the grower's original average yield of 90. This, however, may not always be the case. Depending upon the situation, the IIP yield could possibly be less than the producer's average yield. Obtain guarantee and premium quotes for all insurance plans (IIP, CRC, APH, RA) to determine which plan is most suitable for you.

## Insurance Unit

Under the IPP plan, acreage may only be insured as an **enterprise unit**. An enterprise unit combines all your corn in the county into one county-wide unit, regardless of ownership, share, or rental arrangement.

### Loss Example

This example assumes an IIP approved yield of 100 bushels per acre, a projected price of \$2.80, and a harvest price of \$2.20.

100	Bushels per acre IIP approved yield
x .65	Coverage level
65	Bushels per acre guarantee basis
x \$2.80	Projected price per bushel
\$182	Dollar guarantee per acre
– \$110	Revenue-to-count (50 bushels per acre produced x \$2.20 harvest price)
\$72	Indemnity per acre
– \$4	Estimated producer premium per acre
<b>\$68</b>	<b>Net indemnity per acre</b>

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