



United States Department of Agriculture
Risk Management Agency

November 2006

2006 COMMODITY INSURANCE FACT SHEET

Soybeans—Indexed Income Protection North Carolina

Crop Insured

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

Counties Available

This plan of coverage is available in all North Carolina counties where the actual production history (APH) plan of insurance for soybeans is offered.

Causes of Loss

Adverse weather conditions¹
Failure of irrigation water supply²
Fire
Harvest price less than projected price
Insects³
Plant disease³
Wildlife

¹Natural perils including hail, frost, freeze, wind, drought, and excess moisture. ²If due to an insurable cause of loss. ³Does not include damage due to insufficient or improper usage 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 ten years. Indexing may result in the insurance yield being greater or less than the producer's actual average yield.

Important Dates

Sales ClosingFebruary 28, 2006
Acreage Report Date..... June 30, 2006
Final Planting Date¹ June 20 or 25, 2006

¹ 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) November soybean 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 November corn futures contracts during the month of October 2006.

Year	Projected* Price	Harvest** Price
2006	6.13	5.93
2005	5.32	5.75
2004	6.57	5.26
2003	5.25	7.32

* Available after February 14, 2006.

** Available after October 31, 2006.

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

IIP Yield Determination Example—Soybeans

County Average Yield	Individual Average Yield	Year
26	28	2001
20	16	2002
22	15	2003
24	27	2004
28	19	2005
118	105	Total
÷ 5	÷ 5	No. Years
24	21	Avg Yld

Yield Difference:

County Average Yield – Individual Average Yield

$$\text{Yield Difference} = 24 - 21 = 3$$

IIP Approved Yield:

Expected County Yield* – Yield Difference

$$\text{IIP Approved Yield} = 28 - 3 = 25$$

* 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 28 for 2005 is used as the expected county yield.

Note: Observe that the IIP approved yield of 25 in this scenario exceeds the grower's original average yield of 21. 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 IIP plan, acreage may only be insured as an **enterprise unit**. An enterprise unit combines all your soybeans 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 25 bushels per acre, a projected price of \$6.00, and a harvest price of \$5.00.

25	Bushels per acre IIP approved yield
x .60	Coverage level
15	Bushels per acre guarantee basis
x \$6.00	Projected price per bushel
\$90	Dollar guarantee per acre
– \$50	Revenue-to-count (10 bushels per acre produced x \$5.00 harvest price)
\$40	Indemnity per acre
– \$4	Estimated producer premium per acre
\$36	Net indemnity per acre

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