United States Department of Agriculture
Risk Management Agency

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2006 COMMODITY INSURANCE FACT SHEET

Soybeans—Revenue Assurance

North Carolina

Revenue Assurance (RA), like other revenue plans, provides revenue protection against a decline in market prices as well as a shortfall in production. A loss situation arises when the dollar value of your production falls below the revenue guarantee.

- In a year of rising prices, production shortfalls are compensated at the higher market-based fall harvest price if you select the fall harvest price option. This is important if any lost production must be replaced at higher market prices to fulfill delivery on a forward contract;
- In years of falling prices, your revenue guarantee ensures that you will receive a pre-determined amount of income per acre, regardless of yields or prices.

Causes of Loss

RA protects against unavoidable loss of revenue due to the following causes in the insurance period:

Adverse weather conditions[1]
Failure of irrigation water supply[2]
Fire
Fall harvest price less than projected harvest price
Insects[3]
Plant disease[3]
Wildlife

[1]Natural perils such as hail, frost, freeze, wind, drought, and excess moisture. [2]If caused by an insured peril. [3]But not damage due to insufficient or improper application of recommended control measures.

Insurance Period

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

Counties Available

This plan of coverage is available in most North Carolina counties.

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

Coverage Level— Levels of protection available: 65, 70, 75, 80, or 85 percent of approved average yield.

Projected Harvest Price—The price used to calculate expected per-acre revenue and premium is based on the November Chicago Board of Trade (CBOT) futures average daily price during first 10 trading days in February 2006.

Fall Harvest Price—The price (nearer harvest time) used to value production-to-count is based on the November CBOT futures average daily price during the month of October 2006.

Fall Harvest Price Option—This option allows you to use the greater of the projected harvest price or the fall harvest price to determine your per-acre revenue guarantee.

Per-Acre Revenue Guarantee—Average Yield X Projected Harvest Price X Coverage Level Percent:

Example: 30 bushels per acre X $6.00 X 70 percent = $126 per-acre revenue guarantee.

If fall harvest price option is selected and fall harvest price is higher (such as, 7.00), the above example would become:

30 bushels per acre X $7.00 X 70 percent = $147 per-acre revenue guarantee

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

This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.

Price Elections

The projected harvest price is released in mid-February of each year. The fall harvest price is released after October 31 of each year.

Year	Projected Harvest Price	Fall Harvest Price
2006	6.19	5.93
2005	5.28	5.75
2004	6.47	5.26

Insurance Units

Your insurable acreage is grouped into a unit based on your selection of one of the following unit arrangements.

Basic Unit: A basic insurance unit includes all of your soybean acreage in the county by share arrangement. For example, the soybean acreage on your own farm (including land cash rented) would be one basic unit, while other land on shares with someone else would be a second basic unit. Premiums are reduced 10 percent for a basic unit.

Optional Units: If a basic unit consists of two or more farm serial numbers (FSN) and certain record-keeping criteria are met, you may select optional units by FSN. The 10-percent basic unit premium discount will not apply.

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

Whole Farm Unit: All insurable acreage of all RA-insured crops in the county (corn, soybeans) in which you have a share on the date coverage begins for each crop. A premium discount is available for a whole farm unit.

Loss Example

This example assumes average yield of 30 bushels per acre, projected harvest price of $6.00, fall harvest price of $5.00, one basic unit, and 70 percent coverage level.

30	Bushels per acre approved yield
x .70	Coverage level
21	Bushels per acre guarantee basis
x 6.00	Projected harvest price
126	Per-acre revenue guarantee*
– 50	Revenue-to-count (10 bushels per acre x $5.00 fall harvest price)
76	Indemnity per acre
– 5	Approximate cost per acre to insured
$71	**Net proceeds per acre to insured**

*Note: The fall harvest price has historically been less than the projected harvest price in most years. Occasionally, the fall harvest price is greater than the projected harvest price. In those situations, if the fall harvest price option has been selected prior to sales closing, the per-acre revenue guarantee will be increased based on the higher fall harvest price.

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