United States Department of Agriculture
Risk Management Agency

March 2010

2010 COMMODITY INSURANCE FACT SHEET

Grain Sorghum—Crop Revenue Coverage

New Mexico, Oklahoma, Texas

Crop Revenue Coverage (CRC) provides revenue protection against a decline in market prices as well as a shortfall in production. The CRC guarantee is in dollars. A loss occurs when the dollar value of your production falls below your CRC dollar guarantee. CRC provides protection whether prices rise or fall:

- In a year of rising prices, production shortfalls are compensated at the higher market-based harvest price. This is important if lost production must be replaced at higher market prices for on-farm feeding or to fulfill delivery on a forward contract
- In years of falling prices, your minimum guarantee ensures that you will receive a predetermined amount of income per acre, regardless of yields or prices.

Counties Available

CRC grain sorghum is available in some counties in New Mexico, Oklahoma, and Texas—consult the county actuarial.

Causes of Loss

Adverse weather conditions[1]
Failure of irrigation water supply[2]
Fire
Harvest price less than base 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, or (6) September 30 for Texas counties:
Val Verde, Edwards, Kerr, Kendall, Bexar, Wilson, Karnes, Goliad, Victoria, Jackson, and all Texas counties lying south thereof

Important Dates

For New Mexico and Oklahoma:
Sales Closing .... March 15
For Texas: Sales closing dates vary—consult a crop insurance professional for specific counties and other dates.

Definitions

Coverage Level— Levels of protection available are from 50 to 75 percent of your approved average yield.

Base Price—The price used to calculate the minimum guarantee and the premium, based on the December Chicago Board of Trade (CBOT) futures average daily price during February.

Minimum Guarantee—The guaranteed minimum dollar protection is the average yield X base price X coverage level percent:

Example: 60 bushels per acre X $2.40 X 75 percent = $108 per acre minimum guarantee

Harvest Price—The price used to determine calculated revenue and harvest guarantee is based on the December CBOT futures average daily price during the month of October.

Harvest Guarantee—Average yield X harvest price X coverage level percent:

Example: 60 bushels per acre X $2.00 X 75 percent = $90 per acre harvest guarantee

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

Example: 20 bushels per acre produced X $2.00 = $40 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

Example: $108 – $40 = $68 per acre indemnity

Price Elections

YEAR	BASE PRICE*	HARVEST PRICE**
2009	3.56	3.28
2008	5.06	3.87
2007	3.83	3.38
2006	2.33	2.73

* Available after February
** Available after October
Prices represent New Mexico, Oklahoma, and some Texas counties. Go to the link below for prices in other Texas counties when they are available.

Price elections will be posted on the RMA Web site at:

http://www3.rma.usda.gov/apps/pricesinquiry/

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 grain sorghum acreage in the county by share arrangement. For example, the sorghum 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 grain sorghum 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.

Loss Example

This example assumes average yield of 60 bushels per acre, base price of $2.40, harvest price of $2.00, 20 bushels per acre production-to-count, basic unit, 75-percent coverage level.

60	Bushels per acre approved yield
x .75	Coverage level
45	Bushels per acre guarantee basis
x 2.40	Base price per bushel
$108	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 = $90 (45 bushels per acre X $2.00 harvest price)

$108	Final guarantee per acre (higher of minimum or harvest guarantee)
– 40	Calculated revenue (20 bushels per acre produced X $2.00 harvest price)
68	Indemnity per acre
– 6	Approximate cost per acre
$62	**Net indemnity per acre**

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