

Insurance Cost and Payment Scenarios
Wolf Point, Montana
2/20/17

You are a producer in Roosevelt County with 1,000 acres of cropland and a plan to sell 50 calves in October. In 2017, you are farming 200 acres of non-irrigated smooth yellow peas, 300 acres of irrigated alfalfa hay, and 400 acres of continuous cropped spring wheat.

Important info:

Pea yield is 1700 lbs/acre

Wheat yield is 30 bu/acre

Allowable revenue for the whole operation is \$175,460 each year.

Terms:

Liability: The guarantee for revenue or yield that you buy when you purchase an insurance policy.

Premium: What is paid for the policy. For all of the policies we will look at, at least part of the premium will be paid by the government. There may be fees involved as well.

Subsidy: The amount of the premium paid by the government.

Indemnity: The amount paid to you if there is a loss. The indemnity is equal to the liability minus the revenue you have made.

Unit structure:

Enterprise: All of your acres in a crop in one county are combined.

Basic: Each of your crops is insured separately, but combined across farms in the same county.

Optional: Each of your farms and crops are insured separately.

We will look at three different ways to insure all or part of your operation. Go to the Crop and Livestock Insurance 101 tab on msuextension.org/cropinsurance to find the decision tools. Use the (detailed) cost estimator from RMA.

1. NAP

Use the NAP decision tool to determine if NAP is available for any of your crops or livestock. If not, are other types of insurance available?

2. Revenue Protection

Use the RMA Cost Estimator to find out if Revenue Protection Insurance is available for your crops and livestock. Then find the liability, producer premium using optional units, and no additional options, and at 70% coverage.

*Note: Expected revenue=acreage * yield * projected price*

	Available?	Expected Revenue	Liability	Producer Premium
Peas				
Wheat				
Calf sales				
Hay sales				
Total Revenue				

Now let's find the indemnity if your revenue for each crop you have insured with revenue protection comes in at 50% of the expected revenue. (Use the default price information in the tool.)

3. Whole Farm Revenue Protection

Use the RMA Cost Estimator to find the liability, producer premium at 70% coverage.

	Expected Revenue	Liability	Producer Premium
WFRP			

Let's find the indemnity if 50% of everything is lost:

What is the indemnity if peas alone get completely hailed out?