United States Department of Agriculture
Risk Management Agency

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2007 COMMODITY INSURANCE FACT SHEET

Grain Sorghum Income Protection

Texas

Income Protection (IP) Program

IP protects against reductions in gross income when yields and/or prices fall. The multi-peril crop insurance (MPCI) provides the foundation of IP (same yield settings and loss adjustment). The dollar guarantee is established by multiplying the farmer's historical production average by a projected futures price. IP offers a less costly risk management alternative to other revenue products and is the only one which offers a CAT equivalent level of coverage.

Availability

IP is available in some Texas counties.

IP Sales Closing Date

Sales closing date for IP grain sorghum in Texas vary from county to county; consult your county actuarial.

IP Prices

IP uses two prices to measure price fluctuation. **Projected price** to establish the revenue guarantee and **harvest price** to establish the crop value to count against the revenue guarantee.

Projected Price is the average of the final closing daily settlement prices for the period, exchange, and futures contract specified in the Special Provisions. Please consult the county actuarial for specific price information.

Harvest Price is the average of the Chicago Board of Trade (CBOT) final closing daily settlement prices for the period and corn futures contract specified in the special provisions. Please consult the county actuarial for specific price information.

Loss Indemnity

The IP dollar guarantee is payable when the harvested and appraised production to count as adjusted by policy provisions, multiplied by the harvest price, is below the dollar guarantee. Indemnity payments are paid when the harvested and appraised production and harvest price are determined.

If a yield loss is offset by a price increase (or vice-versa) no indemnity is paid. A farm's expected crop revenue is the determining factor.

IP Loss Indemnity Example

Assume: 100-percent share, approved APH: 65 bushels per acre; coverage level of 75 percent.

Projected Price higher than Harvest Price

Dollar guarantee:

	65	Bushels per acre
x	75%	Coverage level
	48.75	Bushels per acre
x	$3.15	Projected price
=	$154	Per acre guarantee

Value of production (harvest):

	30	Bushels per acre
x	$2.00	Harvest price
=	$60	Per acre value

Loss payment (indemnity):

100-percent share = $94 per acre indemnity

Harvest Price is higher than Projected Price

Dollar guarantee:

	65	Bushels per acre
x	75%	Coverage level
x	$3.15	Projected price
=	$154 per acre guarantee	

Value of production (harvest):

	30	Bushels per acre
x	$4.15	Harvest price
=	$125	Per acre income

Loss payment (indemnity):

100-percent share = $29 per acre indemnity

Additional Factors

IP provides coverage at the catastrophic risk protection level.

- MPCI acreage and production reporting dates apply to IP.
- Replant payments are provided.
- Prevented planting benefits apply.

Advantages of Risk Management Tools

Risk management tools protect crop investment, borrowed capital and current savings by stabilizing income. This transfers risk and provides an added peace of mind.

Where to Purchase

All MPCI, including CAT coverage insurance policies, are available from private insurance agents. A list of crop insurance agents is available on the RMA Web site:

http://www3.rma.usda.gov/tools/agents/

Download Copies from the Web

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