United States Department of Agriculture
Risk Management Agency

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2007 COMMODITY INSURANCE FACT SHEET

# Forage Production GRP

## Illinois

## Forage Production Group Risk Plan

The group risk plan (GRP) of insurance is designed as a risk management tool to insure against widespread loss of production of the insured crop in a county. GRP is a dramatic departure from traditional approaches to crop insurance protection, with less paperwork and generally less cost than multiple peril crop insurance (MPCI). This policy was developed on the basis that, when an entire county's crop yield is low, most farmers in that county would also have low yields.

## Crop Insured

The crop insured will be all the **hay** you have in the county in which you have a share and planted for harvest as hay or rotational grazing. (Acreage seeded to forage after July 1, 2006 will not be insurable.)

**GRP Benefits:**

- GRP offers catastrophic protection and may cost less than MPCI.
- GRP provides a simplified plan to manage risk because the only information a producer needs to provide is the number of acres intended for harvest by the acreage reporting date.
- Producers do not have to provide production history or evidence of loss because payments are made on losses based on the county expected yield.

**GRP Limitations:**

- It is possible for a producer to have a low yield on the acreage insured and still not receive a payment under this plan.
- Lenders may not accept GRP coverage as collateral

## Counties Available

This insurance coverage is available in Jo Daviess and Stephenson counties.

## Important Dates

Sales Closing ............................November 30, 2006
Acreage Report .................................. May 15, 2007
Premium Billing .....................................July 1, 2007
Insurance Ends ..........................November 30, 2007

## Definitions

**Expected County Yield -** The yield contained in the actuarial documents, on which your coverage for the crop year is based. This yield is determined using historical National Agricultural Statistics Service (NASS) county average yields, as adjusted by the Federal Crop Insurance Corporation (FCIC).

**Trigger Yield -** The result of multiplying the expected county yield by the coverage level percentage chosen by you. When the payment yield falls below the trigger yield, an indemnity is due.

**Payment Yield -** The yield determined by FCIC based on NASS yields for each insurable crop's type and practice, as adjusted by FCIC, and used to determine whether an indemnity will be due.

**Maximum Protection Per Acre -** The highest dollar amount of protection specified in the actuarial documents.

**Dollar Amount of Protection Per Acre -** The percentage of coverage selected by you multiplied by the maximum protection per acre specified in the actuarial documents for the crop, practice, and type. The dollar amount of protection per acre is shown on your summary of protection.

## Coverage Levels and Premium Subsidies

**Catastrophic Coverage (CAT) -** 65 percent of the expected county yield and 45 percent of the maximum protection per acre.

**Additional Coverage** An amount of protection greater than or equal to 70 percent of the expected county yield indemnified at 60 percent of the maximum amount of protection

## Premium and Administrative Fees

These fees are charged in addition to the insurance premium. USDA subsidizes the insurance premium. Catastrophic (CAT) coverage: $100/crop/county. (No insurance premium is charged for CAT coverage.) Additional coverage: $30/crop/county.

## Loss Example

Based on expected county yield of 4.1 tons per acre, 90-percent trigger yield, and $300 protection per acre.

| | |
|---|---|
| 4.1 | Tons per acre expected county yield |
| x 90% | Coverage level selected |
| 3.7 | Tons per acre trigger yield |
| - 2.7 | Tons per acre payment yield for the year |
| 1.0 | Ton per acre deficiency |
| 1.0 | Divided by 3.7 = 0.270 payment factor |
| 0.270 | x $300 protection = $81.00 gross indemnity per acre* |
| -$5.00 | Premium per acre (varies by county) |
| $76.00 | **Net indemnity per acre** |

*Figures shown on a per acre basis. See policy provisions.

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