



United States Department of Agriculture
Risk Management Agency

January 2007

2007 COMMODITY INSURANCE FACT SHEET

Sorghum GRP

New Mexico, Oklahoma, Texas

Insurance 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 **sorghum** you have in the county in which you have a share and planted with intent to be harvested as grain or silage. **Note:** Hybrid sorghum seed can be insured by written agreement only and must be submitted to your agent no later than the sales closing date.

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 some counties in New Mexico, Oklahoma, and Texas.

Important Dates

*Sales Closing.....	March 15, 2006
*Acreage Reporting.....	July 15, 2006

*Dates vary from county to county in Texas; consult the county actuarial.

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 45 bushels per acre, 90-percent trigger yield, and \$300 protection per acre.

*Figures shown on a per acre basis.

45	Bushels per acre expected county yield
<u>x 90%</u>	Coverage level selected
40.5	Bushels per acre trigger yield
<u>30.5</u>	Bushels per acre payment yield for the year
10.0	Bushels per acre deficiency
10.0	Divided by 40.5 = 0.247 payment factor
0.247	x \$300 protection = \$74.10 gross indemnity per acre*
<u>-\$5.00</u>	Premium per acre (varies by county)
\$69.10	Net indemnity per acre

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