

Risk Management Agency

1999 Revenue Crop Insurance Plans

Crop Revenue Coverage, Income Protection, and Revenue Assurance

The Federal Crop Insurance Corporation (FCIC) offers three pilot revenue crop insurance programs for the 1999 crop year. These plans respond to the directive of the Federal Crop Insurance Reform Act of 1994 for FCIC to develop a pilot crop insurance program that provides coverage against reduced gross income as a result of a reduction in yield or price. Crop Revenue Coverage (CRC) was developed by Redland Insurance Company; the Income Protection (IP) plan was developed by FCIC; and Revenue Assurance (RA) was developed by Farm Bureau Mutual Insurance Company. All three plans are available through local insurance agents.

These three plans have many similar features. Indemnities are due when any combination of yield and price result in revenue below the revenue guarantee. All use the basic policy terms and conditions of the Actual Production History (APH) plan of multiple peril crop insurance (MPCI). APH provides the yield component and provides a yield forecast using the insured's records of historic yields. It also provides a documented process to determine the yield for the insurance period.

Revenue protection for all products is provided by extending traditional APH protection to include price variability, measured by price discovery in the commodity futures market. Price discovery occurs twice in all three plans. First, before the insurance period (Base price-CRC, Projected price-IP, Projected Harvest price-RA), to establish the guarantee and premium. Second, at harvest time (Harvest price-CRC and IP, Fall Harvest price-RA). CRC provides increased protection when the Harvest price is above the Base price. All of these revenue insurance plans pay the insured producer an indemnity when any combination of harvested and appraised yield and harvest price results in insurance revenue that is less than the revenue guarantee.

All revenue product contract prices are the average of the daily settlement prices for the commodity futures exchange, contract, and period listed in the insurance contract. The Base, Projected, or Projected Harvest price is the average of the daily settlement prices during the month designated in the insurance contract that is before insurance begins. Harvest or Fall Harvest price is an average for the month designated in the insurance contract near the end of the insurance period. These prices are available on the RMA website at www.act.fcic.usda.gov shortly after the close of each discovery period.

The following information gives a general explanation of each product. A side by side coverage comparison table outlining the major features of CRC, IP, and RA may be found at the back of this paper.

NOTE: This document is general presentation for information only. Before deciding to purchase any product, producers should consult with their insurance agent to discuss the differences between these products and the other MPCI products, and should fully understand the differences in coverage, cost, and the policy provisions of each product.

CROP REVENUE COVERAGE

I. INTRODUCTION

Redland Insurance Company (Redland) developed and submitted their Crop Revenue Coverage (CRC) policy to the Risk Management Agency (RMA) requesting Federal Crop Insurance Corporation (FCIC) reinsurance, administrative expense subsidy, and premium subsidy beginning the 1996 crop year.

CRC policyholders must insure all the acreage of the insured crop in the county in which they have an interest. Insured acreage may be divided into smaller acreage or units. Basic units are determined by ownership, owner-operator and cash rent, or each sharing entity. Basic units may be subdivided into Optional units that are determined by location and/or production practice, and each proposed Optional unit must be supported by historic records of planted acreage and yield. The revenue guarantee applies individually to each Basic, Optional, or Enterprise unit. A premium discount is available if an insured elects Enterprise units (all acreage of the insured crop in the county in which the insured has an interest). Insureds receive a premium discount if they elect to combine all Basic units and Optional units into an Enterprise unit.

II. DESCRIPTION OF COVERAGE

Producers choose the amount of revenue protection that meets their risk management needs by selecting a coverage level between 50 and either 75 or 85 percent (85 percent coverage level is available for selected crops and counties), of the CRC revenue. The CRC revenue guarantee is the insured's selected coverage level times the APH yield times the higher of 1) the Base price, or 2) the Harvest price. CRC policyholders are due indemnities when the harvested and appraised yield times the Harvest price is less than the guarantee. CRC coverage can increase when the Harvest price is greater than the Base price, but the premium does not increase.

III. CRC PRICES AND INDEMNITY PAYMENTS

CRC uses two prices to measure price fluctuation. Base price establishes the revenue guarantee. Harvest price establishes the crop value to count against the revenue guarantee, and is also used to recompute the revenue guarantee when it is higher than the Base price. The CRC Base and Harvest prices are a percentage of the commodity exchange's average daily settlement price for the insured crop, futures contract or index, and period specified in the Crop Provisions. Policyholders who desire a larger base revenue guarantee have the option to increase the Percent Base price an additional 5 percent. Indemnity payments will be paid when the Harvest price and actual production are determined.

The APH policy provides established procedure for setting yields, underwriting and yield measurement. Price fluctuations are measured by the difference in the average commodity price before insurance begins, "Base price," and the price at harvest time, "Harvest price." Price fluctuations between the Harvest and Base price is limited to \$1.50 for corn, \$0.70 for cotton, \$1.50 for grain sorghum, \$0.05 for rice, \$3.00 for soybeans, and \$2.00 for wheat.

IV. COVERED AND EXCLUDED EVENTS

The CRC policy provides insurance protection for unavoidable loss of revenue due to insured causes of loss, including market prices. Exclusions are the same as the MPCCI policy.

V. MARKET AVAILABILITY

For 1999, CRC is available in all counties where the APH program is available. Following is a list of CRC crops by state.

Alabama	Corn, Cotton, Grain Sorghum, Soybeans, Wheat
Arizona	Corn, Cotton, Rice, Wheat
Arkansas	Corn, Cotton, Grain Sorghum, Soybeans, Wheat
California	Corn, Cotton, Grain Sorghum, Rice, Wheat
Colorado	Corn, Grain Sorghum, Wheat
Florida	Corn, Cotton, Grain Sorghum, Rice, Soybeans
Georgia	Corn, Cotton, Grain Sorghum, Soybeans, Wheat
Idaho	Corn, Wheat
Illinois	Corn, Grain Sorghum, Soybeans, Wheat
Indiana	Corn, Grain Sorghum, Soybeans, Wheat
Iowa	Corn, Grain Sorghum, Soybeans, Wheat
Kansas	Corn, Cotton, Grain Sorghum, Soybeans, Wheat
Kentucky	Corn, Grain Sorghum, Soybeans, Wheat
Louisiana	Corn, Cotton, Grain Sorghum, Rice, Soybeans, Wheat
Maryland	Corn, Grain Sorghum, Soybeans
Michigan	Corn, Grain Sorghum, Soybeans, Wheat
Minnesota	Corn, Grain Sorghum, Soybeans, Wheat
Mississippi	Corn, Cotton, Grain Sorghum, Rice, Soybeans, Wheat
Missouri	Corn, Cotton, Grain Sorghum, Rice, Soybeans, Wheat
Montana	Corn, Wheat
Nebraska	Corn, Grain Sorghum, Soybeans, Wheat
New Mexico	Corn, Cotton, Grain Sorghum, Wheat
North Carolina	Corn, Cotton, Grain Sorghum, Soybeans, Wheat
North Dakota	Corn, Grain Sorghum, Soybeans, Wheat
Ohio	Corn, Grain Sorghum, Soybeans, Wheat
Oklahoma	Corn, Cotton, Grain Sorghum, Rice, Soybeans, Wheat
Oregon	Corn, Wheat
South Carolina	Corn, Cotton, Grain Sorghum, Soybeans, Wheat
South Dakota	Corn, Grain Sorghum, Soybeans, Wheat
Tennessee	Corn, Cotton, Grain Sorghum, Rice, Soybeans, Wheat
Texas	Corn, Cotton, Grain Sorghum, Rice, Soybeans, Wheat
Utah	Corn, Wheat
Virginia	Corn, Cotton, Grain Sorghum, Soybeans, Wheat
Washington	Corn, Wheat
Wisconsin	Corn, Grain Sorghum, Soybeans, Wheat
Wyoming	Corn, Wheat

VI. PRODUCER SUBSIDY

Producer premium subsidy (the portion of the premium paid by the government) is paid only on the yield risk portion of the CRC coverage. This subsidy amount is the same dollar amount as the MPCI policy.

Crop/Location	Exchange and Futures Contract	Base Price Period	Harvest Price Period
Corn counties with a cancellation date prior to 3/15	CBOT September corn	December prior year	August
Corn counties with a 3/15 cancellation date	CBOT December corn	February	November
Cotton counties with a 1/15 cancellation date	NYCE October cotton	December prior year	September
Cotton counties with a 2/28 or 3/15 cancellation date	NYCE December cotton	January 15 to February 14	November
Grain Sorghum counties with a cancellation date prior to 3/15	CBOT September corn	95% of December pre-harvest year	95% of August
Grain Sorghum counties with a 3/15 cancellation date	CBOT December corn	95 % of February	95% of November
Rice counties with a 1/15 cancellation date	CBOT September rough rice	December pre-harvest year	August
Rice counties with a 2/15 or 2/28 cancellation date	CBOT November rough rice	January	October
Soybean counties with a cancellation date prior to 3/15	CBOT September soybeans	December	August
Soybean counties with a 3/15 cancellation date	CBOT November soybeans	February	October
Winter Wheat - IL, IN, MI, OH, WI	CBOT July soft red winter wheat	August 15 to September 14 pre-harvest year	July 15 to August 14
Winter Wheat - AL, GA, KY, LA, MS, NC, SC, TN, VA	CBOT July soft red winter wheat	August 15 to September 14 pre-harvest year	June
Winter Wheat - IA, MT, NE, SD, WY	Base price - KCBOT July hard red winter wheat Harvest price - KCBOT September hard red winter wheat	August 15 to September 14 pre-harvest year	July 15 to August 14

Winter Wheat - AZ, AR, CO, KS, MO, NM, OK, TX	Base price - KCBOT July hard red winter wheat Harvest price - KCBOT July hard red winter wheat	August 15 to September 14 pre-harvest year	June
Spring Wheat counties with a 3/15 cancellation date	MGE September hard red spring wheat	February	August
Spring Wheat counties with a 9/30 cancellation date	Base price - KCBOT July hard red winter wheat Harvest price - MGE September hard red spring wheat	August 15 to September 14 pre-harvest year	August
Wheat - CA, ID, OR, UT, WA	Base price - CBOT September soft red winter wheat plus CBOT-PGE basis adjustment Harvest price - PGE soft white wheat	August 15 to September 14 pre-harvest year	August
Durum Wheat counties with a 3/15 cancellation date - ND, MT	Base price - MGE September hard red spring wheat plus MGE August top milling durum-MGE September hard red spring adjustment Harvest price - MGE top milling durum	February	August
Durum Wheat counties with a 10/31 cancellation date - AZ, CA	Base price - CBOT September soft red winter wheat plus MGE August top milling durum-CBOT September soft red winter wheat adjustment Harvest price - MGE top milling durum	September 15 to October 14 pre-harvest year	August

CBOT - Chicago Board of Trade
MGE - Minneapolis Grain Exchange
NYCE - New York Cotton Exchange

KCBOT - Kansas City Board of Trade
PGE - Portland Grain Exchange

CRC CORN LOSS CALCULATIONS FOR ONE ACRE

EXAMPLE 1: Harvest Price *more than* Base Price - Without a Production Loss

Approved APH yield = 150 bushels per acre Coverage Level = 75% Share = 100%
 Base Price = \$2.40 per bushel
 Harvest Price = \$3.30 per bushel
 Production to count = 112.5 bushels per acre
 Crop Value = Production to Count x Harvest Price = \$371
 Revenue Guarantee = APH x Coverage Level x (higher of Base Price or Harvest Price) x Share = \$371

Revenue Guarantee	-	Crop Value	=	CRC Indemnity
\$371	-	\$371	=	\$0

EXAMPLE 2: Harvest Price *more than* Base Price - With a Production Loss

Approved APH yield = 150 bushels per acre Coverage Level = 75% Share = 100%
 Base price = \$2.40 per bushel
 Harvest Price = \$3.30 per bushel
 Production to count = 90 bushels per acre
 Crop Value = Production to Count x Harvest Price = \$297
 Revenue Guarantee = APH x Coverage Level x (higher of Base Price or Harvest Price) x Share = \$371

Revenue Guarantee	-	Crop Value	=	CRC Indemnity
\$371	-	\$297	=	\$74

EXAMPLE 3: Harvest Price *less than* Base Price - Without a Production Loss

Approved APH yield = 150 bushels per acre Coverage Level = 75% Share = 100%
 Base Price = \$3.30 per bushel
 Harvest Price = \$2.40 per bushel
 Production to count = 112.5 bushels per acre
 Crop Value = Production to Count x Harvest Price = \$270
 Revenue Guarantee = APH x Coverage Level x (higher of Base Price or Harvest Price) x Share = \$371

Revenue Guarantee	-	Crop Value	=	CRC Indemnity
\$371	-	\$270	=	\$101

EXAMPLE 4: Harvest Price *less than* Base Price - With a Production Loss

Approved APH yield = 150 bushels per acre Coverage Level = 75% Share = 100%
 Base Price = \$3.30 per bushel
 Harvest Price = \$2.40 per bushel
 Production to count = 90 bushels per acre
 Crop Value = Production to Count x Harvest Market Price = \$216
 Revenue Guarantee = APH x Coverage Level x (higher of Base Price or Harvest Price) x Share = \$371

Revenue Guarantee	-	Crop Value	=	CRC Indemnity
\$371	-	\$216	=	\$155

INCOME PROTECTION

I. INTRODUCTION

Section 508(h)(6) of the Federal Crop Insurance Act (Act) directs the Federal Crop Insurance Corporation (FCIC) to offer a pilot cost of production insurance plan. The Act provides the following pilot parameters: 1) establish the pilot program beginning with the 1996 crop year; 2) offer the pilot program in enough counties to provide a comprehensive evaluation of the feasibility, effectiveness, and demand among producers; and 3) pay an indemnity when the gross income is less than the guaranteed income as a result of a reduction in price or yield resulting from an insured cause.

The actuarial development for Income Protection was conducted collaboratively by researchers at Montana State University, the Economic Research Service, and FCIC. The rating methodology reflects historic yield variation and variation in gross income due to yield and price movements during the crop year.

II. DESCRIPTION OF COVERAGE

The APH policy provides established procedure for setting yields, underwriting and yield measurement. Price fluctuations are measured by the difference in the average commodity price before insurance begins, "Projected price," and the price at harvest time, "Harvest price."

Producers choose the amount of revenue protection that meets their risk management needs by selecting either catastrophic coverage (CAT) or a coverage level between 50 and either 75 or 85 percent (depending on the crop and location). The IP revenue guarantee is the insured's selected coverage level times the APH yield times the Projected price. IP policyholders are indemnified when the harvested and appraised yield times the Harvest price is less than the guarantee. Producers may elect the CAT level of protection and pay only the \$60 administrative fee. No premium is due for CAT. For the 1999 crop year catastrophic risk protection equals 27.5 percent of your approved yield times 100 percent of the Projected price.

Insurance is provided only for an Enterprise unit that is all insurable acreage of the insured crop in the county in which the insured has an interest. The Enterprise unit APH yield is calculated using current APH rules.

Beginning with the 1999 crop year, Indexed IP is available on a limited basis. Indexed IP is identical to regular IP except for how the APH approved yield is calculated. This pilot program may provide a higher yield guarantee in areas that have experienced unusually low yields in recent years, resulting in current approved yields that may not reflect the expected yield of the crop. Indexing producer yields alleviates this problem. The indexing process uses county data to moderate the effect of unusually low yields. The approved APH yield for the Indexed IP policy is calculated by subtracting the average of the producer's reported yields at the enterprise unit level from the average of the county yields for the same years, and subtracting that difference from the county's expected yield for the current crop year.

III. IP PRICES AND INDEMNITY PAYMENTS

IP uses two prices to measure price fluctuation during the insurance period. Projected price establishes the revenue guarantee. Harvest price establishes the crop value to count against the revenue guarantee. IP prices are 100 percent (with the exceptions of barley and grain sorghum) of the average daily settlement price for the insured crop, futures contract or index, and period specified in the Crop Provisions or the Special Provisions. Indemnity payments are paid when the harvested and appraised production and Harvest price are determined.

IV. COVERED AND EXCLUDED EVENTS

The Income Protection policy provides insurance protection for unavoidable loss of revenue due to insured causes of loss, including low market prices. Exclusions are the same as the MPCCI policy. Additionally, coverage is not available for high risk land.

V. MARKET AVAILABILITY

For the 1999 crop year, IP is available in the following crop, state, county combinations.

Barley	Idaho	All counties EXCEPT Shoshone
	Minnesota	All counties EXCEPT Anoka, Blue Earth, Brown, Cook, Faribault, Freeborn, Jackson, Lake, Martin, Mower, Nicollet, Nobles, Ramsey, Waseca, and Watonwan
	Montana	All counties EXCEPT Lincoln
	North Dakota	All counties
	Oregon	All counties EXCEPT Clatsop, Coos, Curry, Hood River, Lincoln, and Tillamook
	South Dakota	Beadle, Brookings, Brown, Campbell, Clark, Codington, Corson, Day, Deuel, Edmunds, Faulk, Grant, Hamlin, Kingsbury, Lake, Lincoln, McCook, McPherson, Marshall, Miner, Minnehaha, Moody, Roberts, Spink, Turner, Union, Walworth, and Yankton
	Washington	All counties EXCEPT Jefferson
Corn	Illinois	All counties
	Indiana	All counties
	Iowa	Adair, Audubon, Cass, Dallas, Guthrie, and Shelby
	Maryland*	All counties
	New York*	All counties EXCEPT Bronx, Hamilton, Kings, Nassau, New York, Putnam, Queens, Richmond, Rockland and Westchester
	Pennsylvania*	All counties EXCEPT Philadelphia
North Carolina*	All counties	
Cotton	Alabama	Autauga, Lawrence, Limestone, and Madison
	Georgia	Brooks, Colquitt, Dooly, and Worth

Grain Sorghum	Texas	All counties EXCEPT Brewster, Camp, Cass, Cherokee, Crane, Crockett, Culberson, Ector, Edwards, Freestone, Gregg, Grimes, Hardin, Harrison, Henderson, Hopkins, Hudspeth, Jasper, Kendall, Kenedy, Kinney, Llano, Loving, Madison, Marion, Menard, Montgomery, Nacogdoches, Newton, Panola, Polk, Presidio, Rains, Real, Rusk, Sabine, San Augustine, San Jacinto, Shelby, Smith, Somervell, Sutton, Terrell, Trinity, Tyler, Upshur, Val Verde, Van Zandt, Walker, Ward, Winkler, and Wood
Soybeans	Arkansas	Arkansas, Ashley, Chicot, Clay, Conway, Craighead, Crawford, Crittenden, Cross, Desha, Drew, Faulkner, Franklin, Greene, Hempstead, Independence, Jackson, Jefferson, Johnson, Lafayette, Lawrence, Lee, Lincoln, Little River, Logan, Lonoke, Miller, Mississippi, Monroe, Perry, Phillips, Poinsett, Pope, Prairie, Pulaski, Randolph, Sebastian, Sevier, St. Francis, White, Woodruff and Yell
	Illinois	All counties
	Indiana	All counties
	Iowa	Adair, Audubon, Cass, Dallas, Guthrie, and Shelby
	Maryland*	All counties EXCEPT Garrett
	North Carolina*	All counties except Alleghany, Ashe, Clay, Graham, Haywood, Jackson, Macon, Madison, Mitchell, Swain and Yancey
Spring Wheat	Minnesota	All counties EXCEPT Carlton, Cook, Itasca, Lake, and Ramsey.
	Montana	Daniels, Roosevelt, Sheridan, and Valley
	North Dakota	All counties
	South Dakota	Beadle, Brookings, Brown, Campbell, Clark, Clay, Codington, Corson, Day, Deuel, Edmunds, Faulk, Grant, Hamlin, Kingsbury, Lake, Lincoln, McCook, McPherson, Marshall, Miner, Minnehaha, Moody, Roberts, Spink, Turner, Union, Walworth and Yankton
Winter Wheat	Montana	All counties EXCEPT Lincoln and Silver Bow
	Oregon	All counties EXCEPT Clatsop, Coos, Curry, Gilliam, Hood River, Lincoln, Morrow, Sherman, Tillamook and Wasco
	South Dakota	Aurora, Bennett, Bon Homme, Brule, Buffalo, Butte, Charles Mix, Custer, Davison, Dewey, Douglas, Fall River, Gregory, Haakon, Hand, Hanson, Harding, Hughes, Hutchinson, Hyde, Jackson, Jerauld, Jones, Lawrence, Lyman, Meade, Mellette, Pennington, Perkins, Potter, Sanborn, Shannon, Stanley, Sully, Todd, Tripp, and Ziebach

Washington All counties EXCEPT Clallam, Grays Harbor, Jefferson, Kitsap, Mason, Pacific, Pierce, Skamania, Thurston, Wahkiakum, and Whitman

* Indexed Income Protection

VI. RATING AND PRODUCER SUBSIDY

The rating methodology for Income Protection considers individual historic yield data, the relationship of the individual yields to county average yields for each year, and the correlation of national prices and county yields. The actuarial development for Income Protection was conducted collaterally by researchers at Montana State University, the Economic Research Service, and FCIC.

Premium subsidy for insureds selecting coverage at the 65 percent level or greater will receive a premium subsidy equal to 75 percent of the premium for the 50 percent coverage Income Protection. Insureds selecting less than the 65 percent coverage level will receive a subsidy equal to 55 percent of the premium for 50 percent coverage Income Protection.

Crop/State	Exchange and Futures Contract	Projected Price/Period	Harvest Price/Period
Barley-MN, MT, ND, and SD	CBOT September corn	85% of February	85% of August
Barley-ID, OR, and WA	CBOT September corn	85% of February	85% of July 15 through August 14
Corn-counties with a 2/28 S/C date (NC)	CBOT December	January 15 through February 14	November
Corn-counties with a 3/15 S/C date	CBOT December	February	November
Cotton	NYCE December	January 15 through February 14	November
Grain Sorghum	CBOT December corn	90% of February	90% of November
Soybeans-counties with a 2/28 S/C date (AR, NC)	CBOT November	January 15 through February 14	October
Soybeans-counties with a 3/15 S/C date	CBOT November	February	October
Winter Wheat-KS	CBOT July	August 15 through September 14	June

Winter Wheat-ID, OR, and WA	Projected price-CBOT September plus the “Portland basis” Harvested price-PGE	August 15 through September 14	August
Winter Wheat-MT and SD*	CBOT July	August 15 through September 14	June
Wheat (Spring) in MN, MT**, ND, and SD**	CBOT September	February	August

CBOT - Chicago Board of Trade
NYCE - New York Cotton Exchange

* The non Spring only counties of MT include all MT counties except Daniels, Roosevelt, Sheridan, and Valley. The non Spring only counties of SD include Aurora, Bennett, Bon Homme, Brule, Buffalo, Butte, Charles Mix, Custer, Davison, Dewey, Douglas, Fall River, Gregory, Haakon, Hand, Hanson, Harding, Hughes, Hutchinson, Hyde, Jackson, Jerauld, Jones, Lawrence, Lyman, Meade, Mellette, Pennington, Perkins, Potter, Sanborn, Shannon, Stanley, Sully, Todd, Tripp, and Ziebach.

** The Spring only counties of MT include Daniels, Roosevelt, Sheridan, and Valley. The Spring only counties of SD include Beadle, Brookings, Brown, Campbell, Clark, Clay, Codington, Corson, Day, Deuel, Edmunds, Faulk, Grant, Hamlin, Kingsbury, Lake, Lincoln, McCook, McPherson, Marshall, Miner, Minnehaha, Moody, Roberts, Spink, Turner, Union, Walworth, and Yankton.

Loss Calculations for One Acre:

ASSUME: APH yield: 118 bushels Projected Price: \$2.45 Coverage: 75%		
Actual Production History (APH)		Income Protection (IP)
Production guarantee: 118 bushels x 75% coverage level = 88.5 bu. Liability: 88.5 bu x \$2.45 indemnity price = \$216.83 Premium: \$12.68/acre		Amount of Protection: 118 bushels x \$2.45 x 75% coverage level = \$216.83 Premium: \$9.60/acre
Result: 50 bushels yield, \$3.20 price (low yield, high price)		
Harvest: 50 bushels x \$3.20 = \$160.00 Insurance: 38.5 bushels x \$2.45 = <u>\$ 94.33</u> Farmer revenue: \$245.33	Harvest: 50 bushels x \$3.20 = \$160.00 Insurance: \$216.83 - \$160 = <u>\$ 56.83</u> Farmer revenue: \$216.83	
Result: 100 bushels yield, \$1.80 price (high yield, low price)		
Harvest: 100 bushels x \$1.80 = \$180.00 Insurance: No payment <u>\$ 0.00</u> Farmer revenue: \$180.00	Harvest: 100 bushels x \$1.80 = \$180.00 Insurance: \$216.83 - \$180 = <u>\$ 36.83</u> Farmer revenue: \$216.83	

REVENUE ASSURANCE

I. INTRODUCTION

The Farm Bureau Mutual Insurance Company (Farm Bureau) developed Revenue Assurance (RA) and it was approved by the FCIC as a pilot project for the 1997 crop year. For 1999, RA provides coverage for corn in Illinois, Iowa, Minnesota, North Dakota, and South Dakota; for soybeans in Illinois, Iowa, and Minnesota; and for wheat in North Dakota.

II. DESCRIPTION OF COVERAGE

The APH policy provides established procedure for setting yields, underwriting and yield measurement. Price fluctuations are measured by the difference in the average commodity price before insurance begins, "Projected Harvest price," and the price at harvest time, "Fall Harvest price."

The RA unit revenue guarantee is the insured's selected coverage level times the APH yield for the unit times the Projected Harvest price. RA policyholders are due indemnities when the harvested and appraised yield times the Harvest price is less than the unit revenue guarantee.

RA policyholders must insure all the acreage of the insured crop in the county in which they have an interest. However, they may select from several unit organizations; basic, optional, enterprise, or whole farm. Basic units are determined by ownership, owner-operator and cash rent, or each sharing entity. Basic units can be subdivided into Optional units that are determined by location and/or production practice, and each proposed Optional unit must be supported by historic records of planted acreage and yield. RA provides a premium discount if the insured elects an Enterprise unit, which is all the acreage of the insured crop in the county in which the insured has a share. An additional premium discount is available when the insured elects the Whole farm unit, which is all the acreage of corn and soybeans in the county in which the insured has a share.

Replant payments will be made at the time of loss and will be based on the Projected Harvest price. Indemnity payments for producers choosing the Whole farm option will be made if the revenue at harvest from all the acreage of corn and soybeans in the county in which the insured has a share is less than the Whole farm revenue guarantee.

III. RA PRICES AND INDEMNITY PAYMENTS

RA uses two prices to measure price fluctuation. Projected harvest price establishes the revenue guarantee. Fall Harvest price establishes the crop value to count against the revenue guarantee, and is also used to recompute the revenue guarantee when the Fall Harvest Price Option is elected and the Fall Harvest price is higher than the Projected Harvest price. RA prices are 100 percent of the average daily settlement price for the insured crop, futures contract, and period specified in the Crop Provisions. Indemnity payments are paid when the harvested and appraised production and Harvest price are determined.

Crop/State	Exchange and Futures Contract	Projected Harvest Price/Period	Fall Harvest Price/Period
Corn	CBOT December corn	February	November
Soybeans	CBOT November soybeans	February	October
Wheat	MGE September wheat	August	February

CBOT - Chicago Board of Trade

MGE - Minneapolis Grain Exchange

IV. COVERED AND EXCLUDED EVENTS

The RA policy provides insurance protection for unavoidable loss of revenue due to insured causes of loss, including low futures market prices.

V. MARKET AVAILABILITY

For the 1999 crop year, RA is available in the following crop, state, county combinations.

Corn	Illinois	All counties
	Iowa	All counties
	Minnesota	All counties EXCEPT Cook and Ramsey
	North Dakota	All counties
	South Dakota	All counties EXCEPT Jackson and Madison
Soybeans	Illinois	All counties
	Iowa	All counties
	Minnesota	All counties EXCEPT Carlton, Cass, Cook, Hubbard, Itasca, Lake, St. Louis, and Wadena
	North Dakota	Barnes, Benson, Bottineau, Burleigh, Cass, Cavalier, Dickey, Eddy, Foster, Grand Forks, Griggs, Kidder, La Moure, McLean, Mountrail, Nelson, Pembina, Pierce, Ramsey, Ransom, Richland, Rolette, Sargent, Sheridan, Steele, Stutsman, Towner, Traill, Walsh, Ward, and Wells
South Dakota	Aurora, Beadle, Bon Homme, Brookings, Brown, Brule, Buffalo, Campbell, Charles Mix, Clark, Clay, Codington, Davison, Day, Deuel, Douglas, Edmunds, Faulk, Grant, Gregory, Hamlin, Hand, Hanson, Hughes, Hutchinson, Hyde, Jerauld, Kingsbury, Lake, Lincoln, McCook, McPherson, Marshall, Miner, Minnehaha, Moody, Potter, Roberts, Sanborn, Spink, Todd, Tripp, Turner, Union, Walworth and Yankton	
Wheat	North Dakota	All counties

VI. RATING AND PRODUCER SUBSIDY

RA premium rates are calculated by a rating model incorporating the variability and correlation of yield and price. Producer premiums are subsidized and the subsidy can not exceed the comparable APH premium subsidy.

1999 Side by Side Coverage Comparison

Feature	Crop Revenue Coverage (CRC)	Income Protection (IP)	Revenue Assurance (RA)
Unit organization	-Basic, optional, or enterprise units	Enterprise unit (all acreage of the insured crop in the county in which the insured has an interest)	Basic, optional, enterprise, or whole farm (all corn, soybean, and wheat acreage in the county in which the insured has an interest)
Basis for insurance guarantee	-Higher of: 1) APH yield x Base price; or 2) APH yield x Harvest price -Insurance guarantee increases when the Harvest Price exceeds the Base Price	APH yield x Projected price	-APH yield x Projected Harvest Price -Harvest Price Option-increases the guarantee when the Harvest Price exceeds the Projected Harvest Price
Maximum protection unit price increase	corn \$1.50 cotton \$0.70 grain sorghum \$1.50 rice \$0.05 soybeans \$3.00 wheat \$2.00	Not applicable	Not applicable
Reference commodity price	-95% of selected commodity contract traded on a commodity futures exchange, with Option to 100%. -Grain Sorghum is 90% of the corn futures, with Option to 95%	-For corn, cotton, soybeans and wheat, 100% of selected commodity contract traded on a commodity futures exchange -Grain Sorghum is 90% of the corn futures. -Barley is 85% of the corn futures	100% of selected commodity contract traded on a commodity futures exchange
Eligibility for High Risk Land	High risk land is eligible for coverage if elected by insured	High risk land is not eligible for coverage	High risk land is eligible for coverage if elected by insured
Coverage levels	- 50-75% in 5% increments, except 50-85% where 85% APH is available -CAT is not available	- 50-75 %, except 50-85% where 85% APH is available -CAT is 27.5%	- 65-75%, except 65-80% for Whole Farm units -CAT is not available
Hail and fire exclusion	Not available	Not available	Not available
Insured crops	Corn, cotton, grain sorghum, rice, soybeans and wheat	Barley, corn, cotton, grain sorghum, soybeans and wheat	Corn, soybeans, and spring wheat
Rating	APH base rate plus low price factor plus high price factor plus CRC factor	New rating model incorporating yield and price variability	New rating model incorporating yield and price variability and yield and price correlation

U.S. Department of Agriculture, Risk Management Agency, Revised March, 1999

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