



New Yield Protection, Revenue Protection, and Revenue Protection With Harvest Price Exclusion Insurance Plans

September 2011

New Common Crop Policy — Positive Changes

USDA's Risk Management Agency (RMA) released the new Common Crop Insurance Policy Basic Provisions and related Crop Provisions that will be the basis for insurance coverage starting with the 2011 crop year. The new policies combine the Actual Production History (APH), Crop Revenue Coverage (CRC), Revenue Assurance (RA), Income Protection (IP), and Indexed Income Protection (IIP) policies into one policy structure. The insurance plans above have been replaced by the Common Crop Policy. This policy is only available for **barley, canola/rapeseed, corn, cotton, grain sorghum, malting barley, rice, soybeans, sunflowers, and wheat**. The intended effect of this action is to offer producers a choice of revenue protection (protection against revenue loss caused by low prices, low yields, or a combination of both) or yield protection (protection for production losses only) within one set of Basic Provisions and the applicable Crop Provisions.

In addition, the new set of Basic Provisions also incorporates changes due to the 2008 Farm Bill and contains revisions to improve prevented planting and other provisions to better meet the needs of policyholders.

Combining Similar Policies

The new Basic Provisions and related Crop Provisions combine several different policies with similar features into one set of policies. The new policies keep the features that are most important to producers. The new policies simplify the insurance process by offering the producer choices within one policy structure instead of separate policies and are easier to understand.

Policies Automatically Convert

Crop insurance policies are continuous contracts, so active policies renew and automatically converted to the coverage closest to the type of policy in effect for the 2010 crop year. If a policyholder does not wish to make changes to his or her crop insurance policy for the crop year, then no additional paperwork is required. **The chart provided on page 2 describes how policies were converted to the new policy.** Both yield and revenue protection policies are now available under the new Basic Provisions and related Crop Provisions for: **barley, canola/rapeseed, corn, cotton, grain sorghum, malting barley, rice, soybeans, sunflowers, and wheat.**

Insurance Plans Available Under the New Common Crop Policy

- **Revenue Protection Plan:** provides protection against production loss, price decline or increase, or a combination of both.
- **Revenue Protection Plan With Harvest Price Exclusion:** provides protection against production loss, price decline, or a combination of both.
- **Yield Protection Plan:** provides protection against production loss for which revenue protection is available but is not chosen.

Both the Yield Protection plan and the APH insurance plan provide protection against production loss only. The Yield Protection plan was established for crops that have both yield and revenue protection available and utilize the commodity exchange markets for price discovery. Producers can find price discovery information for crops under this plan of insurance at: <http://www.rma.usda.gov/tools/pricediscovery.html>

The APH insurance plan continues for crops that do not have revenue protection plans available. These crops utilize price elections set by RMA.

Price Determination

Commodity Exchange Price Provisions

The Revenue Protection plan, the Revenue Protection plan with Harvest Price Exclusion, and the Yield Protection plan will use prices from regional commodity exchanges to determine projected price. The projected price is used to establish the insurance guarantee and premium for the crop and the harvest price. The harvest price is used to value production-to-count under the Revenue Protection plan. This pricing method is new to policies converting from the APH plan to the Yield Protection plan. The price discovery periods, release dates, exchange prices, and other important pricing information related to these plans can be found in the Commodity Exchange Price Provisions (CEPP). The CEPP is available from a crop insurance agent or on the RMA Web site: <http://www.rma.usda.gov>

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Insurance Plan Conversion Chart

For the 2011 crop year, CRC, RA, IP, IIP, and APH insurance plans - covering **barley, canola/rapeseed, corn, cotton, grain sorghum, malting barley, rice, soybeans, sunflowers, and wheat** - were converted as follows:

2010 Crop Year Policy

Converted 2011 Crop year To:

**Crop Revenue Coverage
Revenue Assurance**
with Fall Harvest Price Option



Revenue Protection

Revenue Assurance
without Fall Harvest Price Option

**Income Protection
Indexed Income Protection
Catastrophic Risk Protection Income
Protection/Indexed Income Protection**



Revenue Protection with Harvest Price Exclusion

Actual Production History
(including CAT Endorsement)



Yield Protection

Policy conversion is entirely automated, and no paperwork or further action is needed unless the policyholder wishes to make changes to the policy.

Definitions

Commodity Exchange Price Provisions (CEPP) — A part of the policy that is used for all crops for which revenue protection is available, regardless of whether the producer elects revenue protection or yield protection for such crops. This document includes the information necessary to determine the projected price and the harvest price for the insured crop, as applicable.

Harvest Price — A price determined according to the CEPP and used to value production-to-count for revenue protection.

Harvest Price Exclusion — Revenue protection with the use of the harvest price excluded when determining the revenue protection guarantee.

Projected Price — The price for each crop determined according to the CEPP. The applicable projected price is used for each crop for which revenue protection is available, whether the policyholder elects revenue protection or yield protection for the crop.

Revenue Protection — An insurance plan that provides protection against revenue loss due to a production loss, price decline or increase, or a combination of both. If the harvest price exclusion is elected, the insurance coverage does **NOT** provide protection against revenue loss due to a price increase.

Revenue Protection Guarantee (per acre) — For revenue protection only, the amount determined by multiplying the production guarantee (per acre) by the greater of the projected price or the harvest price. If the harvest price exclusion is elected, the production guarantee (per acre) is only multiplied by the projected price.

Yield Protection — An insurance plan that only provides protection against a production loss and is only available for crops for which revenue protection is available.

Yield Protection Guarantee (per acre) — When yield protection is selected for a crop that has revenue protection available, the amount is determined by multiplying the production guarantee by the projected price.

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Price Elections: Established and Additional Prices

The APH insurance plan uses price elections to place values on the crop. Price elections are set by RMA and released as “established” and “additional” price elections.

Dollar Amounts of Insurance

Dollar insurance plans have dollar amounts of insurance set by RMA and released with the actuarial documents.

Visit an Insurance Agent

Producers should visit with an agent early in the sales season to discuss how the new changes may affect their farming operation. A list of crop insurance agents is available at all USDA Service Centers throughout the United States or at the RMA Web site: <http://www3.rma.usda.gov/tools/agents/>

Contact Us

USDA/RMA
Mail Stop 0801
1400 Independence Ave., SW
Washington, DC 20250-0801
<http://www.rma.usda.gov>
rma.cco@rma.usda.gov

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