Farm Management

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Crop Revenue Coverage (CRC) is an insurance program that guarantees a stated amount of revenue. CRC (like Income Protection) provides comprehensive protection through a dollar guarantee based on Commodity futures prices. CRC protects a producer

from loss of revenue resulting from low prices, low yields, or a combination of the two. Since the protection of the producer's revenue is the primary objective, CRC contains provisions addressing both yield and price risks. An additional feature of CRC is that it provides replacement value protection. This works because the insurance guarantee

increases if the Harvest Price exceeds the Base Price. Unlike MPCI coverage, with a CRC policy, the producer does not necessarily have to experience an insurable yield loss to receive an indemnity payment.

CRC Procedures

CRC has the same acreage and production reporting dates, optional units and quality adjustment enhancements as MPCI. An enterprise discount is available if basic and optional units are combined. An enterprise unit is all insurable acreage of the insured crop in the county in which the producer has a share on the date coverage begins for the crop year. An enterprise unit must consist of two or more basic units (or two or more optional units) of the same insured crop that are located in two or more separate sections, section equivalents, or FSA farm serial numbers. With enterprise units, the producer must maintain any required production records on a basic or optional unit basis.

How CRC Works?

CRC is available for corn and soybeans in Pennsylvania. Prior to sales closing, the producer and his local insurance agent establish a Minimum Guarantee per acre. This is based on the producer's approved yield, a Base Price (established using the appropriate harvest futures contract), and the farmer's selected coverage level. Producers can choose coverage levels ranging between 50 and 75 percent. In selected established counties, coverage up to 85 percent is also available.

Additionally, a Harvest Guarantee is established at harvest using the approved yield (same as the MPCI policy), the Harvest Price (established using the appropriate futures contract), and the farmer's selected coverage level. Once the crop is harvested, the

producer's actual yield is multiplied by the Harvest Price, resulting in the Calculated Revenue.

The Final Guarantee is the greater of the Minimum or Harvested Guarantees. The Calculated Revenue is compared with the Final Guarantee; if the Calculated Revenue is less than the Final Guarantee, the farmer is paid the difference as an indemnity payment.

Base and Harvest Price

The Base Price is an average of the daily settlement prices during the month of Febuary on the CBOT. The Harvest Price is an average of the daily settlement prices for the November futures contract. The Harvest Price is used to determine the Harvest Guarantee and Calculated Revenue. The Harvest Price cannot exceed or fall below the

Base Price by more than $1.50 per bushel on corn and $3.00 per bushel on soybeans. (The Harvest Price IS NOT the price a producer receives for his crop at the local elevator.)

What is the CRC Price Percentage?

The farmer selects a Price Percentage that is multiplied times the relevant monthly averages for the Base and Harvest Prices to calculate the CRC policy's final Base and Harvest Prices. Farmers may select 100 percent or 95 percent as the Price Percentage for their policy. If the farmer has never selected a Price Percentage, then the policy's Price Percentage defaults to 95 percent.

Examples

In this next section, lets look at how CRC would perform under different combinations of higher or lower prices and normal or reduced yields.

Example 1.

Harvest price ends up higher than the Base Price—With a 34 Percent Production Loss

Approved APH yield = 70 bushels per acre

Coverage Level = 65%

Base Price = $2.20 per bushel

Harvest Price = $3.00 per bushel

Production = 46 bushels per acre

Crop Value = Production times Harvest Price = $138.00

Revenue Guarantee = Approved APH yield times Coverage Level times the higher of Base Price or Harvest Price

Revenue Guarantee = $136.50

Revenue Guarantee - Crop Value = CRC Indemnity

$136.50 - $138.00 = $0.00

In example 1, prices were higher at the time of the harvest price calculation than at the time of the base price calculation. As a result, the revenue guarantee increased from $100.10 to $136.50. However, the combination of the 46 bushel yield and the $3.00 price provided a revenue of $138 per acre which was slightly above the guarantee of $136.50, resulting in no CRC indemnity being paid out

Example 2.

Harvest ends up higher than Base Price — With a 57 Percent Production Loss

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