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Interest in revenue-based risk management continues to surge

By Sara Wyant, Agri-Pulse Editor

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While the Senate considers whether or not USDA should offer revenue-based farm programs and change crop insurance subsidies, farmers seem to be “voting” at least some of their preferences with their pocketbooks. Analysis of Risk Management Agency (RMA) sales data over the last seven years, indicates that interest in revenue-based coverage continues to surge in popularity.

Faced with increased risk and price variability, farmers are increasingly moving away from traditional multi-peril crop insurance policies that provide coverage solely against production losses to those that protect against both yield and price risks. The number of Actual Production History (yield-only) policies sold in the last seven years (2001 to 2007) has dropped by over 300,000 policies covering over 46 million fewer acres. At the same time, revenue-based policies such as Crop Revenue Coverage and Revenue Assurance, and group risk policies, have surged in popularity --- picking up most of the APH yield policy acreage.

Part of the switch could be attributed to changes made in 2001, when the provisions of the Agricultural Risk Protection Act (ARPA) fully came into force that made revenue based policies more affordable, and more recent fluctuations in intra-year crop price changes increasing the importance of revenue protection as well as yield protection, says Tim Hoffmann, with USDA’s Risk Management Agency (RMA). In addition, coverage was expanded to more states and crops for the Group Risk Income Protection (GRIP) plan of insurance, along with adding a harvest revenue option.

“Producers whose crop yields tend to follow county yields and who are interested in price protection, as well, may have found that option on GRIP to be very attractive,” adds Hoffmann.

Traditional yield protection policies may never go away, but RMA is working to combine the yield and revenue products into a single policy. This so-called “combo” policy is targeted to be available in 2010, if RMA can obtain the necessary funding needed to make critical enhancements to its current automated processing systems.

According to Hoffmann, “Crop insurance is a vital part of the farm safety net and is able to provide farmers with effective protection against both yield and price risks. With the availability

of various plans of insurance and coverage options, farmers can tailor coverage to provide the most effective protection for their individual farming operation.”

Insurance Plan	2001		2002		2003	
	Policies Sold	Net Acres	Policies Sold	Net Acres	Policies Sold	Net Acres
APH	1,195,520	110,212,496	1,138,805	105,773,894	1,060,260	89,474,857
CRC	514,239	75,688,904	419,491	55,434,288	413,813	53,088,382
RA	54,111	10,973,369	189,610	36,916,389	330,394	57,818,914
GRIP	3,101	724,209	3,486	805,681	5,254	1,184,680
GRP	13,494	8,089,972	15,308	11,124,855	16,545	12,429,783

Insurance Plan	2004		2005		2006		2007	
	Policies Sold	Net Acres	Policies Sold	Net Acres	Policies Sold	Net Acres	Policies Sold	Net Acres
APH	991,627	75,684,148	984,273	80,433,616	927,305	67,224,436	871,378	63,656,917
CRC	466,481	60,735,666	422,732	51,398,693	468,611	60,205,745	460,283	59,609,361
RA	409,039	65,254,305	431,084	68,270,888	427,709	66,553,150	469,085	73,782,591
GRIP	10,834	2,568,447	24,001	5,752,238	51,116	11,690,334	47,331	10,885,699
GRP	19,701	13,785,624	24,323	37,214,892	21,679	33,859,404	19,682	32,447,462

Source: RMA Business Summaries as of December 3, 2007

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