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RightRisk™

Dates to Remember

RI-PRF Coverage:
November 15th, 2016 for 2017 crop year coverage

Acreage Reporting:
- November 15th

Annual Forage (spring planted):
- December 15th

Spring-planted crops sales deadline:
- March 15, 2017

For more information see:
http://www.rma.usda.gov
http://www.fsa.usda.gov

How Much Risk is Right for You?

RightRisk News

2015 United States Crop Insurance Summary

Crop insurance indemnities were down nationally in 2015 compared to 2014. The data (see Table 1) shows the number of policies on which premiums were paid held steady from 2014 to 2015 but the number of policies indemnified dropped almost 24 percent from 446,212 to 340,319.

Overall, the loss ratio (Indemnities/Premiums) was 0.64 in 2015 compared to 0.91 in 2014. Lower commodity prices led to lower premiums at the beginning of year but those lower prices also led to a smaller drop in market prices during the 2015 crop year, as compared to 2014. Coupled with good production conditions on a national basis, this led to a much lower loss ratio in 2015.

The 2015 loss ratio of 0.64 (64 cents paid out for every premium dollar received) is the lowest since 2011 (0.56).

Producers are reminded that when the insurance loss ratio is high, things are usually not going very well. Either yields have been severely impacted by drought or prices are declining rapidly. Drought conditions were not widespread in 2015 and we saw low prices in 2015 but not rapidly declining prices for most crops.

Most crop producers chose to insure using Revenue Protection (RP) that insures against declines in revenue, regardless of whether it resulted from declines in prices or yields or both (Table 2).

Other significant choices included RP with harvest price exclusion (RPHPE), Yield Protection (YP), and the conventional Actual Production History (APH)-based policies for crops where RP and YP are not available.

Table 1

Crop Year	Number of Policies Sold	Policies Earning Premium	Policies Indemnified	Total Premiums	Total Indemnities	Loss Ratio
2011	2,065,655	1,151,986	395,701	$12 billion	$10.9 billion	0.91
2012	2,104,980	1,173,998	495,291	$11.1 billion	$17.5 billion	1.57
2013	2,192,114	1,224,212	482,964	$11.8 billion	$12.1 billion	1.02
2014	2,211,401	1,206,837	446,212	$10 billion	$9.1 billion	0.91
2015	2,238,183	1,204,238	340,319	$9.8 billion	$6.3 billion	0.64

Single peril plans had higher loss ratios in 2015, not because they provided better protection, but because their premiums did not include price loss protection that turned out as largely unneeded in 2015.

Table 2: 2015 Crop Insurance Plans

Insurance Plan	Number of Policies Sold	Policies Earning Premium	Policies Indemnified	Total Premiums	Total Indemnities	Loss Ratio
APH	213,340	72,415	16,437	$853 million	$969 million	1.13
RP	1,494,328	903,259	256,579	$7.6 billion	$4.4 billion	0.57
RPHPE	11,333	8,022	1,929	$40.7 million	$36.3 million	0.89
YP	392,311	141,160	33,125	$457 million	$477 million	1.04

The four major crops in terms of policies sold included corn, soybeans, wheat, and grain sorghum (Table 3).

Among those, wheat had the highest loss ratio in 2015 matching the indemnity total for soybeans despite only having about 60 percent of number of policies sold.

Risk Management Profile

Early fall on the Z-F Ranch found owners Bob and Betsy Zomer assessing risk management strategies for their cow-calf and yearling operation. The Zomers are situated on 12,000 acres of pasture and 200 acres of native hay in Fremont County. Both husband and wife were concerned about the coming production year. This year's late summer and early fall had been dry, and they were worried it would carry over into next year.

The Zomers looked at several options for addressing their production risks. They could: 1. Buy alfalfa hay, 2. Rent additional pasture, 3. Send the yearlings to a custom feed yard, 4. Use the new Rainfall Index Pasture, Rangeland, Forage (RI-PRF) insurance, or 5. Insure against drought using Non-insured Crop Disaster Assistance Program (NAP) coverage.

To read more see: RightRisk.org > Resources > Risk Management Profiles

2015 United States Crop Insurance Summary continued from pg. 1

Forage and livestock insurance programs (Table 4) include: Livestock Risk Protection (LRP) for feeder cattle, fed cattle, swine, and lamb; Livestock Gross Margin (LGM) for beef, dairy, and swine; and, Rainfall Index (RI) for Pasture, Rangeland, and Forage (PRF) and Annual Forage.

Table 3: 2015 Major Crops

Insuranced Crop	Number of Policies Sold	Policies Earning Premium	Policies Indemnified	Total Premiums	Total Indemnities	Loss Ratio
CORN	569,589	383,074	81,466	$3.7 billion	$1.7 billion	0.45
SOYBEANS	534,617	370,096	88,146	$2.1 billion	$1.2 billion	0.55
WHEAT	344,087	188,451	87,785	$1.3 billion	$1.2 billion	0.95
GRAIN SORGHUM	173,052	47,906	11,317	$256 million	$83.9 million	0.33

In 2015, the Vegetative Index (VI) – PRF was also available in some states for the last time, before being replaced by RI-PRF.

Whole Farm Revenue Protection (WFRP) was available throughout much of the country in 2015 and is now available in every county in the nation. These programs are underutilized compared to insurance programs for the major crops and may provide an avenue for producers to better manage their risk.

Table 4: 2015 Forage and Livestock Programs

Insurance Plan	Number of Policies Sold	Policies Earning Premium	Policies Indemnified	Total Premiums	Total Indemnities	Loss Ratio
LRP	7,622	1,565	814	$9.6 million	$10.3 million	1.08
LGM	2,163	844	471	$23.3 million	$19 million	0.81
RI/VI	28,770	23,178	18,401	$247 million	$158 million	0.64
WFRP	1,127	1,111	275	$54 million	$53 million	0.99

Producers are reminded that sales closing dates for many of these programs will be arriving soon including a November 15 sales closing date for RI-PRF and a December 15 sales closing date for Annual Forage (spring planted).

RightRisk™

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