

Revenue Assurance For North Dakota

Description of Coverage and Side-by-Side Comparison with Competing Revenue Products

I. INTRODUCTION

The Farm Bureau Mutual Insurance Company (Iowa Farm Bureau) developed Revenue Assurance (RA) at the request of elected member representatives. It was introduced into North Dakota at the request of the North Dakota Farm Bureau. Revenue Assurance covers corn, soybeans, and wheat. RA protects a producer's crop revenue whenever low prices or low yields, or a combination of both, cause the crop revenue to fall below the guaranteed revenue level. RA is available for basic units, optional units, enterprise units, and whole-farm units.

II. DESCRIPTION OF COVERAGE

The coverage and exclusions of RA are similar to those for the standard Multiple Peril Crop Insurance (MPCI) policy. However, MPCI provides coverage for loss of production, whereas RA provides coverage to protect against loss of revenue caused by low prices or low yields or a combination of both.

Revenue Assurance has available the fall harvest price option, which uses the greater of the fall harvest price or the projected harvest price to determine the crop revenue guarantee.

The per-acre revenue guarantee is selected by a producer for enterprise or whole-farm units. The producer must select a coverage level percent for basic and optional units. The minimum allowable coverage level is 65 percent and the maximum allowable is 75 percent for basic, optional, and enterprise units, and 80 percent for a whole-farm unit.

The projected harvest price for corn is the simple average of the final daily settlement prices in February for the Chicago Board of Trade (CBOT) December corn futures contract. For soybeans, the projected harvest price is the simple average of the final daily settlement prices in February for the CBOT November soybeans futures contract. For wheat, the projected harvest price is the simple average of the final daily settlement prices in February for the Minneapolis Grain Exchange (MGE) September wheat futures contract. The crop projected harvest price is used in determining the crop (1) per-acre revenue guarantee, (2) replant payment, and (3) prevented planting payment if the fall harvest price option is not selected. If the fall harvest price option is selected, then the per-acre revenue guarantee and the prevented planting payments are based on the greater of the fall harvest price or the projected harvest price.

Crop revenues are measured by multiplying the production to count on the insured unit by the fall harvest price. The fall harvest price for corn is the average daily settlement price for November for the CBOT December corn futures contract. The fall harvest price for soybeans is the average daily settlement price for October for the CBOT November soybeans futures contract. The fall harvest price for wheat is the average daily settlement price for August on the September MGE hard red spring wheat futures contract.

Indemnity payments will be made when the fall harvest price and all of the production to count are determined. The fall harvest price will be released by November 5 for soybeans, December 5 for corn, and September 5 for wheat. Indemnity payments for producers choosing the whole-farm unit will be made if the revenue (crop production to count times the crop fall harvest price times your respective share) at harvest from corn, soybean, and wheat crops is less than the whole-farm revenue guarantee. Replant payments will be made at the time of loss and will be based on the projected harvest price.

III. COVERED AND EXCLUDED EVENTS

The RA policy provides insurance protection for loss of revenue due to unavoidable causes of loss, including a decline in crop prices.

IV. MARKET AVAILABILITY

RA coverage is available for corn, soybeans, and wheat in North Dakota.

V. SIDE BY SIDE COVERAGE COMPARISON

Feature	Crop Revenue Coverage (CRC)	Income Protection (IP)	Revenue Assurance (RA)
Crops with revenue protection available in North Dakota	Corn, Soybeans, Grain Sorghum, and Wheat	Corn, soybeans, and wheat in selected counties	Corn, soybeans, and spring wheat.
Unit structure	Basic, Optional, and Enterprise	Enterprise unit (all acreage of the insured crop in the county in which the insured has an interest).	Basic, optional, enterprise, and whole farm. Whole farm coverage includes all of the corn, soybeans, and wheat in the county in which the insured has an interest.
Price reference for insurance guarantee	100 or 95 percent of the applicable base or harvest price (see Crop Provisions). Insurance guarantee may increase during the insurance period.	100 percent of projected price (see Crop Provisions).	100 percent of the CBOT/MGE projected price (see Crop Provisions). Insurance guarantee may increase during the insurance period.
Maximum upward price movement for insurance guarantee	\$1.50 per bushel for corn, \$3.00 for soybeans, and \$2.00 for wheat.	Not applicable.	None.
Coverage level percents	50 - 75 percent in 5 percent increments. 50 - 85 percent for certain crops in selected counties.	50 - 75 percent in 5 percent increments. 50 -85 percent for certain crops in selected counties.	65 - 75 percent for basic, optional and enterprise units; 65 – 80 percent for whole-farm units.
Basis for insurance guarantee	Higher of: 1) minimum guarantee (APH yield x coverage level x base price x price percentage); or 2) harvest guarantee (APH yield x coverage level x harvest price x price percentage). Insurance guarantee may increase during the insurance period.	APH yield x coverage level x projected price (spring commodity price).	APH yield x coverage level x projected harvest price. If fall harvest price option selected and fall harvest price is greater than projected harvest price: APH yield x coverage level x fall harvest price.
Rating	APH base rate x CRC base rate factor x low price factor x high price factor.	New rating model incorporating yield and price variability.	New rating model where yield variability is based on APH rates, and price variability based on CBOT/MGE options contracts.
Eligibility for insureds with special rating:			
High Risk Land	Eligible for coverage	Not eligible for coverage	Eligible for coverage
Hail and fire exclusion	Not available	Not available	Not available