



United States Department of Agriculture  
Risk Management Agency

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## 2005 COMMODITY INSURANCE FACT SHEET

# Corn—Indexed Income Protection North Carolina

### Crop Insured

**Indexed Income Protection (IIP)** coverage for corn is available in North Carolina and provides coverage against production losses and price declines.

### Counties Available

This plan of coverage is available in all counties where the APH plan of insurance for corn is offered.

### Causes of Loss

Adverse weather conditions<sup>1</sup>  
Failure of irrigation water supply<sup>2</sup>  
Fire  
Harvest price less than projected price  
Insects<sup>3</sup>  
Plant disease<sup>3</sup>  
Wildlife

<sup>1</sup>Natural perils including hail, frost, freeze, wind, drought, and excess moisture. <sup>2</sup>If due to an insurable cause of loss. <sup>3</sup>Does not include damage due to insufficient or improper application of recommended control measures.

### Insurance Period

Coverage usually begins when the crop is planted and ends at the earliest of: (1) total destruction of the crop, (2) harvest of the crop, (3) final adjustment of a loss, (4) abandonment of the crop, (5) December 10 following planting.

### Indexing

The IIP plan compares and indexes an individual's yields to the county yields for a base period of up to ten years. Indexing may result in the insurance yield being greater or less than the producer's actual average yield.

### Important Dates

Sales Closing .....February 28, 2005  
Acreage Report Date..... June 30, 2005  
Final Planting Date..... May 15, 20, or 31, 2005

Note: Consult a crop insurance agent for the specific final planting date in your county.

### Definitions

**Enterprise Unit**— All acreage of your crop within the county, regardless of share (no basic or optional units)

**Projected Price**—The price that determines the dollar guarantee is the average of the daily settlement prices for Chicago Board of Trade (CBOT) December corn futures contracts during the period January 15—February 14 of the crop year.

**Harvest Price**— The price that determines revenue-to-count and indemnity is the average of the daily settlement prices for CBOT December corn futures contracts during the month of November of the crop year.

Year	Projected Price	Harvest Price
2005	2.29	*
2004	2.75	1.99
2003	2.42	2.37

\* Available in early December 2005

## IIP Yield Determination Example—Corn

County Average Yield	Individual Average Yield	Year
103	115	2000
90	76	2001
95	51	2002
98	114	2003
109	94	2004
495	450	Total
÷ 5	÷ 5	No. Years
99	90	Avg Yld

Yield difference = 9

County average yield – individual average yield = 99 – 90 = 9

IIP approved yield = 100

Expected county yield (most recent county yield) – yield difference = 109 – 9 = 100

Note: Observe that the IIP approved yield in this scenario exceeds the grower's original average yield; however, this may not always be the case. Depending upon the situation, the IIP yield could possibly be less than the producer's average yield. Obtain guarantee and premium quotes for all plans (IIP, CRC, APH, RA, etc.) to determine which plan is most suitable for you.

## Insurance Unit

Under the IPP plan, acreage may only be insured as an **enterprise unit**. An enterprise unit combines all your corn in the county into one county-wide unit, regardless of ownership, share, or rental arrangement.

## Loss Example

This example assumes an IIP approved yield of 100 bushels per acre, a projected price of \$2.80, and a harvest price of \$2.20.

100	Bushels per acre IIP approved yield
x .65	Coverage level
65	Bushels per acre guarantee basis
x \$2.80	Projected price per bushel (2004 price)
\$182	Dollar guarantee per acre
– \$110	Revenue-to-count (50 bushels per acre produced x \$2.20 harvest price)
\$72	Indemnity per acre
– \$4	Estimated cost to producer per acre
<b>\$68</b>	<b>Net indemnity per acre</b>

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