



United States Department of Agriculture  
Risk Management Agency

October 2006

## 2007 COMMODITY INSURANCE FACT SHEET

# Wheat—Crop Revenue Coverage Pennsylvania

### Crop Insured

Wheat grown for grain may be insured under the Crop Revenue Coverage (CRC) plan of insurance if planted on insurable acreage located in a county with applicable actuarial documents. Any wheat acreage that is inter-planted with another crop or planted into an established grass or legume is not insurable.

**CRC** provides protection against a decline in market prices as well as a shortfall in production. The guarantee is in dollars and a loss situation occurs when the dollar value of your production falls below your dollar guarantee. CRC offers protection whether prices rise or fall:

- In most years when the price usually declines as harvest approaches, you are guaranteed a pre-determined amount of income per acre;
- In a year of rising prices, a production shortfall would be compensated at the higher market-based harvest price. This is critical if any lost production must be replaced at higher market prices to fulfill delivery on a forward contract.

### Counties Available

Wheat CRC is available in most PA counties.

### Causes of Loss

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

<sup>1</sup>Natural perils such as hail, drought, and excess precipitation. <sup>2</sup>If caused by an insured peril during the insurance period. <sup>3</sup>But not damage due to insufficient or improper applications of control measures.

### Insurance Period

Coverage begins when the wheat is planted and ends at the earliest of: (1) total destruction of the crop, (2)

harvest of the crop, (3) abandonment of the crop, (4) final adjustment of a claim, (5) October 31, 2007.

### Reporting Requirements

You must notify your agent or insurance company representative within 72 hours of discovery of any damage to your wheat crop. If crop damage is initially discovered during harvest, you must notify your agent immediately and leave representative samples of the unharvested crop at least 10 feet wide and extend the entire length of the field. If you expect a revenue loss on the unit, you must give notice no later than 45 days after the harvest price is released.

### Important Dates

Sales Closing .....	September 30, 2006
Final Planting Date .....	October 20, 2006
Acreage Report Due.....	November 15, 2006
End of Insurance .....	October 31, 2007
	Southeastern Pennsylvania <sup>1</sup>
Final Planting Date .....	October 31, 2006

<sup>1</sup>Adams, Berks, Bucks, Chester, Cumberland, Dauphin, Franklin, Lancaster, Lebanon, Lehigh, Montgomery, Northampton, Perry, Schuylkill, and York counties.

### Definitions

**Average APH Yield**—Your average yield per acre based on your actual production history (APH), county yields, or other adjusted yields if appropriate.

**Base Price**— The price that determines your minimum guarantee and premium, based on the average daily price of Chicago Board of Trade (CBOT) July soft red winter wheat futures contracts during the period August 15-September 14, 2006.

**Coverage Level**—You select a percentage (from 50 percent to 85 percent) that determines your actual amount of protection.

**Minimum Guarantee** — Your guaranteed minimum dollar amount of protection per acre determined as follows:

Average APH yield X base price X coverage level  
 Example: 60 bushels per acre X \$3.40 X .75 =  
 \$153 per acre minimum guarantee

**Harvest Price** — The price (at harvest time), used to determine calculated revenue and harvest guarantee, is based on the average daily price of CBOT September soft red winter wheat futures contracts during the period July 15 — August 14, 2007.

**Harvest Guarantee** — Average APH yield X harvest price X coverage level  
 Example: 60 bushels per acre X \$3.00 X .75 =  
 135 per acre harvest guarantee

**Calculated Revenue** — Value of your actual production determined as follows:  
 Bushels of production X harvest price.

Example: 20 bushels per acre produced X \$3.00 =  
 \$60 per acre calculated revenue

(Note: The actual price you receive for selling your crop is **not** a factor in CRC calculations.)

**Final Guarantee** — The larger of the minimum or harvest guarantee.

(Note: Your premium will **not** increase if final guarantee is higher than the minimum guarantee.)

**Indemnity** — Final guarantee – calculated revenue  
 Example: \$153 – \$60 = \$93 per acre indemnity

## Price Elections

YEAR	BASE PRICE*	HARVEST PRICE**
2007	\$4.35	**
2006	\$3.50	\$3.92
2005	\$3.40	\$3.30

\*Available after September 14, 2006.

\*\* Available after August 14, 2007.

Price elections will be posted on the RMA website at:  
<http://www3.rma.usda.gov/apps/pricesinquiry/>

## Insurance Units

Insurable acreage is grouped into one or more units based on your selection of one of the following:

**Basic Unit:** A basic insurance unit includes all your wheat acreage in the county by share arrangement. Premiums are reduced 10 percent for basic units.

**Optional Units:** If qualified, you may further divide a basic unit into optional units by farm serial number or irrigated/non-irrigated land. The 10-percent basic unit premium discount will not apply.

**Enterprise Unit:** An enterprise unit combines all your wheat in the county into one county-wide unit, regardless of ownership, share, or rental arrangement. A premium discount will apply, based upon the number of insured acres. You must qualify for two or more basic/optional units to be eligible.

## Loss Example

This example assumes an average yield of 60 bushels per acre, base price of \$4.35, harvest price of \$4.00, basic units, 75-percent coverage level.

60	Bushels per acre average APH yield
<u>x .75</u>	Coverage level
45	Bushels per acre guarantee basis
<u>x 4.35</u>	Base price per bushel
\$195.75	Minimum guarantee per acre

After the harvest price is announced in mid-August, a harvest guarantee will be calculated. The final guarantee becomes the higher of the minimum guarantee or the harvest guarantee.

\$180.00	Harvest guarantee per acre (45 bushels per acre X \$4.00 harvest price)
\$195.75	Final guarantee per acre (higher of minimum or harvest guarantee)
<u>– 80.00</u>	Calculated revenue (20 bushels per acre produced X \$4.00 harvest price)
115.75	Gross indemnity per acre
<u>– 8.00</u>	Estimated premium per acre
<b>\$107.75</b>	<b>Net indemnity per acre</b>

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