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“We could see the yield was so low it was not worth combining,” says Cragen. After measuring the field and making a systematic determination of the amount of actual corn there, Saunders agrees. For the record, the yield for Cragen’s entire 120 acres was a measly 9 bushels per acre. Cragen will receive an insurance payment on the field based on a percentage of his average yield times a fall market price for corn.

In all, Saunders, 29, processed the claims of more than 200 farms last fall and winter. While the crop losses were large, few if any of his customers will face the loss of their business, owing to the fact that insurance at least covered all their expenses—if not a portion of their revenue—and allowed them to plant again this spring.

“People are very happy to see us,” says Saunders, whose schedule from September into January had him on the road for 12 hours a day, with more paperwork awaiting him after dinner. Saunders understands the need to process claims as quickly as possible. He farms with his father, Phillip, and younger brother Chris near Shelbina, Mo. (See “History Means a Lot” on page 25.) “Adjustors are the main point of contact for the insurance company,” he says. “We see the fields. We see the crops. I’m one of the main reasons someone gets their check to cover losses.”

The crop insurance program is sponsored and largely underwritten by USDA’s Risk Management Agency (www.rma.usda.gov), although it is sold and administered by more than a dozen private insurance companies such as Great American. Nearly 85% of eligible farmland—about 281 million acres—was covered by \$116 billion worth of crop insurance in 2012.

More than 60% of a premium’s cost is paid by taxpayer subsidy. The harsh reality is that if farmers had to pay the entire cost of an actuarially sound crop insurance program, few could afford it because premiums would be so expensive.

Last year, drought baked huge sections of the Midwest and Southern Plains. Subsidies paid nearly \$7 billion of the more than \$11 billion spent on crop insurance payments. To help cover the cost of increasing insurance subsidies, the federal government has purposefully shifted billions of dollars over the past decade away from non-crop insurance farm programs and ad-hoc disaster bills.

A farmer can now purchase more types of crop insurance than were previously available. One of the most popular categories of such protection, according to Saunders, is crop revenue coverage



(RC), which insures a specific dollar amount of revenue a given producer might have received if no disaster had occurred.

It is no wonder that RC is popular. With one version of this type of policy—for which a farmer pays more—producers can take advantage of either a spring or fall average commodity price. In 2012, according to Saunders, that meant being able to buy a “harvest price option” that used a \$7.50-per-bushel corn price to calculate losses instead of the average for spring of \$5.58.

On Dale Cragen’s 30 acres, that could mean a \$7,000 difference in what he collects from crop insurance, assuming that his average yield is 170 bushels per acre and he insures 75% of his average yield. Seventy-five percent, in most cases, is the highest level at which crop yields can be insured. By comparison, coverage in Canada can be as high as 90%.

Crop insurance is still no substitute, however, for the income actually generated by growing a healthy crop. Had Cragen been able to grow corn at 170 bushels per acre on the 30 acres that were examined and sell it for \$7.50 per bushel, he could have grossed an additional \$9,600 over and above the maximum insurance payment.