A good place to begin when making 2008 crop insurance choices is with 2007 choices. Most Illinois farmers chose revenue insurance products in 2007. Of the insured acres, 34 percent of corn acres where insured using Crop Revenue Coverage, 22 percent with Revenue Assurance (RA), and 29 percent with Group Risk Income Plan (GRIP). While changes to revenue products have occurred, one of these three revenue products will be a good choice in 2008.

One change is higher premium costs. On a CRC corn policy, premium costs will increase by about $4.50 per acre at a 75 percent coverage level and by $11 per acre for an 85 percent coverage level. Two factors cause higher premiums. First, price volatilities are much higher in 2008 as compared to 2007. Volatilities measure the chances the commodity prices will change. More volatile prices increase the chance of low prices, leading to higher chances of crop insurance payments. Higher chances of insurance payments then lead to higher premiums.

Second, base prices are projected to be higher in 2008 as compared to 2007. In 2007, the base price for corn was $4.06 per bushel. This base price is equal to the average of the December Chicago Board of Trade (CBOT) corn futures contract during the month of February. During the first half of February, the December CBOT futures contract has averaged $5.25, an increase of more than $1.00 over the 2007 base price. For soybeans, the 2007 base price was $8.09. CBOT November soybean contracts have averaged about $12.75 during the first half of February, suggesting that the soybean base price will be more than $4.50 per bushel higher in 2008. Higher base prices increase crop insurance liabilities, thereby increasing premiums.

Higher base prices will cause guarantees on revenue products to be higher in 2008. For many northern and central Illinois farms it will be possible to guarantee corn revenues in the $500 per acre range for a 75 percent coverage level. Guarantees over $600 are possible with 85 percent coverage levels.

Similar to 2007, use of revenue products will assure that a profit will be generated with a very high probability. This may be more important this year as production costs have increased dramatically. High chances of profits suggest that revenue products will be a good choice, even though crop insurance premium will be higher.

Farmers who purchase Actual Production History (APH), CRC, and RA insurances also will have the option to purchase a Biotech Yield Endorsement (BYE).
BYE will require farmers to plant 75% of an insurable unit’s acres to hybrids containing Monsanto based triple-stack traits.

If the acreage requirement is met and proper certification paperwork is maintained, farmers will be able to receive discounts on crop insurance premiums. Discounts could be around $3 per acre for revenue products with 75 percent coverage levels and around $5 per acres for 85 percent coverage levels. If Monsanto based triple-stacks traits are being planted, BYE is a good way to save on premium costs.