Enterprise Units Subsidies and Crop Insurance Unit Choices
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Crop Revenue Coverage (CRC) and Revenue Assurance (RA) crop insurance policies can be purchased using enterprise units. The 2008 Farm Bill increases subsidy levels on enterprise units, thereby reducing farmer-paid premiums on policies using enterprise units.

Beside enterprise units, farmers can purchase CRC and RA using basic and optional units. Definitions of unit structure begin with a basic unit. A basic unit is all of one crop in one county with the same ownership structure. One basic unit will exist for all owned and cash rent land in a county and one basic unit will exist for farmland for each share-rent landlord. A farmer with owned farmland and share rent agreements with two different tenants has three basic units: one for owned land and one for each share-rent tenant. Optional units divide basic units into smaller units based on township sections. Enterprise units combine all basic units in a county. There will be one enterprise unit for each crop in a county.

Optional units cover a smaller geographical area and contain fewer acres than basic and enterprise units. Generally, it is easier to have lower yields in a restricted area with few acres. As a result, optional units sometimes trigger insurance payments while basic or enterprise units do not. For example, farmers may receive insurance payments on a couple of their optional units while they would not have received payments had basic or enterprise units been used.

Countering higher insurance payments are higher premiums. Optional units have higher premiums than basic units. Optional unit premiums are 10% higher than basic unit premiums. Basic units have higher premiums than enterprise units. Premium discounts on enterprise units depend on the product. CRC enterprise unit premiums will decrease as the number of acres increase, with the highest discount occurring when over 550 acres of either corn or soybeans are planted. RA enterprise unit premiums decrease as the enterprise units are spread over more township sections. The highest RA discount is received when acres are spread over more than 9 township sections.

Prior to 2009, subsidy levels were the same for optional, basic, and enterprise units. In 2009, enterprise unit subsidies will increase while basic and optional unit subsidies will remain unchanged. This will increase the difference between enterprise and basic unit premiums. At 85% coverage levels, enterprise unit premiums could be over $11 per acre lower than basic unit premiums. At 75% coverage levels, the difference between enterprise and basic unit premiums will be reduced to approximately $7 or $8 per acre.
Due to lower premiums, farmers who have not purchased CRC or RA using enterprise units in the past may wish to do so in 2009. Premium savings from a switch from basic to enterprise units may cover the cost of increasing coverage level. For example, a basic unit with a 75% coverage level may have a higher premium than an enterprise unit with an 80% coverage level. The 80% coverage level and enterprise units often will provide superior risk protection to a 75% policy using basic units. From a risk management standpoint, increasing coverage level reduces risk more than using basic or optional units.