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**2004 CROP INSURANCE CHANGES AND HISTORICAL CROP INSURANCE USE**

Use of federally-subsidized, multi-peril crop insurance products in 2004 is described in this paper. In addition, changes in crop insurance use from 1990 through 2004 are presented. This information allows farmers to compare their crop insurance programs to Illinois averages.

**2004 Crop Insurance Use**

Highlights of 2004 crop insurance use are:

- A total of 8,128,431 acres of corn were insured in Illinois, representing 79% of the acres planted to corn. Percent of insured acres by policy were:

Policies	Percent of Insured Acres
Catastrophic (CAT)	10.8%
Actual Production History (APH)	10.7
Crop Revenue Coverage (CRC)	28.9
Income Protection (IP)	4.5
Revenue Assurance (RA)	36.3
Group Risk Plan (GRP)	3.5
Group Risk Income Plan (GRIP)	5.3

- A total of 6,502,857 acres of soybeans were insured in Illinois, representing 66% of the acres of soybeans planted in Illinois. Percent of insured acres by policy were:

Policies	Percent of Insured Acres
Catastrophic (CAT)	15.3%
Actual Production History (APH)	15.9
Crop Revenue Coverage (CRC)	18.9
Income Protection (IP)	4.5
Revenue Assurance (RA)	34.8
Group Risk Plan (GRP)	4.3
Group Risk Income Plan (GRIP)	6.3

- In 2004, the percent of corn acres insured by CAT, APH, and individual revenue insurance products (CRC, IP, and RA) declined. GRIP use increased.
- In 2004, the percent of soybean acres insured by CAT and APH declined. Use of revenue insurances and GRIP increased.
- In 2004, use of 85% coverage levels on revenue products decreased. This decrease was likely due to the large increase in premiums experienced for these coverage levels in 2004.

## Acres Insured

Since 1990, corn acres insured in Illinois increased. Table 1 divides insured acres into Catastrophic (CAT) and buy-up (i.e., APH, CRC, IP, RA, GRP, and GRIP) categories. Total insured acres of corn increased from 3.5 million acres in 1990 up to 8.7 million acres in 1995. However, the 8.7 million acres included 4.9 million acres of CAT insurance, a product providing minimal coverage at very low cost. In 1995, purchase of CAT or other multi-peril insurance was required to receive government payments, thus causing the large use of CAT.

**Table 1. Crop Insurance Use in Illinois, 1990 - 2004.**

Year	Corn			Soybeans		
	CAT <sup>1</sup>	Buy-up <sup>2</sup>	Total	CAT <sup>1</sup>	Buy-up <sup>2</sup>	Total
	Acres			Acres		
1990	0	3,512,932	3,512,932	0	1,988,254	1,988,254
1991	0	3,548,165	3,548,165	0	1,710,488	1,710,488
1992	0	3,548,165	3,548,165	0	2,063,440	2,063,440
1993	0	3,247,316	3,247,316	0	1,985,014	1,985,014
1994	0	3,671,797	3,671,797	0	2,276,418	2,276,418
1995	4,958,625	3,768,325	8,726,950	5,299,806	2,780,678	8,080,484
1996	3,406,794	3,963,357	7,370,151	3,663,743	2,801,022	6,464,765
1997	2,527,005	3,956,142	6,483,147	2,886,449	3,956,142	6,842,591
1998	2,174,306	4,144,063	6,318,369	2,798,705	3,067,619	5,866,324
1999	1,706,355	5,227,509	6,933,864	2,214,699	4,121,870	6,336,569
2000	1,336,854	6,188,742	7,525,596	1,870,359	4,894,106	6,764,465
2001	1,188,380	6,155,077	7,343,457	1,625,647	5,113,482	6,739,129
2002	1,064,987	6,473,889	7,538,876	1,539,707	5,113,482	6,653,189
2003	886,803	6,934,765	7,821,568	1,270,388	5,294,071	6,564,459
2004	874,596	7,253,835	8,128,431	991,939	5,510,918	6,502,857

<sup>1</sup> Catastrophic insurance.

<sup>2</sup> All insurance that is not CAT, including Actual Production History, Income Protection, Crop Revenue Coverage, Revenue Assurance, Group Risk Plan, and Group Risk Income Plan.

Source: Risk Management Agency, U.S. Department of Agriculture, Summary of Business Tool, <http://www3.rma.usda.gov/apps/sob/>, data collected during October 2004.

The insurance requirement was dropped and CAT use declined (see Table 1). Since 1995, use of buy-up insurance increased in most years. In 2004, a total of 7.2 million acres of corn were insured with buy-up insurance, a 106% increase from 1990 levels. Factors contributing to the increase include introducing new revenue (CRC, IP, and RA) and county (GRP and GRIP) products, allowing higher coverage levels, and increasing crop insurance subsidies through the passage of the Agricultural Risk Protection Act of 2000.

Soybean insurance use exhibits the same trends as corn insurance use, although insurance use for soybeans has lagged behind corn use. In 2003, for example, 6.5 million acres of soybeans were insured, 1.6 million less acres for corn.

### **Use of Products**

Prior to 1995, the only federally subsidized product available to farmers was APH (Prior to 1995, APH was often called Multi-Peril Crop Insurance.) Since 1995, revenue products including CRC, IP, and RA and group products including GRP and GRIP were introduced. After these introductions, insured acres generally moved away from CAT and APH towards revenue and group products.

Panel A of Table 2 shows these trends for corn. In 1995, CAT and APH respectively accounted for 56.8% and 43.2% of insured acres. By 2004, CAT and APH use declined to 10.8 and 10.7% of insurance acres. Revenue products had large increases over this period, moving from no use up to 69.7% of insured acres. GRP and GRIP also have increased from no use in 1995 up to 3.5 and 5.3% of the acres, respectively, in 2004.

Panel B of Table 2 shows trends for soybeans. The same trends evident for corn exist for soybeans: CAT and APH use decreased, revenue insurance use increased, and GRP and GRIP use increased. The movement away from CAT and APH was less for soybeans than for corn. In 2004, CAT and APH each respectively accounted for 15.3% and 15.9% of insured soybean acres.

### **Coverage Levels**

For APH, most acres were insured using 65% through 75% coverage levels (see Table 3). In 2004 for corn, the 65% coverage level accounted for 25.9% of insured acres, the 70% coverage level accounted for 15.2% of acres, and the 75% coverage level accounted for 34.3% of acres. Together these three coverage levels totaled 75.4% of insurance acres. In 2004 for soybeans, the 65% coverage level had 25.5% of insured acres, the 70% coverage level had 13.4% of insured acre, and the 75% coverage level had 25.6% of the acres. Together these three coverage levels account for 64.8% of insured acres.

Higher coverage levels were used for revenue products (see Table 4). In 2004 for corn, 88.2% of acres were insured using coverage levels greater than 70%. In 2004 for soybeans, 79.5% of acres were insured using coverage levels greater than 70%. For both corn and soybeans, use of higher coverage levels has been increasing over time, with the notable exception of the 85% coverage level in 2004. Use of the 85% coverage level decreased from 15.0% in 2003 down to 8.9% in 2004 for corn. Similarly, use of the 85% coverage level decreased from 10.5% in 2003 for 6.7% for 2004. These decreases were likely due to premium increases.

### **Summary**

Over time, insured acres have moved away from yield products (CAT and APH) to revenue products (CRC, IP, and RA). Group (GRP and GRIP) product use also has increase over time, though at a lower rate than the increase for revenue products. When using APH, most farmers used coverage levels between 65% and 75%. When using revenue insurances, most farmers used coverage levels above 70%.

**Table 2. Crop Insurance Product Use in Illinois, 1995 - 2004.**

Year	CAT	Actual Production History	Revenue Insurance <sup>1</sup>	Group Risk Plan	Group Risk Income Plan
<b>Panel A. Corn</b>					
		Percent of Insured Acres			
1995	56.8	43.2	0.0	0.0	0.0
1996	46.2	53.8	0.0	0.0	0.0
1997	39.0	47.4	13.4	0.3	0.0
1998	34.4	47.4	17.8	0.4	0.0
1999	24.6	25.2	49.1	1.1	0.0
2000	17.8	17.6	62.0	2.5	0.1
2001	16.2	14.1	67.2	1.9	0.1
2002	14.1	12.3	69.0	2.7	1.9
2003	11.3	11.4	71.8	3.5	1.9
2004	10.8	10.7	69.7	3.5	5.3
<b>Panel B. Soybeans</b>					
		Percent of Insured Acres			
1995	65.6	34.4	0.0	0.0	0.0
1996	56.7	43.3	0.0	0.0	0.0
1997	50.7	38.6	10.3	0.4	0.0
1998	47.7	39.6	12.1	0.6	0.0
1999	35.0	27.7	36.8	0.6	0.0
2000	27.6	23.9	46.6	1.9	0.0
2001	24.1	25.6	46.6	1.6	0.4
2002	23.1	26.6	46.8	2.6	0.8
2003	19.4	24.4	51.5	4.3	1.1
2004	15.3	15.9	58.3	4.3	6.3

<sup>1</sup> Includes Crop Revenue Coverage, Income Protection, and Revenue Assurance.

Source: Risk Management Agency, U.S. Department of Agriculture, Summary of Business Tool, <http://www3.rma.usda.gov/apps/sob/>, data collected during October 2004.

**Table 3. Coverage Levels Used for Actual Production History Insurance, Illinois, 1997 - 2004.**

Coverage Level	Year							
	1997	1998	1999	2000	2001	2002	2003	2004
<b>Panel A. Corn.</b>								
	Percent of Insured Acres							
50%	3.1	3.2	3.1	3.5	5.1	5.1	5.9	7.8
55%	0.3	0.4	0.7	0.9	0.6	0.7	0.7	0.7
60%	0.2	0.5	0.5	0.4	1.2	1.2	1.7	1.8
65%	54.2	53.4	43.2	38.6	34.6	32.5	28.1	25.9
70%	6.7	8.2	14.1	12.8	16.3	17.0	16.9	15.2
75%	35.5	34.3	31.4	33.0	31.8	32.6	33.3	34.3
80%	0.0	0.0	5.2	5.7	6.6	7.6	9.6	9.8
85%	0.0	0.0	1.7	5.1	3.9	3.3	3.8	4.5
<b>Panel B. Soybeans.</b>								
	Percent of Insured Acres							
50%	5.9	5.9	9.5	10.4	12.3	13.7	14.8	19.6
55%	0.5	0.5	0.8	0.8	0.9	0.8	1.1	1.1
60%	0.3	0.3	0.7	0.7	2.2	2.5	2.6	3.0
65%	57.5	57.5	44.2	40.0	29.6	25.9	24.8	25.5
70%	5.6	5.6	11.9	11.9	15.1	15.2	15.3	13.4
75%	30.2	30.2	25.4	26.1	26.4	27.0	27.2	25.6
80%	0.0	0.0	4.5	4.9	8.4	9.7	9.7	7.8
85%	0.0	0.0	3.0	5.2	5.0	5.2	4.7	3.9

Source: Risk Management Agency, U.S. Department of Agriculture, Summary of Business Tool, <http://www3.rma.usda.gov/apps/sob/>, data collected during October 2004.

**Table 4. Coverage Levels Used for Revenue Insurances<sup>1</sup>,  
Illinois, 1998 - 2004.**

Coverage Level	1998	1999	2000	2001	2002	2003	2004
<b>Panel A. Corn.</b>							
	Percent of Insured Acres						
50%	0.8	0.9	0.6	0.7	0.6	0.5	0.6
55%	0.4	0.3	0.2	0.2	0.2	0.1	0.1
60%	1.5	0.4	0.3	0.8	0.8	0.3	0.8
65%	39.7	30.6	22.0	11.6	9.9	8.6	10.4
70%	32.0	17.5	16.6	19.2	18.7	18.7	21.6
75%	25.7	37.4	35.7	38.0	35.6	35.9	36.5
80%	0.0	6.3	10.9	17.5	19.1	21.0	21.2
85%	0.0	6.7	13.7	12.0	15.1	15.0	8.9
<b>Panel B. Soybeans.</b>							
	Percent of Insured Acres						
50%	2.1	2.2	1.8	1.7	2.2	2.6	3.7
55%	2.0	0.4	0.2	0.4	0.4	0.3	0.3
60%	3.2	0.4	0.5	1.2	1.1	0.7	1.6
65%	50.5	34.5	28.5	16.5	16.0	14.9	14.9
70%	25.2	15.4	16.5	20.3	21.0	22.7	23.8
75%	17.0	34.2	33.2	35.6	34.6	34.5	32.6
80%	0.0	5.5	7.8	12.8	13.5	13.9	16.4
85%	0.0	7.5	11.6	11.5	11.1	10.5	6.7

<sup>1</sup> Includes Crop Revenue Coverage, Income Protection, and Revenue Assurance.

Source: Risk Management Agency, U.S. Department of Agriculture, Summary of Business Tool, <http://www3.rma.usda.gov/apps/sob/>, data collected during October 2004.

Prepared by: Gary Schnitkey, Department of Agricultural and Consumer Economics