

# Catastrophic Crop Insurance

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## **Catastrophic Crop Insurance**

Beginning in 1995 farmers were offered the chance to carry a minimum level of Multiple Peril Crop Insurance (MPCI) coverage at very little cost. This catastrophic or CAT insurance coverage replaces the protection offered to crop producers under federal disaster programs in recent years.

### **Requirements**

Producers who have not insured crops under MPCI in the past will have to establish their actual production history (APH) yields. At least four consecutive years of yield history is required. Producers with less than four years of records can substitute “transitional” or “T” yields. For one missing year, a yield equal to the T yield is used. For two missing years, yields equal to 90 percent of the T yield are used. For three missing years this drops to 80 percent of the T yield, and for four missing years the default yield is 65 percent of the T yield. Thus, it is usually to the producer’s benefit to document yields for as many of the four years as possible.

### **Cost is Minimal**

For producers who want only the minimum level of coverage there is a processing fee of \$100 for each crop insured in a single county. No other fees or premiums are required. The cost of CAT insurance is subsidized by the Federal Crop Insurance Corporation (FCIC). Limited resource farmers who have a total coverage guarantee of less than \$500 for a crop corn and soybeans, this amounts to about five are exempt from paying the processing

fee. For corn and soybeans, this amounts to about five acres of production. The CAT processing fees must be paid by October 1. Policies are available from private insurers only. Producers must purchase the CAT coverage by March 15.

### **Coverage Level**

The CAT policy insures farmers for losses in excess of 50 percent of their APH yields. Indemnities will be paid at the rate of 55 percent of the U.S.D.A. Risk Management Agency (R.M.A.) projected market price for each bushel lost. Thus, if a corn producer had an APH yield of 126 bushels per acre, and the RMA projected market price was \$2.40, any losses in excess of 63 bushels per acre would be paid at a rate of 55 percent of \$2.40, or \$1.32 per bushel. The RMA projected market prices are announced each year in January.

### **Additional Coverage**

Catastrophic insurance protection also is available under the Group Risk Plan policy (see ISU Extension Publication FM-1850, Group Risk Plan and Group Risk Income Protection). Yields are insured at 65 percent of the county average and 55 percent of the RMA price.

Supplemental hail and fire insurance for crops insured by a CAT policy can be purchased from private companies. Catastrophic crop insurance also covers delayed and prevented planting, but does not pay an indemnity when a substitute crop must be planted, or when a crop must be replanted.

## Noninsured Crops

Crops that can be insured under MPCCI in Iowa include corn, soybeans, barley, canning beans, dry beans, forages, grain sorghum, green peas, seed corn, nursery stock, oats, popcorn, potatoes, sweet corn, tomatoes, and wheat. Not all of these crops can be insured in all counties, however. Other crops may be eligible for enrollment in the

Noninsured Assistance Program (NAP), which provides a 50 percent yield level of disaster protection with no premiums. Producers must enroll their acres prior to planting, however, and area average yields must be reduced by at least 35 percent before any payments are made to individuals. For more details about coverage of noninsured crops, contact your local FSA office.

## CAT Example

	Corn	Soybeans
Planted Acres	300	200
APH Yield	120 bu.	40 bu.
RMA Projected Price (example)	\$2.25	\$5.60
CAT Fee	\$100.00	\$100.00
Indemnity Price (55%)	\$1.24	\$3.08
Guaranteed Yield (50%)	60 bu.	20 bu.
Actual Yield	40 bu.	16 bu.
Insured Loss	20 bu. @ \$1.24	4 bu. @ \$3.08
Indemnity Per Acre	\$24.75	\$12.32
Total Payment	\$7,425	\$2,464

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