

CROP INSURANCE UPDATE

FEBRUARY 2024



Insurance Costs for 2024

Multi-Peril Crop Insurance rates have been released for some time, and aren't significantly different than last year. There has been a significant rate change in the hail/wind rates for 2024.

All companies calculate their rates using those created by an independent rating bureau known as NCIS (National Crop Insurance Services). Every two years the NCIS does a rating review and sets rates for each township in each county. Insurance companies offering varying crop insurance products use these rates to establish premiums they will charge for the upcoming year. The companies are limited by each State's Department of Insurance on the discounts they can take from these established rates.

High losses for several years, but especially the past two, have required an increase. Buffalo County and those to the East have seen significant rate increases. Some areas are in excess of 40%. However, your cost per acre will be very near the same as they were in 2023. This is due to the reduction of commodity prices, and the resulting revenue offering of both the MPCI and Hail/Wind coverage.

All premiums are expressed as a percentage of revenue covered. In 2023 a typical crop had revenues under the MPCI policy as follows;

Crop	X Bushel Guarantee	X Base Price	= Revenue Insure
Corn - Irrigated	190	\$ 5.91	\$ 1,123
Corn - Non-Irr	100	\$ 5.91	\$ 591
Soybeans - Irrigated	55	\$ 13.76	\$ 757
Soybeans - Non-Irr	30	\$ 13.76	\$ 413

Base prices are set during the month of February using the December '24 futures. Currently those are at \$4.77 for corn and \$11.85 for soybeans. If those prices are level through February your revenue under the MPCI policy will be as follows;

Crop	X Bushel Guarantee	X Base Price	= Revenue Insure
Corn - Irrigated	190	\$ 4.77	\$ 906
Corn - Non-Irr	100	\$ 4.77	\$ 477
Soybeans - Irrigated	55	\$ 11.85	\$ 652
Soybeans - Non-Irr	30	\$ 11.85	\$ 356

Most premium quotes combining Hail/Wind and Multi-Peril for Buffalo County puts the cost per acre at nearly the same or only slightly more than last year, but there is less coverage due to the reduction in commodity prices. Surrounding counties are showing a little less per acre cost than last year depending on the township. Some companies have reduced their discounts of the base rate so their rates have trended higher than the industry average. Rates we currently have show Rain & Hail Insurance Service significantly lower than others we've compared.

There are ways to reduce your cost through the use of deductibles or other types of coverage. Deductibles reduce your chance of collecting on small losses, but are a deterrent to high premium costs. Your coverage will renew the same as it was in '23 unless changes are made. Contact our office for more details.



S.C.O. and E.C.O

What is SCO (Supplemental Coverage Option) and ECO (Extended Coverage Option)? These are federally subsidized coverages that can be added to your Multi-Peril policy to help cover “shallow” losses. Shallow losses are those yield losses that don’t qualify for a Multi-Peril payment. Typically, one might insure at 75% to 80% of his “approved yield”. Losses that don’t dip below those 75% or 80% levels are losses that aren’t covered, unless they occur from wind and/or hail and a hail policy is in force.

The SCO provides coverage from the Multi-Peril level up to 86%. The ECO can extend that coverage up to either 90% or 95%. The cost per acre for SCO on irrigated corn in Buffalo County runs \$9-\$10, non-irrigated \$14-\$15. The cost per acre for ECO for irrigated can be \$26-\$30 and non-irrigated \$24-\$25. Coverage must be placed on both irrigated and non-irrigated cropland.

A drawback to these plans is that the losses are not calculated on what your own farm yields. This is an “area” plan. Losses are calculated based on the county revenue. A substantial loss on your farm may not trigger a loss payment under these plans.

We have the ability to give you a historic loss simulation of the past 10 years based on your participation in one or both of these programs. We don’t feel this is a viable replacement for wind/hail coverage. But if your yields mirror the county’s yield, or you have predominately dryland cropland it might be something to consider. Call us for more information.

2022 Added as a Yield Exclusion Year

2022 was a tough year on non-irrigated crops across Central Nebraska. RMA has now added 2022 as a year that can be excluded from your APH under the YE (Yield Exclusion) option. This can make a significant change on how your “approved yield” is calculated. A year becomes eligible for this option when the yield across the county is less than 50% of the historical average. This will improve your approved yield by removing the 2022 yield from your calculated average. It’s quite possible that 2023 will also be an “option” year, but those numbers won’t be calculated and applied until 2025.

Should your yield in 2022 be higher than its own historical average, it will not be taken out of the historical average. This recalculation of your approved yield will result in an increase for those fields that had crops planted on them in 2022. You’ll see an increase in your approved yield even if you didn’t plant the crop in the 2023 crop year.

We provide our customers with a simple printout showing the comparison between your 2023 and 2024 approved yields. That printout will clearly spell out those yield lines that benefit from this new option. Call us with questions!

Sales Closing Date

This time of year brings warnings of the “Sale Closing Date” of March 15th. This date only has importance if you want changes in coverage, crops, or counties, or if you want to move your policy to a different agency. Multi-Peril Crop Insurance, and most hail insurance policies carry over to the next crop year without attention. We always encourage our customers to review their coverage each year.

If you’re a not a current Phillips Insurance Agency customer, give us a call. We feel like our expertise in mapping and our relationship with the largest companies in the business give us lots of options to service your crop insurance needs in a professional, efficient and price competitive manner.

2024 Spring Meeting

SAVE THE DATE

Tuesday, February 27th
11:30 AM

Wednesday, February 28th
11:30 AM

Wednesday, February 28th
5:30 PM

Meal by
Country Catering