

Is Crop Insurance Relevant as a Safety Net for Southern Agriculture?

Nathaniel Smith, W. Donald Shurley,

University of Georgia

October 8, 2013

Louisville, KY

Crop Insurance and Farm Programs

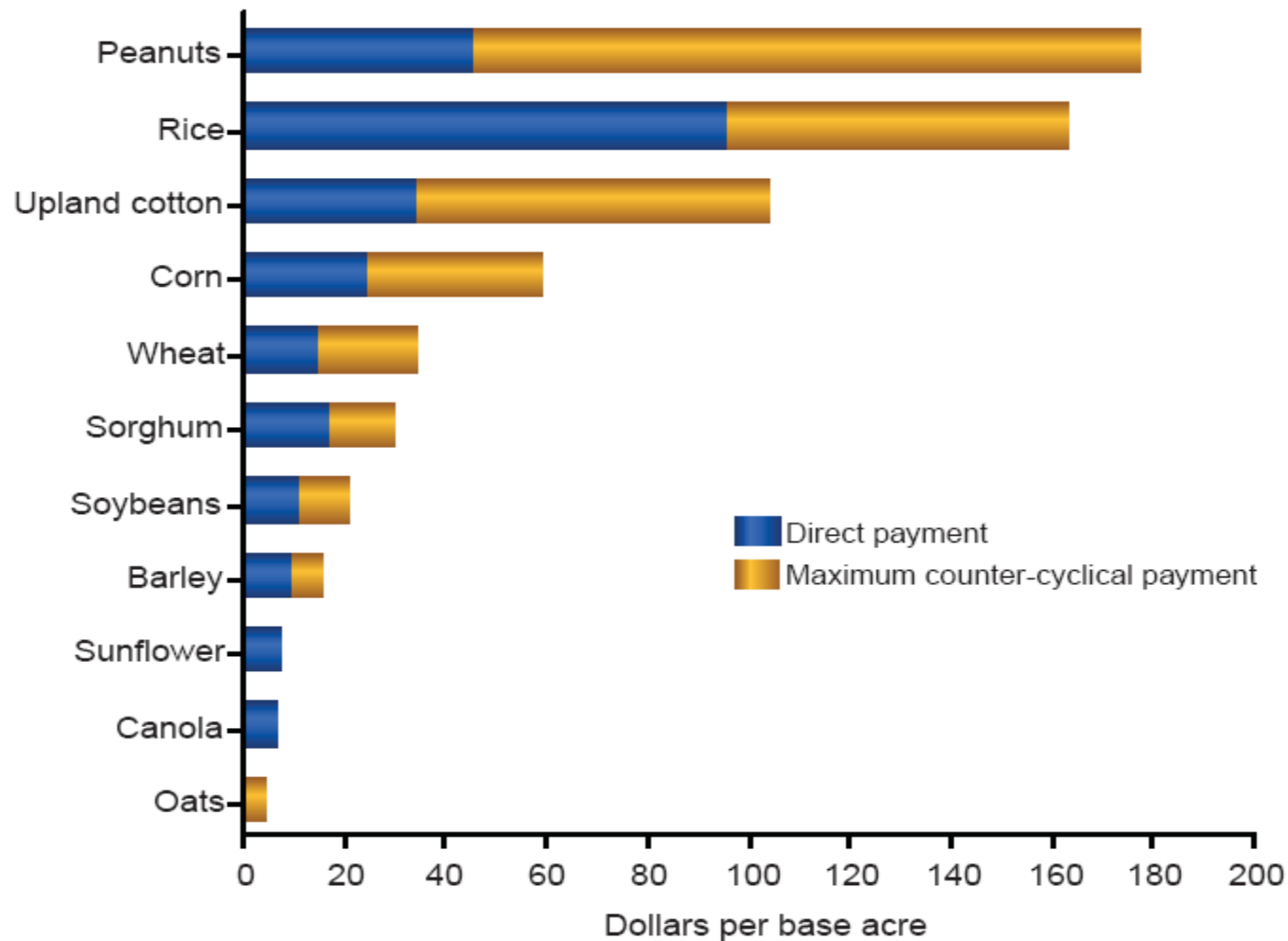
- Farm programs have been preferred form government support for Southern program crops.
 - DCP over ACRE

Program Participation - Georgia

- Georgia had 2,983,213 Base acres in 2009
- Heavy in Cotton and Peanut Base.
 - Cotton Base acres = 1,416,566
 - Corn Base acres = 451,580
 - Peanut Base acres = 479,411
 - Soybean Base acres = 97,507
 - Wheat Base acres = 437,878
- 40% to 50% irrigated in cotton and peanuts
- 65% to 70% irrigated in corn
- Zero ACRE contracts vs 32,512 DCP contracts.

Figure 5

**Value per base acre of direct and counter-cyclical payments,
2008 Farm Act¹**

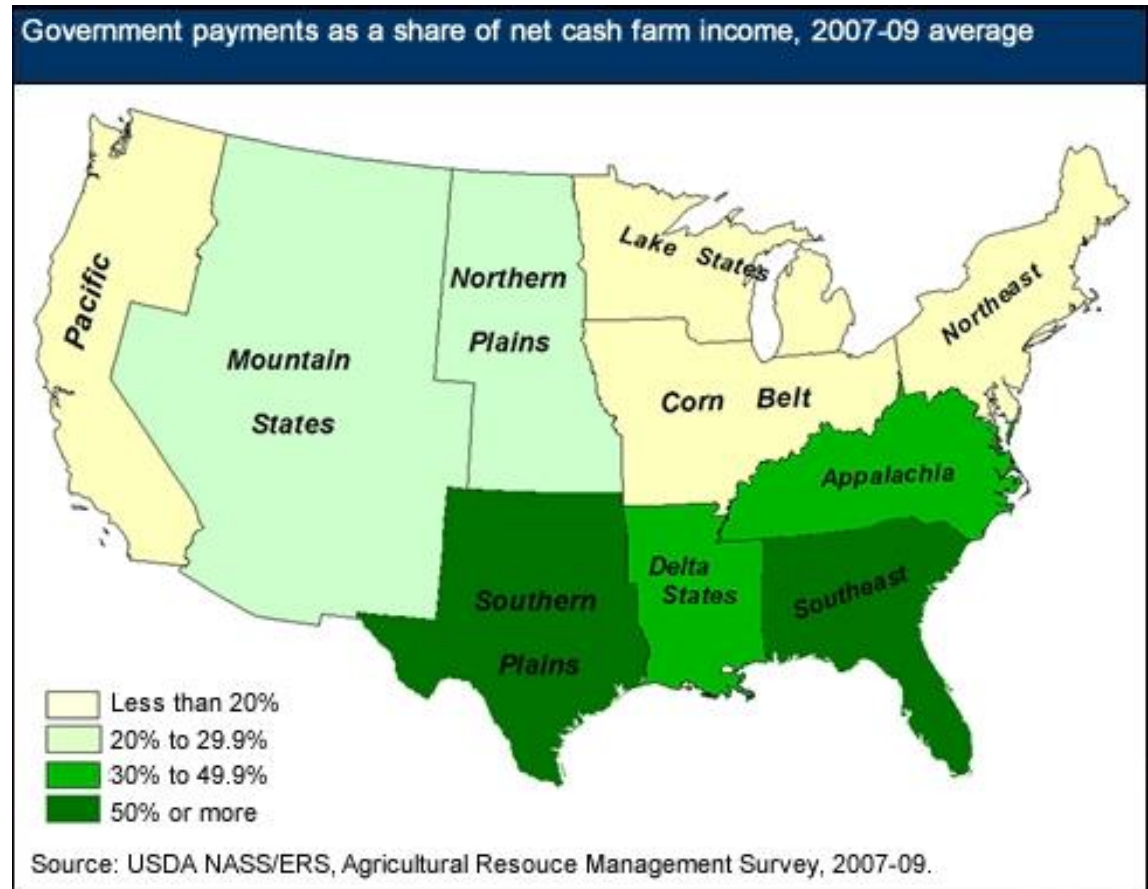


¹Assumes national average payment yields for direct and counter-cyclical payments. Maximum counter-cyclical payments assume 2009 target prices.

Source: USDA, Economic Research Service analysis using data from USDA, Farm Service Agency.

Importance of Government Payments by Region

- Gov't payment during 2007-09 time period was lowest since 1997
- SE and So. Plains payments have highest share of net cash farm income.



Category: **Direct and Countercyclical Program (DCP)**

Current Map: **Total Direct Payments (DP), 2009**

[Display a different map](#)

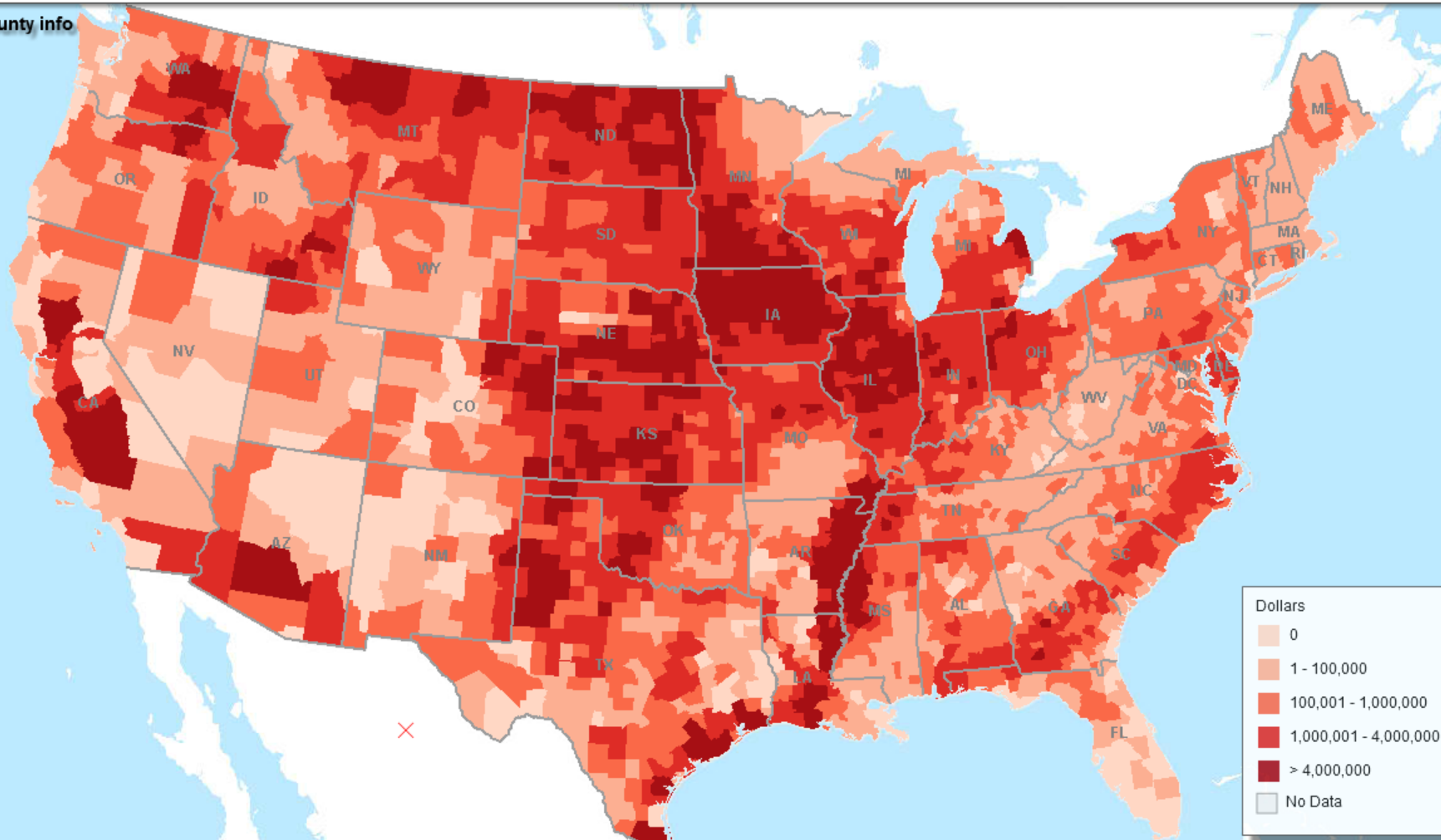
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Zoom

Category: **Direct and Countercyclical Program (DCP)**

Current Map: **Total DPs per cropland acre, 2009**

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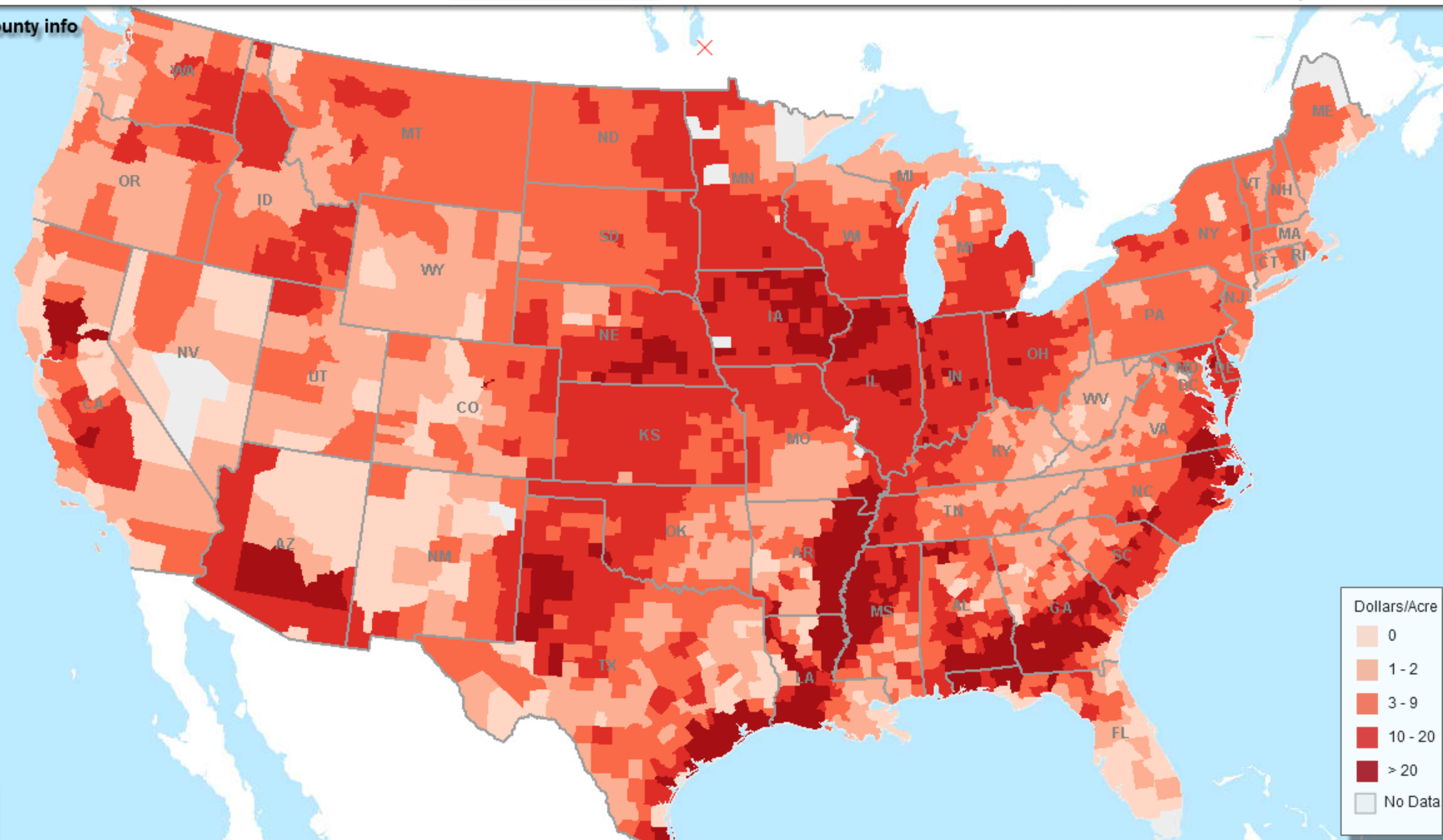
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Loan Rate and Target Prices Relevance

	Loan Rates	Target Price	Outlook
Crops	2010-12	2010-12	2012/13
Corn (\$/bu)	1.95	2.63	4.20 - 5.00
Sorghum (\$/bu)	1.95	2.63	3.85 - 4.65
Wheat (\$/bu)	2.94	4.17	5.50 - 6.70
Upland Cotton (\$/lb)	0.52	0.7125	0.65 - 0.85
Peanuts (\$/ton)	355	496	450-500*
Soybeans (\$/bu)	5.00	6.00	12.00 – 14.00
LG Rice (\$/cwt)	6.50	10.50	15.30 - 16.30
Barley (\$/bu)	1.95	2.63	5.10 - 6.10
Oats (\$/bu)	1.39	1.79	2.40 – 3.00

Sept 2013, WASDE

Category: **Direct and Countercyclical Program (DCP)**

Current Map: **Total CCPs per cropland acre, 2009**

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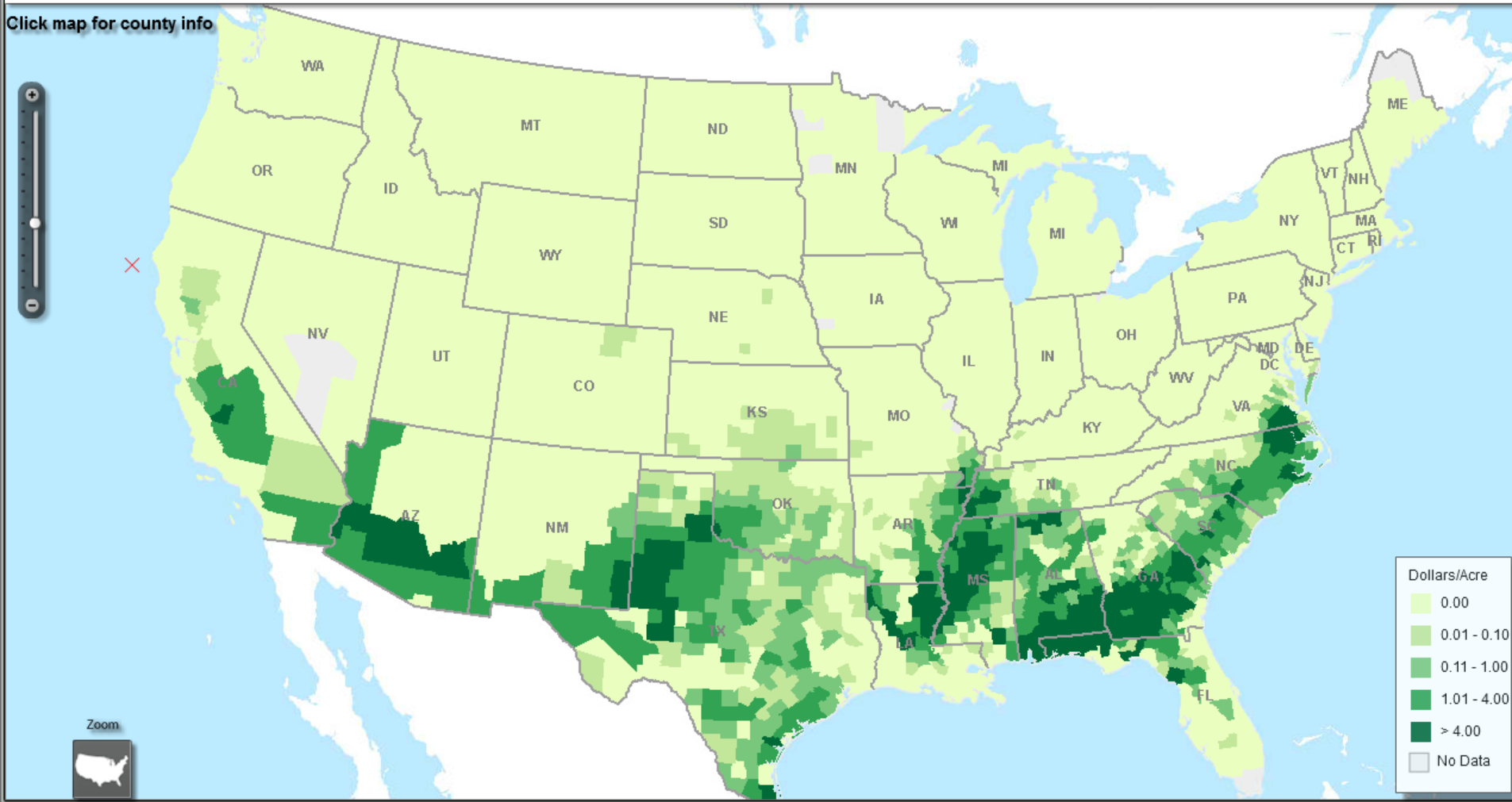
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Crop Insurance

- Crop insurance had a bad reputation due to fraud and moral hazard.
 - Still has a stigma
 - Higher premium subsidies, revenue insurance and collateral requirement for operating loans has increased participation.

Crop Insurance Use in Georgia

- > 95% of cotton planted acres in Georgia were covered by some type of federal crop insurance policy in 2012.
- 80% percent of Georgia peanut planted acres were insured at some level last year when planted acreage increased 55%.
- CAT coverage represented 12.8% and 17.4% of insured acreage for cotton and peanuts respectively in 2012.

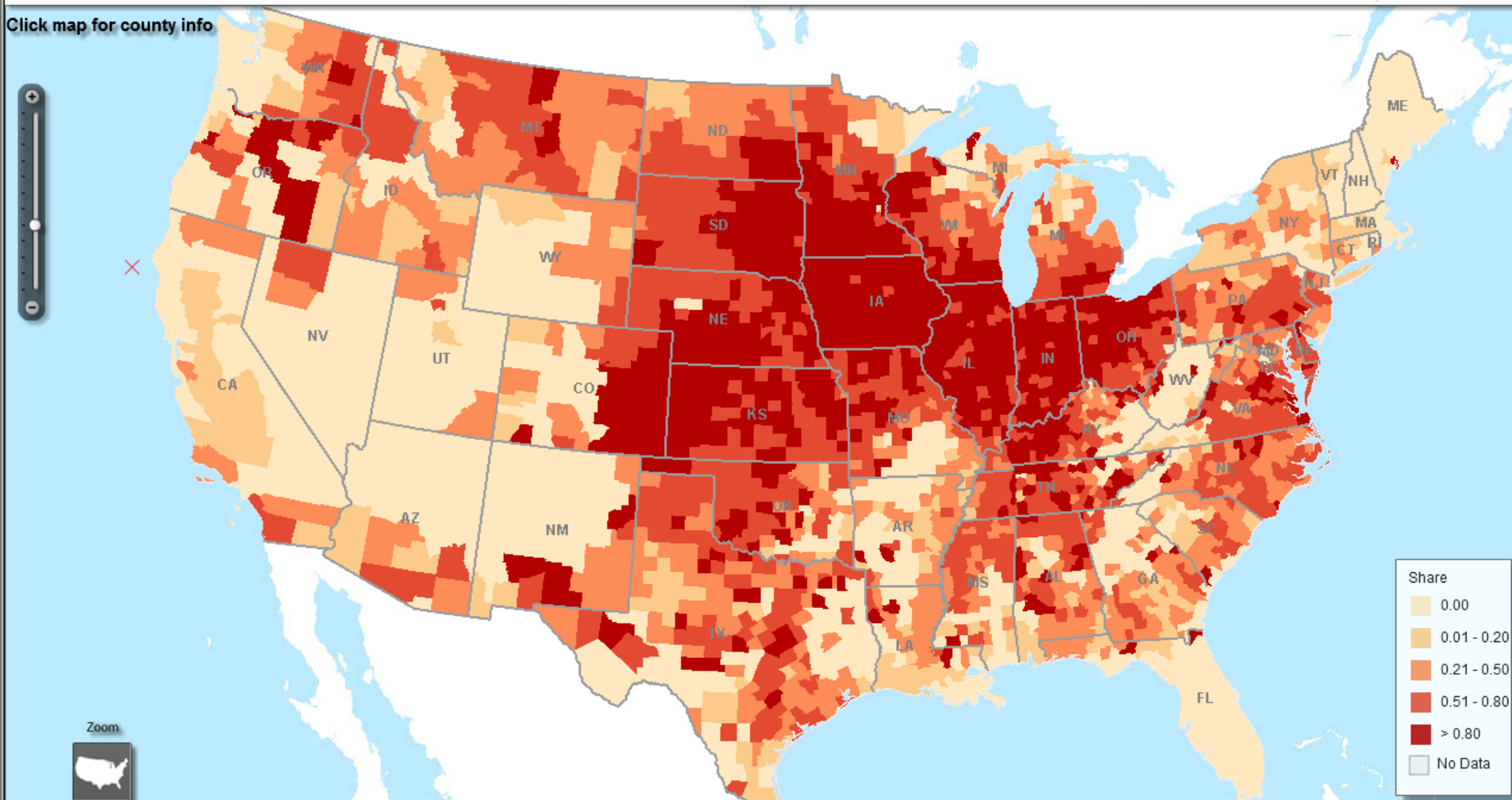
Category: Crop insurance Program

Current Map: Net acres insured by revenue-based policies as share of total net acres, 2009

[Display a different map](#)

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Crop Insurance Participation - GA

Crop	State	Cov Lvl	Ins Plan	Delivery	Pol Sold	Pol Earn Prem	Pol Indem	Units Earn Prem	Units Indem	Net Acres	Liabilities
PEANUTS	GEORGIA	50	APH	RBUP	492	172	1	360	2	19,365	9,029,275
PEANUTS	GEORGIA	50	APH	RCAT	1,145	405	0	622	0	77,352	21,547,520
PEANUTS	GEORGIA	55	APH	RBUP	72	27	1	70	2	4,047	2,072,114
PEANUTS	GEORGIA	60	APH	RBUP	530	183	4	539	6	23,486	12,289,685
PEANUTS	GEORGIA	65	APH	RBUP	2,303	804	13	2,208	26	89,891	48,806,170
PEANUTS	GEORGIA	70	APH	RBUP	3,013	996	24	2,696	32	123,676	71,780,945
PEANUTS	GEORGIA	75	APH	RBUP	1,398	402	9	1,048	10	51,454	33,159,913
PEANUTS	GEORGIA	80	APH	RBUP	196	65	3	208	7	16,096	13,295,959
PEANUTS	GEORGIA	85	APH	RBUP	11	6	0	9	0	310	187,322
	Grand Total				9,160	3,060	55	7,760	85	405,677	212,168,903

- Georgia Farm Business Analysis Farms
- Row Crop
- Corn, Cotton, Peanuts, Tobacco
- Medium Size

Year	2012	2011	2010	2009	2008	Average 2008-2012
Returns & Costs per Tillable Acre						
Number of Farms	4	4	6	6	6	
Average Tillable Acres	1,099	1,191	1,022	1,020	991	1,052
FARM RETURNS						
Crop Sales	806.63	659.37	602.65	414.13	598.61	627.88
Crop Inventory Change	175.32	37.26	116.16	48.27	-13.20	74.49
Gross Crop Income	981.95	696.63	701.02	462.41	585.40	698.92
Livestock Sales	16.85	16.73	21.13	11.48	12.29	15.95
Livestock Inventory Change	-2.28	-0.39	19.53	-2.60	4.22	3.52
Breeding Livestock Gain or Loss	-3.75	-3.76	-10.03	7.57	0.17	-2.08
Gross Livestock Income	10.81	12.58	30.64	16.45	16.67	17.39
Direct Payments	31.53	29.68	30.42	26.41	27.72	29.56
Counter-Cyclical Payments	0.00	0.41	10.51	41.96	36.11	17.07
LDP/MLG Payments	0.00	0.00	0.00	14.49	10.79	4.84
Conservation Reserve Payments	0.17	0.15	0.12	3.36	0.12	0.77
Conservation Stewardship Payments	22.07	10.34	6.53	4.09	5.13	9.98
EQIP Payments	0.00	0.00	0.00	0.00	0.22	0.04
Crop Assistance Program	0.00	0.29	1.31	0.00	0.00	0.32
Livestock Assistance Payments	0.11	0.50	0.00	0.21	0.46	0.26
TTTP Producer Payments	8.53	7.87	8.92	8.94	9.20	8.76
Other Government Payments	3.27	0.00	6.33	1.56	4.52	3.07
Total Government Payments	65.68	49.24	64.13	101.02	94.28	74.67
Crop Ins. & Disaster Proceeds						
Current Year Crop	0.96	26.55	3.63	36.99	21.69	18.18
Prior Year Crop	24.71	0.00	0.00	8.75	7.67	8.30
Total Crop Ins. & Disaster Proceeds	25.67	26.55	3.63	45.75	29.36	26.48
Other Cash Farm Income	15.15	13.27	9.65	13.13	8.81	12.25
Accounts Receivable Change	-23.79	1.12	0.00	-4.81	-9.01	-7.35
Less: Feed Purchased	-0.24	-1.20	-5.21	-1.56	-2.63	-2.13
GROSS FARM RETURNS	1,075.24	798.19	803.85	632.38	722.89	820.22

Year	2012	2011	2010	2009	2008	Average
Returns & Costs per Tillable Acre						2008-2012
Number of Farms	4	4	6	6	6	
Average Tillable Acres	1,099	1,191	1,022	1,020	991	1,052
Government Program Payments						
Percent of Gross Farm Income						
Direct Payments	2.9%	3.7%	3.8%	4.2%	3.8%	3.6%
Counter-Cyclical Payments	0.0%	0.1%	1.3%	6.6%	5.0%	2.1%
LDP/MLG Payments	0.0%	0.0%	0.0%	2.3%	1.5%	0.6%
Conservation Reserve Payments	0.0%	0.0%	0.0%	0.5%	0.0%	0.1%
Conservation Stewardship Payments	2.1%	1.3%	0.8%	0.6%	0.7%	1.2%
EQIP Payments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Crop Assistance Payments	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%
Livestock Disaster Payments	0.0%	0.1%	0.0%	0.0%	0.1%	0.0%
TTTP Producer Payments	0.8%	1.0%	1.1%	1.4%	1.3%	1.1%
Other Government Payments	0.3%	0.0%	0.8%	0.2%	0.6%	0.4%
Total Government Payments	6.1%	6.2%	8.0%	16.0%	13.0%	9.1%
Crop Insurance & Disaster Payments						
Percent of Gross Farm Income	0.09%	3.33%	0.45%	5.85%	3.00%	2.22%
Percent of Gross Crop Income	0.10%	3.81%	0.52%	8.00%	3.71%	2.60%

	2012 Average Returns and			Irrigated	Irrigated	Irrigated		Dryland	Dryland	
	Production Costs	Corn	Cotton	Peanuts				Cotton	Peanuts	
	Number of Farms	3	3	4				3	4	
	Yield	177.80	1307.45	5543.55				807.02	3949.18	
	Average Value per Unit	7.25	0.83	0.27				0.83	0.27	
	Farm Returns									
	Total Product Value	1281.92	1083.31	1512.12				671.48	1074.71	
	Crop Insurance Proceeds	4.29								
	Gross Farm Returns	1286.20	1083.31	1512.12				671.48	1074.71	
	Direct Expenses									
	Seed	75.31	82.96	185.40				65.00	190.62	
	Fertilizer	296.76	179.61	49.66				130.38	38.65	
	Crop Chemicals	16.62	103.03	211.91				93.83	205.35	
	Crop Insurance	2.46	7.39	16.15				19.95	29.02	
	Crop Drying			29.91					18.44	
	Repairs	51.66	85.93	77.94				85.93	74.68	
	Custom Hire & Mach. Leases	6.76	9.75					9.94		
	Fuel, Oil & Lubricants	33.11	66.01	60.89				66.01	60.89	
	Irrigation Energy	29.43	35.19	33.39						
	Hired Labor	33.26	64.26	49.07				64.54	49.37	
	Crop Consultants		5.42	2.68				5.41	3.07	
	Miscellaneous	3.98	3.72	5.71				2.71	5.42	
	Operating Interest	5.18	5.17	18.56				5.17	18.56	
	Total Direct Expenses	554.52	648.45	741.25				548.86	694.06	
	Returns Over Direct Expenses	731.68	434.86	770.87				122.62	380.65	
	Overhead Expenses									
	Personal Property Taxes	0.68	0.68	0.83				0.76	0.83	
	Farm Insurance	10.35	10.37	17.36				10.35	17.36	
	Utilities	4.83	4.82	3.66				4.82	5.83	
	Professional Fees & Miscellaneous	8.35	8.35	7.88				8.35	7.88	
	Interest on Intermediate Term Dept	0.91	7.30	15.55				15.55	7.30	
	Machinery Depreciation	96.93	174.78	135.60				150.91	127.54	
	Building & Fixtures Depreciation	18.20	9.56	6.47				4.02	5.41	
	Total Overhead Expenses	140.24	215.85	187.35				186.50	180.40	
	Total Direct & Overhead Expenses	694.76	864.30	928.60				735.37	874.46	
	Net Return per Acre	591.44	219.01	583.52				-63.89	200.25	

Gulf Coast
Farm Analysis Association
2012
Summary Reports

Prepared By:



Stephen G. Brown
Extension Economist
Farm Business Management

TABLE 2: Comparson of Last Five Years and Five Year Average for Gulf Coast Association Farms

	2007	2008	2009*	2010	2011	5 YR AVG
Number of Farms	12	14	10	11	11	
Av. Total Acres	1,617	1,923	2,187	3,729	3,528	2,597
Av. Tillable Acres	1,339	1,457	1,700	2,702	2,835	2,007
Av. Operator Acres	1,339	1,457	1,700	2,702	2,835	2,007
INCOME BEFORE DEPRECIATION	30,945	359,266	146,150	436,216	795,541	353,624
NET FARM INCOME (Oper Share)	-44,435	262,593	5,842	256,218	601,877	216,419
	Per Operator Acre	Per Operator Acre	Per Operator Acre	Per Operator Acre	Per Operator Acre	Per Operator Acre
FARM RETURNS:						
CROP RETURNS	552.98	865.87	661.25	770.52	997.99	769.72
LVSTK RETURN ABOVE FEED	-2.82	-53.82	3.31	26.07	3.89	-4.67
CUSTOM WORK	24.12	29.33	17.59	8.82	22.49	20.47
OTHER FARM RECEIPTS	14.06	49.62	41.26	28.64	59.85	38.69
GROSS VALUE OF FARM PRODUCTION.	588.34	891.00	723.41	834.05	1084.22	824.20
CROP RETURNS	94.0%	97.2%	91.4%	92.4%	92.0%	93.4%
LVSTK RETURN ABOVE FEED	-0.5%	-6.0%	0.5%	3.1%	0.4%	-0.6%
CUSTOM WORK	4.1%	3.3%	2.4%	1.1%	2.1%	2.5%
OTHER FARM RECEIPTS	2.4%	5.6%	5.7%	3.4%	5.5%	4.7%

OTHER FARM RECEIPTS = Gov’t Payments and Crop Insurance Indemnities

- Operating Expense
- Income Before Depreciation

Year	2012	2011	2010	2009	2008	Average
Returns & Costs per Tillable Acre						2008-2012
Number of Farms	4	4	6	6	6	
Average Tillable Acres	1,099	1,191	1,022	1,020	991	1,052
OPERATING EXPENSES						
Fertilizer	197.30	36.94	111.14	80.94	106.04	106.83
Pesticides	175.00	85.09	125.46	95.13	107.15	118.82
Seed	95.46	51.31	58.32	33.79	38.78	56.74
Crop Insurance	17.73	18.30	15.15	11.95	18.16	16.53
Repairs	72.78	58.08	45.59	46.42	48.39	55.32
Machine Hire & Machinery Leases	15.48	13.24	15.01	9.17	29.73	16.52
Fuel, Oil & Lubricants	60.71	57.70	44.13	29.62	64.28	52.17
Ginning & Crop Drying	8.98	7.97	17.97	13.15	22.86	14.03
Irrigation Energy	11.89	9.60	8.38	7.96	5.54	8.87
Hired Labor	54.28	50.61	54.91	47.23	51.39	52.30
Vet, Medicine & Livestock Supplies	0.26	0.05	0.24	0.77	0.41	0.34
Farm Utilities	4.35	3.72	4.52	4.49	3.91	4.24
Farm Insurance	12.24	11.39	11.22	11.98	12.16	11.93
Farm Property Taxes	9.94	4.30	5.37	8.01	8.89	7.32
Land Rent	43.50	33.20	29.02	28.22	28.51	33.08
Miscellaneous Farm Expenses	7.78	4.94	6.10	3.07	5.83	5.62
Professional Services	4.15	3.72	5.12	3.74	4.13	4.21
Total Cash Operating Expenses	791.83	450.17	557.65	435.63	556.16	564.86
Expense Adjustments						
Accounts Payable Change	-2.04	11.11	-22.05	-11.09	39.41	3.08
Prepaid Expense Change	-19.83	-0.31	-4.73	0.16	0.63	-4.98
Total Operating Expense						
Excluding Interest	769.96	460.97	530.87	424.70	596.19	562.96
Interest Expense						
Cash Interest Paid	60.16	54.72	42.73	49.04	46.32	51.49
Accrued Interest Change	-9.91	-1.30	12.59	-3.27	-1.54	-0.84
Total Interest Expense	50.25	53.42	55.32	45.76	44.78	50.64
INCOME BEFORE DEPRECIATION	820.21	514.39	586.19	470.46	640.98	613.60

TABLE 3: Gulf Coast Association Farms
Accrual Income Statement Averages

NUMBER OF FARMS IN AVERAGE	11	
REVENUE		
Crop Sales	2,355,656	
Inventory Change	303,682	2,659,338
Livestock & Product Sales	276,799	
Inventory Change	43,839	320,638
Government Payments		132,806
Settlements		0
Other Farm Receipts		257,093
Accounts Receivable (net change)		(20,215)
Less: Purchased Feed	99,783	
Less: Purchased Livestock	176,230	276,013
GROSS FARM RETURNS		\$ 3,073,647
EXPENSES		
Fertilizer	416,758	
Pesticides	418,427	
Seed	232,656	
Machinery Repairs	230,587	
Machine Hire & Lease	92,952	
Fuel & Oil	161,536	
Drying	6,885	
Storage	0	
Building and Fence Repair	1,924	
Hired Labor	189,490	
Vet, Medicine & Livestock Supplies	5,556	
Utilities	18,972	
Insurance	106,681	
Taxes	4,121	
Rents & Settlements	268,536	
Light Vehicle	0	
Miscellaneous	10,860	
Cash Farm Operating Expenses Excluding Interest		2,165,941
Expense Adjustments		
Prepaid Expenses (- if increase)	(30,628)	
Accounts Payable (+ if increase)	44,610	13,982
Total Operating Expense Excluding Interest		2,179,923
Income Before Interest Expense		893,724
Interest Expense		
Cash Paid	97,365	
Accrued Interest Adjustments	(182)	
Total Interest Expense		97,183
Total Operating Expense		\$ 2,277,106
Income Before Depreciation		796,541
Less: Depreciation		202,868
Farm Operating Income		593,673
Gain (Loss) on Machinery & Building Sales less Amortization		9,204
NET FARM INCOME		\$ 602,877
Interest as % of Gross Farms Returns	3.79%	
Non-Int. Operating Expenses as % of Gross Farm Returns	66.19%	

Gulf Coast Farm Subsidies 2008-2012

	Crop				
Year	Subsidies	S & W	Other	Dairy	Total
2008	164608	7246	532		172386
2009	190245	3371	330		193946
2010	153066	18941	495		172502
2011	114443	15733	2629		132805
2012	123872	22043			145915

**TABLE 4: Cotton Enterprise Analysis
Previous Five Years and Average
Gulf Coast Farm Analysis Association Farms**

	2007	2008	2009*	2010	2011	5-YR AVG
Number of Farms in Average	15	13	8	10	11	
Planted Cotton Acres	663	607	687	1,059	1,126	828
Yield (lb/acre)	650	973	853	838	725	808
	AVERAGE/ ACRE	AVERAGE/ ACRE	AVERAGE/ ACRE	AVERAGE/ ACRE	AVERAGE/ ACRE	AVERAGE/ ACRE
Farm Returns						
Crop Sales	315.53	228.18	59.65	339.26	216.04	231.73
Inventory Value	61.93	396.16	434.60	387.69	456.12	347.30
Total Gross	377.46	624.34	494.25	726.95	672.16	579.03
Operating Expenses						
Fertilizer	87.80	120.37	119.05	101.40	166.57	119.04
Pesticides	150.78	163.38	177.95	171.37	164.10	165.52
Seed	29.25	39.06	21.59	35.25	52.56	35.54
Utilities	4.45	4.64	4.87	5.61	5.51	5.02
Machinery Repairs	50.69	31.80	50.93	66.82	65.76	53.20
Machine Hire	16.18	10.48	11.20	11.11	21.25	14.04
Fuel & Oil	33.52	36.34	25.96	37.49	41.51	34.96
Interest	52.17	48.69	29.88	37.93	32.27	40.19
Hired Labor	31.67	35.55	48.10	48.53	38.42	40.45
Building Repair	0.40	0.30	0.93	0.11	0.33	0.41
Insurance	24.41	32.19	24.13	30.75	41.10	30.52
Taxes	1.27	1.26	1.38	1.08	1.33	1.26
Miscellaneous.	3.37	6.93	3.65	4.42	2.92	4.26
Cash Rent	58.44	62.11	50.20	76.29	64.00	62.21
Total Operating Expenses	544.40	593.10	569.82	628.16	697.63	606.62
Profit or Loss	-166.94	31.24	-75.57	98.79	-25.47	-27.59
Government Payments	112.87	94.12	6.58	15.82	38.03	53.48
Crop Insurance	15.14	1.53	1.53	2.73	1.35	4.46
Profit or Loss With Government Payments & Crop Insurance	-38.93	126.89	-67.46	117.34	13.91	30.35
Breakeven Price/lb. Cotton (Expenses/Pounds Cotton)	0.84	0.61	0.67	0.75	0.96	0.75
Average Cash Price Received Without Government. Payments & Crop Insurance	0.58	0.64	0.58	0.87	0.93	0.72
Average Price Received With Government Payments & Crop Insurance	0.78	0.74	0.59	0.89	0.98	0.79

**TABLE 5: Peanut Enterprise Analysis
Gulf Coast Farm Analysis Association Farms**

	2007	2008	2009	2010	2011	5-YR AVG
Number of Farms In Average	14	12	8	9	10	
Planted Peanut Acres	437	443	528	677	481	513
Yield (lb/acre)	3,437	4,135	3,799	3,520	4,605	3,899
	AVERAGE/ ACRE	AVERAGE/ ACRE	AVERAGE/ ACRE	AVERAGE/ ACRE	AVERAGE/ ACRE	AVERAGE/ ACRE
Farm Returns						
Crop Sales	700.29	379.70	102.81	144.47	436.53	352.76
Inventory Value	38.54	581.03	593.92	577.71	1166.32	591.50
Total Gross	738.83	960.73	696.73	722.18	1602.85	944.26
Operator Expenses						
Fertilizer	21.09	28.32	28.39	36.73	32.97	29.50
Pesticides	170.17	216.13	186.57	175.60	200.27	189.75
Seed	71.42	98.54	81.95	98.23	118.50	93.73
Drying & Storage	2.44	2.91	0.26	2.70	4.22	2.51
Utilities	5.72	4.98	5.46	5.32	5.34	5.36
Machinery Repairs	53.21	31.91	61.28	68.75	61.44	55.32
Machine Hire	18.06	12.87	18.21	7.28	14.02	14.09
Fuel & Oil	33.24	31.79	28.51	36.88	40.34	34.15
Interest	51.78	48.00	40.47	45.99	27.40	42.73
Hired Labor	41.58	38.47	51.78	43.67	37.32	42.56
Building Repair	0.81	0.42	1.11	0.08	0.43	0.57
Insurance	24.50	20.35	19.62	23.92	36.58	24.99
Taxes	1.43	1.44	1.33	0.96	1.20	1.27
Miscellaneous	4.33	5.93	4.97	6.56	3.46	5.05
Cash Rent	58.41	64.20	56.13	69.92	65.66	62.86
Total Operating Expenses	558.19	606.26	586.04	622.59	649.15	604.45
Profit or Loss	180.64	354.47	110.69	99.59	953.70	339.82
Government Payments	41.06	40.14	1.71	3.52	26.21	22.53
Crop Insurance	3.23	13.69	2.29	1.91	2.20	4.66
Profit or Loss Including						
Government Payments & Crop Insurance	224.93	408.30	114.69	105.02	982.11	367.01
Breakeven Price/lb. Peanut (Expenses/Pounds Peanuts)	0.16	0.15	0.15	0.18	0.14	0.16
Average Cash Price Received Without Government Payments & Crop Insurance	0.21	0.23	0.18	0.21	0.35	0.24
Average Price Received With Government Payment & Crop Insurance	0.23	0.25	0.18	0.21	0.35	0.25

Thank You

Nathan Smith

nathans@uga.edu

229-386-3512