

Check Out Your Trend-Adjusted APH Yields for 2012

New in 2012, farmers purchasing crop insurance for corn and soybeans in several counties in Kansas will have the option to use the Trend-Adjusted Actual Production History (TA-APH) Yield Endorsement. If available in your county, the TA-APH yield endorsement allows you to increase the yields used in calculating your crop insurance guarantees.

Most farmers can agree that corn yields have been trending up in recent years and as a result, believe their Actual Production History (APH) yield lags their "expected," or most likely yield, for the coming year. For example, if because of better management and better varieties, corn yields are trending up 2 bushels per year in your county, that 120 bushel yield back in 2002 should carry as much weight in your APH as the 140 bushel yield achieved last year, right? That's what the TA-APH yield endorsement does, it acts like a CPI adjustment for yields, crediting your APH for the upward trend in yields.

To calculate each county's trend rate, the Risk Management Agency (RMA) used National Agricultural Statistics Service (NASS) county yields, with controls for weather and spatial considerations. The calculated TA-APH rates are county specific and published by RMA, and each insured unit in a county will use the same TA-APH rate.

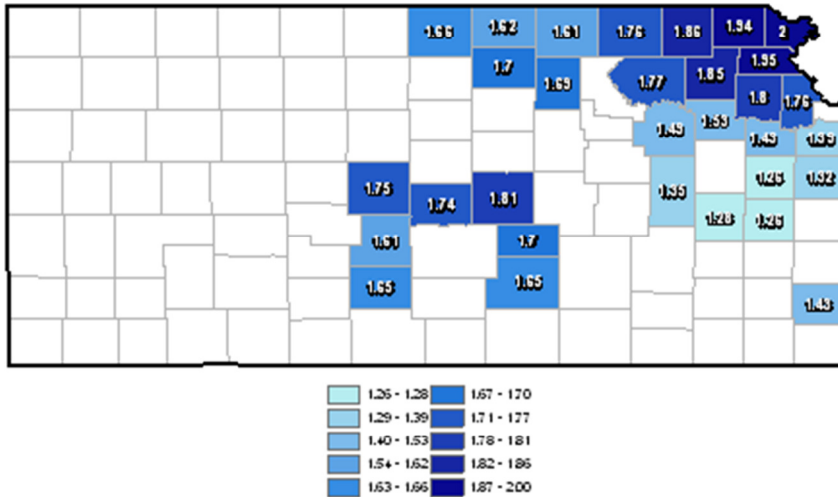
The bad news is that yields haven't statistically trended up in every county, so the TA-APH endorsement isn't available in every Kansas County for every practice. There are maps below but to find out more, you should talk to your crop insurance agent or go to RMA's Actuarial Information Browser.

<http://webapp.rma.usda.gov/apps/ActuarialInformationBrowser/2012/Default.aspx>

Here you can select your crop, county and the 2012 crop year, and view several actuarial reports. If the TA-APH endorsement is available in your county, under the "Rates" tab, "(TA) Trend Adjustment" will be listed as an Optional Coverage Rate, and below that, the trend yield adjustment will be listed as an Optional Coverage Conversion.

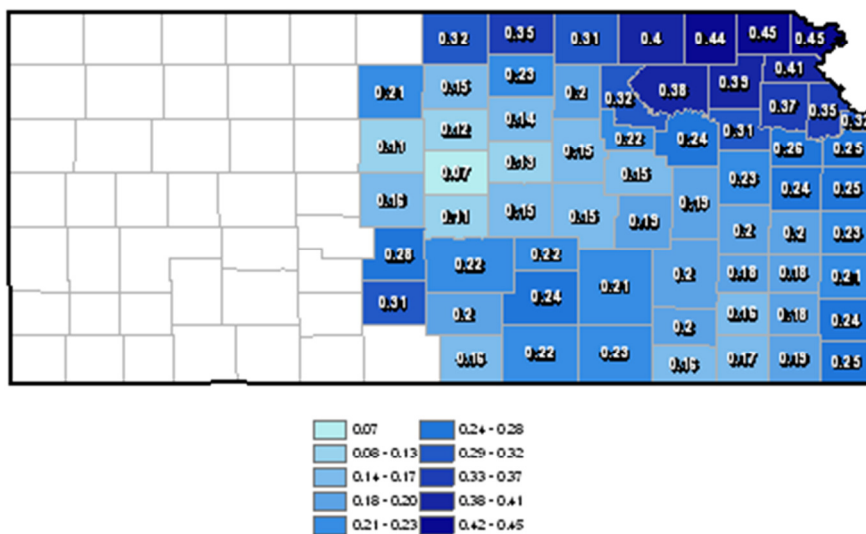
In the case of non-irrigated corn, the endorsement is available in only 31 Kansas Counties, with the rate ranging between 2.00 (Doniphan) and 1.26 bushels. These counties are largely in the northeast corner of Kansas although the endorsement is available in seven south central counties and Crawford County in southeastern Kansas.

Trend Adjustment – Corn Non-Irr



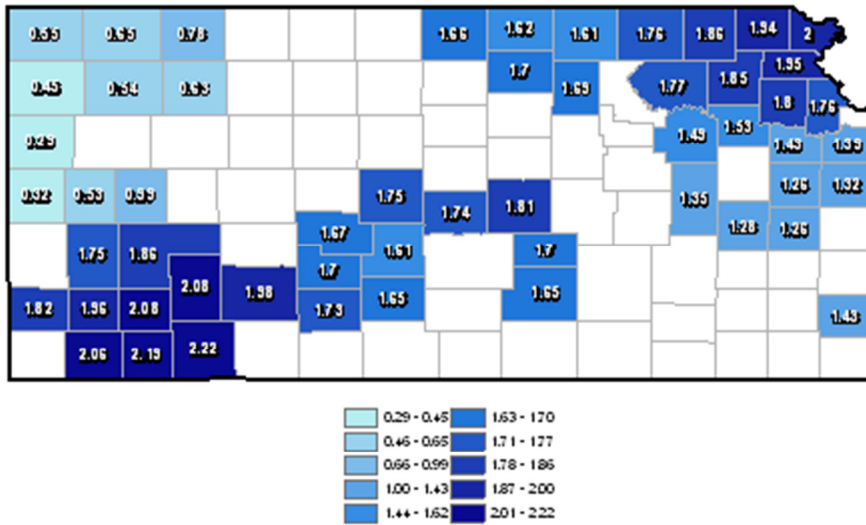
For non-irrigated soybeans, the endorsement is available in 64 counties located in the eastern half of Kansas but only ranges between .45 (Doniphan and Brown) and .11; which is helpful but won't provide a huge boost in insurable yields.

Trend Adjustment – Soybeans Non-Irr



The irrigated corn endorsement is available in 54 Kansas Counties, and the rate ranges between 2.22 (Meade) and .29 bushels.

Trend Adjustment – Corn Irrigated



For irrigated soybeans, the endorsement is available in 86 counties but again is relatively low, ranging between .58 (Norton) and .05.

Trend Adjustment – Soybeans Irrigated

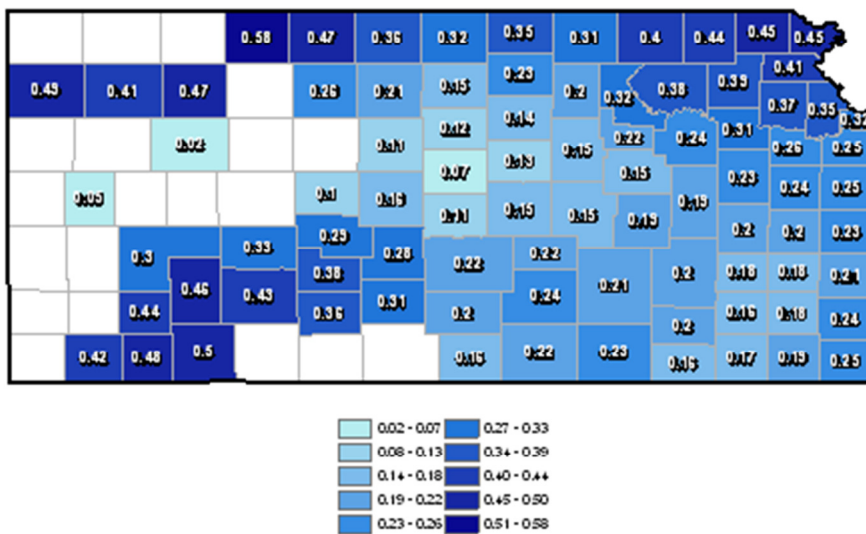


Table 1. Trend Adjusted Yield Example

Crop		Non-Irrigated Corn		
County	Cloud	10	100%	
2012 Crop Year				
1.70 County Trend-Adjustment Rate				
		APH Yields	TA-Yields	
10	2002	85.0	17.00	102.00
9	2003	65.0	15.30	80.30
8	2004	80.0	13.60	93.60
7	2005	70.0	11.90	81.90
6	2006	85.0	10.20	95.20
5	2007	70.0	8.50	78.50
4	2008	90.0	6.80	96.80
3	2009	85.0	5.10	90.10
2	2010	75.0	3.40	78.40
1	2011	95.0	1.70	96.70
APH	2012	80.0	9.35	89.35

Table 1 shows an example of the 2012 TA-APH yield calculation for a Cloud County farm having ten consecutive corn yields from 2002 through 2011. The 2002 yield was 85 bushels per acre and the 2011 yield was 95 bushels; the calculated APH for this yield history is 80 bushels per acre. Based on the NASS data, corn in Cloud County has a yield trend of 1.70 bushels/year. Under the Trend-Adjusted APH, each yield will be adjusted by 1.70 bushel times the number of years from the current insurance year. The further the year is from the 2012 current year, the greater the trend adjustment. For 2011, the trend adjustment is 1.70 and the actual yield was 95 bushel per acre, thus making the TA-APH yield 96.7 bushels per acre (95 bushels plus 1.70 trend adjustment = 96.7). The trend adjustment for the 2006 yield is 10.20 bushel, or the 1.7 trend times six years from 2012. The actual yield in 2006 was 85 bushels and the TA-APH yield is 95.2 bushels (85 bushels plus 10.20 trend adjustment). The above process is continued for each year in the past, and then the adjusted yields averaged to arrive at the Trend-Adjusted APH.

In the above example, the TA APH yield is 89.35 bushels (rounded to 89 bushels for premium calculations), 9.35 bushels above the 80 bushel APH yield.

For the vast majority of Kansas farmers, selecting the Trend-Adjusted Actual Production History (TA-APH) Yield Endorsement when you buy your crop insurance will be a no-brainer, since the rating structure for calculating your premiums will not change if you select the TA-APH endorsement. Because of this, selecting the TA-APH endorsement will either provide you an increase in crop insurance guarantee (liability) or allow you to possibly get the same guarantee for a lower premium because the federal subsidy is greater at lower coverage percentages. Table 2 helps demonstrate this using our Cloud County corn example.

Comparative 2012 Corn Coverages and Premiums for Cloud County, Non-Irrigated

Table 2a. Normal APH

\$5.50 Estimated Projected Price

80 APH Yield

Liability	Coverage %	Total Premium	Producer Premium	Premium Subsidy
\$374	85%	\$98	\$61	0.38
\$352	80%	\$84	\$44	0.48
\$330	75%	\$73	\$33	0.55
\$308	70%	\$62	\$25	0.59
\$286	65%	\$52	\$21	0.59

Table 2b. TREND ADJUSTED YIELD ENDORSEMENT

\$5.50 Estimated Projected Price

89 TA-APH Yield

Liability	Coverage %	Total Premium	Producer Premium	Premium Subsidy
\$416	85%	\$128	\$79	0.38
\$392	80%	\$109	\$57	0.48
\$367	75%	\$93	\$42	0.55
\$343	70%	\$80	\$33	0.59
\$318	65%	\$66	\$27	0.59

Table 2a illustrates several coverage/premium combinations using the 80 bushel APH and an estimated projected price of \$5.50 per bushel. At the 80% coverage level, the producer's crop insurance guarantee (\$ of liability) would be \$352 per acre and the producer's share of the total premium would be \$44 per acre. Table 2b illustrates what would happen by selecting the TA-APH endorsement and the higher APH. The insurance guarantees go up for each coverage percentage and as a result; the producer can utilize a lower coverage level (75%), still have a greater guarantee (\$367) and **pay less per acre (\$42)** because the premium subsidy increases from .48 to .55.

To summarize, for most Kansas farms, selecting the Trend-Adjusted Actual Production History Yield Endorsement will be a good idea in those counties and for those practices where it is available; but as in any crop insurance policy decision, there are many details that you should discuss with your crop insurance agent prior to making the selection. A few are listed below.

Eligibility:

To be eligible for the APH yield, a farmer must:

1. Be located in a county where the TA-APH endorsement is offered, and
2. Have at least one actual yield in the last four years.

An actual yield is based on yields from a farm, not simply transitional yield (T-yield) which is a plugged value when actual yields do not exist, or other changes occur in the insured unit.

Other details:

Other details include:

- The decision to use the TA-APH endorsement must be made by the sales closing date of March 15.
- The TA-APH yield endorsement will be made on a crop/county basis. A farmer could choose to insure corn with the TA-APH yield endorsement and not use it for soybeans.
- The TA-APH endorsement is a continuous policy. The TA-APH yield will continue as long as the farmer does not change the election or RMA does not end the endorsement. If a farmer switches companies, the endorsement will have to be re-elected.
- There must be four yields in the last twelve years for the full trend adjustment to be received. The percent of trend adjustment by actual yields are:
 - 100% adjustment for 4 or more yields in last twelve years,
 - 75% adjustment for 3 years in last twelve years,

50% adjustments for 2 years in last twelve years,

25% adjustment for 1 year in last twelve years.

- Total premiums (the farmer-paid portion and risk subsidy) will be the same for the same guarantee level for policies with and without the TA-APH yield.
- In general, non-actual yields are not eligible for a trend adjustment. You will need to discuss details with your crop insurance agents to identify cases eligible for the Trend Adjustment.