ProfitTalk
Simple perspective on disciplined grain marketing for producers

presented by
White Commercial™ CORPORATION
Explore. Grow. Thrive. Together.

November/December 2020

THE BASICS OF REVENUE PROTECTION INSURANCE

AND WHY IT IS IMPORTANT FOR YOUR MARKETING PLAN

As we approach the end of the year and fall harvest 2020 is in the bin, it is time to start working on a marketing plan for 2021 crops if you haven't already. Revenue Protection Insurance can be a valuable part of this process. One of the biggest reasons that producers shy away from forward contracting is the fear of not producing a crop. Understanding what RPI is will help you overcome this barrier. *(For this example, we are using corn as the commodity)*

Basics of RPI:

- It is based on a guaranteed revenue per acre.
- The price portion of the guaranteed revenue is the average of December corn futures during the February ("Spring Price") or October ("Fall Price") of the harvest year. The higher of the two price is used for the guaranteed revenue calculation.
- RPI's premium is based on the percentage of coverage that you desire of your APH (Actual Production History). You can purchase coverage from 50% to 85%; premium of course increases with percent of coverage.

Why is RPI important to my marketing?
The biggest reason is at the end of February you can know the least amount of revenue your farm is going to produce, which gives you freedom to contract at higher values than that through the spring/summer rallies, without fear of non-delivery or the prices being higher at harvest. Remember if the December Corn Futures price average for October is higher than February your guarantee will be based on the Fall Price.

Some things to consider with RPI:

- How much premium do I want to spend?
- What level is the best return on my money? *(For example, the premium will almost double from 80% coverage to 85% coverage, but many producers find the cost is worth the added benefit)*

Below is an example of premiums for irrigated corn in central Nebraska; there will be established rates per county for your area. Enterprise is the most commonly used coverage.

State:	**Nebraska**
County:	**Fillmore**
Crop:	**Corn**

Individual Farm Level Policies

Quote input -->	APH Yield: **225.0**		
	Acres: **100**		Type:
	Revenue Protection		
Coverage Level	**Enterprise**	**Basic**	**Optional**
		$ per Acre	
50%	3.17	5.23	8.32
55%	4.01	7.23	11.39
60%	5.08	9.15	14.00
65%	6.37	13.06	19.44
70%	7.84	16.07	23.19
75%	11.04	21.60	30.48
80%	18.74	30.57	42.01
85%	33.94	45.74	61.28
Parameters		Projected Price: $4.00	

The greatest benefit of RPI is that it frees the producer to forward contract grain with a backstop against crop failure or the price spiking at harvest after they have forward contracted at lower values. **Keep in mind that you are only protected on the percentage of your APH you bought, so forward contracting above that percentage means you have exposure to non-delivery consequences in a crop failure event.**

Please sit down with your elevator personnel to discuss further, they have some resources that they can plug in different scenarios that can give you a better idea of the impact for your operation and/or marketing plan.