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2007 Crop Insurance Summary
Millard County

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All agricultural producers face recurring risks, significant among them being production risk. Many factors contribute to production risk, including adverse weather conditions such as drought or floods, fires, insects or pests, and disease. These events can devastate a crop, significantly reducing yield and revenue. Since the only way to completely avoid all production risks is to stop producing, successful farmers will seek for ways to mitigate these risks through various management techniques. One risk management tool available to crop producers is the purchase of crop insurance.

Crop insurance policies may be purchased from USDA's Farm Service Agency (NAP policies) or from a commercial firm. A list of sales representatives and policy information is found on the Utah State University Agribusiness webpage (http://extension.usu.edu). NAP policies are not available for crops that are insured by a commercial insurance company. This publication provides an evaluation of commercial policies sold in Millard County.

Crop insurance programs allow farmers to mitigate some of their production risk by shifting it to a third party, the crop insurer. In effect, crop insurance relieves the famer of total responsibility if he suffers a production loss. In the event of a loss, the producer would receive an indemnity payment from the insurer based upon the type and level of crop insurance coverage.

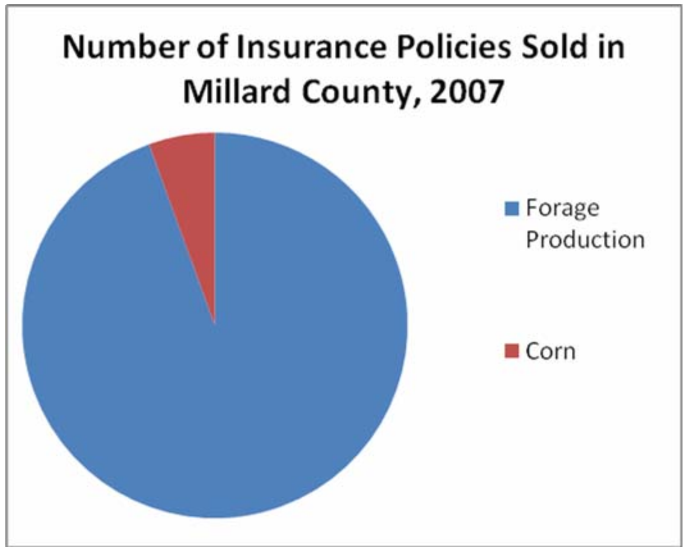
It is important to understand that crop insurance is a risk management tool, not an investment. Indemnity payments are not designed to always "pay," and they only occur when something bad happens. When large losses occur, indemnity payments are made to lower the magnitude of the loss to farmers.

Details about past crop policies in a specific area can help producers in that area better understand the level of the risks they face. For example, if indemnity payments were relatively high for a certain crop in the past, this would suggest the risk associated with growing that crop was high. Past information can also help farmers decide if the cost of the premium is worth the lowered risk from buying a crop insurance policy. The following consists of information concerning crop insurance policies for Millard County designed to aid producers in risk management decisions.

Table 1. 2007 Crop Insurance for Millard County

Commodity	Policies Sold	Insured Acres	Liabilities	Total Premium	Premium paid by Farmers	Indemnity	Loss Ratio
Forage Production	17	7620	$586,547	$37,521	$253	$0	0.00
Corn	1	400	$81,829	$4,638	$0	$0	0.00
Total	**18**	**8020**	**$668,376**	**$42,159**	**$253**	**$0**	**0.00**

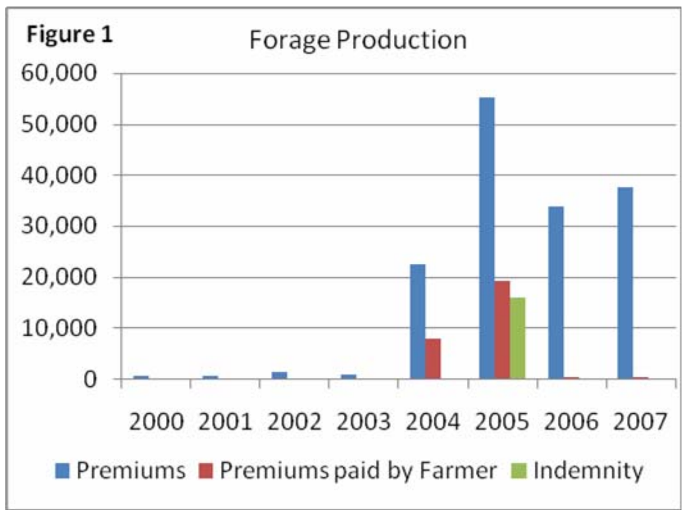
Table 1 provides information specific to each crop including the number of policies purchased by farmers and the total premiums paid. The federal government has numerous subsidy programs to help agricultural producers, including for the purchase of crop insurance. The amount a policy is subsidized depends on the type and level of coverage. Of particular interest is the loss ratio. It represents the value of the loss, or the indemnity payment value, compared to the total premium value. Ratios above 1.0 indicate that the value of indemnity payments made to farmers exceeded the total value of premiums paid for crop insurance. As outlined in Table 1, no loss ratios for any commodity were greater than 1.0 in 2007. Another important relationship is that between indemnity payments and the portion of premiums paid by farmers. A comparison of these two factors shows that indemnity payments were also lower than premiums paid by farmers for all commodities in 2007. The discussion below considers these and other factors relating to risk management for specific commodities grown in Millard County.



Forage Production

Forage production insurance policies accounted for 17 of the 18 crop insurance policies sold in Millard County and almost 89% of total premiums. No indemnity payments were received in 2007 for forage production or any other crop. 7,620 acres were insured in Millard County, a slight decrease in insured acres compared to 2006. The number of policies sold last year, however, decreased by over 70% respective to the previous year.

Figure 1



10 of the 17 policies purchased in 2007 were APH policies at the 50% coverage level, with the remaining policies at the 60% or 65% coverage level. The decrease in policy numbers and insured acres were a result of decreases at the 50% level. Given the decrease in policy numbers and insured acres, liabilities and premiums also decreased in 2007. No indemnity payments were received last year and Figure 1 shows that indemnity payments have only been received for forage production one of the past eight years. Loss ratios have been consistently low, and indemnity payments have never exceeded premiums paid by farmers for any year, suggesting low levels of yield loss and relatively low risk associated with forage production in Millard County.

Corn

Corn has been insured sporadically in Millard County over the past eight years. One policy was purchased last year, accounting for 11% of total premiums in 2007. Like forage production, no indemnity payments were made. While policy number remained unchanged from the previous year, insured acres increased over 70%.

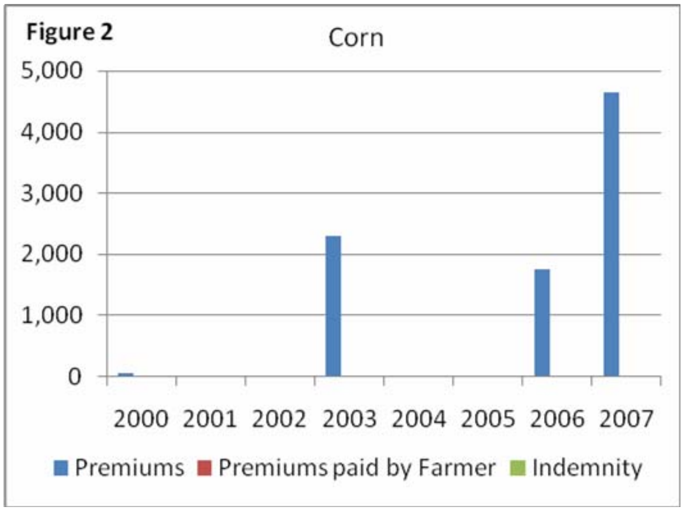


Figure 2 shows the behavior of premiums and indemnity payments over the past eight years. As evident from the graph, corn insurance policies have been 100% subsidized in Millard County each year, and the coverage level has remained constant at 50% with the exception of 2001. No indemnity payments have been made any year, and loss ratios have stayed at zero for all years, suggesting little risk of yield loss beyond the 50% mark.

The information provided in this publication is general information for to Millard County. It is intended to provide Millard County crop producers with general indicators concerning risk and the use of crop insurance to mitigate risk in the area. To better evaluate individual levels of risk and need for crop insurance, each producer should also consider personal experience with crop loss, ability to bear risk, and risk aversion.

All Utah and Millard County crop insurance information presented in this publication is taken or developed from Risk Management Agency crop insurance data available through their website: www.rma.usda.gov.

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