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2007 Crop Insurance Summary
Rich 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 Rich 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 Rich County designed to aid producers in risk management decisions.

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,

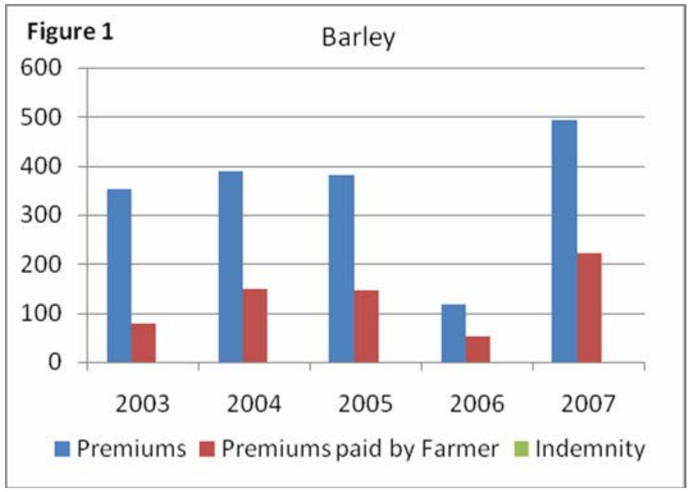
Table 1. 2007 Crop Insurance for Rich County

Commodity	Policies Sold	Insured Acres	Liabilities	Total Premium	Premium paid by Farmers	Indemnity	Loss Ratio
Barley	1	36	$7,339	$493	$222	$0	0.00
Wheat	1	14	$2,254	$618	$278	$0	0.00
Total	**2**	**50**	**$9,593**	**$1,111**	**$500**	**$0**	**0.00**

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, the loss ratios did not exceed 1.0 for any commodity grown in Rich County last year. 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 Rich County.

Barley

One crop insurance policy was sold for barley in 2007, accounting for 44% of total premiums and receiving no indemnity payments. The number of barely policies purchased and the coverage level (75%) of that one policy have not changed since the policy was first purchased in 2003. The insured acreage, however, has varied from year to year and almost tripled in 2007 relative to 2006. Liabilities and premiums increased last year with the increase in



insured acres, but indemnity payments and loss ratios have remained at zero for barley policies over the past five years, as shown in Figure 1. Consistent lack of indemnity payments at a relatively high coverage level suggests that the risk associated with barley production in Rich County is fairly low.

Wheat

While no crop policies for wheat had previously been purchased in Rich County, one crop insurance policy was sold for wheat in 2007, accounting for 56% of total premiums. 14 acres were insured at a 75% coverage level and no indemnity payments were received, suggesting relatively low risk of crop loss beyond 25% for the few acres insured in Rich County.

The information provided in this publication is general information for Rich County. It is intended to provide Rich 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 Rich 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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