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Developing a Marketing Plan: *Crop Insurance Decisions and the Marketing Plan*

Deciding which crop insurance product should be selected by the producer takes time and consideration. Price and coverage level are typically the first factors to come to mind. The use of pre-harvest marketing strategies must also be considered in the decision making process. Pre-harvest marketing strategies should complement your chose crop insurance product.

Crop insurance products can be divided into those, which protect a determined yield level, and those, which protect a determined revenue level. Yield insurance products make payments when yield falls below a yield guarantee. These products include:

1. Catastrophic (CAT)
2. Group Risk Plan (GRP)
3. Actual Production History (APH).

Revenue insurance products make payments when revenue falls below a guarantee. These products include:

1. Crop Revenue Coverage (CRC)
2. Group Risk Income Protection (GRIP)
3. Income Protection (IP)
4. Revenue Assurance (RA).

Minimally, producers should at least choose the CAT coverage. CAT doesn't cost very much, but doesn't provide much in the way of protection.

The use of pre-harvest marketing strategies should influence which type of crop insurance product is selected. If pre-harvest strategies are used on less than 20% of expected production, revenue products with no guarantee of crop price increase are good alternatives. These products have built in features, which are similar to hedging. Hedging is defined as taking an opposite position in the market to balance out potential market losses. IP, RA-base price, and GRIP are the crop insurance products that fit this scenario of little or no pre-harvest hedging.

For producers' that are pre-harvest marketing between 20 to 50% of production, yield products should be considered. The yield guarantee will provide protection against yield declines. The marketing strategies employed by the producer will provide protection against price increases. APH and GRP products are the choices in this marketing plan.

For the aggressive user of pre-harvest marketing tools, revenue products allowing guarantee increases should be considered. Having to buy back bushels at a higher price can be expensive. The guarantee increase provision protects against times when yields are low and prices rise as harvest approaches. This protection comes at a high cost. Revenue products, which allow for increases are expensive. CRC or RA with the guarantee increase provision should be considered with this marketing plan.

Choosing a crop insurance product fitting your marketing plan should be weighed carefully. For more information on the web go to: http://www.farmdoc.uiuc.edu/cropins .