

**Supplemental Revenue Assistance Payments (SURE)
Overview and Examples
October 2009**

SURE Permanent Disaster Program

- Whole-farm program begins with 2008 crop; applies to losses occurring on or before Sep 30, 2011
- Eligibility
 - Secretary-declared disaster county or contiguous county
 - Or farm with total weather-related production losses greater than 50%
 - Farm must suffer at least 10% eligible production loss on at least one crop of economic significance
 - Must purchase at least CAT coverage – but waiver is available for 2008

SURE Payments

- 60% of Difference between SURE Disaster Program Guarantee and Total Farm Revenue
- For purposes of determining payments, crop revenue is separated from livestock revenue

SURE Disaster Program Guarantee

- Sum all insurable crops
 - $115\% * (\text{Crop Insurance Price Election}) * (\text{Planted or Prevented Planted Acres}) * (\text{Crop Insurance Coverage Level Multiplied by Higher of APH or CCP Yield})$
- and Sum all non-insurable crops
 - $120\% * (\text{NAP Price}) * (\text{Planted or Prevented Planted Acres}) * (\text{Payment Yield})$

Total Farm Revenue

- For all crops, sum of
 - Production * Market-year Average (MYA) National Price
 - 15% of Direct Payments
 - All CCPs and ACRE Payments
 - All Marketing Loan Gains/LDPs
 - Prevented Planting Payments
 - Crop Insurance Indemnities
 - NAP Payments
 - Any other crop disaster payments

SURE Disaster Payment Limits

- Shall not exceed 90% of expected farm revenue
- Or \$100,000 per person or legal entity
 - Expected farm revenue is sum across all crops of $(\text{Crop Insurance Price Election}) * (\text{Planted or Prevented Planted Acres}) * (\text{Higher of APH or CCP Yield})$
- For 2009 and beyond, ineligible if non-farm AGI income exceeds \$500,000
 - For 2008, ineligible if AGI exceeds \$2.5 million unless 75% or more is from agriculture

Concerns Regarding the SURE Program

- Since the MYA price is not determined until after the conclusion of the marketing year, SURE payments can not be made until as much as 12 to 18 months after the loss is incurred by the producer.
 - For example, payments for 2009 crop losses will not occur until late 2010 or early 2011.
- SURE is based on whole-farm revenue and may not address losses for an individual crop.
- SURE program guarantees are tied to a producer's crop insurance election. Producers for which higher levels of crop insurance were not economically viable will be penalized with reduced protection under the SURE program.
- Compensation by the SURE program for quality losses is unclear and should be clarified.
- Under the SURE program, producer-paid premiums should be subtracted from crop insurance indemnities in the calculation of Total Farm Revenue. Current program descriptions do not explicitly address this issue.

Summary of SURE Farm-level Examples

- The following tables illustrate possible SURE payments for a 50/50 cotton-soybean farm over a range of yield outcomes and assuming two alternative crop insurance decisions:
 - Farm purchases 65/100 APH on all acres.
 - Farm purchases CAT coverage on all acres.
- Crop insurance price elections are consistent with 2009 RMA prices and MYA prices are set at the mid-point of the October WASDE price ranges. Crop bases acres area set equal to planted area.
- With 65/100 APH coverage, SURE payments commence when actual yields fall 285 below the APH yield, then peak at \$17 per acre at a yield loss of 35%, before declining to \$0 when yield losses reach 97%.
- With CAT coverage, the farm example does not compute any SURE payments, regardless of the yield loss.
- Full results are given in the following tables and charts. It should be noted that SURE results are dependent on specific price, yield and acreage assumptions and will vary by individual farms.

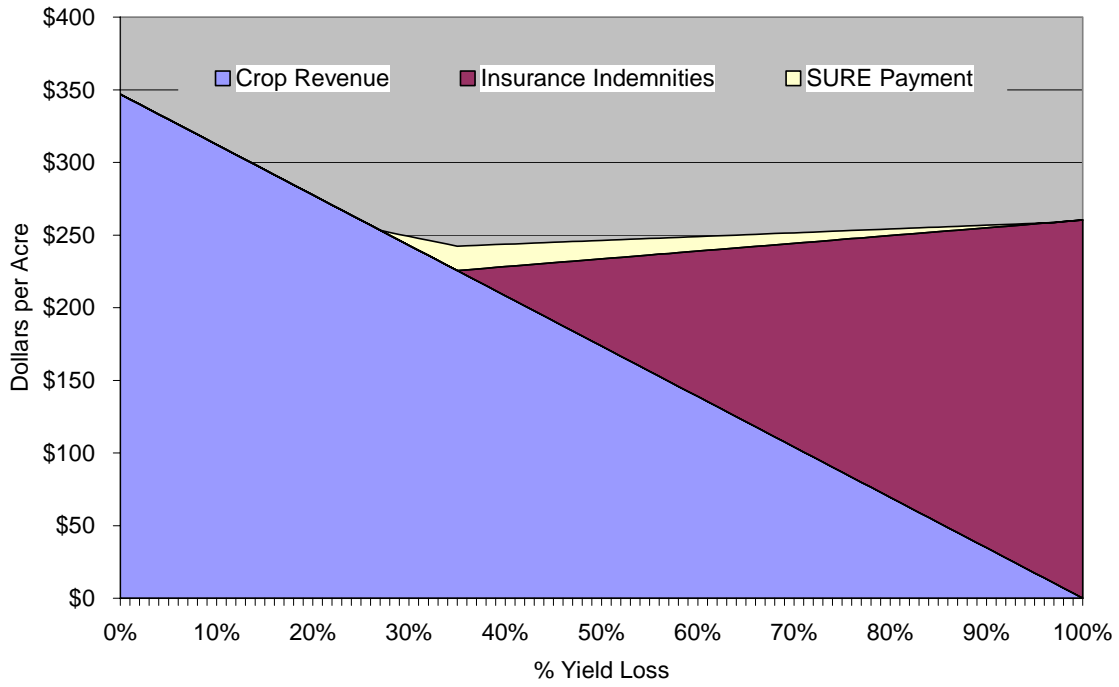
SURE Farm Example #1

Assumes 65/100% AHP Insurance Coverage		Farm	Cotton	Soybeans
Basic Farm Crop Description				
Base Acres		1,000	500	500
Planted Acres		1,000	500	500
DP Yield			750	20
CCP Yield			750	20
APH Yield			800	30
Target Price			\$0.7125	\$5.80
Direct Payment			\$0.0667	\$0.44
Loan Rate			\$0.5200	\$5.00
Insurance Information				
Yield Election			65%	65%
Price Election (RMA '09 Election)			\$ 0.63	\$ 9.90
Coverage Yield			520	20
Insured Production			260,000	9,750
Realized Production and Price				
Actual Farm Price (October '09 WASDE)			\$ 0.53	\$ 9.00
Actual Production			400,000	15,000
Yield Loss (% of APH) (Analysis varies from 0 to 100%)			0%	0%
Realized Yield per Planted Acre			800.0	30.0

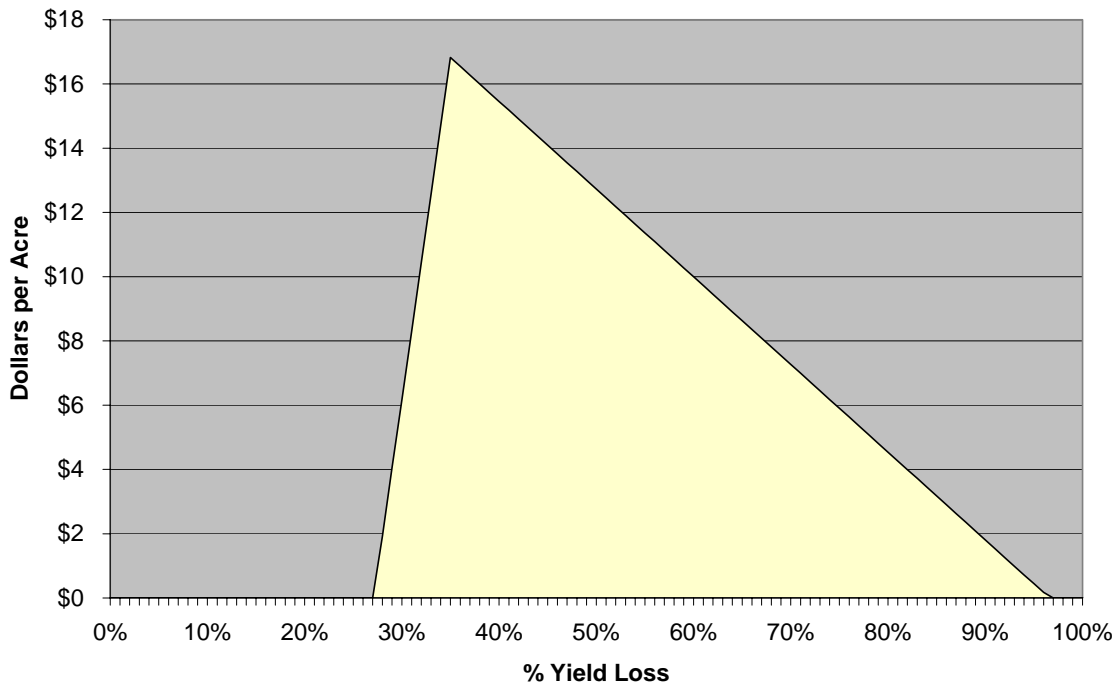
SURE Analysis for 50/50 Cotton-Soybean Farm with 65/100 APH Coverage

Yield Loss as % of APH	Actual Farm Revenue	Insurance Indemnities	SURE Payments	Sum
(Dollars/Acre averaged across farm)				
0%	\$347	\$0	\$0	\$347
10%	\$312	\$0	\$0	\$312
20%	\$278	\$0	\$0	\$278
30%	\$243	\$0	\$6	\$249
40%	\$208	\$20	\$15	\$244
50%	\$174	\$60	\$13	\$246
60%	\$139	\$100	\$10	\$249
70%	\$104	\$140	\$7	\$252
80%	\$69	\$180	\$5	\$254
90%	\$35	\$220	\$2	\$257
100%	\$0	\$260	\$0	\$260

Crop Revenue w/65% APH Insurance



SURE Payments w/65% APH Insurance



SURE Farm Example #2

Assumes CAT Insurance Coverage	Farm	Cotton	Soybeans
Basic Farm Crop Description			
Base Acres	1,000	500	500
Planted Acres	1,000	500	500
DP Yield		750	20
CCP Yield		750	20
APH Yield		800	30
Target Price		\$0.7125	\$5.80
Direct Payment		\$0.0667	\$0.44
Loan Rate		\$0.5200	\$5.00
Insurance Information			
Yield Election		50%	50%
Price Election (RMA '09 Election)		\$ 0.3465	\$ 5.45
Coverage Yield		400	15
Insured Production		200,000	7,500
Realized Production and Price			
Actual Farm Price		\$ 0.53	\$ 9.00
Actual Production		400,000	15,000
Yield Loss (% of APH) (Analysis varies from 0 to 100%)		0%	0%
Realized Yield per Planted Acre		800.0	30.0

SURE Analysis for 50/50 Cotton-Soybean Farm with CAT Coverage

	Actual Farm Revenue	Insurance Indemnities	SURE Payments	Sum
Yield Loss as % of APH	(Dollars/Acre averaged across farm)			
0%	\$347	\$0	\$0	\$347
10%	\$312	\$0	\$0	\$312
20%	\$278	\$0	\$0	\$278
30%	\$243	\$0	\$0	\$243
40%	\$208	\$0	\$0	\$208
50%	\$174	\$0	\$0	\$174
60%	\$139	\$22	\$0	\$161
70%	\$104	\$44	\$0	\$148
80%	\$69	\$66	\$0	\$135
90%	\$35	\$88	\$0	\$123
100%	\$0	\$110	\$0	\$110

