AGPERSPECTIVE INC.
RISK MANAGEMENT & INSURANCE SERVICES

1319 N Galena Ave
Dixon, IL 61021
815-284-9792

GRIP (Group Risk Income Protection)

- **GRIP is yield insurance insuring county revenues.**
- GRIP offers **county protection** and generally **costs less** than other MPCI policies.
- **Coverage levels** are typically between 70%-90% in increments of 5%.
- **No past production records necessary.** GRIP is based on county data not on individual farm records. For this reason there are also no adjusters involved in appraising losses.
- The **expected county revenue yield averages** are determined by the **National Agriculture Statistics Service (NASS)** from as much as 30 years of county data, which includes adjustments for new technology, improved farming practices and other yield trends. HUGE ADVANTAGE OVER CRC/RA as they make no such adjustment in individual data bases. **Revenue** is determined by CBOT prices.

- **Base price** - Corn- the average of December futures during the entire month of of February.

  Soybeans- the average of November futures during the entire month of February.

- **Harvest Price** - Corn- the average of December futures during the month of October.

  Soybeans- the average of November futures during the month of October.

  NEW FOR 2009 – No downside price cap and upside cap is 200% of the base

- **Max Protection Per Acre** – Expected County Yield * Price * 1.5
- **Trigger Revenue –** Expected County Yield * Price * Coverage level
- **Harvest Price Option**- like CRC and RA-HP, the base price can be adjusted higher if the harvest price is higher than the base price. This is an option that needs to be selected.
- **Loss (Indemnity) Payments** are paid when the NASS county revenue falls below the revenue guarantee.

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Ex.) GRIP **without** Harvest Price Option

Max Protection Per Acre = Base Price ($4.50) * 1.5 * County Avg. Yield (160 bu) = **$1080**

Trigger Revenue = County Avg. Yield (160 bu) * Base Price ($4.50) * Coverage Level (90%) =

Trigger Revenue = $648

NASS reports the actual county yield at 110 bu/ac and the Harvest Price was $6.00

NASS county yield (110 bu/ac) * Harvest Price ($6.00) = **County Revenue ($660.00)**

LOSS PAYMENT = Nothing because county revenue is higher than trigger revenue

Ex.) GRIP with Harvest Price Option

Max Protection Per Acre = Base Price ($4.50) * 1.5 * County Avg. Yield (160 bu) = **$1080**

NASS reports the actual county yield at 160 bu/ac and the Harvest Price was $5.50

Max Protection Per Acre = Higher of Base or Harvest ($5.50) * 1.5 * County Avg. Yield (160 bu) = **$1320**

Trigger Revenue = County Avg. Yield (160 bu) * Higher of Base or Harvest Price ($5.50) * Coverage Level (90%) =

Trigger Revenue = $792.00

NASS county yield (110 bu/ac) * Harvest Price ($5.50) = **Actual County Revenue ($605.00)**

LOSS PAYMENT = $792.00 (trigger) - $605.00 (actual) = $187.00

Convert to % below trigger revenue = $187.00/$792.00 = 23.6%

23.6% * $1320.00 (max protection) = **$311.52 per acre payment**

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Ex.) GRIP with or w/out harvest price option & low prices

Max Protection Per Acre = Base Price ($5.50) * 1.5 * County Avg. Yield (160 bu) = **$1320**

NASS reports the actual county yield at 180 bu/ac and the Harvest Price was $4.00

Trigger Revenue = County Avg. Yield (160 bu) * Base Price ($5.50) * Coverage Level (90%) =

Trigger Revenue = $792

NASS county yield (180 bu/ac) * Harvest Price ($4.00) = **Actual County Revenue ($720)**

LOSS PAYMENT = $792 (trigger) - $720 (actual) = $72

Convert to % below trigger revenue = $72/$792= 9.1%

9.1% * $1320 (max protection) = **$120.12 per acre payment**

GRIP Restrictions/Drawbacks

- **GRIP does not provide prevented planting, late planting, or replant payments.**
- **It is possible for a producer to have a low average or even a wipe out and not collect if the county average is not affected.**
- **The purchase of hail insurance is advised.**

Where does GRIP-HRO fit?

- **For larger growers who are more spread out.**
- **For producers who have average to above average producing land or irrigated land.**
- **For land that is lacking production history and the producer is forced to use T-yields.**
- **For producers who want the highest coverage level as inexpensively as possible.**
- **Works very effectively as part of a producers marketing program**

GRIP-HRO vs. GRP

Both products are very similar in that they compare to county yields. However, GRP measures production only and GRIP is a measure of production and revenue. GRP can be viewed as a put option on county yields i.e. lower yields = payments. GRIP-HRO can be viewed as a put option on both yield and price i.e. lower yields and/or lower prices can equal payments.