

TREND-ADJUSTED OPTION NOW AVAILABLE TO MN CANOLA GROWERS

One of the most significant crop insurance changes for the canola industry, the Trend-Adjusted Canola Option, is available to Minnesota canola growers starting in the 2014 crop year. The Trend-Adjusted Canola Option is significant due to the fact that it will result in genetic advancements ultimately assisting canola in maintaining its competitiveness as a cropping option in Minnesota.

The Trend-Adjusted Option (available to canola producers in Kittson, Lake of the Woods, Marshall, Pennington, and Roseau Counties) allows growers to update their APH histories to better reflect current canola yields. The program was first offered to corn and soybeans in select counties in the U.S. but canola was not scheduled to be implemented until 2016 or 2017. However, according to Watts & Associates: Canola was included in the pilot three years earlier than it had been scheduled as a result of work between Watts and Associates and the product's owners. ***Producers interested in taking advantage of the new option should act quickly, however, as the sales closing date of March 15 is fast approaching.***

Example of Trend-Adjusted Canola Option:

'Producer A' grows canola under contract for the 2013 crop year in Roseau County, MN. Historical yields for canola for a unit have been reported as follows:

Year	Yield
2003	1,410
2004	1,630
2005	1,440
2006	1,370
2007	1,230
2008	1,460
2009	1,840
2010	1,720
2011	1,500
2012	1,420
Average	1,502

County	Trend Adjustment
Kittson	29.79
Lake of the Woods	18.19
Marshall	31.67
Pennington	29.34
Roseau	25.35

Assume the year of insurance is 2013. The unit qualifies for 100% trend adjustment because there are at least 4 actual yields in the 10 years. The trend adjustment value for Roseau County is 25.35 pounds per year.

To determine the trend-adjusted approved yield, one first determines the amount of adjustment to the actual yields as follows:

- a) 2013-2012 = 1 x 25.35 lbs = 25.35 lbs + 1,420 lbs = 1,445.35 lbs
- b) 2013-2011 = 2 x 25.35 lbs = 50.70 lbs + 1,500 lbs = 1,550.70 lbs

See table below for complete values:

Year	Yield	Trend Adjustment	Trend Adjustment Yield
2003	1,410	253.50	1,663
2004	1,630	228.15	1,858
2005	1,440	202.80	1,643
2006	1,370	177.45	1,547
2007	1,230	152.10	1,382
2008	1,460	126.75	1,587
2009	1,840	101.40	1,941
2010	1,720	76.05	1,796
2011	1,500	50.70	1,551
2012	1,420	25.35	1,445
Average	1,502	139.43	1,641

The average of the adjusted yields is 1,641 pounds. With this adjustment, the yield guarantee at the 75% coverage level is $1,641 \times 0.75$ or 1,230 pounds per acre and not the $1,502 \times 0.75$ or 1,126.5 pounds it would have been in the absence of trend adjustment. If the producer had instead elected revenue protection and the projected price was \$0.225 per pound, the revenue guarantee would be 1,230 pounds \times \$0.225 or \$277 per acre and not \$253.20, as it would have been without trend adjustment.

Calculation of the Trend-Adjusted Indemnity

At the end of the crop year, Producer A harvests a smaller than expected crop and the market price for canola has fallen. The canola harvest price is \$0.193/lb and Producer A has a yield of 1,000 lbs/ac. Producers A's indemnity is calculated as follows:

Revenue to Count = Yield \times Harvest Price

Revenue to Count = 1,000 lbs/ac \times \$0.193

Revenue to Count = \$193/acre

Indemnity = Max (0, guarantee – Revenue to Count)

Indemnity = Max (0, \$277/ac - \$193/ac)

Indemnity = \$84/ac

If the producer had not chosen the trend-adjusted option, the indemnity would have been \$253.20 - \$193 or \$60/ac.

Contact your local crop insurance agent for further details.