

RMP Scenario Analysis:

Proposed OMAFA Premium increase

The current RMP premium situation

- Total RMP premium contribution to the overall fund total, ever since the new system was put in place, has **steadily increased**.
- Factors driving it:
 - Annual 5% increase in premium rates by commodity (imposed by OMAFA)
 - Stable enrollment in the program.

Category	2020	2021	2022	2023	2024	2025
Participation	6,047	5,785	5,536	5,636	5,828	6,143
Acres (million)	3.258	3.183	3.102	3.181	3.258	3.527
Premiums (million)	\$14.41	\$12.56	\$12.51	\$14.97	\$16.34	\$19.11
Pre-harvest payment (million)	\$45.53	\$0.17	\$0.05	\$54.83	\$44.70	\$34.22
Post-harvest payment (million)*	\$5.35	\$0.00	\$0.06	\$123.10	\$49.21	

Source: OMAFA

Premiums as a % of Total Funds

In 2025, total RMP funding comprises of:

$$\begin{aligned} \textit{Total Fund} &= \textit{Prov Govt Contribution} + \textit{Producer Premiums} - \textit{Admin} \\ &= 63^* + 19.1 - 1.8 \\ &\cong \$80 \textit{ million} \end{aligned}$$

*Note that previously (in 2024-25) – this amount was **\$52.5 million**.

Therefore,

$$\textit{Premium \%} = \frac{19.1}{63} = \mathbf{30.3\%}$$

If nothing changes in the program – (let's say we remain at \$63 million, which we know is *not the case*, then it would take this premium % **3 years** to get to 35%, which is OMAFA's target amount.

Next year: 2026 - 27

Next year, we are supposed to receive the next **30% of the \$100 million** in RMP fund for G&O.

$$\begin{aligned} \text{Total Fund} &= \text{Prov Govt Contribution} + \text{Producer Premiums} - \text{Admin} \\ &= 73.5 + 20.05^* - 1.8 \\ &\cong \$92 \text{ million} \end{aligned}$$

**The producer premium is increased by 5%, the current agreed upon increase amount.*

$$\text{Premium \%} = \frac{20.05}{73.5} = \mathbf{27.2\%}$$

This is about **\$3.17 million** in producer premiums less to make it to **30.3%** (what we are currently paying)

Next year: 2026 – 27 – What is acceptable?

If we are unable to hold the line **and must comprise**, then this the number we cannot go higher than the following number for next year: 2026 – 2027.

- Current paying: \$19.1 million.
- What we would pay if the same percentage is used (30.3%) as this year, with the increased funding:

$$\$73.5m \times 0.303 = \$\mathbf{22.27\ million}$$

This would mean a premium increase of: $\frac{22.27-19.1}{19.1} = \frac{3.17}{19.1} = \mathbf{16.5\%}$

Should not accept a higher increase than **16.5% at least for next year under any scenario.**

What would it mean if OMAFA tried to get to **35%** next year itself?

Premium required to get to 35%:

$$73.5 \times 0.35 = \$25.72 \text{ million}$$

From the current level this would mean an increase of **34.6%**

The year after next: 2027 - 28

The year after, we are supposed to receive the final **40% of the \$100 million** in RMP fund for G&O.

$$\begin{aligned} \text{Total Fund} &= \text{Prov Govt Contribution} + \text{Producer Premiums} - \text{Admin} \\ &= 87.5 + 21.06^* - 1.8 \\ &\cong \$107 \text{ million} \end{aligned}$$

*The producer premium is increased by 5%, the current agreed upon increase amount.

$$\text{Premium \%} = \frac{21.06}{87.5} = \mathbf{24.06\%}$$

This is about **\$7.41 million** in producer premiums less to make it to **30.3%** (what we are currently paying as a percent)

The year after next: 2027 – 28 (continued)

- Current paying: \$19.1 million.
- What we would pay if the same percentage is used (**30.3%**) as this year, with the increased funding:

$$\$87.5m \times 0.303 = \$\mathbf{26.51\ million}$$

This would mean a premium increase of: $\frac{26.51-19.1}{19.1} = \frac{7.41}{19.1} = \mathbf{39\%}$
over our current levels.

What would it mean if OMAFA tried to get to **35%** by 2027-28?

Premium required to get to 35%:

$$87.5 \times 0.35 = \$30.62 \text{ million}$$

From the current level this would mean an increase of **60.3%**

Individual producer level: 2026 & 2027 scenarios

2026-27 G&O premium increase scenarios					
	Match to Current G&O %	Match up to 35% G&O	Assume that GFO's increase is similar to Beef Level Increase		
Increase amount (premiums)	16.50%	35%	53%	67%	100%
Corn \$	1,502	3,185	4,823	6,097	9,100
Soybean \$	611	1,297	1,964	2,482	3,705
Wheat \$	843	1,789	2,708	3,424	5,110

Note: that this is **not** the total premium. This is how **much more** a producer will owe after the increase.

Assumptions:

- 1,000-acre producer
- Corn: 200 bu/acre
- Soybean: 50 bu/acre
- Wheat: 100 bu/acre

* The column head: Beef Level Increase comes from **data mentioned in Richard's email**:

what would happen to G&O premiums if a Beef Level increase was imposed on us. I included all three percentages – to include as a range.

2027-28 G&O premium increase scenarios					
	Match to Current G&O %	Match up to 35% G&O	Assume that GFO's increase is similar to Beef Level Increase		
Increase amount (premiums)	39%	60%	64%	101%	140%
Corn \$	3,549	5,487	5,788	9,146	12,740
Soybean \$	1,445	2,234	2,356	3,724	5,187
Wheat \$	1,993	3,081	3,250	5,136	7,154

Key Question:

When does a producer start losing money despite a payment?

- Could the premium rise to the point, where participation loses you money despite a payment.

Loss equation:

$$\text{Premium paid} (1 + \Delta) \geq (COP - \text{avg price}) \times 0.40 \times \text{proration}$$

$$\Rightarrow \Delta = \frac{(COP - \text{avg price}) \times 0.40 \times \text{proration}}{\text{Premium paid}} - 1$$

Where Δ is the increase amount in premiums

Applied to 2025 numbers - corn

Note we still don't have post harvest payment, so there are some assumptions.

This data is for corn:

$$\Delta = \frac{(6.72 - 5.55) \times 0.40 \times 29\%}{0.0455} - 1$$
$$= 198\%$$

- \$5.55 was this year's pre-harvest price used for calculation. We assume the same value for post-harvest (real value will be different, but it's a reasonable assumption).
- **Result:** For the current year, producer premium would have to increase by **198%** at least for corn to give no return to a producer.
- The final proration is assumed to be a bit higher than the pre-harvest amount, because OMAFA is usually cautious.

A second scenario: higher average price

Here's a second **hypothetical** scenario, where we suppose that the average price over the season is **much closer** to the support level (COP).

$$\Delta = \frac{(6.72 - 6.20) \times 0.40 \times 29\%}{0.0455} - 1$$
$$= 32.57\%$$

Because the spread is much closer, even a 32.57% increase in premiums would push a producer in negative return territory despite receiving a payment.