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Crop Insurance for Bedding Plant and Greenhouse Producers

USDA
U.S. Department of Agriculture
Risk Management Agency

agriskmanagement.cornell.edu

“It’s farming, so it’s not easy that’s for sure. The weather and the changing variability in the weather in recent years has been a real challenge, with wet to dry extremes”

-NY organic grain farmer in 2016 testimonial for NYSDAM

What is crop insurance?

Crop insurance helps producers **manage risk**.

You pay an annual **premium** (the cost is shared with the Federal government) to buy an insurance policy.

Crop insurance is purchased from private agents

If your yields or revenues fall below a certain level due to a "covered cause", you receive an **indemnity** payment.

Photo: Regan Walsh via Flickr

What types of crop insurance are available for bedding plants?

Currently there are only two RMA crop insurance products available for bedding plant/greenhouse producers:

- Nursery Commodity Insurance
- Whole Farm Revenue Protection (WFRP)

Neither of these products are very popular in New York. In 2017:

- Only one New York Nursery Commodity Insurance policy sold.
- 15 Whole Farm Revenue Protection policies.

Nursery Commodity Insurance

This is a Dollar Plan insurance product, which means that the loss payment is based on value of the crop relative to the dollar amount of insurance.

Insurance is offered at both the CAT and BUYUP coverage levels.

Both field-grown and container nursery plants can be insured.

Eligible for all producers in all counties that meet the following requirements:

- Plants are on the Eligible Plant List
- The nursery receives at least 50% of its gross income from wholesale marketing of nursery plants.
- All plants are grown in an appropriate medium

There was only one 2017 Nursery Commodity Insurance policy sold in NY!

Nursery Commodity Insurance
Things to be aware of…

- This policy requires the submission of price documentation and a copy of the producer's wholesale catalog.

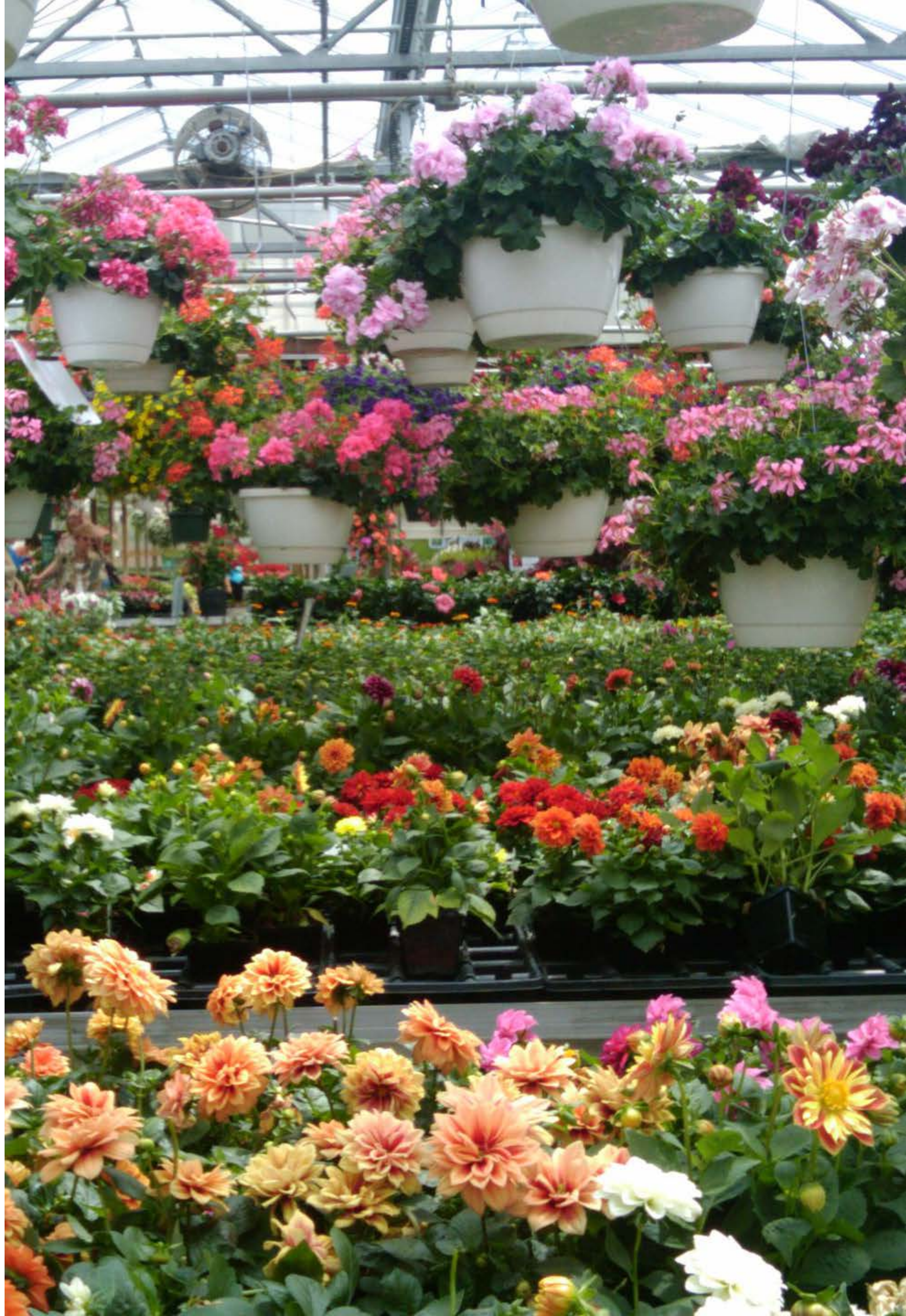
- Important Dates:
  - Sales Closing Date: May 1st
  - Insurance Period Begins: June 1st

Nursery Commodity Insurance

Things to be aware of…

Nursery plants may not be insured if:

- Grown in containers containing two or more different genera, species, subspecies, varieties, or cultivars
- Are grown for sale as Christmas trees.
- Are grown as stock plants.
- Are grown solely for harvest of buds, flowers or greenery.



Nursery Commodity Insurance

Assume an Ontario Co. wholesale bedding plant producer would like to insure 10,000 pots of New Guinea Impatiens at the 75% coverage level.

- The dollar value of the insurance is $13,350 (10,000 pots X $1.78/pot eligible plant list value X 75% coverage level)
- The producer premium is approximately $52

What would happen if this producer was hit with a case of Impatiens Necrotic Spot virus that forces the producer to destroy half their plants?

- The producer would have a loss in plant inventory value of $8,500 [$17,000 X (1-50%)]
- The producer's payout would be equal to $4,798 ($13,350 dol. val. insurance - $8,500 plant val. - $52 producer premium)

Estimated premium used for educational purposes only. Only insurance agents can quote actual rates.

Whole Farm Revenue Protection (WFRP)

WFRP allows **diversified farmers** to insure their whole operation with just one policy

More diversified farms benefit from **higher premium subsidies** and **lower premium rates**

Schedule F tax records for farm activities over past 5 years are required

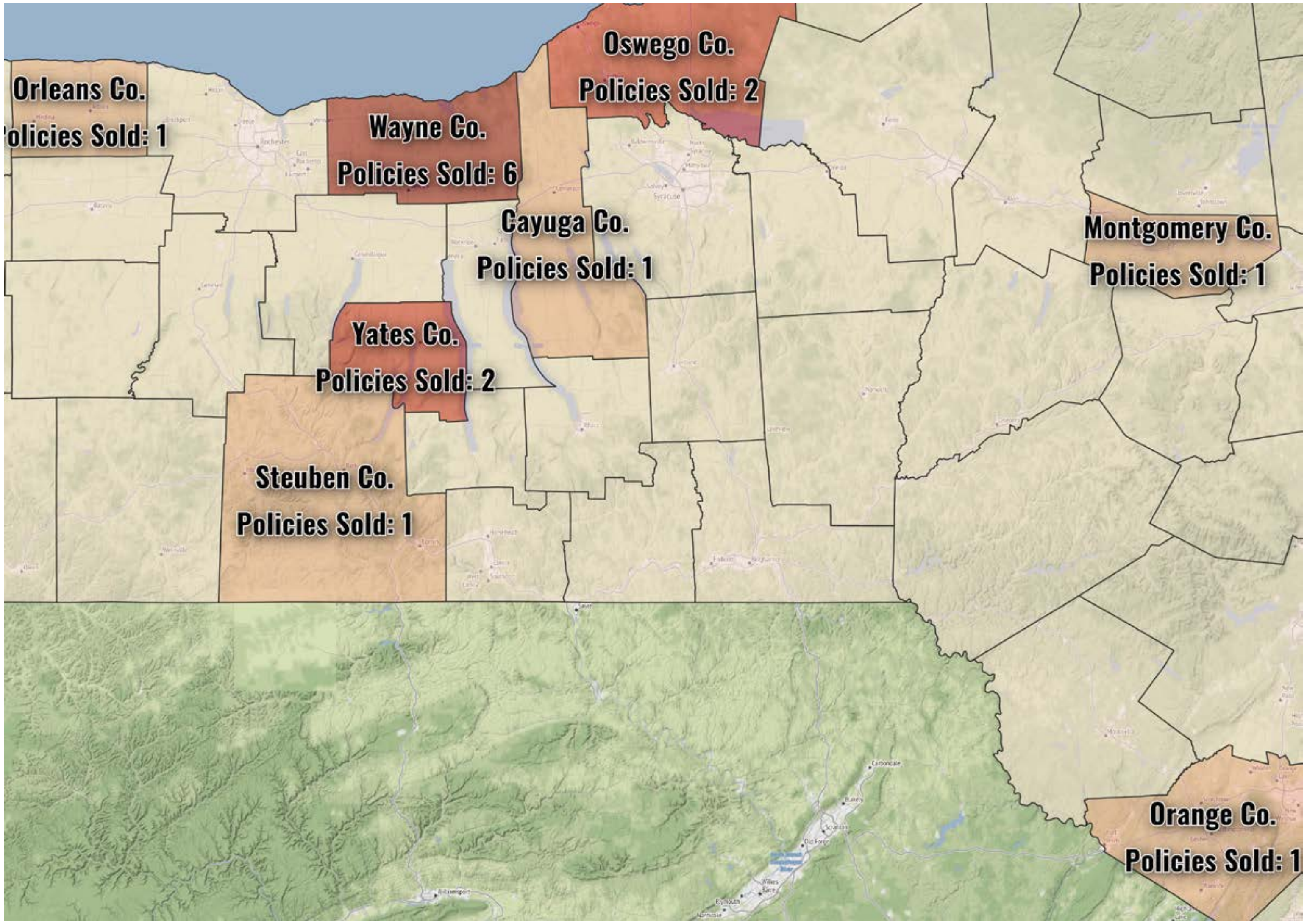
WFRP policies cover *all* crops or livestock produced by a farm

- Record keeping requirements may be a challenge for “highly diversified” farms

So far, NY usage is low: 15 total policies sold in 2017

Photo: Michigan Municipal League via Flickr

Whole Farm Revenue Protection (WFRP) – NY Participation 2017



Whole Farm Revenue Protection (WFRP)
Things to be aware of…

- WFRP is available in all New York Counties
- Important Dates:
  - Sales Closing Date (Early Fiscal Filer): March 15th
  - Sales Closing Date (Late Fiscal Filer): November 20th
  - Acreage Reporting: July 15th
  - Billing Date: August 15th
- The insurable period coincides with the duration of the producer’s tax year.
- CAT coverage is NOT available.
- This policy provides replant coverage for:
  - For annual crops, except those covered by another Federal crop insurance policy
  - Equal to the cost of replanting up to a maximum of 20 percent of the expected revenue
  - When 20 percent or 20 acres of the crop needs to be replanted.

Whole Farm Revenue Protection (WFRP)

Considerations for producers with nursery products…

- Though a producer may have market several species of nursery plants, they all fall under one commodity code and therefore are considered one single commodity for WFRP purposes.
- For example, a producer markets only Geraniums, Petunias, Lupines and Calendula. Though these are four different species, they count as one commodity and do not make the operation “diversified” in the context of WFRP. This producer would not be able to insure above the 75% level.
- On the other hand, if a producer markets greenhouse Geraniums, fresh market cabbage and onions. They would be considered “diversified” and would be eligible for the 80% and 85% coverage levels.

Photo: Lily Calderwood

Whole Farm Revenue Protection (WFRP)

Bedding Plant Producer Case

- Suppose you are a New York bedding plant producer with the following average revenues:

Species	Plants	Price	Revenue
Geraniums	20,000	$4/plant	$80,000
Begonias	15,000	$5/plant	$75,000
Pansies	15,000	$4/plant	$60,000
Marigolds	20,000	$6/plant	$120,000
New Guinea Impatiens	20,000	$7/plant	$140,000
		Total:	**$475,000**

- Since all nursery plants fall under the same commodity code, upon purchasing a WFRP policy, you are only able to protect your approved revenue of $475,000 at the 75% level.
- With this policy you have an insured revenue of $356,250 ($475,000 X 75%) with an estimated producer premium of $12,344.

Estimated premium used for educational purposes only. Only insurance agents can quote actual rates.

Whole Farm Revenue Protection (WFRP)

Example – Multi species losses and no payout triggered

- Snow sliding off an adjacent building damages a greenhouse sidewall. Though you catch the problem early and brace the wall, several plants across the species you produce are destroyed:

Species	Plants	Price	Revenue
Geraniums	10,000 (20,000 – 10,000)	$4/plant	$40,000
Begonias	14,000 (15,000 – 1,000)	$5/plant	$70,000
Pansies	10,000 (15,000 – 5,000)	$4/plant	$40,000
Marigolds	19,000 (20,000 – 1,000)	$6/plant	$114,000
New Guinea Impatiens	19,000 (20,000 – 1,000)	$7/plant	$133,000
		Total:	**$397,000**

- Although you incurred significant losses of plants, your revenue is still $40,750 above the insured revenue value of $356,250. You do not receive an indemnity payment.

Whole Farm Revenue Protection (WFRP)

Loss Example – One crop losses that trigger payout.

- Your operation experiences a case of Impatiens Necrotic Spot virus, forcing you to destroy 95% of your Impatiens. All other crops experience average yields and prices remain average:

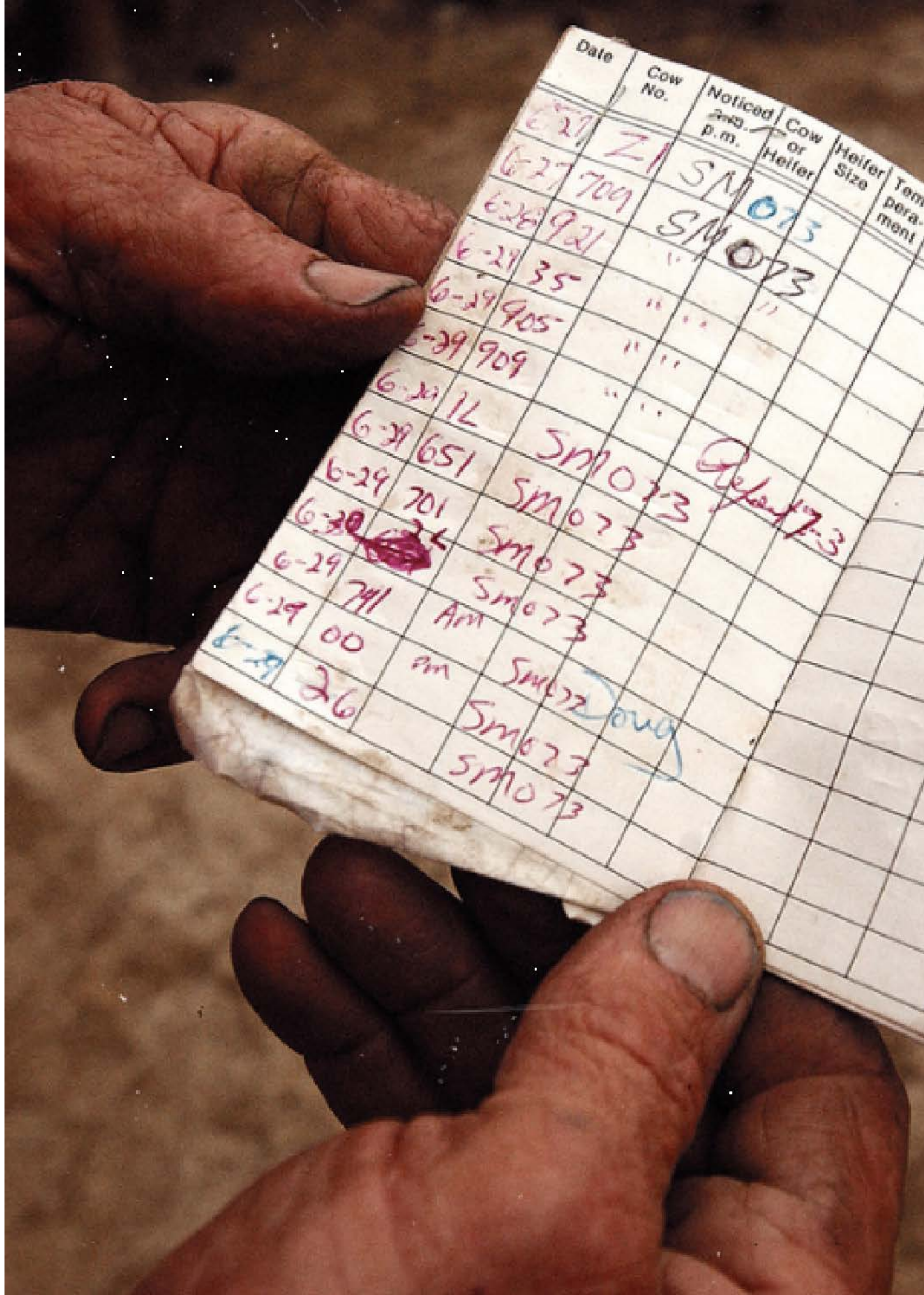
Species	Plants	Price	Revenue
Geraniums	20,000	$4/plant	$80,000
Begonias	15,000	$5/plant	$75,000
Pansies	15,000	$4/plant	$60,000
Marigolds	20,000	$6/plant	$120,000
New Guinea Impatiens	1,000 [20,000 X (1-95%)]	$7/plant	$7,000
		Total:	**$342,000**

- You incurred significant losses of Impatiens, which caused your operation's revenue to decrease to $349,000, or $14,250 below your insured revenue value of $356,250. You will receive a payout of $1,906 ($14,250 - $12,344) for that year.

Crop insurance record keeping

Keeping records of inputs, yields, revenue, and losses is a good general management practice that many crop insurance products require

For Whole Farm Revenue Protection having historical tax records (Schedule F) for farming activities is essential



Benefits for Beginning Farmers

In some cases can **use records from other operations** you managed

Extra 10% **premium subsidy**

May use **3 years of tax records (plus "gap year")** instead of 5 for WFRP

"Beginning farmer" = ≤5 years of "insurable interest" in a farming operation


Photo: USDA

Other things to know

For WFRP five consecutive years of Schedule F, or other farm tax forms (it must be possible to complete a Substitute Schedule F form if you filed farm tax forms other than Schedule F). For the 2018 policy year, tax forms from 2012-2016 are required. Some exceptions to this rule include:

- If you qualify as a Beginning Farmer or Rancher (BFR), you may qualify with 3 consecutive years of Schedule F or other farm tax forms if you also farmed during the past year. (3 years + "gap year", i.e. 2012-17)
- If you were physically unable to farm for 1 of the 5 required historic years but were farming the past year, you may qualify
- Information supporting expansion if you want the farm to be considered as an expanding operation due to the farm operation physically expanding last year or the coming year, including increased acres, added equipment such as a greenhouse, new varieties or planting patterns, or anything else that expands production capacity (other than just a change in price)

Lenders like crop insurance!

Interested farms can contact a crop insurance agent (https://www.rma.usda.gov/tools/agent.html)

Having a good relationship with your agent is critical. There are many deadlines and specific procedures to be followed when making a claim!

Cornell Crop Insurance & Risk Management Education Project Resources Website: **agriskmanagement.cornell.edu**

Currently available

- Newly updated website including
  - Articles
  - Fact sheets
  - Presentations
  - Videos
  - Farmer testimonials

Coming soon

- Risk management podcast series
- More NY case studies
- More fact sheets
- Whole Farm Revenue Protection examples

Cornell University delivers crop insurance education in New York State in partnership with the USDA Risk Management Agency.

Diversity and Inclusion are a part of Cornell University's heritage. We are an employer and educator recognized for valuing AA/EEO, Protected Veterans, and Individuals with Disabilities.

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