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# Supplemental Coverage Option (SCO) for Grapes

[agriskmanagement.cornell.edu](http://agriskmanagement.cornell.edu)



# Supplemental Coverage Option (SCO)

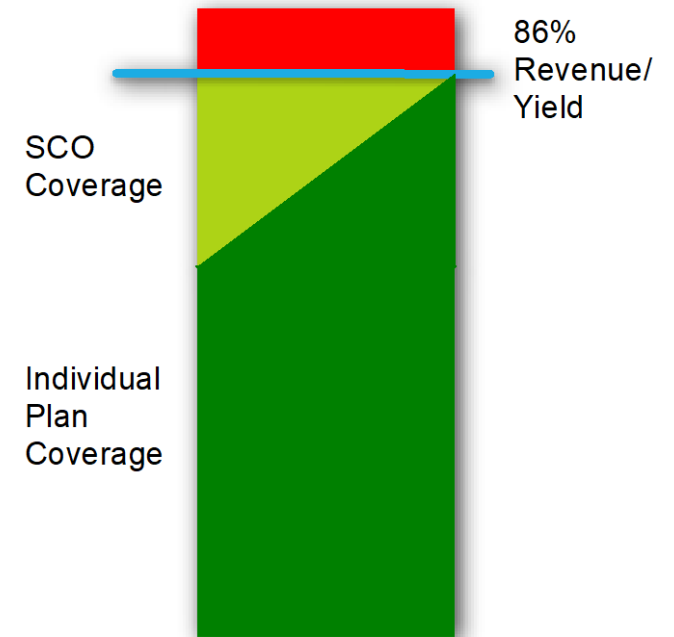
What is it?

- The Supplemental Coverage Option (SCO) is an additional crop insurance option that provides coverage for a portion of the underlying crop insurance policy deductible.
- Follows the coverage of the underlying policy.
  - For an underlying Yield Protection policy, the SCO covers yield loss.
  - For an underlying Revenue Protection policy, the SCO covers revenue loss.
- Loss payments are made when there is a loss in yield or revenue for the designated SCO area. It is NOT based on the individual policyholder's yield or revenue performance.

# Supplemental Coverage Option (SCO)

## Cost and Coverage

- SCO increases the level of coverage to 86% of Producer's APH Yield
- SCO results in additional premium and administrative fee
- Amount of protection & cost is based on underlying policy coverage
  - Lower underlying coverage, higher SCO protection and cost
  - Higher underlying coverage, lower SCO protection and cost
  - No coverage overlap between individual and SCO coverage
  - Covers all planted acreage of the crop.





# Supplemental Coverage Option (SCO)

## Indemnity

- Area yield loss for yield plans, area revenue loss for revenue plans
  - Basis risk, or the relationship between a farm and county-level yields should be considered
- Payments begin if area revenue/yield is less than 86% (area loss more than 14%)
- Amount based on individual plan
- Maximum based on SCO Coverage (86% - Individual Coverage Level)

## SCO for New York Grape Growers

- New York state grape producers have the option of purchasing the SCO endorsement for an Actual Production History (APH) policy.
- Since this is a Yield Protection product, the SCO will also be guaranteeing yield based on the yield of a larger area.
- It is important for producers to know which counties make up their SCO area and the yields for that area!
  - The cultivar prices used for the SCO guarantee are uniform across SCO areas in a state.
  - Since different SCO areas contain different counties, the area yields, both expected and actual, vary.

## New York SCO Areas for Grapes

- The counties that make up an SCO area can vary greatly and may not be consistent.
- RMA's explanation for SCO area selection is based on data availability. If yield data are not sufficient for a county, other counties are added to the SCO group.
- For the 2018 Crop Year these are the following SCO Grape Areas for each LERGP county:

County	SCO Area Counties
Cattaraugus	Cattaraugus, Chautauqua
Chautauqua	Chautauqua
Erie, NY	Chautauqua, Erie (NY)
Erie, PA	Erie (PA)
Niagara	Chautauqua, Erie (NY,) Niagara

## New York Grapes SCO Expected and Actual Area Yields (tons/acre)

Year	Cattaraugus		Chautauqua		Erie (NY)		Erie (PA)		Niagara	
	Exp	Act	Exp	Act	Exp	Act	Exp	Act	Exp	Act
2018	6.49	--	6.49	--	6.36	--	7.41	--	6.33	--
2017	6.32	--	6.32	--	6.16	--	7.14	--	6.14	--
2016	7.2	7.1	7.2	7.1	7	7	8.3	8.4	7	7

- Actual area yields for 2017 are not currently available.
- We see that in 2016 the actual SCO area yields for Cattaraugus and Chautauqua counties fell below the expected by 0.1 tons/acre. **It still did not fall below trigger level of 6.19 tons/acre (86% X 7.2 tons/acre) so there was no indemnity on those SCO Grape policies.**

# Supplemental Coverage Option (SCO)

## Grape Producer SCO Endorsement Example

Suppose a Chautauqua County grape producer insures 100 acres of Concord grapes with an APH policy. They have an approved yield of 8 tons/acre and select the additional SCO endorsement for additional coverage using the SCO area yields (86% SCO guarantee – APH coverage level). The premium costs for the available coverage options are:

	85%	80%	75%	70%	65%	60%	55%	50%
Additional SCO Protection	1%	6%	11%	16%	21%	26%	31%	36%
APH Policy	\$19,876	\$12,954	\$8,635	\$6,010	\$4,544	\$3,219	\$2,610	\$1,961
SCO Endorsement	\$178	\$894	\$1,464	\$1,880	\$2,102	\$2,240	\$2,239	\$2,240
<b>Total</b>	<b>\$20,054</b>	<b>\$13,848</b>	<b>\$10,099</b>	<b>\$7,890</b>	<b>\$6,646</b>	<b>\$5,459</b>	<b>\$4,849</b>	<b>\$4,201</b>

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



# Supplemental Coverage Option (SCO)

## Grape Producer SCO Endorsement Example

This producer's yields are correlated to the area's yields so they can comfortably insure at the 65% coverage level with an SCO endorsement.

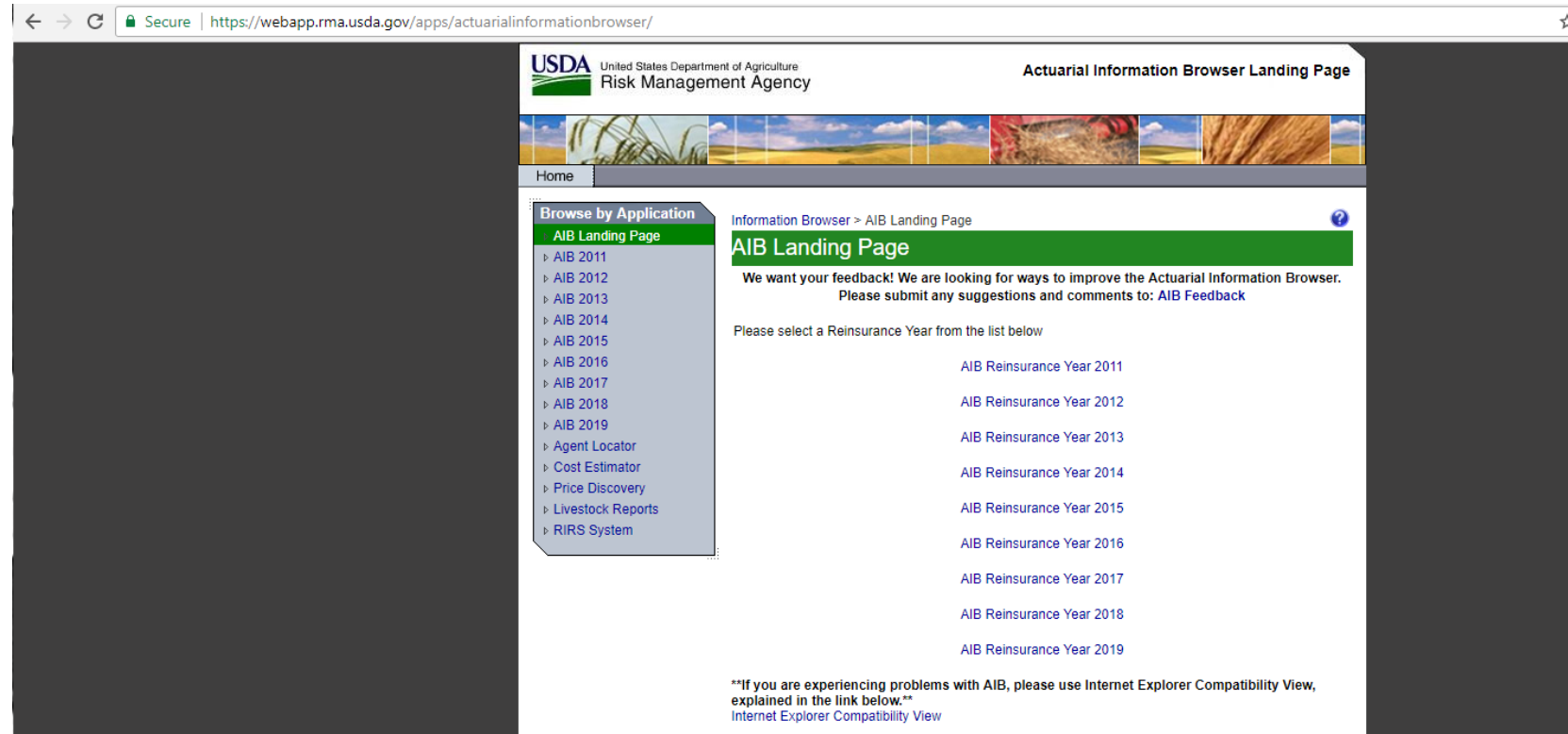
Both the producer and the SCO area incur a yield loss of 40%. The APH insurance with SCO endorsement would perform as follows:

	Acres	Yield	Projected Price	Guarantee	% of Guarantee	Indemnity	Producer Premium	Payout
APH 65% Guarantee	100	8 ton/acre	\$245/ton	\$196,000	5% (65%APH – 60% Yield)	\$9,800	\$4,544	\$5,256
SCO	100	6.49 ton/acre	\$245/ton	\$159,005	21% (86% SCO – 65% APH)	\$33,391	\$2,102	\$31,289
					<b>Total:</b>	<b>\$43,191</b>	<b>\$6,646</b>	<b>\$36,545</b>

# Want to find this information yourself?

- Important information for the SCO endorsement can be found on RMA's Actuarial Information Browser (AIB):

<https://webapp.rma.usda.gov/apps/actuarialinformationbrowser/>



# Want to find this information yourself?

- After clicking on the year of interest, select the commodity, year, insurance plan, state and county. Then click the “View Report” button.

USDA United States Department of Agriculture Risk Management Agency Actuarial Information Browser 2018

Home

Browse by Application

- AIB Landing Page
- AIB 2011
- AIB 2012
- AIB 2013
- AIB 2014
- AIB 2015
- AIB 2016
- AIB 2017
- AIB 2018
  - Crop
  - Livestock Gross Margin
  - Livestock Risk Protection
  - Rainfall Index
  - Vegetation Index
- AIB 2019
- Agent Locator
- Cost Estimator
- Price Discovery
- Livestock Reports
- RIRS System

Information Browser > AIB 2018 > Crop

### Crop

1 Commodity: Grapes (0053)

2 Commodity Year: 2018

3 Insurance Plan: APH (90)

4 State: New York (36)

County: Cattaraugus (009)

Clear View Report

Commodity Year, as used throughout this application, represents Crop Year / Insurance Year as applicable for the commodity.

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# Want to find this information yourself?

- You can find the prices, yields and production areas used in the SCO endorsement calculations based on different cultivars.

The screenshot shows the USDA Risk Management Agency's Actuarial Information Browser interface. The page is titled "Commodity Report" and displays data for Grapes (0053) in 2018, under the APH (90) insurance plan, in New York (36), specifically in Cattaraugus (009) County. The "SCO Prices and Yields" tab is selected and circled in red.

The report is organized into several sections:

- Types / Practices:** A table with columns for T/P 001 through T/P 008. The "Type" column is circled in red, showing "Practice" for all entries.
- Prices - Base County:** A table showing the "Established Price" for each T/P, with the header circled in red.
- Yields:** A table showing the "Expected Area Yield" for each T/P, with the header circled in red.
- Yield Data Source:** A table detailing the data source for each T/P, including "Data Source", "Area Basis", "Yield Basis", "Commodity", and "Irrigation Practice".
- Production Area:** A table showing the "Production Area" for each T/P, with the header circled in red. A note below the table states: "This offer's production area includes this list of counties".

# Want to find this information yourself?

- By following the same procedure for prior years, you can also find the actual area yields that were used to calculate the SCO indemnity in that year.

USDA United States Department of Agriculture  
Risk Management Agency information Browser > AIB 2016 > Crop > Commodity Report

Commodity Report

1 Commodity: Grapes (0053)  
2 Commodity Year: 2016  
3 Insurance Plan: APH (90)  
4 State: New York (36)  
County: Cattaraugus (009)

Types / Practices Unit Structure Prices T-Yield Yield Exclusion Dates Rates Maps Subsidy Factors Special Provisions **SCO Prices and Yields** SCO Rates SCO Subsidy Factors Links

1 of 1 Find | Next

Types / Practices	T/P 001	T/P 002	T/P 003	T/P 004	T/P 005	T/P 006	T/P 007	Isabe
Type	Chambourcin 209 *1 *2 *3	Niagara 199 *1 *2 *3	Concord 200 *1 *2 *3	All Other Natives 510 *1 *2 *3	Catawba 511 *1 *2 *3	Elvira 512 *1 *2 *3	Dutchess 513 *1 *2 *3	Isabe
Practice	No Practice Specified 997 *1 *2 *3	No Practice Specified 997 *1 *2 *3	No Practice Specified 997 *1 *2 *3	No Practice Specified 997 *1 *2 *3	No Practice Specified 997 *1 *2 *3	No Practice Specified 997 *1 *2 *3	No Practice Specified 997 *1 *2 *3	No Pra 9
Prices - Base County								
Established Price	\$780.0000	\$280.0000	\$280.0000	\$250.0000	\$325.0000	\$280.0000	\$415.0000	\$
Yields								
Expected Area Yield	7.2000	7.2000	7.2000	7.2000	7.2000	7.2000	7.2000	
Final Area Yield	7.1000	7.1000	7.1000	7.1000	7.1000	7.1000	7.1000	
Payment Factors								
Area Loss Trigger	0.86							
Underlying Policy Coverage Level	0.50	0.55	0.60	0.65	0.70	0.75		
Coverage Range (calculated)	0.36	0.31	0.26	0.21	0.16	0.11		
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000



## Other things to know

Farms without a “production history” generally have to rely on county yields to set crop insurance guarantee

NY had record drought-related indemnities (over \$28 million) in 2016. Other than 2016 and 2012, cold weather and excess moisture were the major causes of loss.

Lenders like crop insurance!

Not all single crop insurance products are available in every county for every crop. A “written agreement” is an option in this case:

(<https://www.rma.usda.gov/pubs/rme/requestinginsurance.pdf>)

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](http://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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