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Crop Insurance in 2018: What you need to know

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.



Single Crop “Multi-Peril” Insurance

Most commonly, farmers buy crop insurance policies for one **single** crop at a time

Single crop policies are available as either **yield** or **revenue** insurance

In New York, single crop policies are available for:

Field crops: Barley, Dry Beans, Corn (silage and grain), Forage, Grain Sorghum, Oats, Soybeans, Wheat;

Vegetables: Cabbage, Green Beans (fresh and processing), Green Peas, Onions, Potatoes, Sweet Corn, Tomatoes;

Fruit: Apples, Grapes, Peaches, Tart Cherries.

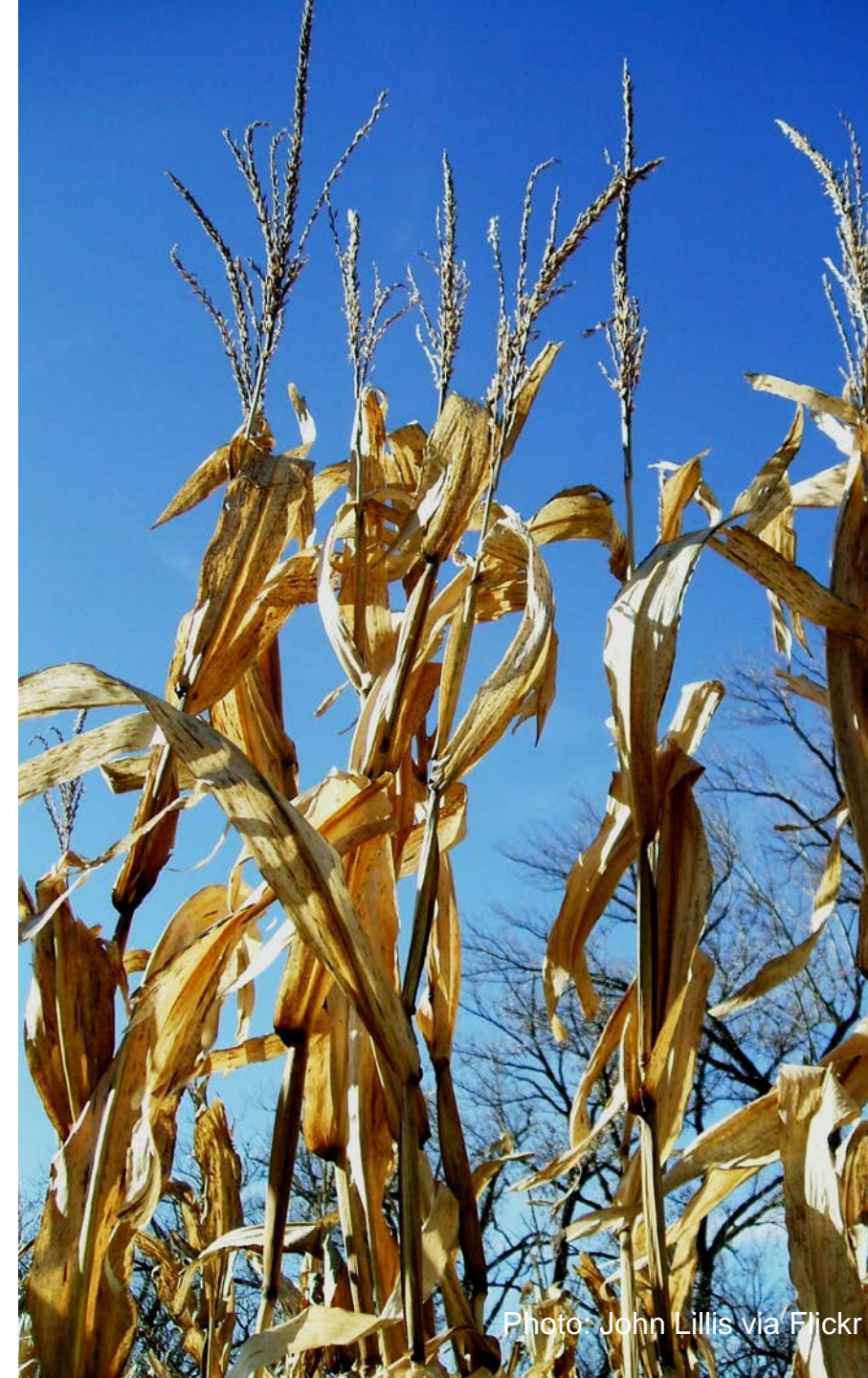


Photo: John Lillis via Flickr



What coverage level to buy?

Catastrophic or “CAT” level

- Cheapest option: free coverage with \$300 administrative fee
- Only provides an indemnity payment when the grower loses 50% or more of the harvest
 - Indemnity only covers 55% of insured price
- 12% of NY policies in 2017 were for CAT-level crop insurance
 - Indemnities are relatively rare

Buy-up

- Growers can choose to purchase more coverage, up to 85% of yields or revenues
- Premium subsidies decrease as coverage increases
- Coverage decisions balances higher premium costs with higher likelihood of indemnity when a covered yield or revenue loss occurs

Prevented Planting

What happens if I can't get my crop in? Or need to replant it?

Most policies include special provisions related to **prevented planting** and **replant**

(Exceptions: group risk policies like (GRP, GRIP, and ARPI) and catastrophic-level ("CAT") policies)

The **prevented planting guarantee payment** for most crops is typically 60% of the production guarantee purchased for "timely planted acreage"

In some cases higher prevented planting protection levels can be purchased

The **replant payment** is typically equal to the lesser of either (1) your actual costs of replanting or (2) a formula provided in your crop insurance policy

For example: for corn, the per-acre replant payment equals the projected price/bushel x 8 bushels

Pasture, Rangeland, and Forage (PRF)

PRF insures livestock growers against **lack of precipitation (rain or snow)** relative to historic levels

Using a grid system, USDA tracks precipitation in an area, and **sends payments automatically** when levels are low

Enables producers to buy feed when forage is limited

No record keeping required!

Important consideration: if you experience low rainfall in your fields but the grid rainfall levels are different, there is a chance you may not receive an indemnity

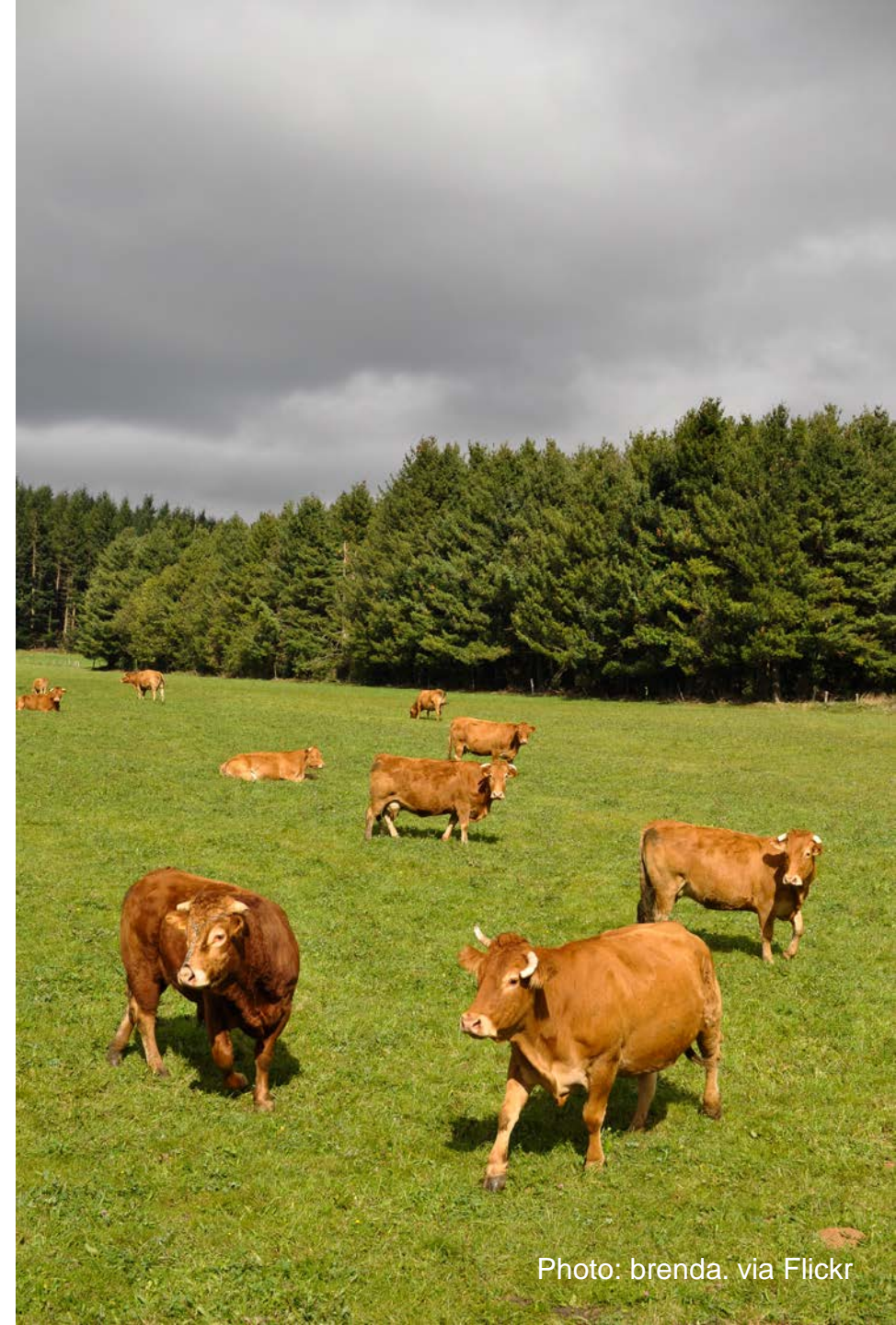


Photo: brenda. via Flickr

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



Insurance Options for Beekeepers

PRF insurance (which insures against drought or low precipitation) is available to beekeepers under the name **API**

Colonies are insured instead of acres, otherwise similar to PRF
3 policies sold in NY in 2017

Beekeepers can insure using **Whole Farm Revenue Protection**

Honey and colonies sold to other operations may be insurable, “rental activities” are not

Livestock and livestock products coverage is capped at \$1 million in revenue



New and updated crop insurance products

Malting Barley

- New endorsement allows malting barley growers to insure using a higher price than for feed barley
 - Up to 1.85 times the “projected price” for feed barley (2018 projected price for NY barley is \$3.29 or \$7.20 for organic)
 - Losses covered are not specific to malting house requirements, but are based general barely policy rules

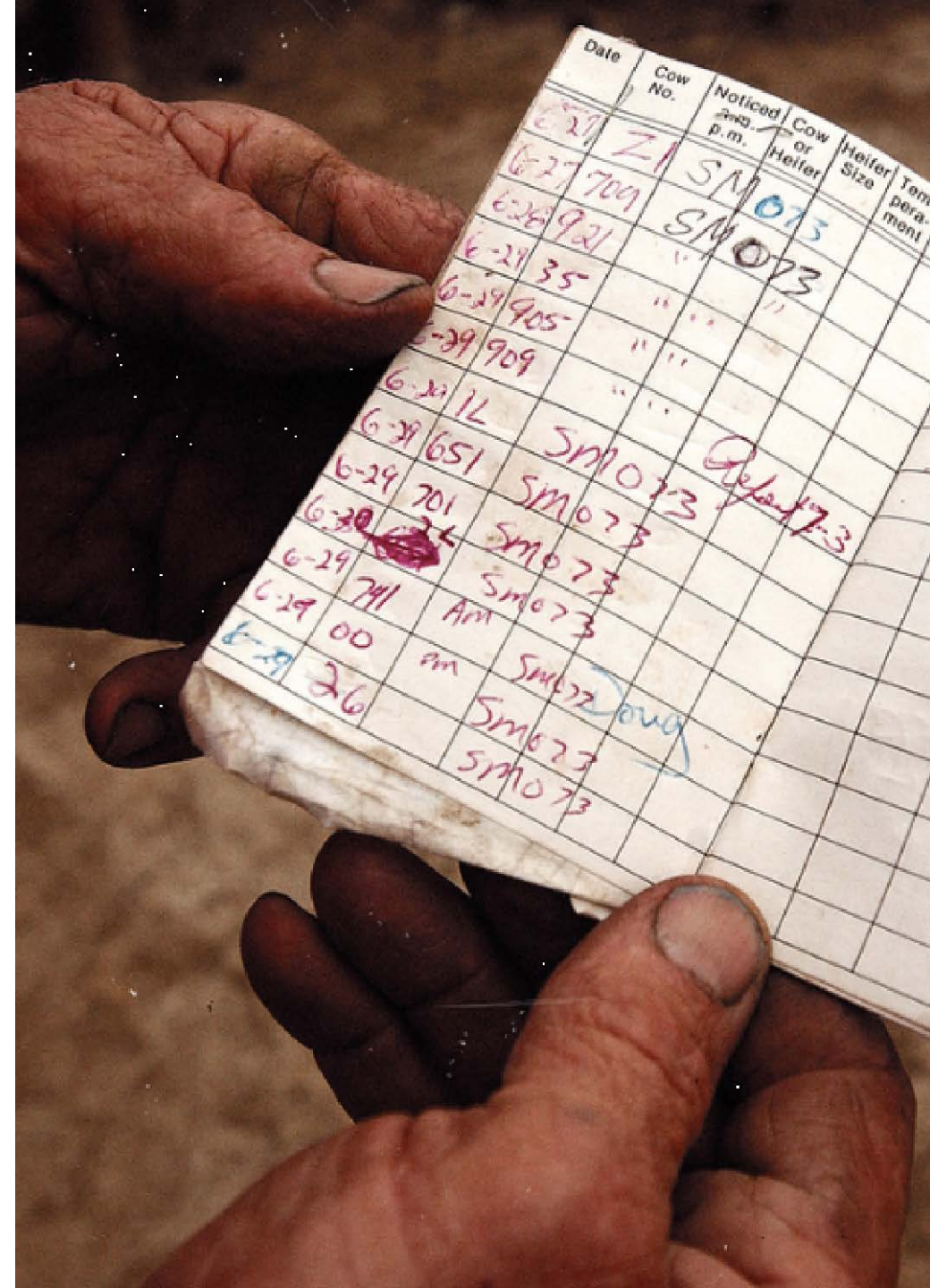
Cabbage

- As of 2016, “multi-peril” coverage for cabbage production expanded from 3 to 5 counties in New York:
 - Genesee
 - Monroe
 - Niagara
 - Ontario
 - Orleans

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

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

“Quality loss” indemnities are possible for many commodities grown in NY: for example damage to apples prevents selling in for fresh markets

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

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.

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