



# INSURING MALTING BARLEY

## New York Malting Barley Contract Option

### Example Quality Loss Scenarios

New York barley growers can now insure their malting barley production using the New York Malting Barley Contract Option. The Contract Option allows growers to buy coverage using or approaching their contract price for malting barley, but covers only those losses also covered by non-malting barley policies. What does that look like?

The following example shows how a decrease in marketability related to excess moisture can impact outcomes for a malting barley grower who carries a yield protection policy using the Contract Option.

### Yield Protection/Quality Loss Example



Farmer Melanie is growing 100 acres of malting barley. She buys a yield protection insurance policy at the 80% coverage level, based on her actual production history (APH) yield of 50 bushels/acre. This results in a yield guarantee of 40 bushels/acre ( $50 \times 80\% = 40$ ). She has a contract to sell the barley to a malting house for \$10/bushel.

Excess moisture results in yields of 45 bushels/acre. It also results in a 30% moisture level, and the barley is rejected by the malting house. Instead, Melanie must sell it for feed for \$4/bushel.

Melanie's yield loss alone would not be enough to trigger an indemnity payment, because her actual yield did not fall below 80% of her approved APH yield. However, because her policy contained a provision that protects against excess moisture, she can file a claim.

When farmers have a loss due to excess moisture, insurers use a formula to translate that loss in value into yield-loss terms. The rules for excess moisture say that production will be reduced by .12% for each .1 percentage point of moisture in excess of 14.5%. Melanie's moisture level is 15.5 percentage points in excess of that level, meaning her total production will be reduced by 18.6%, bringing her adjusted production-to-count down to 36.6 bushels/acre, which is 3.4 bushels less than her acre guarantee of 40 bushels/acre.

Melanie will receive an indemnity that pays her \$6.08/bushel (RMA capped the contract price at approximately \$6.08/bu in 2018 CY) for her 3.4 bushel loss per acre on each of her hundred acres, for a total of \$20.67/acre or \$2,067 overall.

Melanie's total **expected gross revenue** from the barley crop was: **\$50,000**

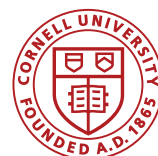
**Without crop insurance**, she would have earned: **\$18,000**

**With crop insurance**, her gross revenue will be: **\$18,872**

**Crop insurance premium costs** vary based on location, production history, coverage selected, and other factors. For Cortland county in 2018, the approximate premium for Melanie's yield protection policy is: **\$1,195**

**Note:** the New York Malting Barley Contract Option does not cover quality loss related directly to malting quality. Only quality losses that would also be covered for non-malting barley are covered. The fact that, in this scenario, the malting house rejected the barley is irrelevant in terms of coverage.

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| By the Numbers  |  |
|-----------------|--|
| <b>30%</b>      | Moisture content of Farmer Melanie's barley  |
| - <b>14.5%</b>  | Maximum okay moisture level  |
| <hr/>           |  |
| <b>15.5%</b>    | Excess moisture content  |
| ÷ <b>0.1%</b>   | "Production will be reduced by .12 percent for each .1 percentage point of moisture in excess of..." |
| <hr/>           |  |
| <b>155</b>      | Total times to reduce production by factor below   |
| x <b>.12%</b>   | Production reduction factor  |
| <hr/>           |  |
| <b>18.6%</b>    | Percentage by which to reduce production level   |
| x <b>45</b>     | Production-to-count  |
| <hr/>           |  |
| <b>8.4</b>      | Quality loss counted as production loss  |
| <hr/>           |  |
| <b>45</b>       | Production-to-count  |
| - <b>8.4</b>    | Quality loss counted as production loss  |
| <hr/>           |  |
| <b>36.6</b>     | Adjusted production-to-count   |
| <b>50</b>       | County average yield per acre  |
| x <b>.80</b>    | Coverage level   |
| <hr/>           |  |
| <b>40</b>       | Acre guarantee   |
| - <b>36.6</b>   | Adjusted production-to-count   |
| <hr/>           |  |
| <b>3.4</b>      | Loss per acre  |
| x <b>\$6.08</b> | Contract price   |
| <hr/>           |  |
| <b>\$20.67</b>  | Indemnity per acre   |

### Find an Agent

Ask a neighbor for a recommendation or use the Agent Locator tool at [rma.usda.gov/en/Information-Tools/Agent-Locator-Page](http://rma.usda.gov/en/Information-Tools/Agent-Locator-Page)

### Learn More

Find crop insurance information and interactive tools at [agriskmanagement.cornell.edu](http://agriskmanagement.cornell.edu)

