

FROM SEED TO SECURED: CROP INSURANCE FOR SMALL GRAINS



A REPORT BY KATE HANSEN,
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FROM SEED TO SECURED: CROP INSURANCE FOR SMALL GRAINS

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From Seed to Secured: Crop Insurance for Small Grains

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TABLE 1. NUMBER OF FARMS PRODUCING SELECT SMALL GRAINS, 2017

	Oats for grain	Rye for grain	Wheat for grain	Barley for grain
Nebraska	475	271	3,615	27
Iowa	1,380	206	219	31
Minnesota	2,532	404	4,284	552
Kansas	399	111	15,658	56
South Dakota	690	105	2,832	67
North Dakota	714	120	8,197	1,470

I. INTRODUCTION

Some farmers in the Midwest and Great Plains opt to grow small grains as part of their operations. Their reasons range from conservation benefits to the requirements of organic certification to local markets they have identified.

However, while small grains do have benefits on the landscape, they come with associated risks. To manage that risk, one tool available to farmers is federal crop insurance.

Many farmers are familiar with insurance for crops such as corn and soybeans, but fewer are aware of the options available for small grains.

This report addresses that uncertainty and demystifies the federal crop insurance process for insuring small grains. If one insurance option is not available in a farmer’s county, this resource will explain second and third options. The guide also highlights stories of a farmer and a crop insurance agent with experience with select programs.

According to the U.S. Department of Agriculture’s Risk Management Agency (RMA), small grains are insurable if they:

- Are grown for harvest as grain, not forage;
- The farmer has a share;
- Premium rates are provided by actuarial documents, and;
- The crop is grown on insurable acreage.

In other words, many small grains should be insurable. However, the options available to a farmer, as described below, depend upon a number of factors—most importantly their county. Federal crop insurance is a public-private partnership in which private insurance providers and insurance agents sell federally-administered policies. A farmer’s crop insurance agent will work closely with them and is the best resource to determine individual eligibility.

First, this guide will detail the Multi-Peril Crop Insurance (MPCI) process, what crops are eligible for it, and where they are eligible. If MPCI coverage is available for a small grain in a farmer’s county, this will likely be the first choice due to its established nature.

If MPCI coverage is not available in a county, farmers can apply for coverage by a written agreement. The second section will explain the process, timeline, and eligibility requirements for this option.

Finally, this report will introduce Whole Farm Revenue Protection, under which small grains can be insured in an alternative style, as well as the landscape of private policies offered by many crop insurance agents.

II. SMALL GRAINS IN THE HEARTLAND

While less common than crops such as corn or soybeans, small grains are produced by thousands of operations across the Heartland. Thus, thousands of farmers might be interested in coverage for their small grains if the right insurance product were available.

The Census of Agriculture is conducted every five years and is arguably the most comprehensive record of agricultural production nationwide. Table 1 above and Table 2 on page 2 outline the number of farms and acres producing select small grains for a handful of states.¹

1 “2017 Census of Agriculture, United States Summary and State Data, Volume 1, Geographic Area Series, Part 51.” U.S. Department of Agriculture, National Agricultural Statistics Service, April 2019, nass.usda.gov/Publications/AgCensus/2017/Full_Report/Volume_1,_Chapter_1_US/usv1.pdf. Accessed August 2021.

TABLE 2. ACRES OF SELECT SMALL GRAINS, 2017

	Oats for grain	Rye for grain	Wheat for grain	Barley for grain
Nebraska	34,136	19,082	1,060,786	2,518
Iowa	36,580	5,550	9,086	1,157
Minnesota	84,616	20,301	1,197,036	67,521
Kansas	25,256	18,031	7,003,948	3,816
South Dakota	67,183	14,136	1,261,014	11,546
North Dakota	84,981	17,535	6,385,595	446,974

III. INSURING WITH AVAILABLE MULTI-PERIL CROP INSURANCE

Arguably the most straightforward way to insure small grains with federal crop insurance is with an available MPCCI policy. MPCCI is the most common form of federal crop insurance administered by RMA. Farmers who use crop insurance are likely familiar with MPCCI for other crops, such as corn and soybeans.

In select counties, multi-peril coverage is available for small grains, such as oats, wheat, barley, and rye. See Figures 1 through 4 on page 3 for maps detailing available small grains policies in select states in 2021.^{2,3,4,5}

Multi-peril coverage will protect in the case of a number of natural perils, including adverse weather conditions (freeze, wind, drought, excess precipitation, etc.), failure of the irrigation water supply, fire, and insects or plant disease.

Two common types of MPCCI are yield protection and revenue protection.

Yield protection covers losses based on any of the perils described above that decrease yields below a certain threshold.

2 “Commodity Programs, 2021, Oat.” U.S. Department of Agriculture. 2021. prodwebnlb.rma.usda.gov/apps/mapviewer/index.html. Accessed September 2021.

3 “Commodity Programs, 2021, Rye.” U.S. Department of Agriculture. 2021. prodwebnlb.rma.usda.gov/apps/mapviewer/index.html. Accessed September 2021.

4 “Commodity Programs, 2021, Wheat.” U.S. Department of Agriculture. 2021. prodwebnlb.rma.usda.gov/apps/mapviewer/index.html. Accessed September 2021.

5 “Commodity Programs, 2021, Barley.” U.S. Department of Agriculture. 2021. prodwebnlb.rma.usda.gov/apps/mapviewer/index.html. Accessed September 2021.

Revenue protection covers the same natural perils, and also protects against revenue reduction. This is determined by a comparison of a spring price and a fall price. If the fall price falls below the spring price and triggers a claim based on the producer’s coverage level, then the farmer may be eligible for an indemnity payment.

The availability of these policies, and others, is also dependent on location and crop. For example, coverage for wheat and barley is generally available via revenue protection, yield protection, and other options. Yield protection has historically been the main option for oats. In addition to consulting the maps included in this guide, farmers should talk with their crop insurance agents about the specific availability in their counties.

When the time to pay a premium comes around, farmers will see a lower cost than what their coverage is actually worth. This is because MPCCI policies are federally subsidized. Subsidies vary by level of coverage, meaning lower levels of coverage receive higher subsidies, and vice versa.

A. POLICY DETAILS

To purchase MPCCI, farmers must demonstrate their operations’ yield histories, also known as their **Actual Production History (APH)**. The APH is an average of a minimum of four years, maximum of 10 years, of yield history.

Farmers who do not have yield history will use county transitional yields, or **T-yields**, until they build up their own APHs. Each year a crop is harvested, one year of T-yields will be replaced with one of their actual yields, until their average is a full four years of their own yields. T-yields are calculated by averaging the actual yields reported for the crop in the county or area.

FIGURE 1. INDIVIDUAL CROP INSURANCE PLANS AVAILABLE BY COUNTY FOR OATS, 2021

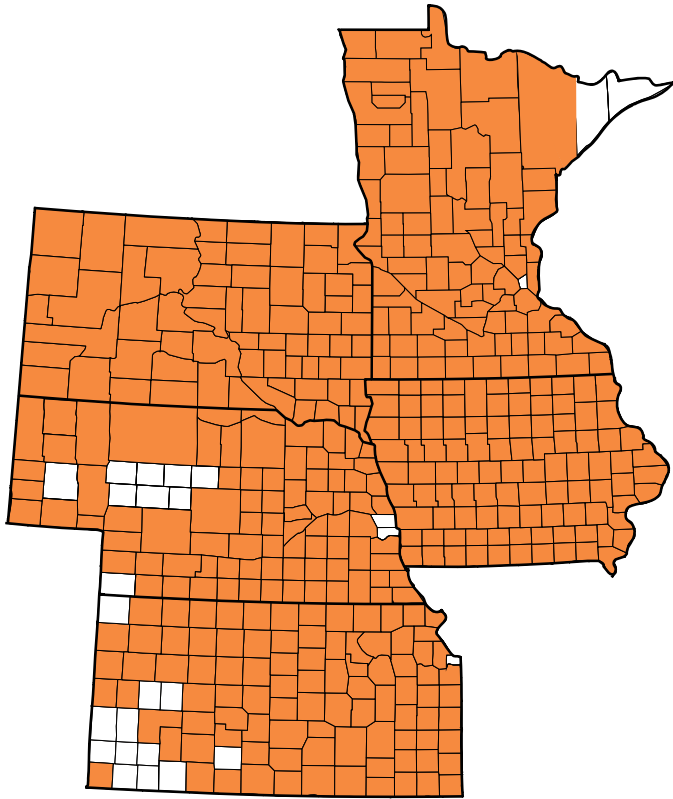


FIGURE 3. INDIVIDUAL CROP INSURANCE PLANS AVAILABLE BY COUNTY FOR WHEAT, 2021

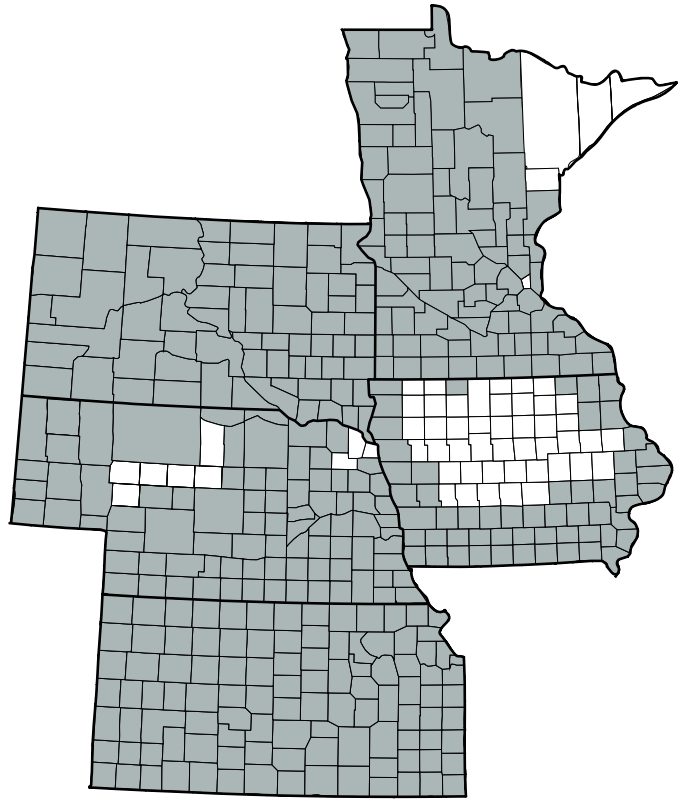


FIGURE 2. INDIVIDUAL CROP INSURANCE PLANS AVAILABLE BY COUNTY FOR RYE, 2021

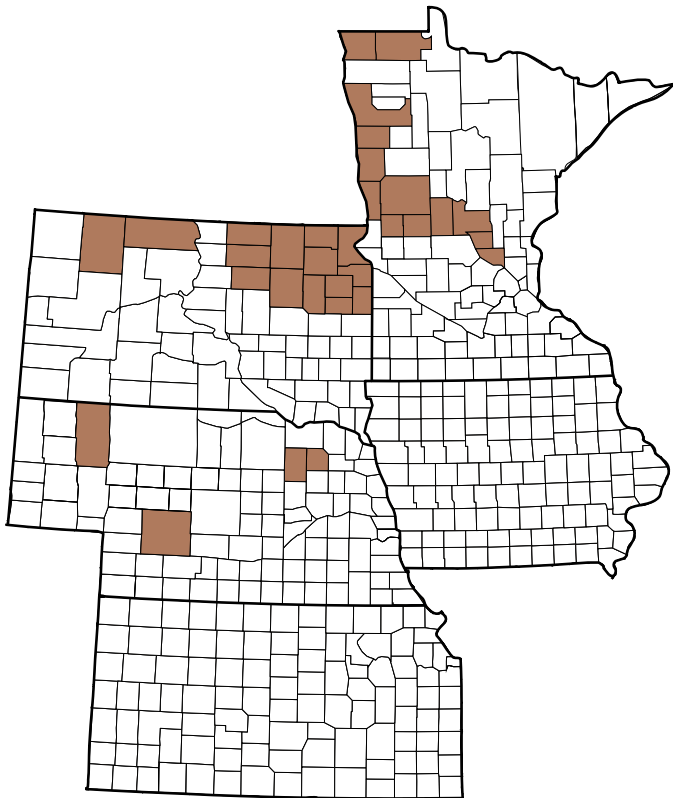
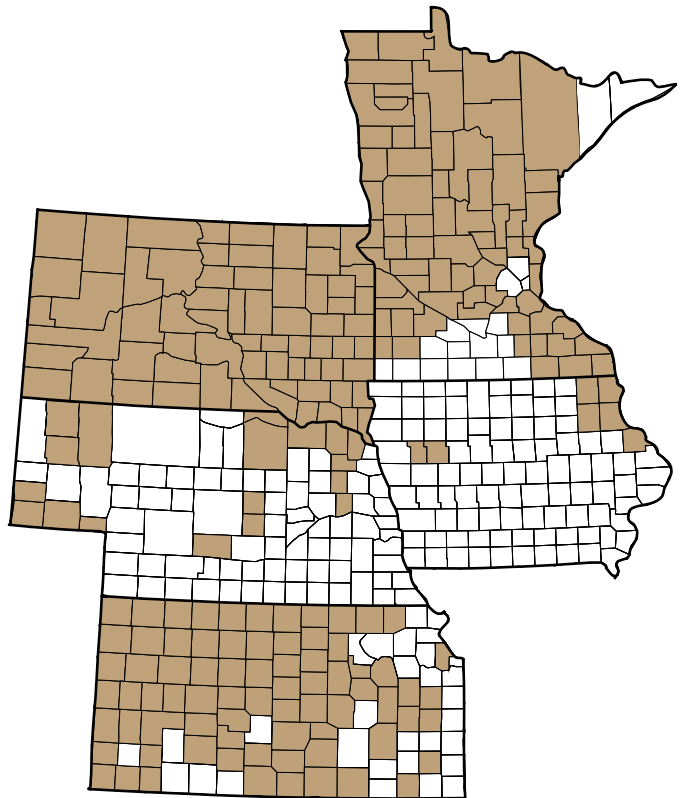


FIGURE 4. INDIVIDUAL CROP INSURANCE PLANS AVAILABLE BY COUNTY FOR BARLEY, 2021





If a multi-peril policy is available for a farmer’s small grains, it will likely be their first choice for coverage due to its established nature. | Photo by Rhea Landholm

TABLE 3. PREMIUM SUBSIDY BY COVERAGE LEVELS, BARLEY AND WHEAT, 2021

Coverage level	50%	55%	60%	65%	70%	75%	80%	85%
Premium subsidy	67%	64%	64%	59%	59%	55%	48%	38%
Producer’s premium share	33%	36%	36%	41%	41%	45%	52%	62%

Prices per unit, such as price per bushel, are set by RMA and factored into certain coverage products, particularly revenue protection. A **spring price** will be set in the spring, followed by a fall price. If the fall price is lower than the spring price, those covered by revenue protection may see a claim triggered.

Further, **multi-peril coverage is available between 50% and 85%**, in increments of 5%. A farmer and their crop insurance agent should discuss what coverage level is right for their unique operation. As the coverage level increases, so does the premium price owed by the farmer because, as coverage increases, the amount of liability increases, meaning the farmer can get a larger indemnity. Also, the portion of the premium subsidized by the government decreases when the coverage level increases. See Table 3 for barley and wheat examples.⁶

6 “Small Grains: Barley and Wheat.” U.S. Department of Agriculture, Risk Management Agency, June 2021, rma.usda.gov/en/Fact-Sheets/National-Fact-Sheets/Small-Grains---Barley-Wheat. Accessed August 2021.

While some farmers opt for the highest coverage levels, others find that lower percentages meet their needs, often alongside other risk management strategies.

A producer’s **guarantee**, or insurance coverage, takes all of these metrics into account and is in units of dollars per acre. For a revenue protection policy, the equation is:

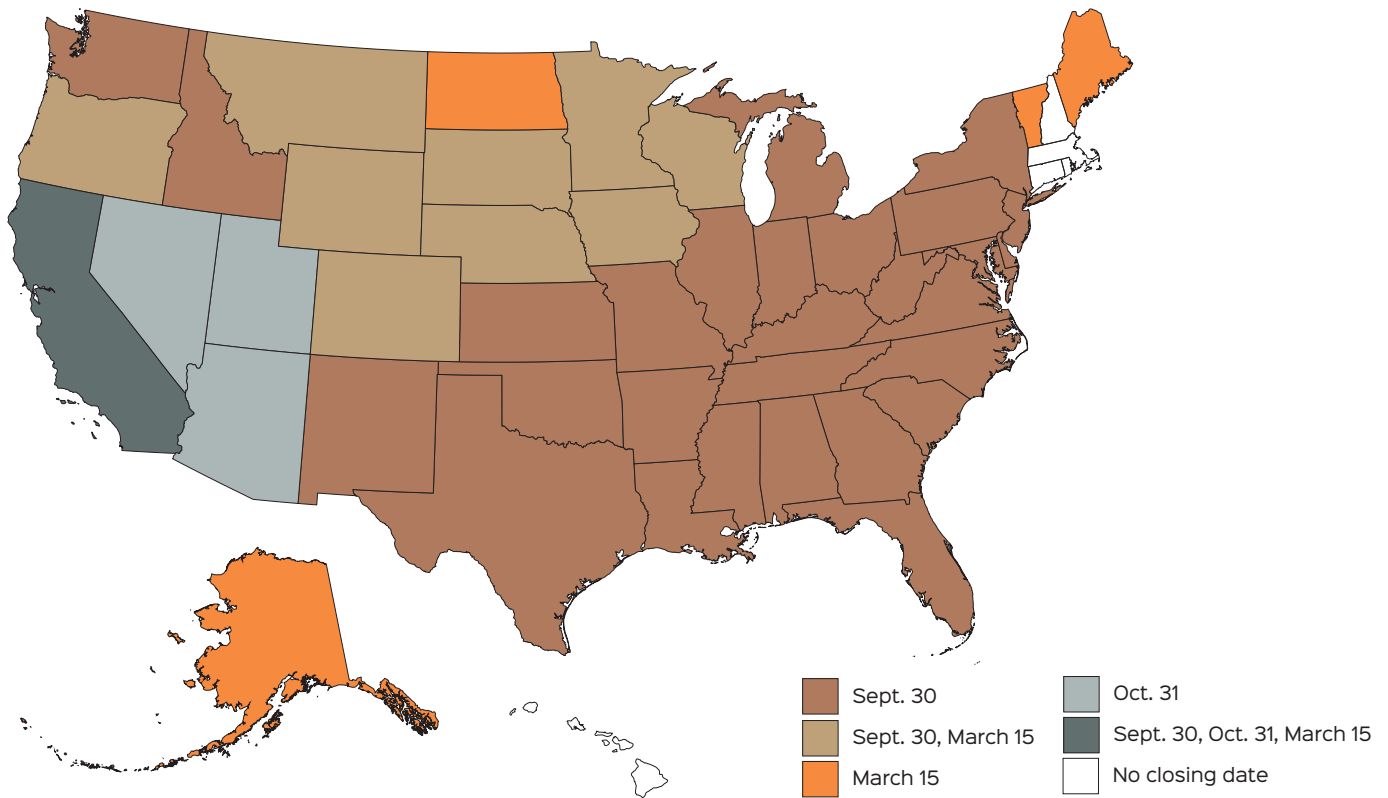
• **Spring price x APH x coverage level = guarantee**

To calculate a claim, final yields multiplied by the fall price is subtracted from the guarantee described above, also in dollars per acre. That equation is:

• **Guarantee - (harvested crop x fall price) = claim**

Finally, the number of insured acres will be factored in. That number will be dependent upon the **unit type** that has been selected for the policy. In essence, which unit type is used will affect how an operation is split up and analyzed in the event of a loss.

FIGURE 5. SALES CLOSING DATES FOR WHEAT, 2021



On one end of the spectrum, **enterprise units** combine all acres of a crop within a county. This unit type is generally cheaper due to higher subsidy rates. With all production averaged together, this means one field that does poorly may be offset by a field that does well and does not trigger a claim.

On the other end of the spectrum, **optional units** are based by land, within a section, and break the operation up into smaller parts. While they are generally higher in cost, optional units are evaluated independently, and may be more likely to trigger a claim in the event of a loss.

Like other factors, unit type availability is dependent upon what is being grown and where. Making this decision during the process is unique to each operation, and possible scenarios should be discussed with a crop insurance agent before purchasing a policy.

B. MORE TO CONSIDER

While small-grains coverage with MPCl is similar to that for other crops, one notable exception is the timeline. **Sales closing dates**, or the date by which a farmer must be signed up for a crop insurance policy, may differ from those for other crops they insure. In Figure 5, see an example for the sales closing dates for wheat in 2021.⁷

Other important dates include the **acreage reporting** deadline—when planted acres must be reported by—and the **premium due date**. Farmers interested in buying small grain crop insurance should communicate with their agents about relevant deadlines, and should not assume dates are the same as those for their other crops.

⁷ “Commodity Programs, 2021, Barley.” U.S. Department of Agriculture. 2021. prodwebnlb.rma.usda.gov/apps/mapviewer/index.html. Accessed September 2021.



C. FARMER CASE STUDY: GARY MEEMKEN

Gary Meemken grows corn, soybeans, and wheat in Clitherall, Minnesota. Typically, 20% to 30% of his acres produce wheat each year. He also uses extensive conservation practices, such as cover crops and conservation tillage.

Gary insures his wheat with MPC I. The primary peril of concern in his area is drought, and, to a lesser extent, hail.

He typically insures to a 70% to 75% level, and over the years has built up his own APH. That means when he purchases revenue coverage, he is insuring 70% to 75% of the revenue he would generate according to his average yields.



Gary Meemken grows corn, soybeans, and wheat in Minnesota. He insures his wheat with MPC I and uses extensive conservation practices, such as cover crops and conservation tillage. Gary is pictured with his wife, Teresa. | Photo courtesy of West Otter Tail Soil and Water Conservation District

“ I purchase crop insurance as a tool for protecting my finances. You have so much invested in your seed inputs, fertilizer inputs, land rent, and more. ”
-Gary Meemken

Gary insures his corn and soybeans with the same type of coverage. He said the process is straightforward for him, and he doesn't notice any additional steps or hassle with insuring his wheat.

Gary uses rye as a cover crop, but from time to time, he grows it for grain. In those years, he buys MPC I for the rye as well. However, he has not built up his APH, and therefore relies on county averages to calculate his coverage. In his case, the local T-yields are relatively low for rye, and his policies would require a significant loss to trigger a claim.

Gary has purchased private policies to supplement his multi-peril coverage.

“ I have in the past bought hail insurance, but, my personal belief is that I'm better off buying up a higher percentage of the multi-peril coverage. ”
-Gary Meemken

D. MALTING BARLEY ENDORSEMENT

Finally, for farmers growing barley for malting, a unique option is available. The Malting Barley Endorsement (MBE) is a feature, or **option**, that can be added on to an MPCI policy.

This endorsement provides additional quality protection by incorporating projected and harvest prices based on a producer's contracts, instead of using the spring and fall prices set by RMA. If a producer elects to purchase the MBE, then all of their malting type barley acreage in the county must be insured with it.

The endorsement is available for both revenue or yield protection, but only in select counties in the following states:

- Alaska,
- Colorado,
- Idaho,
- Minnesota,
- Montana,
- Nebraska,
- North Dakota,
- Ohio,
- Oregon,
- South Dakota,
- Washington, and
- Wyoming.

Most barley varieties should be eligible. RMA will accept varieties approved by the American Malting Barley Association for the same crop year.

According to RMA, insured acreage can qualify for two types of quality adjustment:⁸

1. Quality adjustment for rejected malting barley

- › Production under malting barley contracts may be adjusted based upon the failure to meet quality stated in the contract specifications.
- › Production under malting barley price agreements may be adjusted upon the failure to meet the malting barley quality specifications in the Special Provisions.
- › Production under malting barley seed contracts is not eligible for the additional quality adjustment under the MBE. Malting barley seed is only eligible for quality adjustment as specified under (2) below.

Eligible contracted malting barley production rejected by the buyer is reduced by multiplying the amount of the production by the local market price, as defined in the MBE, divided by the harvest price determined in accordance with section 4 of the MBE.

2. Quality adjustment in accordance with the Small Grains Crop Provisions

- › Malting barley production that has been reduced as described in (1) above, plus all production under a malting barley seed contract, is eligible for quality adjustment under the terms of the Small Grains Crop Provisions.
- › All samples of production used to determine quality deficiencies under the MBE must be obtained in accordance with the Quality Adjustment Statements of the Special Provisions not later than 90 days after the end of the insurance period; otherwise such production will not be adjusted for quality.
- › All quality deficiencies based on the timely obtained samples must be determined no later than the spring sales closing date of the calendar year immediately following the calendar year in which the insured malting barley is normally harvested. Damage that occurs after the end of the insurance period is not covered.

⁸ "Malting Barley Endorsement." U.S. Department of Agriculture, Risk Management Agency, June 2020, [rma.usda.gov/en/Fact-Sheets/National-Fact-Sheets/Malting-Barley-Endorsement](https://www.rma.usda.gov/en/Fact-Sheets/National-Fact-Sheets/Malting-Barley-Endorsement). Accessed August 2021.

“A [WRITTEN AGREEMENT] IS A DOCUMENT DESIGNED TO PROVIDE CROP INSURANCE FOR INSURABLE CROPS WHEN COVERAGE OR RATES ARE UNAVAILABLE, OR TO MODIFY EXISTING TERMS AND CONDITIONS IN THE CROP INSURANCE POLICY WHEN SPECIFICALLY PERMITTED BY THE POLICY.”

-Written Agreement Handbook, 2019 and Succeeding Crop Years

Furthermore, if the barley can be increased by conditioning, the producer can be compensated for the cost of the conditioning. The cost cannot be greater than the discount received had the barley been sold without conditioning.

If interested in this option, producers must sign up by the sales closing date when they decide on the next year’s coverage. However, this does not mean they must have contracts in hand at that time. Contracts will not be required by the agent until the acreage reporting deadline a few months later. In other words, signing up by the sales closing date is simply leaving the door open to potentially use it later.

Further, in counties with both fall and spring sales closing dates, an MBE can be used until the spring sales closing date, but only if the same producer has no fall-planted acreage of malting barley. In other words, the MBE can be used on a year-to-year basis.

IV. INSURING BY WRITTEN AGREEMENT

If an MPCCI program is not available for a specific crop in a farmer’s county, they may be able to secure individual coverage by applying for a written agreement through their insurance agent. Some counties do not offer insurance for some crops because so few farmers grow the crop in the area. This makes it difficult to calculate rates and yields needed to offer these programs. However, written agreements offer a chance for farmers in these areas to get the coverage they need for their operations.

There are various types of written agreements, but generally the producer and their agent will apply by submitting a Request for Actuarial Change.

Most often for small grains, requesting coverage by written agreement means coverage from another county is being extended to the farmer’s county. For this type of coverage, the application process

will require information on the other county’s policy, estimated planting and harvest dates, and three years of the producer’s own production history, among other details. If yield history is not available, a farmer may be able to submit production history for a similar crop.

The timeline for applying for a written agreement is unique. If accepted, coverage begins at the later of the two dates—when the producer’s application is accepted by RMA, or when the crop is planted.

For example, for wheat and barley, coverage ends with the earliest occurrence of any of the following:

- Total destruction of the crop,
- Harvest of the crop,
- Final adjustment of loss, or
- Abandonment of the crop.

Or:

- July 31 for Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee;
- Aug. 31 for Virginia;
- Sept. 25 for Alaska; or
- Oct. 31 for all other states.⁹

The counties and regions where traditional crop insurance is available are shaped by local demand. In addition to providing coverage, filing a written agreement is also a tangible way to document interest for small grains coverage in your area, if it is not already available.

⁹ “Small Grains: Barley and Wheat.” U.S. Department of Agriculture, Risk Management Agency, June 2021, rma.usda.gov/-/media/RMA/Fact-Sheets/National-Fact-Sheets/Small-Grains-Barley-and-Wheat.ashx?la=en. Accessed September 2021.



A. AGENT INTERVIEW: SCOTT PHILLIPS

Scott Phillips is a crop insurance agent in Pleasanton, Nebraska. He has years of experience with both conventional and organic operations, as well as pasture, rangeland, and forage coverage. He answered questions about the written agreement process.

Q: Why would someone need to apply for coverage by written agreement?

A: RMA operates by county, almost exclusively. If you have a program offered in your county, you have the ability to use it. If you don't have one, then you've got to look outside your county and start asking permission to use [another] county's details.

Q: Why are MPCI policies available in some counties, and not others?

A: To assess coverage, RMA has to see some history, experience, or data with that crop in that particular area. If they don't have any historical data, they have no idea what rate to set in that particular area—what they need to charge the farmer to have it actuarially sound, to pay a loss.

Those rates are based on yields and loss data. So, they need to know, in a 10-year or 100-year period, how often is an oat crop going to be wiped out? Or damaged 50%? Then, they do the math to say, "if it's going to be wiped out this frequently, we need to charge this rate." At least that's the way I understand it.

Q: Should a producer include letters of support in their application?

A: There are so many types of written agreements. New rules regarding written agreements require letters of support for certain types; however, your agent will be able to identify what is required. For these cases, you provide documentation by a third party to verify what you are asking for. Without it, the written agreement would not get approved.

Q: How many written agreements have you seen or worked on over the years?

A: I have very few in my area, but we do one or two here and there. You may see more in an area that is maybe marginal for corn and soybeans, so they want to try something else on that ground. It's usually a different type of crop when we're talking about written agreements.



Scott Phillips, a crop insurance agent in Pleasanton, Nebraska, has years of experience with both conventional and organic operations, as well as pasture, rangeland, and forage coverage. | Photo submitted

Q: Is it beneficial to base an application on coverage in a nearby county? Specifically a contiguous county, i.e., one that shares a border with the one in question?

A: Several years ago, an organic farmer wanted to do black beans. We started looking and the closest county with any actuarial information was pretty far west. It seemed like it was more difficult since it wasn't a contiguous county. But, I can't say that for sure.

Q: When should a producer inquire with their agent about a written agreement?

A: It will vary based on what type of written agreement you ask for, but time is definitely of the essence. As early as possible... I'm talking about at least 30 if not 60 days prior to the sales closing date. Any day a person could start.

Q: Anything else to keep in mind?

A: There's such a variety of written agreements. Written agreement is a more general term. The agent will have a handbook explaining each one.

TABLE 4. MINIMUM COMMODITY COUNT REQUIRED BY COVERAGE LEVEL, WHOLE FARM REVENUE PROTECTION

Coverage level	Minimum required # of commodities
85%	3
80%	3
75%	1
70%	1
65%	1
60%	1
55%	1
50%	1

V. WHOLE FARM REVENUE PROTECTION

Small grains are also eligible to be insured by RMA’s **Whole Farm Revenue Protection (WFRP)**. Often referred to as Whole Farm, WFRP takes a different approach from MPCCI and other policies by covering the revenue of an entire operation, rather than basing coverage on yields or harvest.

If a farmer purchasing WFRP grows small grains, revenue from that crop will be factored into their total revenue for the year. In other words, Whole Farm is another option for insuring small grains that are not otherwise insurable in a farmer’s county with MPCCI. Other eligible commodities include organic crops, fruits, vegetables, nuts, specialty grains, and livestock. WFRP will not cover timber, forest, forest products, and animals for sport, show, or pets.

Due to its unique structure, Whole Farm coverage is calculated not by past yield histories, but by tax documents—five years of the Schedule F form. Some exceptions exist, such as for beginning and veteran farmers, who may qualify with three consecutive years or other documentation. This also means that the WFRP timeline differs from other federal crop insurance.

TABLE 5. WHOLE FARM REVENUE PROTECTION POLICIES SOLD NATIONWIDE, 2015 TO 2021

Year	Policies sold
2015	1,128
2016	2,268
2017	2,834
2018	2,527
2019	2,219
2020	2,066
2021	1,944

While MPCCI users report their yields around harvest time, and in the event of a loss could expect a check later that same year, Whole Farm claims are finalized after the producer’s taxes are finished in the spring.

Like MPCCI, Whole Farm coverage is available between 50% and 85%, in 5% intervals. The highest coverage levels are only available for diverse operations insuring at least three crops. See Table 4.¹⁰ Also like MPCCI, premiums are federally subsidized, with an additional whole-farm subsidy for policies covering at least two commodities.

Finally, WFRP is one of the newest federal crop insurance options, and was first made available in 2015. See Table 5.¹¹ As such, it is classified as a pilot program, meaning it is still being adjusted to better serve its users.

10 “Whole Farm Revenue Protection.” U.S. Department of Agriculture, Risk Management Agency, August 2019, rma.usda.gov/en/Fact-Sheets/National-Fact-Sheets/Whole-Farm-Revenue-Protection. Accessed September 2021.

11 “Summary of Business.” U.S. Department of Agriculture, Risk Management Agency, rma.usda.gov/SummaryOfBusiness. Accessed August 2021.

VI. PRIVATE POLICIES

In addition to the federal crop insurance policies, crop insurance agents and their companies offer a number of private policies. In many cases, these policies are intended to supplement federal crop insurance with additional coverage, such as wind, hail, and fire. For example, a farmer in a region where fire is a serious concern may opt for private coverage in addition to MPCCI coverage.

Agents who sell federal crop insurance operate under companies designated as Approved Insurance Providers (AIP). Presently, there are 13 AIPs nationwide, each with its own network of agents and insurance companies. Private products are offered by these companies, and not otherwise affiliated with RMA.

Unlike federal crop insurance, where metrics and options are standardized nationwide, private policies vary. Each company's private policies, offerings, and timelines are unique. If interested, producers should speak to their crop insurance agents for more details about their specific options.

About the Center for Rural Affairs

Established in 1973, the Center for Rural Affairs is a private, nonprofit organization with a mission to establish strong rural communities, social and economic justice, environmental stewardship, and genuine opportunity for all while engaging people in decisions that affect the quality of their lives and the future of their communities.